

**CITY OF ATHOL**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**Year Ended September 30, 2022**

*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 Audit of the Financial Statements**

***Opinions***

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principle generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Athol, Idaho and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Athol, Idaho's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Athol, Idaho's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Athol, Idaho's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require 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 is the responsibility of management and, 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 our report dated May 16, 2023, 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, Idaho'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 City of Athol, Idaho's internal control over financial reporting and compliance.



Anderson Bros. CPAs  
Post Falls, Idaho  
May 16, 2023

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ATHOL**  
**Statement of Net Position**  
**September 30, 2022**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash & Investments	\$ 1,158,901	\$ 619,813	\$ 1,778,714
Receivables:			
Property Taxes	19,157	-	19,157
Accounts Receivable (net)	13,455	17,980	31,435
Other Receivables (net)	-	1,544	1,544
Grants Receivable	-	26,028	26,028
Due from Other Governments	58,007	-	58,007
Prepaid Expenses	4,570	2,091	6,661
Total Current Assets	<u>1,254,090</u>	<u>667,456</u>	<u>1,921,546</u>
Capital Assets Not Being Depreciated	135,519	144,054	279,573
Capital Assets, Net of Accumulated Depreciation	<u>217,462</u>	<u>5,116,316</u>	<u>5,333,778</u>
Total Capital Assets	<u>352,981</u>	<u>5,260,370</u>	<u>5,613,351</u>
Total Assets	<u>1,607,071</u>	<u>5,927,826</u>	<u>7,534,897</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Plan	<u>66,455</u>	<u>33,346</u>	<u>99,801</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	23,669	336,371	360,040
Payroll, Benefits, and Taxes Payable	19,494	2,516	22,010
Compensated Absences	4,936	2,468	7,404
Customer Deposits	4,500	-	4,500
Deferred Revenues	19,250	-	19,250
Deferred Grant Revenues	493,452	-	493,452
Total Current Liabilities	<u>565,301</u>	<u>341,355</u>	<u>906,656</u>
Long-Term Liabilities:			
Net Pension Liability	114,854	57,629	172,483
DEQ Interim Advances	-	2,373,711	2,373,711
Total Long-Term Liabilities	<u>114,854</u>	<u>2,431,340</u>	<u>2,546,194</u>
Total Liabilities	<u>680,155</u>	<u>2,772,695</u>	<u>3,452,850</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan	<u>513</u>	<u>257</u>	<u>770</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	352,981	2,886,659	3,239,640
Unrestricted	639,877	301,561	941,438
Total Net Position	<u>\$ 992,858</u>	<u>3,188,220</u>	<u>\$ 4,181,078</u>

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



**CITY OF ATHOL**  
**Statement of Activities**  
**Year Ended September 30, 2022**

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
<b>Governmental Activities</b>							
General Government	\$ 393,705	\$ 14,826	\$ 344	\$ -	\$ (378,535)	\$ -	\$ (378,535)
Depreciation	31,134	-	-	-	(31,134)	-	(31,134)
Pension Plan Expense	32,601	-	-	-	(32,601)	-	(32,601)
Total Governmental Activities	<u>457,440</u>	<u>14,826</u>	<u>344</u>	<u>-</u>	<u>(442,270)</u>	<u>-</u>	<u>(442,270)</u>
<b>Business-type Activities</b>							
Water Service	240,430	299,321	-	402,298	-	461,189	461,189
Pension Plan Expense/(Revenue)	17,936	-	-	-	-	(17,936)	(17,936)
Total Business-type Activities	<u>258,366</u>	<u>299,321</u>	<u>-</u>	<u>402,298</u>	<u>-</u>	<u>443,253</u>	<u>443,253</u>
Total Activities	<u>\$ 715,806</u>	<u>\$ 314,147</u>	<u>\$ 344</u>	<u>\$ 402,298</u>	<u>(442,270)</u>	<u>443,253</u>	<u>983</u>
General Revenues:							
Property Taxes and intergovernmental revenue					439,207	-	439,207
Rents					13,018	-	13,018
Planning & Zoning					-	-	-
Other Revenues					26,800	-	26,800
Interest Earnings					3,023	3,024	6,047
Transfers					-	-	-
Total General Revenues and Transfers					<u>482,048</u>	<u>3,024</u>	<u>485,072</u>
Change in Net Position					39,778	446,277	486,055
Net Position- Beginning					1,011,354	2,741,943	3,753,297
Prior Period Adjustment- See Note 8					(58,274)	-	(58,274)
Net Position- Ending					<u>\$ 992,858</u>	<u>\$ 3,188,220</u>	<u>\$ 4,181,078</u>

