

CITY OF ATHOL

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Year Ended September 30, 2013

Prepared by

Anderson Bros. CPA's, P.A.

Post Falls, ID

CITY OF ATHOL

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CITY OF ATHOL, IDAHO

ORGANIZATION

SEPTEMBER 30, 2013

MAYOR

Lanny Spurlock

CITY COUNCIL

Shane McDaniel
Mark Dane
Lewis Miller
Darla Kuhman

CITY CLERK

Sally Hansen

MAINTENANCE

Stephen Williams



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Athol, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Athol, Idaho, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Athol, Idaho, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 23 through 24, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion & Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 15, 2015, on our consideration of the City of Athol, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Athol's internal control over financial reporting and compliance.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho
July 15, 2015

CITY OF ATHOL
Statement of Net Position
September 30, 2013

	Government Activities	Business-Type Activities	Total
A S S E T S			
Current Assets:			
Cash & Investments	\$ 94,170	338,186	432,356
Receivables:			
Property Taxes	8,419	-	8,419
Accounts Receivable (net)	-	10,355	10,355
Due from Other Governments	16,827	-	16,827
Prepaid Expenses	2,191	1,096	3,287
Total Current Assets	121,607	349,637	471,244
Land	135,519	69,054	204,573
Capital Assets	384,588	1,275,295	1,659,883
Accumulated Depreciation	(163,380)	(621,766)	(785,146)
Total Capital Assets	356,727	722,583	1,079,310
Other Assets:			
Interfund Balances	(82,818)	82,818	-
Total Other Assets	(82,818)	82,818	-
Total Assets	\$ 395,516	1,155,038	1,550,554
L I A B I L I T I E S			
Current Liabilities:			
Accounts Payable	\$ 3,560	3,275	6,835
Payroll, Benefits, and Taxes Payable	4,854	714	5,568
Total Current Liabilities	8,414	3,989	12,403
Long-Term Liabilities			
Total Liabilities	-	-	-
Total Liabilities	8,414	3,989	12,403
N E T P O S I T I O N			
Net Investment in Capital Assets	356,727	722,583	1,079,310
Restricted	-	-	-
Unrestricted	30,375	428,466	458,841
Total Net Position	\$ 387,102	1,151,049	1,538,151

See accompanying notes to financial statements and independent auditors' report.

CITY OF ATHOL
Statement of Activities
Year Ended September 30, 2013

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 69,171	-	-	-	(69,171)	-	(69,171)
Highways and Streets	73,442	-	-	-	(73,442)	-	(73,442)
Depreciation - Unallocated	26,749	-	-	-	(26,749)	-	(26,749)
Total Governmental Activities	169,362	-	-	-	(169,362)	-	(169,362)
Business-type Activities							
Water Service	96,958	72,996	-	-	-	(23,962)	(23,962)
Total Business-type Activities	96,958	72,996	-	-	-	(23,962)	(23,962)
Total Activities	\$ 266,320	72,996	-	-	(169,362)	(23,962)	(193,324)
General Revenues:							
Property Taxes					85,600	-	85,600
Other Governmental					106,672	-	106,672
Licenses and Permits					1,330	-	1,330
Interest Earnings					759	-	759
Rents					2,583	-	2,583
Other Revenues					3,933	-	3,933
Total General Revenues and Transfers					200,877	-	200,877
Change in Net Position Before Extraordinary Items					31,515	(23,962)	7,553
Extraordinary Items:							
Employee Embezzlement					(105,987)	-	(105,987)
Change in Net Position After Extraordinary Items					(74,472)	(23,962)	(98,434)
Net Position- Beginning					461,574	1,175,011	1,636,585
Net Position- Ending					\$ 387,102	1,151,049	1,538,151

See accompanying notes to financial statements and independent auditors' report.

