

CITY OF ATHOL

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

Year Ended September 30, 2021

Prepared by

ANDERSONBROS.CPA

TAX, ASSURANCE, ACCOUNTING, ADVISORY

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Mayor and 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, and each major fund of the City of Athol, Idaho, as of and for the year ended September 30, 2021, 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, and each major fund of the City of Athol, Idaho, as of September 30, 2021, 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 and the budgetary comparison information listed in the table of contents, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Athol, Idaho's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2022, 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 solely 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 the effectiveness of the City of Athol's 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. CPAs
Post Falls, Idaho
April 28, 2022

BASIC FINANCIAL STATEMENTS

CITY OF ATHOL
Statement of Net Position
September 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash & Investments	\$ 649,402	\$ 524,468	\$ 1,173,870
Receivables:			
Property Taxes	17,886	-	17,886
Accounts Receivable (net)	922	17,258	18,180
Other Receivables (net)	-	2,544	2,544
Due from Other Governments	48,688	-	48,688
Prepaid Expenses	2,990	1,875	4,865
Total Current Assets	719,888	546,145	1,266,033
Capital Assets Not Being Depreciated	135,519	144,054	279,573
Capital Assets, Net of Accumulated Depreciation	223,946	3,336,353	3,560,299
Total Capital Assets	359,465	3,480,407	3,839,872
Net Pension Asset	2,152	958	3,110
Total Assets	1,081,505	4,027,510	5,109,015
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	35,485	15,797	51,282
LIABILITIES			
Current Liabilities:			
Accounts Payable	12,289	265,237	277,526
Payroll, Benefits, and Taxes Payable	13,891	2,516	16,407
Compensated Absences	4,936	2,468	7,404
Customer Deposits	5,664	-	5,664
Total Current Liabilities	36,780	270,221	307,001
Long-Term Liabilities:			
DEQ Interim Advances	-	1,000,493	1,000,493
Total Long-Term Liabilities	-	1,000,493	1,000,493
Total Liabilities	36,780	1,270,714	1,307,494
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	68,856	30,650	99,506
NET POSITION			
Net Investment in Capital Assets	359,465	3,480,407	3,839,872
Unrestricted	651,889	(738,464)	(86,575)
Total Net Position	\$ 1,011,354	2,741,943	\$ 3,753,297

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

CITY OF ATHOL
Statement of Activities
Year Ended September 30, 2021

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 231,781	\$ 4,265	\$ -	\$ 213,378	\$ (14,138)	\$ -	\$ (14,138)
Depreciation	38,405	-	-	-	(38,405)	-	(38,405)
Pension Plan Expense	1,913	-	-	-	(1,913)	-	(1,913)
Total Governmental Activities	<u>272,099</u>	<u>4,265</u>	<u>-</u>	<u>213,378</u>	<u>(54,456)</u>	<u>-</u>	<u>(54,456)</u>
Business-type Activities							
Water Service	201,653	310,115	-	277,442	-	385,904	385,904
Pension Plan Expense/(Revenue)	(113)	-	-	-	-	113	113
Total Business-type Activities	<u>201,540</u>	<u>310,115</u>	<u>-</u>	<u>277,442.00</u>	<u>-</u>	<u>386,017</u>	<u>386,017</u>
Total Activities	<u>\$ 473,639</u>	<u>\$ 314,380</u>	<u>\$ -</u>	<u>\$ 490,820</u>	<u>(54,456)</u>	<u>386,017</u>	<u>331,561</u>
General Revenues:							
Property Taxes and intergovernmental revenue					393,838	-	393,838
Rents					11,697	-	11,697
Planning & Zoning					6,261	-	6,261
Other Revenues					19,506	-	19,506
Interest Earnings					1,480	1,480	2,960
Transfers					-	-	-
Total General Revenues and Transfers					<u>432,782</u>	<u>1,480</u>	<u>434,262</u>
Change in Net Position					378,326	387,497	765,823
Net Position- Beginning					633,028	2,354,446	2,987,474
Net Position- Ending					<u>\$ 1,011,354</u>	<u>\$ 2,741,943</u>	<u>\$ 3,753,297</u>

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

CITY OF ATHOL
Balance Sheet
Governmental Funds
September 30, 2021

	<u>General Fund</u>
ASSETS	
Cash & Investments	\$ 649,402
Receivables:	
Property Taxes	17,886
Other Governments	48,688
Other	922
Prepaid Expenses	2,990
Total Assets	<u>\$ 719,888</u>
LIABILITIES	
Accounts Payable	\$ 12,289
Payroll, Benefits and Taxes Payable	13,891
Customer Deposits	5,664
Total Liabilities	<u>31,844</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	17,152
Total Deferred Inflows of Resources	<u>17,152</u>
FUND BALANCES (DEFICITS)	
Nonspendable	
Prepaid Expenses	2,990
Committed	
Equipment Replacement	41,500
Park Improvements	12,500
Cemetery Improvements	2,000
Road Repairs	153,343
Litigation Funds	40,000
Assigned	
Reserves and Savings	20,000
Unassigned	398,559
Total Fund Equity	<u>670,892</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 719,888</u>