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

**CITY OF ATHOL**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2022**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash & Investments	\$ 1,158,901
Receivables:	
Property Taxes	19,157
Other Governments	58,007
Other Receivables	13,455
Prepaid Expenses	4,570
Total Assets	<u>1,254,090</u>
<b>LIABILITIES</b>	
Accounts Payable	23,669
Payroll, Benefits and Taxes Payable	19,494
Customer Deposits	4,500
Deferred Revenues	19,250
Deferred Grant Revenue	493,452
Total Liabilities	<u>560,365</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue - Property Taxes	17,390
Total Deferred Inflows of Resources	<u>17,390</u>
<b>FUND BALANCES (DEFICITS)</b>	
Nonspendable	
Prepaid Expenses	4,570
Restricted	
ARPA Grant Funds	143,452
Committed	
Equipment Replacement	26,850
Park Improvements	16,500
Cemetery Improvements	22,000
Road Repairs	223,343
Litigation Funds	65,000
Assigned	
Reserves and Savings	25,000
Unassigned	149,620
Total Fund Equity	<u>676,335</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,254,090</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, 2022**

Total fund balances at September 30, 2022 - Governmental Funds		\$ 676,335
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, 2022	776,973	
Less accumulated depreciation	<u>(423,992)</u>	352,981
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		66,455
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		17,390
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		(513)
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	(114,854)	
Compensated absences	<u>(4,936)</u>	<u>(119,790)</u>
Net position of governmental activities at September 30, 2022		<u>\$ 992,858</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, 2022**

	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes & Intergovernmental Revenue	\$ 438,969
Licenses & Permits	14,826
Rental Income	13,018
Grant Income	344
Other Income	26,800
Interest Earnings	3,023
Total Revenues	<u>496,980</u>
<b>EXPENDITURES</b>	
General Government:	
Wages, Taxes, and Benefits	162,679
Other Operating Costs	245,934
Capital Expenditures	24,650
Total Expenditures	<u>433,263</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>63,717</u>
<b>OTHER FINANCING SOURCES (USED)</b>	
Transfers In (Out)	-
Proceeds from Sale of Assets	-
Total Other Sources (Uses)	<u>-</u>
Net Change in Fund Balance	63,717
Fund Balance - October 1	670,892
Prior Period Adjustment, See Note 8	<u>(58,274)</u>
Fund Balance - September 30	<u><u>\$ 676,335</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, 2022**

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

Net change in fund balances - total governmental funds		\$ 63,717
Increase/(decrease) in current property taxes not reflected in revenue on the governmental funds statements		238
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:		
Capital expenses	24,650	
Prepaid insurances	-	
Total expenses on the governmental fund statement not included included on the government-wide statement		24,650
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(31,134)	
(Increase)/Decrease in compensated absence liability	-	
Increase/(Decrease) in Pension Plan Expense	(17,693)	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(48,827)
Change in net position on the government-wide statements		\$ 39,778

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

**CITY OF ATHOL**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2022**

	Water Fund
<b>ASSETS</b>	
CURRENT ASSETS:	
Cash & Investments	\$ 619,813
Accounts Receivable (net)	17,980
Other Receivables (net)	1,544
Grants Receivable	26,028
Prepaid Expenses	2,091
Total Current Assets	667,456
NONCURRENT ASSETS:	
Capital Assets	6,207,697
Accumulated Depreciation	(947,327)
Total Capital Assets	5,260,370
<b>TOTAL ASSETS</b>	<b>5,927,826</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Plan	33,346
<b>LIABILITIES</b>	
CURRENT LIABILITIES:	
Accounts Payable	336,371
Payroll, Benefits, and Taxes Payable	2,516
Compensated Absences Payable	2,468
Total Current Liabilities	341,355
LONG TERM LIABILITIES:	
Net Pension Liability	57,629
DEQ Interim Advances	2,373,711
<b>TOTAL LIABILITIES</b>	<b>2,772,695</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Plan	257
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,886,659
Unrestricted	301,561
Total Net Position	<b>\$ 3,188,220</b>

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, 2022**

	<u>Water Fund</u>
<b>Operating Revenues:</b>	
Charges for Services	\$ 234,920
Hookups & Other	25,410
Tower Rents	38,991
Total Operating Revenues	<u>299,321</u>
<b>Operating Expenses:</b>	
Administrative	71,649
Maintenance & Operations	103,522
Utilities	17,565
Depreciation	47,694
Pension Plan Expense/(Revenue)	17,936
Total Operating Expenses	<u>258,366</u>
Operating Income (Loss)	<u>40,955</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest Income	3,024
Grant Income	402,298
Total Non-Operating Revenue (Expenses)	<u>405,322</u>
Change in Net Position	446,277
Net Position - October 1	<u>2,741,943</u>
Net Position - September 30	<u>\$ 3,188,220</u>