CITY OF ATHOL
Balance Sheet
Governmental Funds
September 30, 2013

	General Fund	Street Fund	Total
ASSETS			
Cash & Investments	\$ 93,910	260	94,170
Receivables:			
Property Taxes	8,419	-	8,419
Other Governments	11,266	5,561	16,827
Interfund Balances	-	(82,818)	(82,818)
Total Assets	<u>\$ 113,595</u>	<u>(76,997)</u>	<u>36,598</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 1,418	2,142	3,560
Payroll, Benefits and Taxes Payable	4,139	715	4,854
Total Liabilities	<u>5,557</u>	<u>2,857</u>	<u>8,414</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	6,539	-	6,539
Total Deferred Inflows of Resources	<u>6,539</u>	<u>-</u>	<u>6,539</u>
FUND EQUITY			
Assigned			
Unassigned	101,499	(79,854)	21,645
Total Fund Equity	<u>101,499</u>	<u>(79,854)</u>	<u>21,645</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 113,595</u>	<u>(76,997)</u>	<u>36,598</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION:			
Total fund equity reported above			\$ 21,645
Add prepaid expenses not reported above			2,191
Add capital assets not reported above		520,107	
Less accumulated depreciation		(163,380)	
Net Capital Assets			<u>356,727</u>
Deduct compensated absences payable not reported above			-
Deferred revenues for property taxes receivable			6,539
Net Position			<u>\$ 387,102</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF ATHOL
Combined Statement of Revenues, Expenditures, and Changes in
Fund Balances - All Governmental Fund Types
Year Ended September 30, 2013

	General Fund	Street Fund	Total
Revenues:			
Property Taxes & Intergovernmental Revenue	\$ 108,852	91,268	200,120
Interest Earnings	759	-	759
Licenses & Permits	1,330	-	1,330
Rental Income	2,583	-	2,583
Other Income	3,933	-	3,933
Total Revenues	117,457	91,268	208,725
Expenditures:			
General Government	69,159	-	69,159
Highways and Streets	-	73,432	73,432
Capital Expenditures	368	367	735
Total Expenditures	69,527	73,799	143,326
Excess (Deficiency) of Revenues Over Expenditures	47,930	17,469	65,399
Other Sources (Uses):			
Transfers from Other Funds	-	-	-
Total Other Sources (Uses)	-	-	-
Net Change in Fund Balance before Extraordinary Item	47,930	17,469	65,399
Extraordinary Item			
Employee Embezzlement	(105,987)	-	(105,987)
Net Change in Fund Balance after Extraordinary Item	(58,057)	17,469	(40,588)
Fund Balance - October 1,	159,556	(97,323)	62,233
Fund Balance - September 30,	\$ 101,499	(79,854)	21,645

See accompanying notes to financial statements and independent auditors' report.

CITY OF ATHOL
Reconciliation of the
Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2013

Changes in fund balances as reported on the governmental funds statements		\$ (40,588)
Decrease in current property taxes not reflected in revenue on the governmental funds statements		(7,848)
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:		
Capital Expenses	735	
Prepaid Insurances	(22)	
Total expenses on the governmental fund statement not included included on the government-wide statement	713	713
Income on the government-wide statement of activity not included on the governmental funds statements:		
Contributed Capital	-	
Total income on the government-wide statement of activity not included on the governmental funds statements:	-	-
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(26,749)	
Decrease in Compensated Absence Liability	-	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:	(26,749)	(26,749)
Change in net position on the government-wide statements		\$ (74,472)

See accompanying notes to financial statements and independent auditors' report.

CITY OF ATHOL
Statement of Net Position
Proprietary Funds
September 30, 2013

	Water Fund	Total
A S S E T S		
CURRENT ASSETS:		
Cash & Investments	\$ 338,186	338,186
Accounts Receivable (net)	10,355	10,355
Prepaid Expenses	1,096	1,096
Total Current Assets	349,637	349,637
Capital Assets	1,344,349	1,344,349
Accumulated Depreciation	(621,766)	(621,766)
Total Capital Assets	722,583	722,583
OTHER ASSETS:		
Interfund Balances	82,818	82,818
Total Other Assets	82,818	82,818
TOTAL ASSETS	\$ 1,155,038	1,155,038
L I A B I L I T I E S		
CURRENT LIABILITIES:		
Accounts Payable	\$ 3,275	3,275
Payroll, Benefits, and Taxes Payable	714	714
Total Current Liabilities	3,989	3,989
Long Term Liabilities	-	-
TOTAL LIABILITIES	3,989	3,989
N E T P O S I T I O N		
Net Investment in Capital Assets	722,583	722,583
Restricted - Expendable	-	-
Unrestricted	428,466	428,466
Total Net Position	\$ 1,151,049	1,151,049

See accompanying notes to financial statements and independent auditors' report.

