

CITY OF ATHOL

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Year Ended September 30, 2017

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, 2017

MAYOR

Robert Wachter

**CITY
COUNCIL**

**CITY CLERK/
TREASURER**

**PUBLIC
WORKS**

Shane McDaniel
Mary Zichko
Bill Hill
Josh Spencer

Lori Yarbrough

Stephen Williams

INDEPENDENT AUDITORS' REPORT



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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, 2017, 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, 2017, 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 Schedule of City's Share of Net Pension Liability and the Schedule of City's Contributions on page 28, and the budgetary comparison information on pages 29 through 30, 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 January 26, 2018, 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
January 26, 2018

BASIC FINANCIAL STATEMENTS

CITY OF ATHOL
Statement of Net Position
September 30, 2017

	Government Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash & Investments	\$ 202,789	451,726	654,515
Receivables:			
Property Taxes	6,468	-	6,468
Accounts Receivable (net)	8,187	7,962	16,149
Other Receivables (net)	-	3,242	3,242
Due from Other Governments	22,333	-	22,333
Prepaid Expenses	3,750	1,875	5,625
Total Current Assets	243,527	464,805	708,332
Land	135,519	69,054	204,573
Capital Assets	436,278	1,285,584	1,721,862
Accumulated Depreciation	(270,133)	(734,792)	(1,004,925)
Total Capital Assets	301,664	619,846	921,510
Other Assets:			
Interfund Receivables and Payables	(42,872)	42,872	-
Total Other Assets	(42,872)	42,872	-
Total Assets	\$ 502,319	1,127,523	1,629,842
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	\$ 9,808	4,956	14,764
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 21,441	7,686	29,127
Payroll, Benefits, and Taxes Payable	7,395	1,667	9,062
Compensated Absences	2,801	1,401	4,202
Total Current Liabilities	31,637	10,754	42,391
Long-Term Liabilities:			
Net Pension Liability	31,468	15,902	47,370
Total Liabilities	\$ 63,105	26,656	89,761
DEFERRED INFLOWS OF RESOURCES			
Pension plan	\$ 10,298	5,204	15,502
NET POSITION			
Net Investment in Capital Assets	\$ 301,664	619,846	921,510
Unrestricted	137,060	480,773	617,833
Total Net Position	\$ 438,724	1,100,619	1,539,343

See accompanying notes to financial statements and independent auditor's report.

CITY OF ATHOL
Statement of Activities
Year Ended September 30, 2017

	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	\$ 89,836	-	-	-	(89,836)	-	(89,836)
Highways and Streets	85,082	-	-	-	(85,082)	-	(85,082)
Depreciation - Unallocated	27,856	-	-	-	(27,856)	-	(27,856)
Pension Plan Expense	3,667	-	-	-	(3,667)	-	(3,667)
Total Governmental Activities	206,441	-	-	-	(206,441)	-	(206,441)
Business-type Activities							
Water Service	166,959	116,298	26,381	-	-	(24,280)	(24,280)
Pension Plan Expense	1,697	-	-	-	-	(1,697)	(1,697)
Total Business-type Activities	168,656	116,298	26,381	-	-	(25,977)	(25,977)
Total Activities	\$ 375,097	116,298	26,381	-	(206,441)	(25,977)	(232,418)
General Revenues:							
Property Taxes					121,549	-	121,549
Other Governmental					115,267	-	115,267
Licenses and Permits					2,635	-	2,635
Rents					6,804	-	6,804
Planning & Zoning					2,943	-	2,943
Other Revenues					18,216	-	19,786
Interest Earnings					2,946	1,570	2,946
Transfers to Other Funds					(38,000)	38,000	(38,000)
Total General Revenues and Transfers					232,360	39,570	233,930
Change in Net Position					25,919	13,593	1,512
Net Position- Beginning					412,805	1,087,026	1,499,831
Net Position- Ending					\$ 438,724	1,100,619	1,501,343