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

**CITY OF ATHOL**  
**Statement of Cash Flows**  
**All Proprietary Funds**  
**Year Ended September 30, 2022**

	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from Customers and Users	\$ 273,571
Payments to Employees	(69,822)
Payments to Suppliers	(59,287)
Net Cash Provided by Operating Activities	<u>144,462</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Interfund payments	-
Net Cash Provided by Noncapital Financing Activities	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from Government Grants	402,298
Payments for Capital Acquisitions	(1,827,657)
Proceeds from Long Term Borrowing	1,373,218
Net Cash Used by Capital and Related Financing Activities	<u>(52,141)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	3,024
Net Cash Provided by Investing Activities	<u>3,024</u>
Net Increase in Cash and Cash Equivalents	95,345
Cash and Cash Equivalents, October 1	<u>524,468</u>
Cash and Cash Equivalents, September 30	<u>\$ 619,813</u>
<b>RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS:</b>	
Operating Income (Loss)	\$ 40,955
Adjustments to Reconcile to Cash Flow:	
Depreciation	47,694
(Increase)/Decrease in Receivables	(25,750)
Increase/(Decrease) in Accounts Payable	70,918
Increase/(Decrease) in Payroll Liabilities	-
Increase/(Decrease) in Compensated Absences	-
Increase/(Decrease) in Pension Plan	10,645
Total Adjustments	<u>103,507</u>
Net Cash Provided by Operating Activities	<u>\$ 144,462</u>

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



**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

**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, 2022**

**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 expenses 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, 2022, 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, 2022**

**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, 2022.

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, 2022**

**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 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.

*See accompanying independent auditors' report.*

**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

**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, 2022**

**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.

**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,

*See accompanying independent auditors' report.*

**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

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 may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2022, the City's exposure was as follows:

<i>Deposits without exposure to custodial credit risk:</i>	
Amounts insured by FDIC or other agencies	\$ 709,566
Total deposits without exposure to custodial credit risk	709,566
 <i>Deposits with exposure to custodial credit risk:</i>	
Amounts collateralized with securities held in trust, but not in City's name	1,077,622
Amounts uninsured-exposed to custodial credit risk	-
Total deposits without exposure to custodial credit risk	1,077,622
Total bank balance (deposits)	\$ 1,787,188

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

Statement of Net Position:	
Cash and investments	\$ 1,778,714
Restricted cash and investments	-
	\$ 1,778,714

*Cash and cash equivalents at September 30, 2022 consist of the following:*

Cash:	
Deposits with financial institutions	\$ 700,427
Cash on hand	665
Cash equivalents:	
Deposits in money market funds	-
Deposits with Idaho state investment pool	1,077,622
Total	\$ 1,778,714

**State Investment Pool**

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 Pool is not registered with the Securities and Exchange Commission or any other regulatory body nor is any balances insured by the Federal Deposit Insurance Corporation. Financial reports are available from the Idaho State Treasurer's Office upon request.

*See accompanying independent auditors' report.*

**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

The balances above that the City has in the State Investment Pool are carried at amortized cost, which is permitted pursuant to GASB 31, and calculated on a monthly basis. The City's portion of the State Investment Pool had an unrealized loss of \$2,047 as of September 30, 2022; this has not been recognized in the financial statements.

**Investments**

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 short-term investment pool accounts held by the City are not evidenced by securities that exist in physical or book entry form and accordingly, are not categorized for credit risk.

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities</b>				
<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	272,865	-	-	272,865
Equipment	343,939	24,650	-	368,589
Total capital assets being depreciated	616,804	24,650	-	641,454
Less accumulated depreciation	392,858	31,134	-	423,992
Total capital assets being depreciated, net	223,946	(6,484)	-	217,462
Governmental Activity Capital Assets, net	<u>\$ 359,465</u>	<u>(6,484)</u>	<u>-</u>	<u>352,981</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities</b>				
<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	2,965,658	1,803,007	-	4,768,665
Equipment	1,270,328	24,650	-	1,294,978
Total capital assets being depreciated	4,235,986	1,827,657	-	6,063,643
Less accumulated depreciation	899,633	47,694	-	947,327
Total capital assets being depreciated, net	3,336,353	1,779,963	-	5,116,316
Business-Type Activity Capital Assets, net	<u>\$3,480,407</u>	<u>1,779,963</u>	<u>-</u>	<u>5,260,370</u>

See accompanying independent auditors' report.