CITY OF ATHOL
Statement of Income and Changes in Net Position
All Proprietary Funds
Year Ended September 30, 2013

	Water Fund	Total
Operating Revenues:		
Charges for Services	\$ 60,745	60,745
Hookups & Other	-	-
Tower Rents	12,251	12,251
Total Operating Revenues	72,996	72,996
Operating Expenses:		
Administrative	32,203	32,203
Maintenance & Operations	25,142	25,142
Utilities	11,405	11,405
Depreciation	28,208	28,208
Total Operating Expenses	96,958	96,958
Operating Income (Loss)	(23,962)	(23,962)
Non-Operating Revenues (Expenses):		
Interest Income	-	-
Total Non-Operating Revenue (Expenses)	-	-
Change in Net Position	(23,962)	(23,962)
Net Position - October 1,	1,175,011	1,175,011
Net Position - September 30,	\$ 1,151,049	1,151,049

See accompanying notes to financial statements and independent auditors' report.

CITY OF ATHOL
Statement of Cash Flows
All Proprietary Funds
Year Ended September 30, 2013

	Proprietary Fund Types	
	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers and Users	\$ 74,638	74,638
Payments to Employees	(47,008)	(47,008)
Payments to Suppliers	(20,632)	(20,632)
Net Cash Provided by Operating Activities	6,998	6,998
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Due to/from Other Funds	30,523	30,523
Net Cash Provided by Noncapital Financing Activities	30,523	30,523
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for Capital Acquisitions	(367)	(367)
Net Cash Used by Capital and Related Financing Activities	(367)	(367)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	-	-
Net Cash Provided by Investing Activities	-	-
Net Increase in Cash and Cash Equivalents	37,154	37,154
Cash and Cash Equivalents, October 1,	301,032	301,032
Cash and Cash Equivalents, September 30,	\$ 338,186	338,186
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS:		
Operating Income (Loss)	\$ (23,962)	(23,962)
Adjustments to Reconcile to Cash Flow:		
Depreciation	28,208	28,208
(Increase)/Decrease in Receivables	1,642	1,642
(Increase)/Decrease in Prepaid Expenses	11	11
Increase/(Decrease) in Accounts Payable	1,083	1,083
Increase/(Decrease) in Payroll Liabilities	16	16
Increase/(Decrease) in Compensated Absences	-	-
Total Adjustments	30,960	30,960
Net Cash Provided by Operating Activities	\$ 6,998	6,998
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	-	-

See accompanying notes to financial statements and independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- ✓ the organization is legally separate (can sue and be sued in their own name)
- ✓ the City holds the corporate powers of the organization
- ✓ the City appoints a voting majority of the organization's board
- ✓ the City is able to impose its will on the organization
- ✓ the organization has the potential to impose a financial benefit/burden on the City
- ✓ there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Athol has no component units.

The City of Athol is a municipality of the State of Idaho. The City has oversight responsibility and control over all activities related to The City's functions. The City is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the City Council members.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not received for a specific purpose and classified as program revenues, including all taxes, are presented as general revenues.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category- *governmental, and enterprise* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Fund. The street fund accounts for the proceeds of specific revenue sources (other than trusts or major capital projects), the expenditures for which are legally restricted for purposes specified in the grant agreements. Principal sources of revenue are property taxes and state and local highway funds. Primary expenditures are for employee wages and benefits, street maintenance & repairs, and other general administration costs.

The City reports the following major enterprise funds:

Water Enterprise Fund. The Water Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Assets, Liabilities, and Equity

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at September 30, 2013, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash and Investments." Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

The City considers cash and cash equivalents in enterprise funds to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Allowance for uncollectible accounts was \$0 as of September 30, 2013.

Receivables for State Highway User's Tax, State Liquor, and State Revenue Sharing are recorded as revenue in governmental funds.