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

CITY OF ATHOL
Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Street Fund	Total
ASSETS			
Cash & Investments	\$ 202,789	-	202,789
Receivables:			
Property Taxes	6,468	-	6,468
Other Governments	13,606	8,727	22,333
Other	8,187	-	8,187
Total Assets	<u>\$ 231,050</u>	<u>8,727</u>	<u>239,777</u>
LIABILITIES			
Accounts Payable	\$ 17,930	3,511	21,441
Payroll, Benefits and Taxes Payable	5,728	1,667	7,395
Customer Deposits	-	-	-
Advances from other funds	-	42,872	42,872
Total Liabilities	<u>23,658</u>	<u>48,050</u>	<u>71,708</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	5,047	-	5,047
Total Deferred Inflows of Resources	<u>5,047</u>	<u>-</u>	<u>5,047</u>
FUND EQUITY			
Committed	3,600	21,150	24,750
Unassigned	198,745	(60,473)	138,272
Total Fund Equity	<u>202,345</u>	<u>(39,323)</u>	<u>163,022</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 231,050</u>	<u>8,727</u>	<u>239,777</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION:			
Total fund equity reported above			\$ 163,022
Add prepaid expenses not reported above			3,750
Add capital assets not reported above		571,797	
Less accumulated depreciation		(270,133)	
Net Capital Assets		<u>301,664</u>	
Less pension plan not reported above:			
Deferred outflows of resources		9,808	
Net pension liability		(31,468)	
Deferred inflows of resources		(10,298)	
Net Pension Plan		<u>(31,958)</u>	
Less compensated absences			(2,801)
Deferred revenues for property taxes receivable			5,047
Net Position			<u>\$ 438,724</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, 2017

	General Fund	Street Fund	Total
Revenues:			
Property Taxes & Intergovernmental Revenue	\$ 117,594	117,141	234,735
Licenses & Permits	2,635	-	2,635
Rental Income	6,804	-	6,804
Planning & Zoning	2,943	-	2,943
Other Income	18,214	-	18,214
Interest Earnings	1,473	1,473	2,946
Total Revenues	149,663	118,614	268,277
Expenditures:			
General Government	87,015	-	87,015
Highways and Streets	-	89,720	89,720
Capital Expenditures	23,226	1,415	24,641
Total Expenditures	110,241	91,135	201,376
Excess (Deficiency) of Revenues Over Expenditures	39,422	27,479	66,901
Other Sources (Uses):			
Transfers (to)/from Other Funds	(33,000)	(5,000)	(38,000)
Total Other Sources (Uses)	(33,000)	(5,000)	(38,000)
Net Change in Fund Balance	6,422	22,479	28,901
Fund Balance - October 1,	195,923	(61,802)	134,121
Fund Balance - September 30,	\$ 202,345	(39,323)	163,022

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, 2017

Changes in fund balances as reported on the governmental funds statements		\$ 28,901
Increase in current property taxes not reflected in revenue on the governmental funds statements		2,081
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:		
Capital Expenses	18,814	
Prepaid Insurances	442	
Total expenses on the governmental fund statement not included included on the government-wide statement		19,256
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(27,856)	
Decrease in Compensated Absence Liability	478	
Decrease in PERSI contributions	6,726	
Increase in pension plan expense	(3,667)	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(24,319)
Change in net position on the government-wide statements		\$ 25,919

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

CITY OF ATHOL
Statement of Net Position
Proprietary Funds
September 30, 2017

	Water Fund	Total
ASSETS		
CURRENT ASSETS:		
Cash & Investments	\$ 451,726	451,726
Accounts Receivable (net)	7,962	7,962
Other Receivables (net)	3,242	3,242
Prepaid Expenses	1,875	1,875
Total Current Assets	464,805	464,805
Capital Assets	1,354,638	1,354,638
Accumulated Depreciation	(734,792)	(734,792)
Total Capital Assets	619,846	619,846
OTHER ASSETS:		
Advance to Other Funds	42,872	42,872
Total Other Assets	42,872	42,872
TOTAL ASSETS	\$ 1,127,523	1,127,523
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	\$ 4,956	4,956
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable	\$ 7,686	7,686
Payroll, Benefits, and Taxes Payable	1,667	1,667
Compensated Absences Payable	1,401	1,401
Total Current Liabilities	10,754	10,754
LONG TERM LIABILITIES:		
Net Pension Liability	15,902	15,902
TOTAL LIABILITIES	\$ 26,656	26,656
DEFERRED INFLOWS OF RESOURCES		
Pension plan	\$ 5,204	5,204
NET POSITION		
Net Investment in Capital Assets	619,846	619,846
Unrestricted	480,773	480,773
Total Net Position	\$ 1,100,619	1,100,619