**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

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 \$31,134.

**NOTE 4 – RECEIVABLES**

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

Balance 9/30/21	Lewy 2021	Adjustments & Collections	Balance 9/30/22
\$ 17,886	172,669	171,398	\$ 19,157

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, 2022 is as follows:

Taxes Due at September 30, 2022	\$ 19,157
Received October 2021	(564)
Received November 2021	(1,203)
Total	\$ 17,390

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

<u>GOVERNMENTAL ACTIVITIES:</u>	
State Revenue Sharing	\$ 21,629
State Liquor	27,954
Highway Users	8,424
Total	\$ 58,007
 <u>BUSINESS-TYPE ACTIVITIES:</u>	
Water User Fees Receivable (net)	\$ 17,980

**NOTE 5 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
DEQ Advances- Loan #1906	\$ 1,000,493	\$ 1,373,218	\$ -	\$ 2,373,711	\$ -	\$ 2,373,711

See accompanying independent auditors' report.

**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

**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. The project will be completed in fiscal year 2023.

**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](http://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.

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.

*See accompanying independent auditors' report.*

**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

**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, 2022 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 \$21,822 for the year ended September 30, 2022.

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

At September 30, 2022, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was 0.00437913%.

For the year ended September 30, 2022, the City recognized pension expense of \$50,160. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,967	\$ 770
Changes in assumptions or other inputs	28,120	-
Net difference between projected and actual earnings on pension plan investments	39,686	-
Change in the City's proportion and differences between the City's contributions and the City's proportionate contributions	25,433	12,814
Amortized change in proportionate share	(17,405)	(12,814)
City's contributions subsequent to the measurement date	5,000	-
Total	<u>\$ 99,801</u>	<u>\$ 770</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, 2022.

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, 2020, the beginning of the measurement period ended June 30, 2021 is 4.6 and 4.6 for the measurement period June 30, 2022.

See accompanying independent auditors' report.

**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

**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:	
2023	24,199
2024	24,455
2025	11,778
2026	33,603

**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, 2022 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

**Contributing Members, Service Retirement Members, and Beneficiaries**

- General Employees and All Beneficiaries - Males Pub-2010 General Tables, increased 11%.
- General Employees and All Beneficiaries - Females Pub-2010 General Tables, increased 21%.
- Teachers - Males Pub-2010 Teacher Tables, increased 12%.
- Teachers - Females Pub-2010 Teacher Tables, increased 21%.
- Fire & Police - Males Pub-2010 Safety Tables, increased 21%.
- Fire & Police - Females Pub-2010 Safety Tables, increased 26%.
- Disabled Members - Males Pub-2010 Disabled Tables, increased 38%.
- Disabled Members - Females Pub-2010 Disabled Tables, increased 36%.

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The total pension liability as of June 30, 2022 is based on the results of an actuarial valuation date of July 1, 2022.

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

See accompanying independent auditors' report.

**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

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.

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 2022.

**Capital Market Assumptions**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0.00%	0.00%
Large Cap	18.00%	4.50%
Small/Mid Cap	11.00%	4.70%
International Equity	15.00%	4.50%
Emerging Markets Equity	10.00%	4.90%
Domestic Fixed	20.00%	-0.25%
TIPS	10.00%	-0.30%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

**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.

**CITY OF ATHOL**  
**Notes to Financial Statements**  
**Year Ended September 30, 2022**

**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)	\$ 304,416	\$ 172,483	\$ 64,500

**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](http://www.persi.idaho.gov).

**Payables to the pension plan**

At September 30, 2022, the City reported \$1,152 of payables to the pension plan.

**NOTE 8 – PRIOR PERIOD ADJUSTMENT**

In both the Government-wide statements and Fund statements, a prior period adjustment is required to reflect unspent ARPA grant funds received during fiscal year 2021 as deferred grant funds. Following is a reconciliation of the restated beginning net position as shown with the prior period adjustment on the Statement of Activities:

	Governmental Activities
Net position- beginning	\$ 1,011,354
Prior period adjustment:	
Deferred grant funds	(58,274)
Net position- beginning, as restated	\$ 953,080

Following is a reconciliation of the restated beginning fund balance as shown with the prior period adjustment on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund:

	General Fund
Fund balance- beginning	\$ 670,892
Prior period adjustment:	
Deferred grant funds	(58,274)
Fund balance- beginning, as restated	\$ 612,618

See accompanying independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>9/30/2022</u>	<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 or asset	0.0043791%	0.0039384%	0.0039036%	0.0036553%	0.0031514%	0.0030137%	0.0031047%	0.0027921%
City's proportionate share of the net pension liability/(asset)	\$ 172,483	\$ (3,110)	\$ 90,647	\$ 41,724	\$ 46,484	\$ 47,370	\$ 62,937	\$ 36,767
City's covered-employee payroll	\$ 182,764	\$ 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	94.37%	-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	83.09%	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, 2022.

