



Financial Statements
September 30, 2017

City of McCall, Idaho

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Independent Auditor's Report

Members of the City Council
City of McCall, Idaho
McCall, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 14 to the financial statements, the Sewer Fund was annexed by the Payette Lakes Recreational Water and Sewer District (PLRWSD) on August 31, 2017. As a result, the operations of the Sewer Fund were transferred to PLRWSD as of that date and sewer service provided by the City of McCall was ceased as of that date. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2018, on our consideration of the City of McCall, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Boise, Idaho
March 9, 2018

As management of the City of McCall, Idaho (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of McCall for the fiscal year ended September 30, 2017. Please use this information in conjunction with the information furnished in the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of McCall exceeded its liabilities at September 30, 2017 by \$61,913,529 in comparison to \$72,315,962 at September 30, 2016. Of this amount \$10,977,005 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.
- During fiscal year 2017 the City's total Net Position decreased \$10,402,433. Net Position of the governmental activities increased \$2,839,147 and Net Position of business-type activities decreased \$13,241,580. The substantial decrease is due to the voter approved annexation of the city wastewater system into the Payette Lakes Recreational Water Sewer District which was effective as of August 31, 2017.
- Fund balance of governmental funds at September 30, 2017 totaled \$10,838,750. Of this amount, \$169,125 is nonspendable: 1) \$37,813 for inventory, 2) \$46,312 prepaid expenses, and 3) \$85,000 for long-term internal loans. The restricted portion of fund balance in the governmental funds totals \$1,916,430: 1) \$1,715,114 Franchise Fees for undergrounding utilities, 2) \$127,232 Tourism Local Option Taxes carried forward to Fiscal Year 2018, 3) \$38,605 Highway User State Shared Revenue, and 4) \$35,479 Private Contributions for the Library Expansion Project. The assigned portion of fund balance in the governmental funds is \$5,057,599 which represents the remaining fund balance of the special revenue funds: 1) \$1,465,872 Streets / Public Works, 2) \$486,971 Airport, 3) \$441,075 Library, 4) \$403,784 Recreation, 5) \$69,226 Capital Projects, and 6) \$2,190,671 Streets Local Option Taxes. The Unassigned portion of fund balance of \$3,695,596 represents the remaining fund balance of the General Fund.
- The City has \$2,805,233 in long-term debt. This includes revenue bonds payable of \$465,000, and a note payable in the amount of \$2,340,223.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of McCall's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

These statements are designed to provide readers with a broad overview of the City of McCall's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

There are two government-wide statements:

Statement of Net Position

Reports all of the City's assets and liabilities with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities

Reports how the City's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of McCall include City administration, community planning and development, public safety, parks and recreation, library, airport, public works and streets, and local option tax. The business-type activities of the City include the golf course, water system, and wastewater system. However, as of August 2017 the City wastewater system was annexed into the Payette Lakes Recreational Water Sewer District by voter approval at the May 2017 election.

The government-wide financial statements include not only the City of McCall itself (known as the primary government), but also a legally separate urban renewal agency, a component unit of the City. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

The Fund financial statements provide information about the City's major funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds may be required by law or may be established by the City Council. All of the funds of the City of McCall can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the general, airport, street / public works, recreation, library, and local option tax fund. These are considered major funds. Data from the other non-major fund (capital projects) is also included.

Proprietary Funds

The City of McCall only has one type of propriety fund, the enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in the Proprietary Funds Statement of Net Position and the Proprietary Funds Statement of Revenues, Expense and Changes in Fund Net Position for the golf, water, and sewer funds, which are considered major funds.

Notes to the Financial Statements

The notes provide additional information that is necessary to fully understand the data presented in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required and non-required supplementary information. Budget to actual comparisons are presented as required supplementary information for the General Fund, the Street / Public Works Fund, the Airport Fund, the Recreation Fund, the Library Fund, and the Local Option Tax Fund.

Two additional schedules are included as required supplementary information. The Schedule of Employer's Share of Net Pension Liability – PERSI and the Schedule of Employer Contributions are included as required by Governmental Accounting Standards Board (GASB) No. 68.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net Position measures the difference between assets and deferred outflows of resources (what the City owns) and liabilities and deferred inflows of resources (what the City owes). The City's combined assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$61,913,529 in 2017. The largest portion of the City's Net Position, 65%, is invested in capital assets, net of related debt. Capital assets include land, buildings, equipment, machinery, and infrastructure. Unrestricted Net Position equals 15% of total Net Position.

The condensed Statements of Net Position for the years ended September 30, 2017 and 2016 are presented in the table below.

	Primary Government						Component Unit FY2017
	Governmental Activities		Business-type Activities		Total Primary Government		
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	
Current and Other Assets	\$ 18,379,127	\$ 15,856,135	\$ 4,793,192	\$ 6,806,002	\$ 23,172,319	\$ 22,662,137	\$ 1,759,826
Capital Assets	30,966,506	30,628,085	20,494,699	39,558,953	51,461,205	70,187,038	2,087,985
Total Assets	49,345,633	46,484,220	25,287,891	46,364,955	74,633,524	92,849,175	3,847,811
Deferred Outflows of Resources	289,500	1,133,416	119,181	263,806	408,681	1,397,222	1,878
Total Assets and Deferred Outflows of Resources	49,635,133	47,617,636	25,407,072	46,628,761	75,042,205	94,246,397	3,849,689
Current Liabilities	\$ 689,875	\$ 795,107	\$ 1,309,848	\$ 1,661,648	\$ 1,999,723	\$ 2,456,755	\$ 472,421
Long-term Liabilities	1,625,095	2,200,272	2,421,494	9,992,286	4,046,589	12,192,558	1,313,383
Total Liabilities	2,314,970	2,995,379	3,731,342	11,653,934	6,046,312	14,649,313	1,785,804
Deferred Inflows of Resources	6,962,797	7,104,038	119,567	177,084	7,082,364	7,281,122	731,937
Total Liabilities and Deferred Inflows of Resources	9,277,767	10,099,417	3,850,909	11,831,018	13,128,676	21,930,435	2,517,741
Net Position							
Invested in Capital Assets							
Net of Related Debt	\$ 30,966,506	\$ 30,628,085	\$ 18,059,067	\$ 29,952,736	\$ 49,025,573	\$ 60,580,821	\$ -
Restricted	1,916,430	1,538,084	-	-	1,916,430	1,538,084	-
Unrestricted	7,474,430	5,352,050	3,497,096	4,845,007	10,971,526	10,197,057	1,331,948
Total Net Position	40,357,366	37,518,219	21,556,163	34,797,743	61,913,529	72,315,962	1,331,948
	\$ 49,635,133	\$ 47,617,636	\$ 25,407,072	\$ 46,628,761	\$ 75,042,205	\$ 94,246,397	\$ 3,849,689

Changes in Net Position

The following condensed financial information as presented in the table below was derived from the government-wide Statements of Activities for years ended September 30, 2017 and 2016. During the year the City's financial position decreased by \$10,402,433.