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, 2017

	Water Fund	Total
Operating Revenues:		
Charges for Services	\$ 86,080	86,080
Hookups & Other	6,265	6,265
Grant Income	26,381	26,381
Tower Rents	23,953	23,953
Total Operating Revenues	142,679	142,679
Operating Expenses:		
Administrative	49,689	49,689
Maintenance & Operations	26,448	26,448
Utilities	13,496	13,496
Depreciation	28,706	28,706
Grant expense	48,620	48,620
Pension plan expense	1,697	1,697
Total Operating Expenses	168,656	168,656
Operating Income (Loss)	(25,977)	(25,977)
Non-Operating Revenues (Expenses):		
Interest Income	1,570	1,570
Transfer In	38,000	38,000
Total Non-Operating Revenue (Expenses)	39,570	39,570
Change in Net Position	13,593	13,593
Net Position - October 1,	1,087,026	1,087,026
Net Position - September 30,	\$ 1,100,619	1,100,619

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

CITY OF ATHOL
Statement of Cash Flows
All Proprietary Funds
Year Ended September 30, 2017

	Proprietary Fund Types	
	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers and Users	\$ 138,261	138,261
Payments to Employees	(46,485)	(46,485)
Payments to Suppliers	(90,987)	(90,987)
Net Cash Provided by Operating Activities	789	789
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interfund payments from Street fund	60,994	60,994
Net Cash Provided by Noncapital Financing Activities	60,994	60,994
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments for Capital Acquisitions	(7,340)	(7,340)
Net Cash Used by Capital and Related Financing Activities	(7,340)	(7,340)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	1,570	1,570
Net Cash Provided by Investing Activities	1,570	1,570
Net Increase in Cash and Cash Equivalents	56,013	56,013
Cash and Cash Equivalents, October 1,	395,713	395,713
Cash and Cash Equivalents, September 30,	\$ 451,726	451,726
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS:		
Operating Income (Loss)	\$ (25,977)	(25,977)
Adjustments to Reconcile to Cash Flow:		
Depreciation	28,706	28,706
(Increase)/Decrease in Receivables	(4,418)	(4,418)
(Increase)/Decrease in Prepaid Expenses	(221)	(221)
Increase/(Decrease) in Accounts Payable	4,639	4,639
Increase/(Decrease) in Payroll Liabilities	-	-
Increase/(Decrease) in Compensated Absences	(239)	(239)
Increase/(Decrease) in Pension Plan	(1,701)	(1,701)
Total Adjustments	26,766	26,766
Net Cash Provided by Operating Activities	\$ 789	789
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	-	-

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

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

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, 2017

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, 2017

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

Measurement Focus, Basis of Accounting – (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, 2017, 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, 2017.

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.

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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

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

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

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 one item, pension plan, is reported in the government-wide statement of net position, which qualifies 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 two types of items. Accordingly, the item, unavailable property taxes, is reported in the governmental funds balance sheet. The other item, pension plan, is reported in the government-wide statement of net position. These amounts are deferred and recognized as inflows of resources in the period that the amounts becomes available.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

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

Compensated Absences

Employees eligible for leave include full-time and part-time regular employees that have completed the equivalent of three months of full-time employment. Vacation leave accrues at the rates below:

<u>Length of Service</u>	<u>Vacation Accrual</u>
0 thru 2 years	7 hours each month (2 weeks, 1/2 day or 84 hours)
3 thru 5 years	10 hours each month (3 weeks or 120 days)
5 plus years	14 hours each month (4 weeks, 1 day or 168 hours)

Vacation carryover leave can accrue during the year to an absolute 15 day maximum. Any excess, over the maximum accrual, not used during the year in which it accrues will be forfeited, without right of compensation, at the conclusion of the calendar year in which it became excess.

The City's sick leave policy permits the accumulation of twelve (12) sick days per year up to a maximum of 60 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.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

In the fund financial statements, long-term debt is recognized as a liability of a governmental fund, when due, or when resources have been accumulated in the general fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is maintained separately and represents a reconciling item between the fund and government-wide presentation.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

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

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitation on the use of resources through either a committed (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes by do not meet the criteria to be classified as committed. The council may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

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

Fund Balance Policies – (continued)

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.

