

CITY OF ATHOL

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

Year Ended September 30, 2023

Prepared by

ANDERSONBROS.CPA

TAX, ASSURANCE, ACCOUNTING, ADVISORY

TABLE OF CONTENTS

Independent Auditor’s Report	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	4
Statement of Activities.....	5
Fund Financial Statement:	
Balance Sheet – Governmental Funds.....	6
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	7
Statement of Revenue, Expenditures, and Changes in Fund Balances	
Governmental Fund	8
Reconciliation of the Statement of revenues, Expenditures, and Changes in fund Balances of Governmental Funds to the Statement of Activities.....	9
Statement of Net Position – Proprietary Funds.....	10
Statement of Revenue, Expenses, and Changes in fund Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds.....	12
Notes to Financial Statements	13
Required Supplementary Information:	
Schedule of City’s Share of Net Pension Liability	27
Schedule of City’s Contributions	27
Schedule of Revenues, Expenditures, and Changes in Fund Balances	
Budget and Actual – All Governmental Fund Types	28
Notes to the Budget and Actual Schedule.....	29
Report Required by the GAO:	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30

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, 2023, 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, 2023, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2024, 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
June 17, 2024

BASIC FINANCIAL STATEMENTS

CITY OF ATHOL
Statement of Net Position
September 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash & Investments	\$ 628,851	\$ 718,867	\$ 1,347,718
Receivables:			
Property Taxes	19,274	-	19,274
Accounts Receivable (net)	2,725	24,708	27,433
Other Receivables (net)	-	1,544	1,544
Due from Other Governments	66,225	-	66,225
Prepaid Expenses	5,210	2,485	7,695
Total Current Assets	722,285	747,604	1,469,889
Capital Assets Not Being Depreciated	135,519	144,054	279,573
Capital Assets, Net of Accumulated Depreciation	915,298	5,336,731	6,252,029
Total Capital Assets	1,050,817	5,480,785	6,531,602
Total Assets	1,773,102	6,228,389	8,001,491
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	49,939	26,892	76,831
LIABILITIES			
Current Liabilities:			
Accounts Payable	57,092	25,336	82,428
Payroll, Benefits, and Taxes Payable	18,003	2,516	20,519
Compensated Absences	4,936	2,468	7,404
Customer Deposits	3,000	-	3,000
Deferred Revenues	-	-	-
Deferred Grant Revenues	120,606	-	120,606
Accrued Interest Payable	-	31,880	31,880
USDA Loan - Current Portion	-	36,402	36,402
Total Current Liabilities	203,637	98,602	302,239
Long-Term Liabilities:			
Net Pension Liability	116,260	62,601	178,861
USDA Loan	-	2,103,598	2,103,598
Total Long-Term Liabilities	116,260	2,166,199	2,282,459
Total Liabilities	319,897	2,264,801	2,584,698
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	-	-	-
NET POSITION			
Net Investment in Capital Assets	1,050,817	3,340,785	4,391,602
Restricted - ARPA Grant Funds	143,452	-	143,452
Unrestricted	308,875	649,695	958,570
Total Net Position	\$ 1,503,144	3,990,480	\$ 5,493,624