The City records enterprise fund charges as earned, not when collected.

Property Tax Calendar

Property taxes are levied on the third Monday of September and attach as an enforceable lien on property. They are payable in two installments on December 20 of the current year and June 20 of the next calendar year. The taxes are collected and remitted to the City by Kootenai County.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Extraordinary and Special Items

Extraordinary items are transactions that are both unusual in nature and infrequent in occurrence. Special items are transactions that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. One extraordinary item was identified and disclosed in Note 7.

Inventories and Prepaid Items

The City has adopted the purchase method for recording and classifying material and supply purchases. Under this method, purchases of materials and supplies are recognized as expenditures when the goods are received and the transaction is vouchered. Because on hand materials and supplies of the City are not considered significant, no amount is reflected on the balance sheet and no portion of fund balance is reserved.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation. In connection with implementation of GASB Statement No. 34, the City established a threshold of \$500 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

General infrastructure assets acquired after September 30, 2003 consist of the road network assets that were acquired or that received substantial improvements subsequent to September 30, 2003 and are reported at historical cost.

Capital assets of the City are depreciated using the straight-line method over the following estimated lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 - 50
Buildings	30 - 50
Building Improvements	15 - 30
Vehicles	5 - 15
Office Equipment	5 - 10
Computer Equipment	5

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Compensated Absences

Employees eligible for leave include full-time equivalent employees that have been employed by the City for one year.

During the first year of employment, a full-time equivalent employee accrues five (5) days of vacation leave per year. During the second year of employment, an employee accrues ten (10) days per year, and after three (3) years of employment and beyond, fifteen (15) days per year. The maximum of unused vacation leave a full-time employee may accumulate is the number of days, which the employee would accumulate in one year at the current accrual rate. Upon termination of employment from the City, an employee will be paid for unused vacation leave not to exceed the maximum amount normally accrued in one year of employment. No liability for compensated absences had been recorded in the government-wide statement of net position as of September 30, 2013.

The City's sick leave policy permits the accumulation of six (6) sick days per year up to a maximum of 30 days for full-time equivalent employees. Employees are not paid for unused sick days upon termination of employment. Accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave.

The City's comp time policy permits the accumulation of hours that are worked in excess of a daily eight hour work day. This policy is currently informal and not included in their written resolution.

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has no items that qualify for reporting in this category at this time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fund Balance

The City has adopted GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” which redefined how fund balances of the governmental funds are presented in the financial statements.

Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the Council for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 6). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The City reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENT BALANCES

General

State statutes authorize the City's investments. The City is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled, and operating in the U.S. which have at their purchase an "A" rating or higher, government pools, and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a financial institution, the City's deposits and investments may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2013, the City's deposits and investments were not exposed to custodial credit risk.

Deposits without exposure to custodial credit risk:

Amounts insured by FDIC	\$ 8,940
Amount collateralized with securities held in trust, but not in the City's name	422,287
	431,227
Total deposits without exposure to custodial credit risk	431,227

Deposits with exposure to custodial credit risk:

Amounts uninsured-exposed to custodial credit risk	-
	-
Total bank balance (deposits)	\$ 431,227

The carrying amount is displayed as follows in the financial statements:

Statement of Net Position:

Cash and cash equivalents	\$ 432,356
Restricted cash and cash equivalents	-
	-
Total	\$ 432,356

Cash and cash equivalents at September 30, 2012 consist of the following:

Cash:

Deposits with financial institutions	\$ 8,992
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Cash equivalents:

Deposits with Idaho state investment pool	423,364
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Total	\$ 432,356
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CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENT BALANCES - (CONTINUED)

Investments in 2a7-like pools are valued based upon the value of pool shares. The City invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. The pool does not include any involuntary participants.

The balances that the City has in the State Investment Pool are carried at fair value and calculated on a monthly basis. The City's portion of the State Investment Pool had an unrealized gain of \$1,577 as of September 30, 2013; this has been recognized in the financial statements. The unrealized gain was based on a fair market value adjustment factor of 1.0033 that was calculated by the State of Idaho's Treasurer's Office.

GASB Statement No. 40 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The City's exposure to credit risk is not available.