Property Tax and Unavailable Property Tax Revenues

The City's property taxes are levied each November on the assessed value listed as of the previous December tax rolls. Assessed values are an approximation of market value. Assessed values are established by the County Assessor.

Property taxes are recognized when measurable and available to finance current expenditures. The criterion of available property taxes has been defined as having been received within 60 days after year-end. Any portion of taxes receivable not meeting this criteria are recorded in the deferred inflows of resources for unavailable property taxes account and will be recognized as revenue when measurable and available.

Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subjected to elimination upon consolidation and are referred to as "interfund receivables and payables" for short-term interfund loans. Long-term interfund loans are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated. The General Fund transferred \$33,000 to the Water Fund and the Street Fund transferred \$5,000 to the Water Fund in order to reduce the interfund loan amount due between the Street Fund and Water Fund.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

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. Neither type of transactions occurred during the fiscal year ended September 30, 2017.

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.

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, 2017, the City’s deposits and investments were not exposed to custodial credit risk.

Deposits without exposure to custodial credit risk:

Amounts insured by FDIC or other agencies	\$ 651,884
Total deposits without exposure to custodial credit risk	651,884

Deposits with exposure to custodial credit risk:

Amounts uninsured-exposed to custodial credit risk	-
Total bank balance (deposits)	\$ 651,884

See accompanying independent auditors’ report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENT BALANCES – (CONTINUED)

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

Statement of Net Position:

Cash and Investments	\$ 654,515
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Cash and cash equivalents at September 30, 2017 consist of the following:

Cash:

Deposits with financial institutions	\$ 53,099
Cash on hand	244

Cash equivalents:

Deposits in money market funds	55,625
Deposits with Idaho state investment pool	545,547

Total	\$ 654,515
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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 amortized cost. The City's portion of the State Investment Pool had an unrealized gain of \$2,019 as of September 30, 2017; this has not been recognized in the financial statements. The unrealized gain was based on a fair market value adjustment factor of 1.0037 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 9/30/16	Levy 2016	Adjustments & Collections	Balance 9/30/17
2012-2016	\$ 4,742	118,112	(116,386)	\$ 6,468

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

NOTE 3 – RECEIVABLES – (CONTINUED)

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, 2016 is as follows:

Taxes Due at September 30, 2017	\$	6,468
Received October 2017		(1,000)
Received November 2017		(421)
Total	\$	5,047

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

GOVERNMENTAL ACTIVITIES:		
State Revenue Sharing	\$	8,178
State Liquor		5,428
Highway Users		8,727
Total	\$	22,333
PROPRIETARY FUND:		
Water User Fees Receivable (net)	\$	7,962

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 135,519	-	-	135,519
Total capital assets not being depreciated	135,519	-	-	135,519
<i>Capital assets being depreciated</i>				
Buildings & Improvements	84,214	8,550	-	92,764
Equipment	333,250	10,264	-	343,514
Total capital assets being depreciated	417,464	18,814	-	436,278
Less accumulated depreciation	242,277	27,856	-	270,133
Total capital assets being depreciated, net	175,187	(9,042)	-	166,145
Governmental Activity Capital Assets, net	\$ 310,706	(9,042)	-	301,664

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

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	18,613	-	-	18,613
Equipment	1,259,631	7,340	-	1,266,971
Total capital assets being depreciated	1,278,244	7,340	-	1,285,584
Less accumulated depreciation	706,086	28,706	-	734,792
Total capital assets being depreciated, net	572,158	(21,366)	-	550,792
Business-Type Activity Capital Assets, net	\$ 641,212	(21,366)	-	619,846

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 \$27,856.

NOTE 5 – PENSION PLAN

Plan Description

The City of Athol contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

NOTE 5 – PENSION PLAN- (CONTINUED)

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The City's contributions were \$10,122 for the year ended September 30, 2017.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, the City's proportion was 0.0030137 percent.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

NOTE 5 – PENSION PLAN- (CONTINUED)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-(continued)

For the year ended September 30, 2017, the City recognized pension expense of \$6,332. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	6,562	4,268
Changes in assumptions or other inputs	876	-
Net difference between projected and actual earnings on pension plan investments	-	2,838
Change in the City's proportion and differences between the City's contributions and the City's proportionate contributions	5,106	12,814
Amortized change in proportionate share	(1,042)	(4,418)
City's contributions subsequent to the measurement date	3,262	-
Total	<u>\$ 14,764</u>	<u>\$ 15,502</u>