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

CITY OF ATHOL
Statement of Activities
Year Ended September 30, 2023

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	\$ 378,629	\$ 17,099	\$ 401,168	\$ -	\$ 39,638	\$ -	\$ 39,638
Depreciation	32,220	-	-	-	(32,220)	-	(32,220)
Pension Plan Expense	32,051	-	-	-	(32,051)	-	(32,051)
Total Governmental Activities	<u>442,900</u>	<u>17,099</u>	<u>401,168</u>	<u>-</u>	<u>(24,633)</u>	<u>-</u>	<u>(24,633)</u>
Business-type Activities							
Water Service	369,730	398,290	-	767,460	-	796,020	796,020
Pension Plan Expense/(Revenue)	19,053	-	-	-	-	(19,053)	(19,053)
Total Business-type Activities	<u>388,783</u>	<u>398,290</u>	<u>-</u>	<u>767,460</u>	<u>-</u>	<u>776,967</u>	<u>776,967</u>
Total Activities	<u>\$ 831,683</u>	<u>\$ 415,389</u>	<u>\$ 401,168</u>	<u>\$ 767,460</u>	<u>(24,633)</u>	<u>776,967</u>	<u>752,334</u>
General Revenues:							
Property Taxes and intergovernmental revenue					470,801	-	470,801
Rents					14,234	-	14,234
Other Revenues					25,175	-	25,175
Interest Earnings					24,709	25,293	50,002
Total General Revenues and Transfers					<u>534,919</u>	<u>25,293</u>	<u>560,212</u>
Change in Net Position					510,286	802,260	1,312,546
Net Position- Beginning					992,858	3,188,220	4,181,078
Net Position- Ending					<u>\$ 1,503,144</u>	<u>\$ 3,990,480</u>	<u>\$ 5,493,624</u>

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

**CITY OF ATHOL
Balance Sheet
Governmental Funds
September 30, 2023**

	<u>General Fund</u>
ASSETS	
Cash & Investments	\$ 628,851
Receivables:	
Property Taxes	19,274
Other Governments	66,225
Other Receivables	2,725
Prepaid Expenses	5,210
Total Assets	<u>\$ 722,285</u>
LIABILITIES	
Accounts Payable	\$ 57,092
Payroll, Benefits and Taxes Payable	18,003
Customer Deposits	3,000
Deferred Grant Revenue	120,606
Total Liabilities	<u>198,701</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	17,156
Total Deferred Inflows of Resources	<u>17,156</u>
FUND BALANCES (DEFICITS)	
Nonspendable	
Prepaid Expenses	5,210
Restricted	
ARPA Grant Funds	143,452
Committed	
Equipment Replacement	10,850
Park Improvements	26,500
Cemetery Improvements	42,000
Road Repairs	19,201
Litigation Funds	85,000
Assigned	
Reserves and Savings	30,000
Unassigned	144,215
Total Fund Equity	<u>506,428</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 722,285</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, 2023

Total fund balances at September 30, 2023 - Governmental Funds		\$ 506,428
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, 2023	1,507,029	
Less accumulated depreciation	<u>(456,212)</u>	1,050,817
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		49,939
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		17,156
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		-
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	(116,260)	
Compensated absences	<u>(4,936)</u>	<u>(121,196)</u>
Net position of governmental activities at September 30, 2023		<u><u>\$ 1,503,144</u></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, 2023

	<u>General Fund</u>
REVENUES	
Property Taxes & Intergovernmental Revenue	\$ 471,035
Licenses & Permits	17,099
Rental Income	14,234
Grant Income	401,168
Other Income	25,175
Interest Earnings	24,709
Total Revenues	<u>953,420</u>
EXPENDITURES	
General Government:	
Wages, Taxes, and Benefits	168,399
Other Operating Costs	224,872
Capital Expenditures	730,056
Total Expenditures	<u>1,123,327</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(169,907)</u>
OTHER FINANCING SOURCES (USED)	
Transfers In (Out)	-
Proceeds from Sale of Assets	-
Total Other Sources (Uses)	<u>-</u>
Net Change in Fund Balance	(169,907)
Fund Balance - October 1	<u>676,335</u>
Fund Balance - September 30	<u>\$ 506,428</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, 2023

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

Net change in fund balances - total governmental funds		\$ (169,907)
Increase/(decrease) in current property taxes not reflected in revenue on the governmental funds statements		(234)
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:		
Capital expenses	730,056	
Prepaid insurances	-	
Total expenses on the governmental fund statement not included included on the government-wide statement		730,056
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(32,220)	
(Increase)/Decrease in compensated absence liability	-	
Increase/(Decrease) in Pension Plan Expense	(17,409)	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(49,629)
Change in net position on the government-wide statements		\$ 510,286