	Primary Government						Component Unit FY2017
	Governmental Activities		Business-Type Activities		Total Primary Government		
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	
Revenues							
Program Revenues							
Charges for services	\$ 1,000,198	\$ 1,004,020	\$ 5,081,356	\$ 5,286,377	\$ 6,081,554	\$ 6,290,397	\$ -
Operating grants and contributions	381,101	394,605	-	-	381,101	394,605	-
Capital grants and contributions	514,172	98,516	147,494	157,339	661,666	255,855	-
General revenue:							
Property taxes	5,326,639	5,094,702	-	-	5,326,639	5,094,702	662,952
Franchise fees	316,968	290,680	-	-	316,968	290,680	-
Sales tax and other governmental	2,816,528	2,321,119	88,000	65,000	2,904,528	2,386,119	-
Unrestricted investment earnings	77,492	26,582	44,117	17,324	121,609	43,906	4,156
Other revenue	113,600	47,755	11,707	14,880	125,307	62,635	-
Loss on Transfer of Sewer Fund	-	-	(13,474,038)	-	(13,474,038)	-	-
Total Revenues	10,546,698	9,277,979	(8,101,364)	5,540,920	2,445,334	14,818,899	667,108
Expenses							
General Government							
Executive & Legislative	170,245	164,641	-	-	170,245	164,641	-
Administration	916,281	891,980	-	-	916,281	891,980	-
Public Safety	1,434,824	1,423,080	-	-	1,434,824	1,423,080	-
Parks	267,780	168,293	-	-	267,780	168,293	-
Recreation	806,122	958,551	-	-	806,122	958,551	-
Community Services	792,397	747,897	-	-	792,397	747,897	-
Library	421,308	411,579	-	-	421,308	411,579	-
Airport	523,048	522,221	-	-	523,048	522,221	-
Local Option Tax	205,585	78,841	-	-	205,585	78,841	-
Streets/Public Works	2,072,732	2,095,530	-	-	2,072,732	2,095,530	-
Enterprise - Golf, Water, Sewer	-	-	5,237,445	5,147,718	5,237,445	5,147,718	-
Urban Renewal	-	-	-	-	-	-	435,044
Total Expenses	7,610,322	7,462,613	5,237,445	5,147,718	12,847,767	12,610,331	435,044
Excess (deficiency) of revenues over expenditures before transfers	2,936,376	1,815,366	(13,338,809)	393,202	(10,402,433)	2,208,568	232,064
Transfers - internal activities	(97,229)	(45,998)	97,229	140,936	-	94,938	-
Change in Net Position	2,839,147	1,769,368	(13,241,580)	534,138	(10,402,433)	2,303,506	232,064
Net Position, Beginning of Year	37,518,219	35,748,851	34,797,743	34,263,605	72,315,962	70,012,456	1,099,884
Net Position, End of Year	\$ 40,357,366	\$ 37,518,219	\$ 21,556,163	\$ 34,797,743	\$ 61,913,529	\$ 72,315,962	\$ 1,331,948

Governmental Activities

The City of McCall saw a 50.5% increase in planning and zoning fees, as compared to 2016, an indication that development activity continues to grow within the city and surrounding area. The City of McCall saw a decrease in the number of permits issued in 2017, but maintained the average building permit value as compared to the 2016 average value. Additionally, the City experienced an increase in interest rates and interest revenue on investments. All departments were conservative in spending throughout the year to ensure budget amounts were not exceeded. Quarterly budget review meetings are held to review revenue projections and the assumptions used during budget development in a continuing effort to keep expenditures within budget and not to exceed actual revenue receipts. Governmental activities increased the City's Net Position by \$2,839,147. In late 2016, two additional local option taxes were established by City Ordinance 936 to fund street replacement, repair and maintenance, and installation of sidewalks where applicable. The new taxes went into effect January 2016 generating \$1,237,939 in tax revenue as of September 30, 2016; tax collected for only nine months. The streets local option tax generated \$1,636,196 in tax revenue in 2017; tax collected for twelve months. In 2017 the Commerce Street reconstructions project was the first project funded with the new local option tax revenue source at a cost of \$538,662 (\$438,662 tax revenue and \$100,000 grant revenue). The City aggressively seeks grant funding for capital projects to augment city resources for capital related projects.

Business-Type Activities

The business-type activities of the City include Golf, Water, and Sewer in 2017. However, effective August 31, 2017, the City sewer (wastewater) system was annexed into the Payette Lakes Recreational Water Sewer District (PLRWSD) after receiving voter approval during the May 2017 election. Annexation of the City wastewater system into the PLRWSD resulted in a loss \$13,474,038. The transfer of the wastewater system to PLRWSD resulted in the enterprise funds decreasing the City's Net Position by a total of \$13,241,580. The City of McCall issued 50 equivalent domestic use permits in the water system in 2017 as compared to 64 in 2016, and 35 equivalent domestic permits in the wastewater system prior to annexation in August 2017 as compared to 31 in 2016.

The McCall area produces approximately 50,000 rounds of golf spread over five golf courses with McCall Golf Course attracting 50% the areas rounds played. The level of competition for the rounds of golf played in the area requires the McCall Golf Course to be very competitive when setting fees for playing a round of golf. The Golf Course continues to be subsidized by general fund to help cover increased personnel costs and assist with capital improvements. Local option tax revenues are used to purchase much needed equipment. The new equipment contributes to improved golf course conditions and improved playing quality at the City of McCall municipal golf course. Although, a wetter than normal fall and a wet spring resulted in a 5.5% decrease in charges for services and rounds played, as compared to 2016. While the course was in fair to good condition, the rounds lost in the fall and spring could not be made up with rounds played during the summer golfing season.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

General Fund

The general fund is the principal fund used for the City's major operations. The fund balance at September 30, 2017 was \$5,590,762, an increase of 17.7% over the fund balance at the end of the prior fiscal year. The City's quarterly budget review process and conservative spending kept expenditures at or below budget. Fund balance also increased due to the accumulation of Franchise Fees held for undergrounding utilities, staff positions that were vacant at various times during the year, and funding for a five (5) year Capital Improvement Plan.

General Fund Budgetary Highlights

General Fund

As part of the budget, Council adopts both contingent revenue and expense amounts to allow for the receipt and expenditure of small amounts of unexpected revenues without a formal budget amendment. Throughout the year, several unexpected grants, donations, and other miscellaneous revenues were received. City Council approved budget line item transfers from contingency line items to the appropriate revenue and expense accounts. These transfers did not change the original adopted budget for the fund. Contingency line items are not included in the original budget amounts on the Schedule of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual – General Fund, Street / Public Works Fund, Airport Fund, Recreation Fund, Library Fund and Streets Local Option Tax Fund.

The Tourism Local Option Tax generated approximately \$487,747 in revenue in 2017. The revenue was used internally in the Recreation, Library, Streets / Public Works, Airport, Golf, and General Fund as well as externally for programs and groups recommended by the LOT commission and approved by Council. These programs and groups included the following; 1) McCall Area Snowmobile Club, 2) Payette Lakes Ski Club, 3) McCall Chamber of Commerce, 4) Treasure Valley Transit, 5) Manchester Ice and Events Center, 6) MCPAWS Regional Animal Shelter, 7) Nordic Ski Club, 8) McCall Winter Sports Club, 9) McCall Winter Sports Club, 10) McCall Arts & Humanities, 11) Payette Lakes Ski Club , and 12) Idaho Hockey Foundation.

Capital Asset and Debt Administration

Capital Assets

At the end of 2017 the City had \$51,461,205 invested in capital assets (net of accumulated depreciation), compared to \$70,187,038 at the end of 2016. Additional information can be found in Note 6 of the financial statements.

Capital Assets as of September 30, 2017
(net of depreciation)

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Land	\$7,583,418	\$1,142,320	\$8,725,738
Buildings and Improvements	1,645,214	6,868,489	8,513,703
Infrastructure	12,289,340	-	12,289,340
Improvements Other			
Than Buildings	6,904,131	12,270,667	19,174,798
Machinery, Equipment, and Other	797,591	213,223	1,010,814
Construction in Progress	1,746,812	-	1,746,812
Total	\$30,966,506	\$20,494,699	\$51,461,205

The City recorded current year depreciation of \$1,279,474 in governmental activities and \$1,627,451 in business-type activities.

Long-Term Debt

Business-type activity outstanding debt includes: 1) \$465,000 in Water Revenue Bonds, and 2) \$2,340,223 in Notes Payable. Upon annexation of the City wastewater system to PLRWSD the City Wastewater Revenue Bonds were defeased. The City is allowed a general obligation debt limit of 2% of market valuation of real and personal property in its taxing area. As of September 30, 2017, based on valuations from Valley County, the limit would be \$22,825,000. The City did not issue any new debt in 2017. Detailed information on the City's long-term debt can be found in Note 8 of the financial statements.

FY18 Budgetary Considerations

The 2018 budget includes several capital projects including replacement of the City's aging street sweeper, implementation of the City's campus facility development plans, and continued emphasis on pavement rehabilitation in the Governmental Funds. In the Enterprise funds the 2018 budget includes continued Supervisory Control and Data Acquisition (SCADA) improvements, water line replacement, and implementation of the water master plan. The FAA grant funded land acquisition for taxiway relocation included in the 2018 budget is moving forward. On November 14, 2017 the City paid \$1,650,000 for the condemnation of four parcels of land totaling approximately fifteen acres adjacent to the airport to relocate the taxiway. The City of McCall expects to receive reimbursement of 90% (\$1,485,000) of the amount paid for condemnation from an FAA Airport Improvement Grant. The Library Board is in the beginning phase of a capital fund raising effort for the Library Expansion project. The City Council is exploring all funding options to assist the Library Board's efforts.