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

CITY OF ATHOL
Reconciliation of the Governmental Funds Balance Sheet
To The Statement of Net Position
September 30, 2021

Total fund balances at September 30, 2021 - Governmental Funds		\$ 670,892
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
Cost of capital assets at September 30, 2021	752,323	
Less accumulated depreciation	<u>(392,858)</u>	359,465
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore, are not reported in the funds:		
Deferred outflows of resources - pension plan		35,485
Other long-term assets are to available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Elimination of unavailable revenue - property taxes		17,152
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore, are not reported in the funds:		
Deferred inflows of resources - pension plan		(68,856)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Net pension (liability)/asset	2,152	
Compensated absences	<u>(4,936)</u>	<u>(2,784)</u>
Net position of governmental activities at September 30, 2021		<u>\$ 1,011,354</u>

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

CITY OF ATHOL
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Fund
Year Ended September 30, 2021

	<u>General Fund</u>
REVENUES	
Property Taxes & Intergovernmental Revenue	\$ 391,634
Licenses & Permits	4,265
Rental Income	11,697
Planning & Zoning	6,261
Grant Income	213,378
Other Income	19,506
Interest Earnings	1,480
Total Revenues	<u>648,221</u>
EXPENDITURES	
General Government:	
Wages, Taxes, and Benefits	143,314
Other Operating Costs	96,619
Capital Expenditures	121,612
Total Expenditures	<u>361,545</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>286,676</u>
OTHER FINANCING SOURCES (USED)	
Transfers In	-
Transfers Out	-
Total Other Sources (Uses)	<u>-</u>
Net Change in Fund Balance	286,676
Fund Balance - October 1	<u>384,216</u>
Fund Balance - September 30	<u><u>\$ 670,892</u></u>

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, 2021

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds		\$ 286,676
Increase/(decrease) in current property taxes not reflected in revenue on the governmental funds statements		2,204
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:		
Capital expenses	121,612	
Prepaid insurances	<u>(4,967)</u>	
Total expenses on the governmental fund statement not included on the government-wide statement		116,645
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(38,405)	
Increase in compensated absence liability	(124)	
Decrease in PERSI contributions	13,243	
Increase in pension plan expense	<u>(1,913)</u>	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(27,199)
Change in net position on the government-wide statements		<u><u>\$ 378,326</u></u>

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

CITY OF ATHOL
Statement of Net Position
Proprietary Funds
September 30, 2021

	Water Fund
ASSETS	
CURRENT ASSETS:	
Cash & Investments	\$ 524,468
Accounts Receivable (net)	17,258
Other Receivables (net)	2,544
Prepaid Expenses	1,875
Total Current Assets	546,145
NONCURRENT ASSETS:	
Capital Assets	4,380,040
Accumulated Depreciation	(899,633)
Total Capital Assets	3,480,407
OTHER ASSETS:	
Net Pension Asset	958
Advance to Other Funds	-
Total Other Assets	958
TOTAL ASSETS	4,027,510
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	15,797
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable	265,237
Payroll, Benefits, and Taxes Payable	2,516
Compensated Absences Payable	2,468
Total Current Liabilities	270,221
LONG TERM LIABILITIES:	
DEQ Interim Advances	1,000,493
TOTAL LIABILITIES	1,270,714
DEFERRED INFLOWS OF RESOURCES	
Pension Plan	30,650
NET POSITION	
Net Investment in Capital Assets	2,479,914
Unrestricted	262,029
Total Net Position	\$ 2,741,943

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

CITY OF ATHOL
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2021

	Water Fund
Operating Revenues:	
Charges for Services	\$ 235,258
Hookups & Other	39,320
Tower Rents	35,537
Total Operating Revenues	310,115
Operating Expenses:	
Administrative	57,517
Maintenance & Operations	62,643
Utilities	22,918
Depreciation	58,575
Pension Plan Expense/(Revenue)	(113)
Total Operating Expenses	201,540
Operating Income (Loss)	108,575
Non-Operating Revenues (Expenses):	
Interest Income	1,480
Grant Income	277,442
Total Non-Operating Revenue (Expenses)	278,922
Change in Net Position	387,497
Net Position - October 1	2,354,446
Net Position - September 30	\$ 2,741,943