NOTE 3 - RECEIVABLES

The following is a schedule of property taxes assessed for the year, collected and remaining to be received.

Year	Balance 9/30/12	Levy 2012	Adjustments & Collections	Balance 9/30/13
2005-2012	\$ 14,977	84,000	(90,558)	\$ 8,419

In accordance with NCGA Interpretation #3, revenue, which is not received within 60 days of the year-end, has been reflected as deferred revenue. The balance as of September 30, 2013 is as follows:

Taxes Due at September 30, 2013	\$ 8,419
Received October 2013	(1,869)
Received November 2013	(11)
Total	\$ 6,539

The analysis of accounts receivable and due from other governments is as follows:

GOVERNMENTAL ACTIVITIES:	
State Revenue Sharing	\$ 6,176
Highway User's	5,561
State Liquor	5,090
Total	\$ 16,827

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 4 – CAPITAL ASSETS – (CONTINUED)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 69,054	-	-	69,054
Total capital assets not being depreciated	69,054	-	-	69,054
<i>Capital assets being depreciated</i>				
Buildings & Improvements	17,198	-	-	17,198
Equipment	1,257,730	367	-	1,258,097
Total capital assets being depreciated	1,274,928	367	-	1,275,295
Less accumulated depreciation for:				
Buildings & Improvements	16,377	91	-	16,468
Equipment	577,181	28,117	-	605,298
Total accumulated depreciation	593,558	28,208	-	621,766
Total capital assets being depreciated, net	681,370	(27,841)	-	653,529
Business-Type Activity Capital Assets, net	\$ 750,424	(27,841)	-	722,583

Because the City is a Phase 3 government (governments with total annual revenues of less than \$10 million), the City is encouraged but not required to report major infrastructure assets retroactively. The City has not yet made a determination as to whether or not to record infrastructure assets retroactively.

Unallocated depreciation expense of governmental activities was \$26,749.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) – The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members’ years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members of beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI’s website www.persi.idaho.gov.

See accompanying independent auditors’ report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2013

NOTE 5 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

The actuarially determined contribution requirements of the City of Athol and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2013, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The City of Athol's employer contributions required and paid were \$17,568, \$18,135, and \$16,299 for the three years ended September 30, 2013, 2012, and 2011, respectively.

The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. City employees contributed \$0 to this plan in fiscal year 2012/13.

NOTE 6 - RISK MANAGEMENT

The City faces a number of risks of loss including damage to and loss of property and contents, professional liability, i.e. errors and omissions, and health insurance costs of employees. The City contracts with an insurance company for property insurance and general liability insurance. There were no significant reductions in insurance coverage from the prior year.

The City's workman's compensation coverage is provided by the Idaho State Insurance Fund.

NOTE 7 – EMBEZZLEMENT

City personnel uncovered suspicious transactions performed by the City Clerk. The City terminated Sally Hansen in June 2014. She was convicted in U.S. District Court of embezzlement of public funds. The Court sentenced her to incarceration of four years and restitution in the amount of \$434,112. She stole \$417,879 from 2009 to 2014.

NOTE 8 – DEFICIT FUND BALANCE

The City has accumulated a deficit of \$79,854 in the Street Fund as of September 30, 2013. This deficit is the result of capital purchases occurring during fiscal year 2012. The City has recorded an interfund loan between the Street and Water Fund, which funded much of these capital purchases.

CITY OF ATHOL
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended September 30, 2013

	General Fund			Street Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Intergovernmental Revenue	\$ 39,000	39,000	108,852	45,000	45,000	91,268
Interest Earnings	-	-	759	-	-	-
Licenses and Permits	-	-	1,330	-	-	-
Rental Income	-	-	2,583	-	-	-
Other Income	-	-	3,933	-	-	-
Total Revenues	39,000	39,000	117,457	45,000	45,000	91,268
Expenditures:						
General Government	143,545	143,545	69,159	-	-	-
Highways and Streets	-	-	-	176,847	176,847	73,432
Capital Expenditures	-	-	368	-	-	367
Total Expenditures	143,545	143,545	69,527	176,847	176,847	73,799
Excess (Deficiency) of Revenues Over Expenditures	(104,545)	(104,545)	47,930	(131,847)	(131,847)	17,469
Other Financing Sources (Uses):						
Transfer to Other Funds	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-
Extraordinary Items						
Employee Embezzlement	-	-	(105,987)	-	-	-
Net Extraordinary Items	-	-	(105,987)	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures, Other Uses, and Extraordinary Items	(104,545)	(104,545)	(58,057)	(131,847)	(131,847)	17,469
Fund Balance - October 1,	159,556	159,556	159,556	(97,323)	(97,323)	(97,323)
Fund Balance - September 30,	\$ 55,011	55,011	101,499	(229,170)	(229,170)	(79,854)