Staff continues to conduct budget reviews since this has proven to be a valuable budget management tool. The City continues to actively seek out grant opportunities to help fund projects. Management continues to evaluate and prioritize the City's Capital Improvement Plan, as well as, continue to seek input from the citizens of McCall with an emphasis on evaluating all funding options available to the City.

The new voter approved Streets Local Option Tax (LOT) which became effective January 1, 2016, generated \$1,237,939 in revenue during the first nine months of 2016. The proceeds from the Streets LOT are entirely dedicated to street repair, rehabilitation and maintenance. The Streets LOT generated \$1,636,196 in revenue during 2017; far exceeding the City's revenue estimates. Commerce Street reconstruction will be completed fall of 2017 and is the first project funded by the new Streets LOT.

The Tourism Local Option Tax, 3% lodging tax on stays less than 30 days, is up for voter approval in May of 2018.

Requests for Information

This report is designed to provide a general overview of the City of McCall's finances for our citizens and customers. If you have questions about this report or need additional financial information contact the Finance Office: 216 East Park Street, McCall, Idaho 83638, (208) 634-2103.

City of McCall, Idaho
Statement of Net Position
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Urban Renewal
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 8,471,798	\$ 3,956,168	\$ 12,427,966	\$ 539,451
Receivables				
Taxes	5,685,132	-	5,685,132	740,015
Intergovernmental	232,043	-	232,043	-
Accounts, net of allowance	339,024	408,671	747,695	-
Grants	595,890	77,788	673,678	-
Other	-	-	-	390
Prepays	46,312	-	46,312	-
Internal balances	69,825	(9,887)	59,938	-
Inventory	37,813	75,861	113,674	-
Total current assets	<u>15,477,837</u>	<u>4,508,601</u>	<u>19,986,438</u>	<u>1,279,856</u>
Noncurrent Assets				
Restricted cash equivalents and investments	2,816,290	369,591	3,185,881	479,970
Long-term internal balances	85,000	(85,000)	-	-
Capital assets				
Land and construction in progress, not depreciated	9,330,230	1,142,320	10,472,550	293,115
Buildings, improvements and equipment, net of depreciation	<u>21,636,276</u>	<u>19,352,379</u>	<u>40,988,655</u>	<u>1,794,870</u>
Total noncurrent assets	<u>33,867,796</u>	<u>20,779,290</u>	<u>54,647,086</u>	<u>2,567,955</u>
Deferred Outflows of Resources				
Deferred net pension	289,500	104,896	394,396	-
Deferred amounts on refundings	<u>-</u>	<u>14,285</u>	<u>14,285</u>	<u>1,878</u>
Total assets and deferred outflows of resources	<u>\$ 49,635,133</u>	<u>\$ 25,407,072</u>	<u>\$ 75,042,205</u>	<u>\$ 3,849,689</u>

City of McCall, Idaho
Statement of Net Position
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Urban Renewal
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Vouchers and interest payable	\$ 482,087	\$ 485,943	\$ 968,030	\$ 12,483
Payroll payable	187,448	44,232	231,680	-
Advanced revenue	20,340	-	20,340	-
Internal balances	-	-	-	59,938
Current portion of long-term liabilities	-	779,673	779,673	400,000
Total current liabilities	689,875	1,309,848	1,999,723	472,421
Noncurrent Liabilities				
Net pension liability	1,490,819	343,209	1,834,028	-
Compensated absences payable	134,276	52,735	187,011	-
Other long-term debt, non-current	-	2,025,550	2,025,550	-
Bonds payable, non-current	-	-	-	1,313,383
Total liabilities	2,314,970	3,731,342	6,046,312	1,785,804
Deferred Inflows of Resources				
Deferred net pension	260,846	119,567	380,413	-
Unavailable revenue	5,530,584	-	5,530,584	731,937
Irrevocable split-interest agreement	1,171,367	-	1,171,367	-
Total deferred inflows of resources	6,962,797	119,567	7,082,364	731,937
Net Position				
Net invested in capital assets	30,966,506	18,059,067	49,025,573	854,572
Restricted for				
Local option tax	127,232	-	127,232	-
Franchise fees	1,715,114	-	1,715,114	-
Donations	35,479	-	35,479	-
Highways	38,605	-	38,605	-
Urban renewal	-	-	-	477,376
Unrestricted	7,474,430	3,497,096	10,971,526	-
Total net position	40,357,366	21,556,163	61,913,529	1,331,948
	<u>\$ 49,635,133</u>	<u>\$ 25,407,072</u>	<u>\$ 75,042,205</u>	<u>\$ 3,849,689</u>

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government				
Executive and legislative	\$ 170,245	\$ -	\$ -	\$ -
Administrative	916,281	60,455	-	-
Public safety	1,434,824	37,929	30,481	-
Parks and recreation				
Parks	267,780	-	-	-
Recreation	806,122	42,837	31,980	-
Community services				
Community services	792,397	482,747	842	-
Library	421,308	15,588	36,861	-
Airport	523,048	194,862	73,340	514,172
Local Option Tax	205,585	-	61,000	-
Streets/Public Works	2,072,732	165,780	146,597	-
Total Governmental Activities	<u>7,610,322</u>	<u>1,000,198</u>	<u>381,101</u>	<u>514,172</u>
Business-type Activities				
Water	2,047,429	2,325,995	-	66,338
Sewer	2,335,560	2,128,222	-	81,156
Golf	854,456	627,139	-	-
Total Business-type Activities	<u>5,237,445</u>	<u>5,081,356</u>	<u>-</u>	<u>147,494</u>
Total Primary Government	<u>\$ 12,847,767</u>	<u>\$ 6,081,554</u>	<u>\$ 381,101</u>	<u>\$ 661,666</u>
Component Unit				
Urban renewal	<u>\$ 435,044</u>			

General revenues
 Shared revenues
 Property taxes, levied for
 General purposes
 Recreation
 Library
 Airport
 Street/Public Works
 Franchise fees
 Local option tax
 Sales tax and other governmental
 Unrestricted investment earnings
 Miscellaneous
 Special Item - Loss on transfer of Sewer Fund
 Transfers - internal activities

Total General Revenues, Special Item and Transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

City of McCall, Idaho
Statement of Activities
Year Ended September 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
\$ (170,245)	\$ -	\$ (170,245)	\$ -
(855,826)	-	(855,826)	-
(1,366,414)	-	(1,366,414)	-
(267,780)	-	(267,780)	-
(731,305)	-	(731,305)	-
(308,808)	-	(308,808)	-
(368,859)	-	(368,859)	-
259,326	-	259,326	-
(144,585)	-	(144,585)	-
(1,760,355)	-	(1,760,355)	-
(5,714,851)	-	(5,714,851)	-
-	344,904	344,904	-
-	(126,182)	(126,182)	-
-	(227,317)	(227,317)	-
-	(8,595)	(8,595)	-
(5,714,851)	(8,595)	(5,723,446)	-
			<u>\$ (435,044)</u>
3,347,317	-	3,347,317	662,952
238,863	-	238,863	-
392,962	-	392,962	-
44,800	-	44,800	-
1,302,697	-	1,302,697	-
316,968	-	316,968	-
2,044,103	88,000	2,132,103	-
772,425	-	772,425	-
77,492	44,117	121,609	4,156
113,600	11,707	125,307	-
-	(13,474,038)	(13,474,038)	-
(97,229)	97,229	-	-
8,553,998	(13,232,985)	(4,678,987)	667,108
2,839,147	(13,241,580)	(10,402,433)	232,064
37,518,219	34,797,743	72,315,962	1,099,884
<u>\$ 40,357,366</u>	<u>\$ 21,556,163</u>	<u>\$ 61,913,529</u>	<u>\$ 1,331,948</u>