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

CITY OF ATHOL
Statement of Net Position
Proprietary Funds
September 30, 2023

	Water Fund
ASSETS	
CURRENT ASSETS:	
Cash & Investments	\$ 718,867
Accounts Receivable (net)	24,708
Other Receivables (net)	1,544
Prepaid Expenses	2,485
Total Current Assets	747,604
NONCURRENT ASSETS:	
Capital Assets	6,499,427
Accumulated Depreciation	(1,018,642)
Total Capital Assets	5,480,785
TOTAL ASSETS	6,228,389
 DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	26,892
 LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable	25,336
Payroll, Benefits, and Taxes Payable	2,516
Compensated Absences Payable	2,468
Accrued Interest Payable	31,880
USDA Loan - Current Portion	36,402
Total Current Liabilities	98,602
LONG TERM LIABILITIES:	
Net Pension Liability	62,601
USDA Loan	2,103,598
TOTAL LIABILITIES	2,264,801
 DEFERRED INFLOWS OF RESOURCES	
Pension Plan	-
 NET POSITION	
Net Investment in Capital Assets	3,340,785
Unrestricted	649,695
Total Net Position	\$ 3,990,480

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, 2023

	<u>Water Fund</u>
Operating Revenues:	
Charges for Services	\$ 299,206
Hookups & Other	61,175
Tower Rents	37,909
Total Operating Revenues	<u>398,290</u>
Operating Expenses:	
Administrative	76,364
Maintenance & Operations	128,504
Utilities	19,951
Depreciation	71,316
Pension Plan Expense/(Revenue)	19,053
Total Operating Expenses	<u>315,188</u>
Operating Income (Loss)	<u>83,102</u>
Non-Operating Revenues (Expenses):	
Interest Income	25,293
Grant Income	767,460
Interest Expense	(73,595)
Total Non-Operating Revenue (Expenses)	<u>719,158</u>
Change in Net Position	802,260
Net Position - October 1	<u>3,188,220</u>
Net Position - September 30	<u>\$ 3,990,480</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, 2023

	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Customers and Users	\$ 417,590
Payments to Employees	(69,298)
Payments to Suppliers	(474,834)
Net Cash Provided by Operating Activities	(126,542)
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	767,460
Payments for Capital Acquisitions	(291,730)
Repayment of Long Term Debt	(233,711)
Interest Paid on Long Term Debt	(41,716)
Net Cash Used by Capital and Related Financing Activities	200,303
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	25,293
Net Cash Provided by Investing Activities	25,293
Net Increase in Cash and Cash Equivalents	99,054
Cash and Cash Equivalents, October 1	619,813
Cash and Cash Equivalents, September 30	\$ 718,867
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS:	
Operating Income (Loss)	\$ 83,102
Adjustments to Reconcile to Cash Flow:	
Depreciation	71,316
(Increase)/Decrease in Receivables	19,300
(Increase)/Decrease in Prepaid Expenses	(394)
Increase/(Decrease) in Accounts Payable	(311,035)
Increase/(Decrease) in Pension Plan	11,169
Total Adjustments	(209,644)
Net Cash Provided by Operating Activities	\$ (126,542)

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

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City's combined financial statements include the accounts of all City operations. 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.

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.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023, 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.

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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023.

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

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 deferred outflows, that is reported in the government-wide statement of net position, which qualifies for reporting in this category at this time.

See accompanying independent auditors’ report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. One item, unavailable property taxes, is reported in the governmental funds balance sheet. The other item, pension plan deferred inflows, 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.

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.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Fund Balance Policies

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

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

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

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.