\$3,262 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016 the beginning of the measurement period ended June 30, 2017 is 4.9 and 5.5 for the measurement period June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended September 30:	
2018	(3,897)
2019	3,129
2020	(59)
2021	(3,173)
2022	-

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

NOTE 5 – PENSION PLAN- (CONTINUED)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 - 10.00%
Salary inflation	3.75%
Investment rate of return	7.10% net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP - 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2017 is based on the results of an actuarial valuation date July 1, 2017.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

NOTE 5 – PENSION PLAN- (CONTINUED)

Actuarial Assumptions-(continued)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.08%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

CITY OF ATHOL
Notes to Financial Statements
September 30, 2017

NOTE 5 – PENSION PLAN- (CONTINUED)

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Discount Rate (7.10%)	1% Increase (8.10%)
City's proportionate share of the net pension liability (asset)	\$ 110,098	\$ 47,370	\$ (4,758)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At September 30, 2017, the City reported no payables to the pension plan.

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 – DEFICIT FUND BALANCE

The City has accumulated a deficit of \$39,323 in the Street Fund as of September 30, 2017. 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATHOL
Schedule of City's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years *

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
City's portion of the net pension liability	0.0030137%	0.0031047%	0.0027921%
City's proportionate share of the net pension liability	\$ 47,370	\$ 62,937	\$ 36,767
City's covered-employee payroll	\$ 89,408	\$ 93,037	\$ 99,255
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	52.98%	67.65%	37.04%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Worley will present information for those to use for which information is available.

Data reported is measured as of June 30, 2017

Schedule of City's Contributions
PERSI - Base Plan
Last 10 - Fiscal Years *

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Statutorily required contribution	\$ 10,163	\$ 9,229	\$ 9,133
Contributions in relation to the statutorily required contribution	\$ (10,740)	\$ (10,420)	\$ (8,969)
Contribution (deficiency) excess	\$ (577)	\$ (1,191)	\$ 164
City's covered-employee payroll	\$ 89,408	\$ 93,037	\$ 99,255
Contributions as a percentage of covered-employee payroll	12.01%	11.20%	9.04%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Worley will present information for those to use for which information is available.

Data reported is measured as of September 30, 2017

See independent auditors' report.

CITY OF ATHOL
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended September 30, 2017

	General Fund			Street Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Intergovernmental Revenue	\$ 112,275	112,275	117,594	140,469	140,469	117,141
Licenses and Permits	2,875	2,875	2,635	-	-	-
Rental Income	6,500	6,500	6,804	-	-	-
Planning & Zoning	4,515	4,515	2,943	-	-	-
Other Income	4,900	4,900	18,214	-	-	-
Interest Earnings	325	325	1,473	75	75	1,473
Total Revenues	131,390	131,390	149,663	140,544	140,544	118,614
Expenditures:						
General Government	131,390	131,390	87,015	-	-	-
Highways and Streets	-	-	-	130,544	130,544	89,720
Capital Expenditures	-	-	23,226	-	-	1,415
Total Expenditures	131,390	131,390	110,241	130,544	130,544	91,135
Excess (Deficiency) of Revenues Over Expenditures	-	-	39,422	10,000	10,000	27,479
Other Financing Sources (Uses):						
Transfer (to)/from Other Funds	-	-	(33,000)	(10,000)	(10,000)	(5,000)
Net Other Financing Sources (Uses)	-	-	(33,000)	(10,000)	(10,000)	(5,000)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures, and Other Uses	-	-	6,422	-	-	22,479
Fund Balance - October 1,	195,923	195,923	195,923	(61,802)	(61,802)	(61,802)
Fund Balance - September 30,	\$ 195,923	195,923	202,345	(61,802)	(61,802)	(39,323)

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

CITY OF ATHOL
Notes to the Budget and Actual Schedule
Year Ended September 30, 2017

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 August.

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 2017.

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 2017.

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.

REPORT REQUIRED BY GAO



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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, 2017, 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 January 26, 2018.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Anderson Bros".

Anderson Bros. CPA's, P.A.

Post Falls, Idaho
January 26, 2018