	General	Street / Public Works	Airport	Recreation	Library
Assets					
Cash and cash equivalents	\$ 3,659,409	\$ 1,590,579	\$ 21,893	\$ 513,936	\$ 549,325
Receivables					
Taxes	3,411,197	1,571,126	18,089	241,351	443,369
Intergovernmental	164,555	38,605	28,883	-	-
Accounts	138,274	1,701	4,163	585	42
Grants	5,311	-	514,243	10,848	2,000
Prepays	46,312	-	-	-	-
Due from other funds	-	5,703	-	-	4,000
Interfund loans receivable	85,000	-	-	-	-
Inventory	-	37,813	-	-	-
Restricted cash equivalents and investments	1,695,923	-	-	-	1,120,367
	<u>\$ 9,205,981</u>	<u>\$ 3,245,527</u>	<u>\$ 587,271</u>	<u>\$ 766,720</u>	<u>\$ 2,119,103</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Deficit in cash	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	95,840	92,795	63,974	7,260	13,071
Payroll payable	100,928	44,055	6,812	20,227	12,078
Due to other funds	17,867	-	-	-	-
Total liabilities	<u>214,635</u>	<u>136,850</u>	<u>70,786</u>	<u>27,487</u>	<u>25,149</u>
Deferred Inflows of Resources					
Unavailable revenue	3,400,584	1,566,387	29,514	260,957	442,033
Irrevocable split-interest agreement	-	-	-	-	1,171,367
Total deferred inflows of resources	<u>3,400,584</u>	<u>1,566,387</u>	<u>29,514</u>	<u>260,957</u>	<u>1,613,400</u>
Fund Balances					
Nonspendable	131,312	37,813	-	-	-
Restricted	1,763,854	38,605	-	74,492	39,479
Assigned	-	1,465,872	486,971	403,784	441,075
Unassigned	3,695,596	-	-	-	-
Total fund balances	<u>5,590,762</u>	<u>1,542,290</u>	<u>486,971</u>	<u>478,276</u>	<u>480,554</u>
	<u>\$ 9,205,981</u>	<u>\$ 3,245,527</u>	<u>\$ 587,271</u>	<u>\$ 766,720</u>	<u>\$ 2,119,103</u>

See Notes to Financial Statements

City of McCall, Idaho
Balance Sheet – Governmental Funds
September 30, 2017

Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
\$ 2,148,029	\$ -	\$ 8,483,171
-	-	5,685,132
-	-	232,043
194,137	122	339,024
61,000	2,488	595,890
-	-	46,312
-	77,989	87,692
-	-	85,000
-	-	37,813
-	-	2,816,290
<u>\$ 2,403,166</u>	<u>\$ 80,599</u>	<u>\$ 18,408,367</u>
\$ -	\$ 11,373	\$ 11,373
209,147	-	482,087
3,348	-	187,448
-	-	17,867
<u>212,495</u>	<u>11,373</u>	<u>698,775</u>
-	-	5,699,475
-	-	1,171,367
-	-	6,870,842
-	-	169,125
-	-	1,916,430
2,190,671	69,226	5,057,599
-	-	3,695,596
<u>2,190,671</u>	<u>69,226</u>	<u>10,838,750</u>
<u>\$ 2,403,166</u>	<u>\$ 80,599</u>	<u>\$ 18,408,367</u>

City of McCall, Idaho
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 September 30, 2017

Fund balance - total governmental funds		\$ 10,838,750
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,966,506
Some of the property taxes and special assessments receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.		148,551
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(134,276)
Net pension liabilities applicable to the City's governmental funds are not reported as fund liabilities.		(1,490,819)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to pensions:		
Differences between expected and actual experience	188,375	
Changes in assumptions	25,687	
Contributions made subsequent to measurement date	33,298	
Changes in proportionate share	42,140	
	289,500	
Deferred inflows of resources related to pensions:		
Net difference between projected and actual investment earnings on pension plan investments	(39,163)	
Differences between expected and actual experience	(221,683)	
	(260,846)	
Net position of governmental activities		\$ 40,357,366

	General	Street / Public Works	Airport	Recreation	Library
Revenues					
Property taxes	\$ 3,330,592	\$ 1,307,371	\$ 60,638	\$ 239,821	\$ 394,442
Local option tax	256,655	13,000	30,000	80,000	5,500
Interest	41,789	9,993	2,183	2,898	6,970
Licenses and permits	298,292	-	-	7,313	-
Intergovernmental	803,748	146,597	514,172	18,791	2,000
Fines and forfeitures	33,269	-	-	-	2,971
Charges for services	1,289,279	212,376	252,602	35,524	12,617
Miscellaneous	44,630	9,170	29,464	28,066	3,993
Total revenues	6,098,254	1,698,507	889,059	412,413	428,493
Expenditures					
Current					
General government	1,521,700	-	-	-	-
Public safety	1,458,939	-	-	-	-
Parks and recreation	4,000	-	-	-	-
City clerk	196,523	-	-	-	-
Community services	897,684	-	-	-	427,301
Streets	-	1,465,653	-	-	-
Airport	-	-	253,925	-	-
Recreation	-	-	-	814,780	-
Local Option Tax	-	-	-	-	-
Capital outlay	110,188	109,235	677,682	268,007	-
Total expenditures	4,189,034	1,574,888	931,607	1,082,787	427,301
Excess (Deficiency) of Revenues over (under) expenditures	1,909,220	123,619	(42,548)	(670,374)	1,192
Other Financing Sources (Uses)					
Contributions	-	-	-	13,189	33,139
Transfers in	-	192,786	7,200	784,206	-
Transfers out	(1,070,512)	-	-	(10,909)	-
Total other financing sources (uses)	(1,070,512)	192,786	7,200	786,486	33,139
Net Change in Fund Balance	838,708	316,405	(35,348)	116,112	34,331
Fund Balance, Beginning of Year	4,752,054	1,225,885	522,319	362,164	446,223
Fund Balance, End of Year	\$ 5,590,762	\$ 1,542,290	\$ 486,971	\$ 478,276	\$ 480,554

See Notes to Financial Statements

City of McCall, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2017

Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
\$ -	\$ -	\$ 5,332,864
1,658,948	-	2,044,103
12,560	-	76,393
61,000	1,099	367,704
-	-	1,485,308
-	-	36,240
-	-	1,802,398
-	-	115,323
<u>1,732,508</u>	<u>1,099</u>	<u>11,260,333</u>
-	-	1,521,700
-	-	1,458,939
-	-	4,000
-	-	196,523
-	-	1,324,985
-	-	1,465,653
-	-	253,925
-	-	814,780
267,201	-	267,201
391,780	-	1,556,892
<u>658,981</u>	<u>-</u>	<u>8,864,598</u>
<u>1,073,527</u>	<u>1,099</u>	<u>2,395,735</u>
-	-	46,328
-	-	984,192
<u>-</u>	<u>-</u>	<u>(1,081,421)</u>
<u>-</u>	<u>-</u>	<u>(50,901)</u>
1,073,527	1,099	2,344,834
<u>1,117,144</u>	<u>68,127</u>	<u>8,493,916</u>
<u>\$ 2,190,671</u>	<u>\$ 69,226</u>	<u>\$ 10,838,750</u>

City of McCall, Idaho

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended September 30, 2017

Net change in fund balances - total governmental funds	\$ 2,344,834
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and contributed capital assets of (\$1,617,895) exceeded depreciation (\$1,279,474) in the current period.	338,421
Some property tax and special assessment revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	9,375
Compensated absences are not recorded in the governmental funds because they are not a use of current financial resources. However, in the statement of activities, the change is recorded as a revenue (expense).	7,962
Pension revenues (expenses) are not recorded in the governmental funds because they are not a use of current financial resources. However, in the statement of activities, the change is recorded as a revenue (expense).	<u>138,555</u>
Change in Net Position	<u><u>\$ 2,839,147</u></u>

City of McCall, Idaho
Statement of Net Position – Proprietary Funds
September 30, 2017

	Enterprise Funds			
	Water	Sewer	Golf	Total
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents	\$ 3,651,381	\$ 153,501	\$ 151,286	\$ 3,956,168
Receivables				
Accounts, net of allowance	290,637	110,828	7,206	408,671
Grants	23,757	54,031	-	77,788
Inventory	75,861	-	-	75,861
Total current assets	<u>4,041,636</u>	<u>318,360</u>	<u>158,492</u>	<u>4,518,488</u>
Noncurrent Assets				
Restricted cash	369,591	-	-	369,591
Capital assets				
Land	562,326	-	579,994	1,142,320
Buildings	12,000,457	-	874,512	12,874,969
Improvements other than buildings	17,324,517	-	3,715,698	21,040,215
Equipment	308,356	-	691,222	999,578
Less accumulated depreciation	<u>(12,318,882)</u>	<u>-</u>	<u>(3,243,501)</u>	<u>(15,562,383)</u>
Total noncurrent assets	<u>18,246,365</u>	<u>-</u>	<u>2,617,925</u>	<u>20,864,290</u>
Deferred Outflows of Resources				
Deferred net pension	77,851	-	27,045	104,896
Deferred amounts on refundings	<u>14,285</u>	<u>-</u>	<u>-</u>	<u>14,285</u>
Total assets and deferred outflows of resources	<u>\$ 22,380,137</u>	<u>\$ 318,360</u>	<u>\$ 2,803,462</u>	<u>\$ 25,501,959</u>