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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENT BALANCES (CONTINUED)

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, 2023, the City's exposure was as follows:

Deposits without exposure to custodial credit risk:

Amounts insured by FDIC or other agencies	\$ 866,954
Total deposits without exposure to custodial credit risk	866,954

Deposits with exposure to custodial credit risk:

Amounts collateralized with securities held in trust, but not in City's name	485,082
Amounts uninsured-exposed to custodial credit risk	-
Total deposits without exposure to custodial credit risk	485,082
Total bank balance (deposits)	\$ 1,352,036

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

Statement of Net Position:

Cash and investments	\$ 1,347,718
Restricted cash and investments	-
	\$ 1,347,718

Cash and cash equivalents at September 30, 2023 consist of the following:

Cash:

Deposits with financial institutions	\$ 862,072
Cash on hand	564

Cash equivalents:

Deposits in money market funds	-
Deposits with Idaho state investment pool	485,082

Total	\$ 1,347,718
-------	--------------

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.

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 gain of \$1,853 as of September 30, 2023; this has not been recognized in the financial statements.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

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, 2023, 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	272,865	690,663	-	963,528
Equipment	368,589	39,393	-	407,982
Total capital assets being depreciated	641,454	730,056	-	1,371,510
Less accumulated depreciation	423,992	32,220	-	456,212
Total capital assets being depreciated, net	217,462	697,836	-	915,298
Governmental Activity Capital Assets, net	<u>\$ 352,981</u>	<u>697,836</u>	<u>-</u>	<u>1,050,817</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	4,768,665	263,443	-	5,032,108
Equipment	1,294,978	28,287	-	1,323,265
Total capital assets being depreciated	6,063,643	291,730	-	6,355,373
Less accumulated depreciation	947,326	71,316	-	1,018,642
Total capital assets being depreciated, net	5,116,317	220,414	-	5,336,731
Business-Type Activity Capital Assets, net	<u>\$5,260,371</u>	<u>220,414</u>	<u>-</u>	<u>5,480,785</u>

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 \$32,220.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

NOTE 4 – RECEIVABLES

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

Balance 9/30/22	Lew 2022	Adjustments & Collections	Balance 9/30/23
\$ 19,157	175,722	175,605	\$ 19,274

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, 2023 is as follows:

Taxes Due at September 30, 2023	\$ 19,274
Received October 2023	(1,096)
Received November 2023	(1,022)
Total	\$ 17,156

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

<u>GOVERNMENTAL ACTIVITIES:</u>	
State Revenue Sharing	\$ 21,470
State Liquor	30,773
Highway Users	13,982
Total	\$ 66,225
 <u>BUSINESS-TYPE ACTIVITIES:</u>	
Water User Fees Receivable (net)	\$ 24,708

NOTE 5 – LONG-TERM LIABILITIES

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 was in the form of principal forgiveness. During the fiscal year ending September 30, 2023 at completion of the construction, the United States Department of Agriculture financed the balance of \$2,140,000. The 40 year loan accrues interest at 1.875% with annual payments of \$76,527 due each December.

Long-term liability activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
DEQ Advances	\$ 2,373,711	\$ -	\$2,373,711	\$ -	\$ -	\$ -
USDA Loan	-	2,140,000	-	2,140,000	36,402	2,103,598
	\$ 2,373,711	\$ 2,140,000	\$2,373,711	\$ 2,140,000	\$ 36,402	\$ 2,103,598

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2023 are as follows:

<u>Year Ended September 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 36,402	\$ 40,125
2025	36,976	39,551
2026	37,778	38,749
2027	38,486	38,041
2028	39,208	37,319
2029-2033	207,146	175,489
2034-2038	227,423	155,212
2039-2043	249,568	133,067
2044-2048	273,868	108,767
2049-2053	300,497	82,138
2054-2058	329,812	52,823
2059-2062	362,836	20,707
	<u>\$ 2,140,000</u>	<u>\$ 921,988</u>

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.

See accompanying independent auditors' report.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for police and firefighters. As of July 1, 2022, it was 7.16% for general employees and 9.13% for police and firefighters. The percentages changed on July 1, 2023, to 6.71% for general employees and 9.83% for police and firefighters. The employer contribution as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters, as of July 1, 2022. The percentages changed on July 1, 2023, to 11.18% for general employees and 13.26% for police and firefighters. The City's contributions were \$22,526 for the year ended September 30, 2023.