See accompanying notes to the budget and independent auditors' report.

CITY OF ATHOL
Notes to the Budget and Actual Schedule
Year Ended September 30, 2013

Budgets are adopted for the general, street, and water fund. The annual budget is a plan of financial operation with an estimate of expenditures and means of financing them. A preliminary budget is prepared in July, budget hearings are held, and the final budget was adopted in September, 2012.

The adopted budget constitutes the appropriations for the City and is the maximum limit of expenditures in each budgeted fund. The adopted budget may be amended for emergencies and other matters as provided by State law. The budget was not amended for fiscal year 2013.

The budget is prepared on the basis of accounting described for its governmental funds in Note 1 to the financial statement. Tax levies are set by expenditure requirements, but are authorized and limited by State law. Transfers of budget authority within a fund are permitted. Appropriations lapse at September 30, except those expenditures made prior to October 30 for appropriations of the preceding fiscal year may be charged to that fiscal year. There were no such expenditures in fiscal year 2013.

The amounts shown in the budget column of the schedule are the original and final budgeted amounts. State law requires only that a fund's total expenditures not exceed total budgeted expenditures. For the fiscal year 2013, the City's General Fund exceeded budgeted expenditures by approximately \$31,969.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Athol, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Athol, Idaho as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Athol, Idaho's basic financial statements and have issued our report thereon dated July 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Athol, Idaho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Athol, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Athol, Idaho's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. #2013-1, 2013-3, 2013-7

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. #2013-4, 2013-6, 2013-8

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Athol, Idaho's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items #2013-2, 2013-5.

City of Athol, Idaho's Response to Findings

City of Athol, Idaho's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Athol, Idaho's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. According, this communication is not suitable for any other purpose.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho
July 15, 2015

CITY OF ATHOL
Schedule of Findings and Responses
Year Ended September 30, 2013

2013-1

Segregation of Duties

Criteria

An accounting system that provides adequate internal controls would be designed so that no one individual is involved with a transaction from its beginning to its ending.

Condition

The size of the organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Council remains involved in the financial affairs of the organization to provide oversight and independent review functions. An accounting system that provides adequate internal controls would be designed so that no one individual is involved with a transaction from its beginning to its ending.

Effect

This situation dictates that the Council remains involved in the financial affairs of the organization to provide oversight and independent review functions.

Cause

The City does not have enough staff to adequately segregate all accounting functions.

Recommendations

Our recommendation is to perhaps increase the staff size of the City to allow for adequate segregation of duties or involve a City Council member in some aspects of the financial reporting process.

Views of Responsible Officials

Procedures now include: 1) the bank deposit being prepared by a different employee from the one taking in the money, as often as scheduling allows; 2) the council has hired and utilizes an outside bookkeeper to do all reconciling of city bank account and LGIP statements; and finally 3) the President of the Council will be the one to open the mailed city bank statements and review the necessary documents matching up records from QuickBooks, bank statements and copies of actual checks written.

CITY OF ATHOL
Schedule of Findings and Responses
Year Ended September 30, 2013

2013-2

Annual Audit Requirement

Criteria

Per Idaho State Statutes, “the local government entity whose annual expenditures (from all sources) exceed two hundred fifty thousand dollars (\$250,000) in the fiscal year shall cause a full and complete audit if its financial statements to be made each fiscal year.” “The entity shall file one (1) copy of each completed audit report with the legislative services office within nine (9) months after the end of the audit period.” (Statute 67-450B)

Condition

The City did not have a timely audit performed for the fiscal year 2012-2013, although expenditures exceeded \$250,000.