City of McCall, Idaho
Statement of Net Position – Proprietary Funds
September 30, 2017

	Enterprise Funds			
	Water	Sewer	Golf	Total
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Accounts and interest payable	\$ 90,373	\$ 318,268	\$ 77,302	\$ 485,943
Payroll payable	20,950	92	23,190	44,232
Due to other funds	4,184	-	5,703	9,887
Current portion of long-term liabilities	<u>779,673</u>	<u>-</u>	<u>-</u>	<u>779,673</u>
Total current liabilities	895,180	318,360	106,195	1,319,735
Long-Term Debt				
Net pension liability	246,557	-	96,652	343,209
Compensated absences payable	34,345	-	18,390	52,735
Other long-term debt, non-current	2,025,550	-	-	2,025,550
Long-term interfund loans payable	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>85,000</u>
Total liabilities	<u>3,201,632</u>	<u>318,360</u>	<u>306,237</u>	<u>3,826,229</u>
Deferred Inflows of Resources				
Deferred net pension	<u>87,625</u>	<u>-</u>	<u>31,942</u>	<u>119,567</u>
Net Position				
Net invested in capital assets	15,441,142	-	2,617,925	18,059,067
Unrestricted	<u>3,649,738</u>	<u>-</u>	<u>(152,642)</u>	<u>3,497,096</u>
Total net position	<u>19,090,880</u>	<u>-</u>	<u>2,465,283</u>	<u>21,556,163</u>
	<u>\$ 22,380,137</u>	<u>\$ 318,360</u>	<u>\$ 2,803,462</u>	<u>\$ 25,501,959</u>

City of McCall, Idaho
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended September 30, 2017

	Enterprise Funds			
	Water	Sewer	Golf	Total
Operating Revenues				
Charges for services	\$ 2,140,286	\$ 1,963,782	\$ 627,139	\$ 4,731,207
Intergovernmental	66,338	53,956	-	120,294
Local option tax	-	-	88,000	88,000
Other	171	2,175	9,361	11,707
Total operating revenues	<u>2,206,795</u>	<u>2,019,913</u>	<u>724,500</u>	<u>4,951,208</u>
Operating Expenses				
Personnel services	480,061	341,851	496,563	1,318,475
Contractual services	293,350	464,520	26,733	784,603
Materials and supplies	122,845	391,139	92,309	606,293
Utilities	166,528	144,108	36,591	347,227
Repairs and maintenance	111,653	26,456	61,851	199,960
Depreciation	763,710	723,332	140,409	1,627,451
Total operating expenses	<u>1,938,147</u>	<u>2,091,406</u>	<u>854,456</u>	<u>4,884,009</u>
Operating Income (Loss)	<u>268,648</u>	<u>(71,493)</u>	<u>(129,956)</u>	<u>67,199</u>
Nonoperating Revenues (Expenses)				
Interest income	27,355	16,422	340	44,117
Bad debt expense	443	4,842	-	5,285
Private contributions	-	27,200	-	27,200
Hook-on fees	185,709	164,440	-	350,149
Interest expense	(109,725)	(248,996)	-	(358,721)
Total nonoperating revenues (expenses)	<u>103,782</u>	<u>(36,092)</u>	<u>340</u>	<u>68,030</u>
Income (Loss) Before Special Item and Transfers	372,430	(107,585)	(129,616)	135,229
Special Item - Loss on transfer of Sewer Fund	-	(13,474,038)	-	(13,474,038)
Transfers out	-	127,522	-	127,522
Transfers in	(127,522)	-	97,229	(30,293)
Change in Net Position	244,908	(13,454,101)	(32,387)	(13,241,580)
Net Position, Beginning of Year	<u>18,845,972</u>	<u>13,454,101</u>	<u>2,497,670</u>	<u>34,797,743</u>
Net Position, End of Year	<u>\$ 19,090,880</u>	<u>\$ -</u>	<u>\$ 2,465,283</u>	<u>\$ 21,556,163</u>

City of McCall, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2017

	Enterprise Funds			
	Water	Sewer	Golf	Total
Operating Activities				
Received from user charges	\$ 2,125,349	\$ 2,142,027	\$ 725,054	\$ 4,992,430
Payments to employees for services	(479,024)	(376,496)	(501,896)	(1,357,416)
Payments to suppliers for goods and services	(715,211)	(1,295,811)	(149,997)	(2,161,019)
Net Cash from Operating Activities	<u>931,114</u>	<u>469,720</u>	<u>73,161</u>	<u>1,473,995</u>
Noncapital Financing Activities				
Transfers in	-	-	97,229	97,229
Transfers out	-	(2,192,821)	-	(2,192,821)
Net payments on due to other funds	-	(150,000)	30,000	(120,000)
Net Cash from (used for) Noncapital Financing Activities	<u>-</u>	<u>(2,342,821)</u>	<u>127,229</u>	<u>(2,215,592)</u>
Capital and Related Financing Activities				
Acquisition of capital assets	(120,674)	-	(117,350)	(238,024)
Capital grants	66,065	4,842	-	70,907
Hook-on fees	185,709	164,440	-	350,149
Principal payments on long-term debt	(758,667)	(415,000)	-	(1,173,667)
Interest paid	(81,989)	(248,996)	-	(330,985)
Net Cash used for Capital and Related Financing Activities	<u>(709,556)</u>	<u>(494,714)</u>	<u>(117,350)</u>	<u>(1,321,620)</u>
Capital and Related Investing Activities				
Interest received on investments	<u>27,355</u>	<u>16,422</u>	<u>340</u>	<u>44,117</u>
Net Cash from Capital and Related Investing Activities	<u>27,355</u>	<u>16,422</u>	<u>340</u>	<u>44,117</u>
Net Change in Cash and Cash Equivalents	248,913	(2,351,393)	83,380	(2,019,100)
Cash and Cash Equivalents, Beginning of Year	<u>3,772,059</u>	<u>2,504,894</u>	<u>67,906</u>	<u>6,344,859</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,020,972</u>	<u>\$ 153,501</u>	<u>\$ 151,286</u>	<u>\$ 4,325,759</u>
Presented on the State of Net Position - Proprietary Funds				
Cash and cash equivalents	\$ 3,651,381	\$ 153,501	\$ 151,286	\$ 3,956,168
Restricted cash	<u>369,591</u>	<u>-</u>	<u>-</u>	<u>369,591</u>
	<u>\$ 4,020,972</u>	<u>\$ 153,501</u>	<u>\$ 151,286</u>	<u>\$ 4,325,759</u>

City of McCall, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2017

	Enterprise Funds			
	Water	Sewer	Golf	Total
Reconciliation of operating income (loss) to net cash from operating activities				
Operating income (loss)	\$ 268,648	\$ (71,493)	\$ (129,956)	\$ 67,199
Adjustments to reconcile operating income (loss) to net cash from operating activities				
Depreciation and amortization	763,710	723,332	140,409	1,627,451
Pension related items	(10,268)	(2,827)	(6,096)	(19,191)
Changes in assets and liabilities				
Accounts receivable	(81,446)	122,114	554	41,222
Inventory	4,612	-	-	4,612
Vouchers payable	(25,447)	(269,588)	67,487	(227,548)
Compensated absences	8,469	(20,794)	124	(12,201)
Payroll payable	2,836	(11,024)	639	(7,549)
Net Cash from Operating Activities	<u>\$ 931,114</u>	<u>\$ 469,720</u>	<u>\$ 73,161</u>	<u>\$ 1,473,995</u>
Supplemental Information				
Contributed property, plant and equipment	\$ -	\$ 27,200	\$ -	\$ 27,200
Transfer of pension related items from Sewer Fund to Water Fund	\$ (127,522)	\$ 127,522	\$ -	\$ -
Assets and liabilities transferred from Sewer Fund to PLRWSD	\$ -	\$ 13,474,038	\$ -	\$ 13,474,038

Note 1 - Summary of Significant Accounting Policies

The City of McCall, Idaho (the City) incorporated in the State of Idaho on July 19, 1911. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police), parks and recreation, community services, streets, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

These basic financial statements present the City and its component unit as required by generally accepted accounting principles. Component units are organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The component unit column in the government-wide financial statements is the financial data of the City's single component unit, the Urban Renewal Agency (URA). URA is a separate and distinct legal entity created by state statute. The directors for URA are appointed by the Mayor and approved by the City Council. URA provides urban renewal services for the citizens of the City.