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

At September 30, 2023, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the City's proportion was 0.00448197%.

For the year ended September 30, 2023, the City recognized pension expense of \$51,104. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,658	\$ -
Changes in assumptions or other inputs	17,711	-
Net difference between projected and actual earnings on pension plan investments	16,789	-
Change in the City's proportion and differences between the City's contributions and the City's proportionate contributions	27,464	12,814
Amortized change in proportionate share	(21,480)	(12,814)
City's contributions subsequent to the measurement date	5,689	-
Total	\$ 76,831	\$ -

\$5,689 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, 2023.

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, 2021, the beginning of the measurement period ended June 30, 2022 is 4.6 and 4.4 for the measurement period June 30, 2023.

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:	
2024	25,741
2025	12,782
2026	35,134
2027	(2,512)

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:

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

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, 2023 is based on the results of an actuarial valuation date of July 1, 2023.

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

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

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.

CITY OF ATHOL
Notes to Financial Statements
Year Ended September 30, 2023

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.

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)	\$ 321,688	\$ 178,861	\$ 62,126

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, 2023, the City reported \$300 of payables to the pension plan.

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>9/30/2023</u>	<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	0.0044820%	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)	\$ 178,861	\$ 172,483	\$ (3,110)	\$ 90,647	\$ 41,724	\$ 46,484	\$ 47,370	\$ 62,937	\$ 36,767
City's covered-employee payroll	\$ 188,660	\$ 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	94.81%	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	83.83%	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, 2023

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

	<u>9/30/2023</u>	<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	\$ 19,575	\$ 20,278	\$ 15,550	\$ 15,315	\$ 13,987	\$ 12,238	\$ 10,163	\$ 9,229	\$ 9,133
Contributions in relation to the statutorily required contributor	\$ (23,030)	\$ (20,863)	\$ (17,760)	\$ (16,810)	\$ (14,259)	\$ (11,633)	\$ (10,740)	\$ (10,420)	\$ (8,969)
Contribution (deficiency) excess	\$ (3,454)	\$ (585)	\$ (2,210)	\$ (1,495)	\$ (272)	\$ 605	\$ (577)	\$ (1,191)	\$ 164
City's covered-employee payroll	\$ 188,660	\$ 182,764	\$ 160,285	\$ 138,423	\$ 123,624	\$ 108,647	\$ 89,408	\$ 93,037	\$ 99,255
Contributions as a percentage of covered-employee payroll	12.21%	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, 2023

CITY OF ATHOL
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended September 30, 2023

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Intergovernmental Revenue	\$ 445,015	\$ 445,015	\$ 471,035
Licenses and Permits	14,525	14,525	17,099
Rental Income	12,000	12,000	14,234
Grant Income	70,000	70,000	401,168
Other Income	720,190	720,190	25,175
Interest Earnings	1,800	1,800	24,709
Total Revenues	1,263,530	1,263,530	953,420
Expenditures:			
General Government:			
Wages, Taxes, and Benefits	183,943	183,943	168,399
Other Operating Costs	1,079,587	1,079,587	224,872
Capital Expenditures	-	-	730,056
Total Expenditures	1,263,530	1,263,530	1,123,327
Excess (Deficiency) of Revenues Over Expenditures	-	-	(169,907)
Fund Balance - October 1	676,335	676,335	676,335
Fund Balance - September 30	\$ 676,335	\$ 676,335	\$ 506,428

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

CITY OF ATHOL
Notes to the Budget and Actual Schedule
September 30, 2023

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 2023.

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 2023.

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, 2023, 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 June 17, 2024.

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.

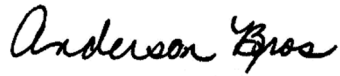
Report on Compliance and Other Matters

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*.

CITY OF ATHOL
Schedule of Findings and Responses
Year Ended September 30, 2023

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.



Anderson Bros. CPAs
Post Falls, Idaho
June 17, 2024