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

CITY OF ATHOL
Statement of Cash Flows
All Proprietary Funds
Year Ended September 30, 2021

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers and Users	\$ 303,206
Payments to Employees	(55,820)
Payments to Suppliers	(87,286)
Net Cash Provided by Operating Activities	160,100
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interfund payments	-
Net Cash Provided by Noncapital Financing Activities	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from Government Grants	277,442
Payments for Capital Acquisitions	(1,623,315)
Proceeds from Long Term Borrowing	1,000,493
Net Cash Used by Capital and Related Financing Activities	(345,380)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	1,480
Net Cash Provided by Investing Activities	1,480
Net Increase in Cash and Cash Equivalents	(183,800)
Cash and Cash Equivalents, October 1	708,268
Cash and Cash Equivalents, September 30	\$ 524,468
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS:	
Operating Income (Loss)	\$ 108,575
Adjustments to Reconcile to Cash Flow:	
Depreciation	58,575
(Increase)/Decrease in Receivables	(6,909)
Increase/(Decrease) in Accounts Payable	5,523
Increase/(Decrease) in Payroll Liabilities	283
Increase/(Decrease) in Compensated Absences	62
Increase/(Decrease) in Pension Plan	(6,009)
Total Adjustments	51,525
Net Cash Provided by Operating Activities	\$ 160,100

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

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

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.

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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The Street Fund was absorbed by the General Fund in a prior year, and its revenues and expense are now included in the General Fund.

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 60 days after year-end.

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 for the purpose of increasing earnings through investment activities. The pool's investments are reported at book value at September 30, 2021, as the fair market value adjustment has historically been immaterial. 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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2021.

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.

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:

Asset Class	Estimated Useful Lives
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
Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, that 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.

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 hours)
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 is 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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but 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.

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.

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 current fiscal year.

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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

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, 2021, the City's exposure was as follows:

Deposits without exposure to custodial credit risk:

Amounts insured by FDIC or other agencies	\$ 340,103
Total deposits without exposure to custodial credit risk	340,103

Deposits with exposure to custodial credit risk:

Amounts collateralized with securities held in trust, but not in City's name	834,517
Amounts uninsured-exposed to custodial credit risk	-
Total deposits without exposure to custodial credit risk	834,517
Total bank balance (deposits)	\$ 1,174,620

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

Statement of Net Position:

Cash and investments	\$ 1,173,870
Restricted cash and investments	-
	\$ 1,173,870

Cash and cash equivalents at September 30, 2020 consist of the following:

Cash:

Deposits with financial institutions	\$ 338,260
Cash on hand	1,093

Cash equivalents:

Deposits in money market funds	-
Deposits with Idaho state investment pool	834,517

Total	\$ 1,173,870
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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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENT BALANCES

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 \$1,919 as of September 30, 2021; this has not been recognized in the financial statements. The unrealized gain was based on a fair market value adjustment factor of 1.0023 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 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, 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	151,253	121,612	-	272,865
Equipment	343,939	-	-	343,939
Total capital assets being depreciated	495,192	121,612	-	616,804
Less accumulated depreciation	354,453	38,405	-	392,858
Total capital assets being depreciated, net	140,739	83,207	-	223,946
Governmental Activity Capital Assets, net	<u>\$ 276,258</u>	<u>83,207</u>	<u>-</u>	<u>359,465</u>
	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities				
<i>Capital assets not being depreciated</i>				
Land	\$ 144,054	-	-	144,054
Total capital assets not being depreciated	144,054	-	-	144,054
<i>Capital assets being depreciated</i>				
Buildings & Improvements	1,090,096	1,875,562	-	2,965,658
Equipment	1,270,328	-	-	1,270,328
Total capital assets being depreciated	2,360,424	1,875,562	-	4,235,986
Less accumulated depreciation	841,058	58,575	-	899,633
Total capital assets being depreciated, net	1,519,366	1,816,987	-	3,336,353
Business-Type Activity Capital Assets, net	<u>\$1,663,420</u>	<u>1,816,987</u>	<u>-</u>	<u>3,480,407</u>

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 3 – CAPITAL ASSETS (CONCLUDED)

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 \$38,405.