The City contributes to the multi-employer Public Employee Retirement System of Idaho (the System). The System is administered by the State of Idaho and the City is not the major participant in the plan, therefore, the plan's financial statements are not included in this report.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Street/Public Works Fund - The Street/Public Works Fund is used to account for the operation of the street maintenance department. Financing is provided by state gasoline and sales taxes as well as property taxes. State law and city ordinance require that these revenues be used to maintain roads and streets.

Airport Fund - The Airport Fund is used to account for the operation of the City's local airport. Financing is provided through property taxes, charges for services and state and federal grants.

Recreation Fund - To account for operation of City recreation programs. Financing is provided by a specific annual property tax levy to the extent miscellaneous revenues are not sufficient to provide such financing. City ordinance restricts these property taxes to financing of recreation programs.

Library Fund – A special revenue fund to account for the operation of the public library. Financing is provided principally through property taxes which are restricted for library operations by City ordinance.

Local Option Tax – To account for the operation of the City's Local Option Tax over tourism.

The City has reported the following nonmajor governmental fund:

Capital Project Fund - To account for certain capital projects of the City.

The City reports the following major proprietary funds:

Water Fund - To account for the operations of the water system.

Sewer Fund - To account for the operations of the sewer system.

Golf Fund - To account for the operations of the City's public golf course.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business when the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government when elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Water and Sewer Funds also recognize, as non-operating revenue, the portion of hook-on fees intended to recover the cost of connecting new customers to the system.

Cash and Cash Equivalents

The City pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principal offices in Idaho. All cash is either covered with FDIC insurance or fully collateralized in the name of the City.

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool (LGIP) is managed by the State of Idaho Treasurer's office. The funds of the Pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

An annual audit of Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool.

Since the LGIP is recorded at amortized cost and has a maturity of less than 90 days, the City considers these deposits as cash equivalents.

Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The City policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The City's policy requires all investments should be held in the City's name, in the bank's Trust Department, or alternately in the Federal Reserve Bank.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The limits on credit risk are based on Idaho Code.

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The City's policy to mitigate interest rate risk is to structure the City's portfolio so that securities mature to meet the City's cash demands and ongoing operations, thereby precluding the need to sell securities to the open market prior to their maturity and primarily invest in shorter-term securities.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The City's policy is to invest no more than 50% of their total investments in a single security type or with a single financial institution, with the exception of the U.S. Treasury Securities, and authorized pools.

Property Taxes Receivable

Within the governmental fund financial statement, property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year-end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20.

Taxpayers may pay all or one-half of their tax liability on or before December 20. If one-half of the amount is paid on December 20, the remaining balance is due by the following June 20. Since the City is on a September 30 fiscal year-end, property taxes levied during September for the succeeding year's collection are recorded as deferred inflows of resources at the City's year-end and recognized as revenue in the following fiscal year for all governmental funds. Valley County bills and collects taxes for the City.

Customer Services Receivable

Amounts owed to the City for customer services are due from area residents and businesses and relate to sewer, water and golf services provided by the City. The City analyzes past due accounts and current circumstances to evaluate collectability. There is an allowance for doubtful accounts as of September 30, 2017, of \$9,707. As of September 30, 2017, accounts past 90 days totaled \$9,284.

General Fund Accounts Receivable

Amounts owed to the City for customer services are due from a variety of sources. The City analyzes past due accounts and current circumstances to evaluate collectability. There is no allowance for doubtful accounts as of September 30, 2017. As of September 30, 2017, there are no accounts past 90 days.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The cost of inventory items are recognized as expenditures in governmental funds when purchased (purchase method) and as expenses in proprietary funds when used (consumption method).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated acquisition value on the date donated. Public domain infrastructure consisting of roads, sidewalks, water and sewer lines are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

Estimated Useful Life (Years)	
Buildings	12 - 40
Infrastructure	20 - 50
Improvements other than buildings	10 - 40
Machinery and equipment	5 - 10

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

The City capitalizes interim financing interest as a cost of the related enterprise fund assets.

Deferred Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The two items are as follows: the pension obligation and deferred charge on bond refunding, both reported in the government-wide statement of net position.

Deferred charge on bond refundings are deferred and amortized over the life of the bonds using the straight-line method. The net deferred amount on refundings totaled \$14,285 at September 30, 2017. Amortization of the deferred amounts on refundings was \$27,736 for the year ended September 30, 2017, and is included in the caption "Interest expense" on the statement of revenues, expenses, and changes in fund net position. There were no additions recognized in fiscal year 2017.

Bonded Indebtedness

Special assessment bonds are issued to provide funding for the construction of various local improvement districts. Collections from property owner assessments are the primary source of debt service funds to retire maturing bonds. The City is under no legal obligation to use general resources to subsidize debt payments even though the debt is recorded in the financial statements of the City.

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service 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. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Revenue bonds are issued to provide funding for construction of water fund capital items. Revenues collected from water service fees are the primary source of monies to retire the bonds.

Compensated Absences Payable

The City provides personal leave to its full-time employees and sick leave to both full and part-time employees. Personal leave is either paid to employees when taken or paid to employees or their beneficiaries upon the employee's termination, retirement or death. Sick leave is either paid to employees when taken or paid to employees or their beneficiaries upon the employee's termination, retirement or death for hours accrued in excess of 500 to a maximum of either 720 or 960 hours, depending on the hire date of the employee. The amount of unpaid leave accumulated by City employees is accrued as an expense when incurred in the government-wide and the proprietary funds financial statements, which use the accrual basis of accounting. In the Governmental Funds, only the amount that normally would be liquidated with expendable available financial resources is accrued as current year expenditures. Unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditures are accrued. Therefore, the entire unpaid liability for the Governmental Funds is considered long-term and is recorded in the government-wide financial statement only.

Advanced Revenue

The City reports advanced revenues on its statement of net position and fund balance sheet. Advanced revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the City has a legal claim to the resources, the liability for advanced revenue is removed from the balance sheet and the revenue is recognized.

Fund Balance Reporting

The Local Option Tax (LOT) was established in 2005 by City Ordinance No. 796 and renewed by City Ordinance No. 887 in 2011 to be effective January 1, 2012. In 2015, two additional local LOTs were established by City Ordinance 936. The LOT established in 2011 is to be used for programs and groups recommended by the LOT commission and approved by City Council. The two additional LOT's established in 2015 are to be used primarily for street replacement, repair and maintenance. Highway user fees are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements. Franchise fees are established by City Ordinance No. 862 in 2009 for the specific use of funding underground utility expansion. Drug restitutions are considered restricted because their use is restricted by State Statute 37-2744 for police investigative expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Resolution 11-19 was adopted in November of 2011 to establish minimum fund balance / net position policies consisting of cash flow and budget stabilization. Those minimum balances enable the City to meet debt payments and other obligations. The minimum balances established for cash flow are expressed as a percentage of the current years' operating budget. Those minimums are as follows: General Fund – 25%, Special Revenue Funds – 20%, Enterprise Funds – 30%, in addition to any sums required under loan or bond agreements. The minimum fund balances established for budget stabilization are expressed as a percentage of the three most recent years' average operating budgets. Those minimums are as follows: General Fund – 15%, Special Revenue Funds – 10%. In the event these minimum balances are used, the City shall strive to restore the balances to the above levels within no more than three fiscal years following the fiscal year in which the reserves were used.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are non-cash or legally or contractually required to be maintained intact such as inventory, long-term loans receivable, property held for sale, endowment or permanent fund principal, and prepaid items.
- Restricted fund balance—amounts that have externally enforceable limitations on their uses; amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City Council itself; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same level action to remove or change the constraint.
- Assigned fund balance—amounts the City Council intend to use for a specific purpose; intent can be expressed by the City Council or by an official designated by the City Council by resolution.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of September 30, 2017, fund balances are composed of the following:

	General	Streets / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Funds
Nonspendable							
Prepays	\$ 46,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	37,813	-	-	-	-	-
Long-term note receivable	85,000	-	-	-	-	-	-
Total nonspendable	131,312	37,813	-	-	-	-	-
Restricted							
Local Option Tax	-	-	-	74,492	4,000	-	-
Carryforward Local Option Tax	48,740	-	-	-	-	-	-
Donations	-	-	-	-	35,479	-	-
Highway user fee	-	38,605	-	-	-	-	-
Franchise fees	1,715,114	-	-	-	-	-	-
Total restricted	1,763,854	38,605	-	74,492	39,479	-	-
Assigned							
Street/Public works	-	1,465,872	-	-	-	-	-
Airport	-	-	486,971	-	-	-	-
Library	-	-	-	-	441,075	-	69,226
Recreation	-	-	-	403,784	-	-	-
Local Option Tax	-	-	-	-	-	2,190,671	-
Total assigned	-	1,465,872	486,971	403,784	441,075	2,190,671	69,226
Unassigned							
Unassigned	3,695,596	-	-	-	-	-	-
Total unassigned	3,695,596	-	-	-	-	-	-
	\$ 5,590,762	\$ 1,542,290	\$486,971	\$478,276	\$480,554	\$2,190,671	\$ 69,226

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will include 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 three items that qualify for reporting in this category reported on the government-wide statement of net position. They are the employer pension assumption, property taxes, and an irrevocable split-interest agreement.