Effect

There is no financial effect of this; this is a state compliance issue.

Cause

The City failed to have an audit performed for the fiscal year.

Recommendations

We recommend that the City Council and personnel keep up to date on their understanding of Idaho State Statutes and how they apply to the City, and review the City’s annual expenditures to determine the applicable audit requirement for each fiscal year to maintain compliance with Idaho State Statutes.

Views of Responsible Officials

All current city elected officials and the current city clerk/treasurer are aware of the required timely audits. All past previous year’s audits are being concluded and work towards preparing for the next/current fiscal year one is underway. In light of the recent embezzlement, from the past city clerk/treasurer, the council and mayor are now very aware of their need to be up to date on their understanding of the Idaho State Statutes. All city officials and staff are also utilizing the Association of Idaho Cities as a resource to guide them through their understanding their responsibilities and duties as an elected official or employee.

CITY OF ATHOL
Schedule of Findings and Responses
Year Ended September 30, 2013

2013-3

Safeguarding of City Assets

Criteria

It is the responsibility of management of the City of Athol to ascertain that there are effective internal controls in place over the safeguarding of the City's assets.

Condition

City employees uncovered embezzlement of public funds by the City Clerk affecting the fiscal year 2012-13.

Effect

The City Clerk stole \$105,987 during fiscal year 2012-13.

Cause

The City Clerk falsified records and reports. In addition, City management was not reviewing bank statements with copies of cancelled checks.

Recommendations

We recommend that at least one Council member review monthly bank statements, including copies of cancelled checks and match these to the records approved from Council's meetings and the City's accounting reports for accuracy.

Views of Responsible Officials

The city agrees and appreciates the finding and has since initiated a procedure of the Council President to be the one to open monthly mailed city bank statements and review the necessary documents matching up records from QuickBooks, bank statements, copies of actual checks written and the records approved at council meetings.

2013-4

Absence of Adequate Records Relating to Compensated Absences

Criteria

The City should maintain a system that ensures adequate and reliable records are available to support all transactions, account balances, and financial statement figures.

CITY OF ATHOL
Schedule of Findings and Responses
Year Ended September 30, 2013

Condition

The City was unable to provide documentation supporting compensated absence liabilities for fiscal year 2012-13.

Effect

Although the exact effect of this lack of records is undeterminable, based on the City's vacation carry over policy, we estimate that the maximum potential understatement of compensated absences payable to be approximately \$1,020 each for the General, Street, and Water Funds. In addition, the City is unable to establish reliability of the unrecorded compensated absences granted during the fiscal year.

Cause

The City failed to keep appropriate records of balances of compensated absences for its employees throughout the fiscal year.

Recommendations

Our recommendation for the City is to maintain appropriate records supporting all transactions, account balances, and financial statement figures in the future.

Views of Responsible Officials

The city is now keeping two forms of records relating to compensated absences; one is calculated in QuickBooks and also is reflected on every employee paystub-this shows the earned balances and year-to-date used. In addition, a separate excel spreadsheet is also keeping track of all compensated absences and time.

2013-5

Payroll Transactions and Federal and State Forms

Criteria

In accordance with Internal Revenue Service requirements, amounts reported on Forms 941 should agree with the amounts reported on Form W-3. These amounts should agree with the financial records, and should also be used to derive accurate figures for Idaho quarterly payroll reporting.

Condition

During our testing of payroll transactions, we noted that the City's financial records reflected different wage figures than IRS Forms 941 and Idaho Forms TAX020, and there were inconsistencies between these quarterly payroll reports and IRS Form W-3.

CITY OF ATHOL
Schedule of Findings and Responses
Year Ended September 30, 2013

Effect

We believe that the City may have inaccuracies with regard to payroll related expenditures in either their financial records, payroll tax forms, or both.

Cause

The City's accounting personnel were not properly reconciling payroll expenses with quarterly federal and state payroll tax forms, or with year-end payroll forms.