NOTE 4 – RECEIVABLES

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

Balance 9/30/20	Lewy 2020	Adjustments & Collections	Balance 9/30/21
\$ 14,981	158,032	155,127	\$ 17,886

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, 2021 is as follows:

Taxes Due at September 30, 2021	\$ 17,886
Received October 2021	(667)
Received November 2021	(67)
Total	\$ 17,152

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

<u>GOVERNMENTAL ACTIVITIES:</u>	
State Revenue Sharing	\$ 17,243
State Liquor	21,098
Highway Users	10,347
Total	\$ 48,688
<u>BUSINESS-TYPE ACTIVITIES:</u>	
Water User Fees Receivable (net)	\$ 17,258

NOTE 5 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
DEQ Loan #1906	\$ -	\$ 1,000,493	\$ -	\$ 1,000,493	\$ -	\$ 1,000,493

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 5 – LONG-TERM LIABILITIES (CONCLUDED)

Interim Financing for Water System Improvement Project

During the fiscal year ending September 30, 2021 the District was the recipient of an interim loan program through the Idaho Department of Environmental Quality for a water system improvement project. Under this agreement, DEQ will provide \$3,286,000 of loan advances, \$700,000 of this will be in the form of principal forgiveness. Interest will be accrued at an annual percentage rate of 1.75%. At completion of the construction, the United States Department of Agriculture will finance the balance of \$2,586,000. At year end, the project completion date is not expected to be within one year, therefore, all advances have been classified as long-term debt.

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 – 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.

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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

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 74% for police and firefighters. As of June 30, 2021, it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.94% general employees and 12.28% for police and firefighters. The City's contributions were \$19,138 for the year ended September 30, 2021.

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

At September 30, 2021, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion was 0.00393842 percent.

For the year ended September 30, 2021, the City recognized pension expense of \$916. At September 30, 2021, 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	\$ 4,583	\$ 1,808
Changes in assumptions or other inputs	35,704	-
Net difference between projected and actual earnings on pension plan investments	-	97,698
Change in the City's proportion and differences between the City's contributions and the City's proportionate contributions	19,154	12,814
Amortized change in proportionate share	(13,159)	(12,814)
City's contributions subsequent to the measurement date	5,000	-
Total	<u>\$ 51,282</u>	<u>\$ 99,506</u>

\$5,000 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, 2021.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

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, 2019, the beginning of the measurement period ended June 30, 2020, is 4.8 and 4.6 for the measurement period June 30, 2021.

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

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:	
2022	(11,051)
2023	(10,319)
2024	(10,207)
2025	(21,677)

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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increase	3.05%
Salary inflation*	3.05%
Investment rate of return**	6.35%
Cost-of-living adjustments	1.00%

*there is an additional component of assumed salary growth (on top of the 3.05%) that varies for each individual member based on years of service

**net of pension plan investment expense

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions other than mortality. The Total Pension Liability as of June 30, 2021 is based on the results of an actuarial valuation date July 1, 2021.

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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Actuarial Assumptions – (continued)

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.

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 2021.

Capital Market Assumptions from Callan 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	30.00%	1.80%	-0.20%
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation - Mean		2.00%	2.00%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.15%	3.06%

Investment Policy Assumptions from PERSI Board Nov 2019

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.14%
Portfolio Standard Deviation	14.16%

Economic/Demographic Assumptions from Milliman 2021

<u>Valuation Assumptions Chosen by PERSI Board</u>	
Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	2.30%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u>6.35%</u>

See accompanying independent auditors’ report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. 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.

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 6.35%, 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 (5.35%) or 1-percentage-point higher (7.35%) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
City's proportionate share of the net pension liability (asset)	\$ 108,127	\$ (3,110)	\$ (94,294)

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, 2021, the City reported \$300 of payables to the pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>9/30/2021</u>	<u>09/30/2020</u>	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>09/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
City's portion of the net pension liability	0.0039384%	0.0039036%	0.0036553%	0.0031514%	0.0030137%	0.0031047%	0.0027921%
City's proportionate share of the net pension liability/(asset)	\$ (3,110)	\$ 90,647	\$ 41,724	\$ 46,484	\$ 47,370	\$ 62,937	\$ 36,767
City's covered-employee payroll	\$ 160,285	\$ 138,423	\$ 123,624	\$ 108,647	\$ 89,408	\$ 93,037	\$ 99,255
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	-1.94%	65.49%	33.75%	42.78%	52.98%	67.65%	37.04%
Plan fiduciary net position as a percentage of the total pension liability	100.36%	88.22%	93.79%	91.69%	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 Athol will present information for those to use for which information is available.

Data reported is measured as of June 30, 2021.