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

	<u>9/30/2022</u>	<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	\$ 20,278	\$ 15,550	\$ 15,315	\$ 13,987	\$ 12,238	\$ 10,163	\$ 9,229	\$ 9,133
Contributions in relation to the statutorily required contribution	\$ (20,863)	\$ (17,760)	\$ (16,810)	\$ (14,259)	\$ (11,633)	\$ (10,740)	\$ (10,420)	\$ (8,969)
Contribution (deficiency) excess	\$ (585)	\$ (2,210)	\$ (1,495)	\$ (272)	\$ 605	\$ (577)	\$ (1,191)	\$ 164
City's covered-employee payroll	\$ 182,764	\$ 160,285	\$ 138,423	\$ 123,624	\$ 108,647	\$ 89,408	\$ 93,037	\$ 99,255
Contributions as a percentage of covered-employee payroll	11.42%	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, 2022.



**CITY OF ATHOL**  
**Schedule of Revenue, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - All Governmental Fund Types**  
**Year Ended September 30, 2022**

	General Fund		
	Original Budget	Final Budget	Actual
<b>Revenues:</b>			
Intergovernmental Revenue	\$ 468,395	\$ 468,395	\$ 438,969
Licenses and Permits	10,160	10,160	14,826
Rental Income	10,000	10,000	13,018
Grant Income	160,000	160,000	344
Other Income	146,015	146,015	26,800
Interest Earnings	760	760	3,023
Total Revenues	795,330	795,330	496,980
<b>Expenditures:</b>			
General Government:			
Wages, Taxes, and Benefits	189,493	189,493	162,679
Other Operating Costs	605,837	605,837	245,934
Capital Expenditures	-	-	24,650
Total Expenditures	795,330	795,330	433,263
Excess (Deficiency) of Revenues Over Expenditures	-	-	63,717
Fund Balance - October 1	670,892	670,892	670,892
Prior Period Adjustment	-	-	(58,274)
Fund Balance - September 30	\$ 670,892	\$ 670,892	\$ 676,335

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

**CITY OF ATHOL**  
**Notes to the Budget and Actual Schedule**  
**September 30, 2022**

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 2022.

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 2022.

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, 2022, 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 May 16, 2023.

**Report on 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 or significant deficiencies may exist that were not identified.

**Report on 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  
May 16, 2023

## **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**

***Opinion on Each Major Federal Program***

We have audited the City of Athol, Idaho's, compliance with the types of compliance requirements identified as subject to audit 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, 2022. The 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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).j Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Athol, Idaho and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Athol, Idaho's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Athol, Idaho's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Athol, Idaho's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Athol, Idaho's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Athol, Idaho's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Athol, Idaho's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Athol, Idaho's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

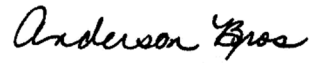
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses,



as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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.

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

Anderson Bros. CPAs  
Post Falls, Idaho  
May 16, 2023

**CITY OF ATHOL**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2022**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture:</u></b>			
Water and Waste Water Disposal Systems for Rural Communities	10.760		\$ 1,381,897
<b><u>Department of Housing and Urban Development:</u></b>			
<b><i>Passed through the State of Idaho:</i></b>			
Community Development Block Grants/Entitlement Grants	14.218	826000176	30,580
<b><u>Environmental Protection Agency:</u></b>			
<b><i>Passed through the State of Idaho:</i></b>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	826000176	284,340
<b><u>Department of the Treasury</u></b>			
<b><i>Passed through the State of Idaho:</i></b>			
The Coronavirus Aid, Relief, and Economics Security Act	21.019	826000176	26,904
			<u>\$ 1,723,721</u>

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

**CITY OF ATHOL**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2022**

**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, 2022. 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 \$623,509. The outstanding principal balance at September 30, 2022 is \$623,509, of which \$284,340 was spent in the current fiscal year and \$339,169 as spent in the prior year.

**CITY OF ATHOL**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2022**

**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, 2022**

**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.