Recommendations

Our recommendation is for City to review these previously filed forms, amending any that need to be corrected. In the future, we recommend accounting personnel reconcile payroll transactions with IRS and Idaho quarterly payroll reports prior to filing, and to reconcile these quarterly reports to the annual Form W-3, reviewing individual W-2s to ensure accuracy.

Views of Responsible Officials

The former city clerk was caught embezzling and is no longer with the city. A new clerk has been hired as well as an independent bookkeeper to help with training and ensuring more accurate and timely reporting. A review will be done also to see if any amending or corrections are needed; as well as how far back we need to go.

2013-6

Unrecorded Liabilities

Criteria

GAAP for governments requires accounts payable for all funds to include amounts for all goods and services received or performed through the end of the period. In situations where actual amounts are not available, procedures should include a method for estimating such liabilities.

Condition

During audit procedures, we identified unrecorded liabilities of approximately \$1,418 in the General Fund, \$2,142 in the Street Fund, and \$3,275 in the Water Fund.

Effect

Expenditures and expenses were understated by the amounts of the unrecorded liabilities listed above.

Cause

The City recorded the disbursements on a cash basis, matching up with the cancelled check due to the embezzlement that occurred in order to make sure the vendor name and transaction matched the cancelled

CITY OF ATHOL
Schedule of Findings and Responses
Year Ended September 30, 2013

check. The City personnel did not go back and review bills to enter dates based on the billing dates until 2014.

Recommendations

We recommend the City Clerk and Deputy Clerk inspect each invoice or bill carefully to identify when the goods were received or services were rendered to record the transaction in the proper period.

Views of Responsible Officials

Since the current staff was going back and trying to complete numerous records and transactions from previous 5 years, only as a time saving measure, this detail was not done. This was remedied as of fiscal year 2014, as we began inspecting and entering transactions as bills as of the date of purchase, so that the transaction is recorded in the proper period.

2013-7

Water Billings

Criteria

According to GASB CS-1, the following are objectives of governmental financial reporting and should be adhered to with regard to reporting of the Water Fund:

- Financial reporting should fulfill a government's duty to be publicly accountable and should enable users of the financial statement to assess that accountability
- Financial reporting should assist users in evaluating the operating results of the governmental entity
- Financial reporting should assist users in assessing the level of services that can be provided by the governmental entity and its ability to meet its obligations.

Condition

During the fiscal year, the water billing was not regularly reconciled to the accounting records

Effect

The water billing software did not reconcile to the accounting records for accounts receivable. Accounts receivable were overstated by approximately \$5,565 in fiscal year 2012-13.

Cause

There were months that were billed, or customer payments were missing in the billing software. In addition, City buildings and park water accounts were being billed when these accounts to not pay for their water

CITY OF ATHOL
Schedule of Findings and Responses
Year Ended September 30, 2013

Recommendations

We recommend that the accounting records get reconciled from the billing system monthly. We also recommend that proper review and oversight is done regularly with the billing of water to ensure customer accounts are accurate

Views of Responsible Officials

The city now has procedures that allows for better reconciliation and record keeping of water billings. Each water customer account has now been reviewed and billings are up-to-date. In addition, monthly GL entries are done to account for the billings and weekly deposits are deposited to receivables for more accurate reconciliation. Finally, the 3 city water accounts have been turned off for billing but we are still tracking the usage amounts. A monthly water report is also being prepared for city council to review.

2013-8

Absence of Adequate Documentation Relating to Disbursements

Criteria

All city records are property of the city, and no city official, elected, appointed or staff, shall have any personal or property right to such records even though he or she may have developed or compiled them. The unauthorized destruction or removal of city records is prohibited.

Condition

We requested City documents to review during our audit procedures. Some of the City's documents requested are missing.

Effect

Missing records may increase the risk of abuse or fraud to the financial statements.

Cause

The City's records were disorganized and the City Clerk did not have an appropriate filing system during the fiscal year. Subsequent to the balance sheet date, the City began a proper filing system for all City records.

Recommendations

We recommend that the City retain their records and maintain compliance of State Statutes for record management and retention as required,

Views of Responsible Officials

The City plans on adopting/revising an official Records Policy to better identify and maintain compliance of State Statutes for records management and retention as required.