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

	<u>9/30/2021</u>	<u>09/30/2020</u>	<u>09/30/2019</u>	<u>09/30/2018</u>	<u>09/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Statutorily required contribution	\$ 15,550	\$ 15,315	\$ 13,987	\$ 12,238	\$ 10,163	\$ 9,229	\$ 9,133
Contributions in relation to the statutorily required contribution	\$ (17,760)	\$ (16,810)	\$ (14,259)	\$ (11,633)	\$ (10,740)	\$ (10,420)	\$ (8,969)
Contribution (deficiency) excess	\$ (2,210)	\$ (1,495)	\$ (272)	\$ 605	\$ (577)	\$ (1,191)	\$ 164
City's covered-employee payroll	\$ 160,285	\$ 138,423	\$ 123,624	\$ 108,647	\$ 89,408	\$ 93,037	\$ 99,255
Contributions as a percentage of covered-employee payroll	11.08%	12.14%	11.53%	10.71%	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 Athol will present information for those to use for which information is available.

Data reported is measured as of June 30, 2021.

CITY OF ATHOL
Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual
All Government Fund Types
September 30, 2021

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental Revenue	\$ 324,904	\$ 324,904	\$ 391,634
Licenses and Permits	2,975	2,975	4,265
Rental Income	8,500	8,500	11,697
Planning & Zoning	7,000	7,000	6,261
Grant Income	-	-	213,378
Other Income	94,640	94,640	19,506
Interest Earnings	5,708	5,708	1,480
Total Revenues	443,727	443,727	648,221
Expenditures:			
General Government:			
Wages, Taxes, and Benefits	166,018	166,018	143,314
Other Operating Costs	277,709	277,709	96,619
Capital Expenditures	-	-	121,612
Total Expenditures	443,727	443,727	361,545
Excess (Deficiency) of Revenues Over Expenditures	-	-	286,676
Fund Balance - October 1	384,216	384,216	384,216
Fund Balance - September 30	\$ 384,216	\$ 384,216	\$ 670,892

CITY OF ATHOL
Notes to the Budget and Actual Schedule
September 30, 2021

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 2021.

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 2021.

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

**INDEPENDENT AUDITORS' 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**

Mayor and City Council
City of Athol, Idaho

We have audited, 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, the financial statements of the governmental activities and the business-type activities of the City of Athol, Idaho as of and for the year ended September 30, 2021, 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 April 28, 2022.

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) as a basis for designing 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.

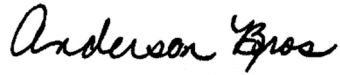
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. 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. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Anderson Bros". The script is cursive and fluid.

Anderson Bros. CPAs
Post Falls, Idaho
April 28, 2022

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Athol, Idaho

Report on Compliance for Each Major Federal Program

We have audited the City of Athol, Idaho's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Athol, Idaho's major federal programs for the year ended September 30, 2021. City of Athol, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Athol, Idaho's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Athol, Idaho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Athol, Idaho's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Athol, Idaho, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

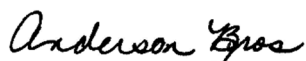
Report on Internal Control over Compliance

Management of the City of Athol, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Athol, Idaho's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Athol, Idaho's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Anderson Bros. CPAs
Post Falls, Idaho
April 28, 2022

CITY OF ATHOL
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
U.S. Department of Agriculture:			
Water and Waste Water Disposal Systems for Rural Communities	10.760		\$ 1,204,199
Department of Housing and Urban Development:			
Passed through the State of Idaho:			
Community Development Block Grants/Entitlement Grants	14.218	826000176	6,420
Environmental Protection Agency:			
Passed through the State of Idaho:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	826000176	<u>339,169</u>
			<u>\$ 1,549,788</u>

CITY OF ATHOL
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Athol (the City) under programs of the federal government for the year ended September 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Government.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE 3: INDIRECT COST RATE

The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4: MATCHING REQUIREMENTS

Certain Federal programs require the Government to contribute non-Federal funds (matching funds) to support the Federally funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE 5: LOANS OUTSTANDING

The city has a loan through the Environmental Protection Agency of \$339,169. The outstanding principal balance at September 30, 2021 is \$339,169, of which \$339,169 was spent in the current fiscal year.

CITY OF ATHOL
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es) _____ Yes X None reported

Noncompliance material to financial statements noted _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es) _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a) _____ Yes X No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee _____ Yes X No

CITY OF ATHOL
Schedule of Findings and Questioned Costs
Year Ended September 30, 2021

Section II - Findings – Financial Statement Audit

We noted no findings relating to the Financial Statement Audit which are required to be reported in accordance with generally accepted *Government Auditing Standards*.

Section III - Findings and Questioned Costs – Major Federal Award Programs Audit

We noted no findings relating to the Federal Awards Programs, which are required to be reported in accordance with generally accepted *Government Auditing Standards*.

Section IV – Summary of Prior Year Audit Findings Relating to Federal Awards

No prior year audit findings relating to Federal Awards.