The City reports unavailable revenue as a deferred inflow of resources on its statement of net position and fund balance sheet. On the government fund financial statements property taxes that are delinquent are recorded as unavailable revenue since they are not available within 60 days of the fiscal year end, however in the government-wide financial statements delinquent taxes are recognized in the year they are measurable. Taxes levied during September for the succeeding year's collection are recorded as deferred inflows of resources at the City's year-end and recognized as revenue in the following fiscal year for all governmental funds and governmental activities.

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 the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Risk Management

The City is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for liability, medical and disability insurance. The City's exposure to loss from its participation in ICRMP is limited to the extent of their deductible only.

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 - Cash and Cash Equivalents

At September 30, 2017, the City's cash and cash equivalents consisted of the following:

	<u>Rating</u>	<u>Maturity</u>	
Deposits			
Insured or collateralized	N/A	N/A	\$ 1,205,979
Idaho First Bank Certificate of Deposit	N/A	Sept. 25, 2017	240,000
State of Idaho Local Government			
Investment Pool (LGIP)	N/A	N/A	<u>10,981,987</u>
			<u>12,427,966</u>
Restricted cash equivalents and investments			
State of Idaho Local Government			
Investment Pool (LGIP)	N/A	N/A	1,585,582
Zion's Bank Money Market	N/A	N/A	<u>479,932</u>
			<u>2,065,514</u>
Investments of Irrevocable Split-Interest Trust Agreement - See Note 3			<u>1,120,367</u>
			<u>3,185,881</u>
Total cash, cash equivalents and investments			<u><u>\$ 15,613,847</u></u>

Note 3 - Investments

Certain assets are reported at fair value in the City's financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the City develops inputs using the best information available in the circumstances.

Investments' fair value measurements are as follows at September 30, 2017:

Equities: Valued at fair value based on the quoted prices for active markets.

Fixed Income: Corporate bonds, U.S. Government obligations, and municipal bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, state interest rates, and market-rate assumptions.

Real Estate Assets: Values are based on trust statement value of real estate assets.

The related fair values of these assets are determined as follows:

	Level 1	Level 2	Level 3
Equities	\$ 535,085	\$ -	\$ -
Fixed Income			
Corporate Bonds	-	60,134	-
U.S. Treasuries	-	54,450	-
Municipal Securities	-	200,053	-
Real Estate	-	-	237,474
	<u>\$ 535,085</u>	<u>\$ 314,637</u>	<u>\$ 237,474</u>

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates.

As of September 30, 2017, the City had the following investments subject to interest rate risk:

Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate Bonds	\$ 60,134	\$ 5,162	\$ 21,188	\$ 33,784	\$ -
U.S. Treasuries	54,450	-	36,207	-	18,243
Municipal Securities	200,053	15,100	65,739	107,171	12,043
	<u>\$ 314,637</u>	<u>\$ 20,262</u>	<u>\$ 123,134</u>	<u>\$ 140,955</u>	<u>\$ 30,286</u>

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB requires disclosure of credit quality ratings for investments in debt securities. (The credit risk ratings below are issued upon standards set by Standard and Poor's).

Investment Ratings	U.S. Treasuries	Corporate Bonds	Municipal Securities	Total
AAA	\$ -	\$ 12,410	\$ 33,789	\$ 46,199
AA	54,450	-	132,047	186,497
A	-	10,169	34,217	44,386
BBB	-	37,555	-	37,555
	<u>\$ 54,450</u>	<u>\$ 60,134</u>	<u>\$ 200,053</u>	<u>\$ 314,637</u>

Note 4 - Restricted Assets

Restricted assets are required to be segregated as to use and are therefore identified as restricted assets. The restricted assets are as follows:

Cash equivalents and investments	
General Fund, Franchise Fees	\$ 1,695,923
Library Fund, Irrevocable Split Interest Trust	1,120,367
Water Fund, DEQ Loan Reserves	369,591
	<u>3,185,881</u>
	<u>\$ 3,185,881</u>

Note 5 - Intergovernmental and Grant Receivables

The following summarizes the intergovernmental receivables at September 30, 2017:

<u>Source</u>	
State of Idaho	
Revenue sharing	\$ 164,555
Highway users	38,605
United States Forest Service	28,883
	<u>232,043</u>
	<u>\$ 232,043</u>

Grants owed to the City at September 30, 2017, by source are:

Idaho Department of Environmental Quality	\$ 77,788
Federal Aviation Administration	514,243
Idaho Department of Parks & Recreation	10,848
Idaho Department of Transportation	61,000
United States Department of Transportation	5,311
National Endowment for the Humanities	2,000
Idaho Community Development Block Grant	2,488
	<u>673,678</u>
	<u>\$ 673,678</u>

Governmental funds report unavailable revenue in connection with property taxes receivables that are not considered to be available to liquidate liabilities of the current period as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that were raised for the subsequent fiscal year.

At the end of the current fiscal year, the various components reported in the governmental funds as deferred inflows of resources were as follows:

	<u>Delinquent Taxes</u>	<u>Subsequent Tax Levy</u>	<u>Total</u>
Property taxes (general fund)	\$ 61,375	\$ 3,339,209	\$ 3,400,584
Property taxes (street fund)	62,021	1,504,366	1,566,387
Property taxes / hangar lease (airport fund)	(595)	30,109	29,514
Property taxes (recreation fund)	7,717	253,240	260,957
Property taxes (library fund)	18,033	424,000	442,033
Total unavailable revenue	<u>\$ 148,551</u>	<u>\$ 5,550,924</u>	<u>\$ 5,699,475</u>

Note 6 - Capital Assets

Changes in capital assets of governmental activities are as follows:

	<u>Oct. 1, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Sept. 30, 2017</u>
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 7,583,418	\$ -	\$ -	\$ -	\$ 7,583,418
Construction in progress	685,209	1,353,698	(292,095)	-	1,746,812
Total capital assets, not depreciated	<u>8,268,627</u>	<u>1,353,698</u>	<u>(292,095)</u>	<u>-</u>	<u>9,330,230</u>
Capital assets, depreciated					
Buildings	3,566,260	-	-	-	3,566,260
Infrastructure	17,575,501	-	-	-	17,575,501
Improvements other than buildings	14,569,341	143,702	292,095	-	15,005,138
Equipment	3,976,601	120,495	-	128,079	3,969,017
Total capital assets, depreciated	<u>39,687,703</u>	<u>264,197</u>	<u>292,095</u>	<u>128,079</u>	<u>40,115,916</u>
Less accumulated depreciation for					
Buildings	1,833,848	87,198	-	-	1,921,046
Infrastructure	4,750,666	535,495	-	-	5,286,161
Improvements other than buildings	7,611,984	489,023	-	-	8,101,007
Equipment	3,131,747	167,758	-	128,079	3,171,426
Total accumulated depreciation	<u>17,328,245</u>	<u>1,279,474</u>	<u>-</u>	<u>128,079</u>	<u>18,479,640</u>
Total net capital assets, depreciated	<u>22,359,458</u>	<u>(1,015,277)</u>	<u>292,095</u>	<u>-</u>	<u>21,636,276</u>
Governmental activities capital assets, net	<u>\$ 30,628,085</u>	<u>\$ 338,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,966,506</u>

Changes in capital assets of business-type activities are as follows:

	<u>Oct. 1, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Sept. 30, 2017</u>
Business-type activities					
Capital assets, not depreciated					
Land	\$ 1,208,847	\$ -	\$ -	\$ 66,527	\$ 1,142,320
Total capital assets, not depreciated	<u>1,208,847</u>	<u>-</u>	<u>-</u>	<u>66,527</u>	<u>1,142,320</u>
Capital assets, depreciated					
Buildings	12,906,861	-	-	31,892	12,874,969
Improvements other than buildings	48,499,003	192,483	-	27,651,271	21,040,215
Equipment	1,824,143	49,725	-	874,290	999,578
Total capital assets, depreciated	<u>63,230,007</u>	<u>242,208</u>	<u>-</u>	<u>28,557,453</u>	<u>34,914,762</u>
Less accumulated depreciation for					
Buildings	5,717,207	316,841	-	27,568	6,006,480
Improvements other than buildings	17,761,521	1,240,827	-	10,232,800	8,769,548
Equipment	1,401,173	69,783	-	684,601	786,355
Total accumulated depreciation	<u>24,879,901</u>	<u>1,627,451</u>	<u>-</u>	<u>10,944,969</u>	<u>15,562,383</u>
Total net capital assets, depreciated	<u>38,350,106</u>	<u>(1,385,243)</u>	<u>-</u>	<u>17,612,484</u>	<u>19,352,379</u>
Business-type activities capital assets, net	<u>\$ 39,558,953</u>	<u>\$ (1,385,243)</u>	<u>\$ -</u>	<u>\$ 17,679,011</u>	<u>\$ 20,494,699</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities	
General government	\$ 134,522
Recreation	-
Public works / Streets	671,845
Finance	6,800
Police	18,255
Parks	173,797
Library	2,700
Community development	600
Airport	270,955
Total depreciation expense - governmental activities	<u>\$ 1,279,474</u>
Business-type activities	
Water	\$ 763,710
Sewer	723,332
Golf	140,409
Total depreciation expense - business-type activities	<u>\$ 1,627,451</u>

Note 7 - Interfund Receivables, Payables, and Transfers

Incoming receipts and outgoing disbursements are sometimes deposited to/disbursed from one fund on behalf of another fund. At that time, a corresponding receivable/payable and operating transfer is recorded between the funds. The composition of interfund balances as of September 30, 2017 is as follows:

Amounts due to the General Fund from:		
Golf, long-term receivable balance	\$	85,000
Amounts due to the Street / Public Works Fund from:		
Golf	\$	5,703
Amounts due to the Library Fund from:		
General	\$	4,000
Amounts due to the Capital Projects Fund from:		
Urban Renewal Agency	\$	59,938
Water		4,184
General		13,867
	\$	77,989

Interfund transfers were made for the purpose of funding operations and the settlement of internal balances. The Sewer Fund transferred the net pension obligations to the Sewer Fund.

Interfund transfers for the year ended September 30, 2017, were:

Interfund transfers	Golf Fund	Street / Public Works	Airport	Recreation	Water Fund
Transfers out					
General	\$ 93,520	\$ 192,786	\$ -	\$ 784,206	\$ -
Sewer	-	-	-	-	127,522
Recreation	3,709	-	7,200	-	-
	\$ 97,229	\$ 192,786	\$ 7,200	\$ 784,206	\$ 127,522

Note 8 - Long-Term Debt

The following is a summary of changes in long-term liabilities of the City for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<i>Governmental Activities</i>					
Compensated absences	\$ 142,239	\$ 10,844	\$ 18,807	\$ 134,276	\$ -
Governmental activities long-term liabilities	<u>\$ 142,239</u>	<u>\$ 10,844</u>	<u>\$ 18,807</u>	<u>\$ 134,276</u>	<u>\$ -</u>
<i>Business-type Activities</i>					
Compensated absences	\$ 64,936	\$ 8,593	\$ 20,794	\$ 52,735	\$ -
Revenue bonds					
\$5.63 million 2003 water revenue refunding bonds	915,000	-	450,000	465,000	465,000
\$2.78 million 2004 revenue bonds	1,150,000	-	1,150,000	-	-
\$7.095 million 2008 revenue bonds	5,920,000	-	5,920,000	-	-
Notes payable					
Department of Environmental Quality	2,648,890	-	308,667	2,340,223	314,673
	<u>10,633,890</u>	<u>-</u>	<u>7,828,667</u>	<u>2,805,223</u>	<u>779,673</u>
Premium on 2004 revenue bonds	14,862	-	14,862	-	-
Premium on 2008 revenue bonds	30,299	-	30,299	-	-
Total bonds and notes payable	<u>10,679,051</u>	<u>-</u>	<u>7,873,828</u>	<u>2,805,223</u>	<u>779,673</u>
Business-type activities long-term liabilities	<u>\$ 10,743,987</u>	<u>\$ 8,593</u>	<u>\$ 7,894,622</u>	<u>\$ 2,857,958</u>	<u>\$ 779,673</u>

Compensated absences will be liquidated by all funds as the associated payroll is expended.

Business-type activities long-term debt at September 30, 2017 is comprised of the following:

Revenue Bonds

\$5,630,000 water revenue refunding bonds due in one remaining annual principal installment of \$465,000 in 2018; interest accrues at 3.6% to 3.7%. \$ 465,000

The bonds maturing on or after September 1, 2015 are subject to redemption at the option of the City, in whole or in part on any interest payment date, on or after September 1, 2013, at a price of par plus accrued interest, if any, to the date of redemption.

Note Payable

Note payable to State of Idaho, for \$5,908,755. Due in semi-annual installments of \$179,955 through 2024; interest accrues at 2.0%, unsecured. 2,340,223

Total business-type activities \$ 2,805,223

The annual requirements to amortize all debt outstanding as of September 30, 2017, are as follows:

	Business-type Activities	
	Principal	Interest
2018	\$ 779,673	\$ 62,441
2019	320,998	38,911
2020	327,450	32,459
2021	334,032	25,877
2022	340,746	19,163
2023-2024	702,324	17,642
	<u>\$ 2,805,223</u>	<u>\$ 196,493</u>

In Idaho, a municipality is allowed a general obligation bond debt limit of 2% of the market valuation of the real and personal property in its taxing area. The City's legal debt limits for 2017, based on data available from Valley County as of September 30, 2017, would be approximately \$22,825,000. The City has no aggregate general obligation bond indebtedness on September 30, 2017.

Note 9 - Leases

The City leases four pieces of Caterpillar heavy equipment under a long-term lease / purchase agreement. The terms of the agreement call for transfer of ownership and a balloon payment at the end of the lease, however, the equipment dealer has entered into a buyback guarantee for the amount of the balloon payment, which the City intends to exercise. The lease expires in October 2017 (fiscal year 2018) wherein the balloon payment of \$557,000 is due. Based on the terms of the agreement and the intent of the City, the lease has been reported as an operating lease.

Note 10 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits to 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) 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 and earnings from investments. 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) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police. As of June 30, 2016, it was 6.79% for general employees and 8.36% for police. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police. The City's contributions were \$425,700 for the year ended September 30, 2017.

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

At September 30, 2017, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, the City's proportion was 0.1166812 percent.

For the year ended September 30, 2017, the City recognized pension expense of \$265,799. At September 30, 2017, 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	\$ 254,071	\$ 165,230
Changes in assumptions or other inputs	33,914	-
Net difference between projected and actual earnings on pension plan investments	-	109,884
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	105,299
City contributions subsequent to the measurement date	106,411	-
Total	\$ 394,396	\$ 380,413

The \$106,411 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

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

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

<u>Years ended June 30:</u>	
2018	\$ (130,217)
2019	141,795
2020	21,822
2021	(125,828)

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 June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

Experience studies were performed for the period 2007 through 2013 for the PERSI Base Plan. These studies reviewed economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013 for all funds. The Total Pension Liability as of June 30, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

The capital market assumptions are as of January 1, 2017.

Capital Market Assumptions

Asset Class	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66%-77%
Broad US Equities	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%
Total Fund	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u>7.10%</u>

Discount Rate

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

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

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
Employer's proportionate share of the net pension liability (asset)	\$ 4,262,659	\$ 1,834,028	\$ (184,228)

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

At September 30, 2017, the City reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 11 - Pledged Revenue

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$5.6 million in water system revenue bonds issued in July 2003. Proceeds from the bonds provided financing to refund the 1994 and 1996 water revenue bonds. The bonds are payable solely from water customer net revenues and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 22 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$482,205. Principal and interest paid for the current year and total customer net revenues were \$483,405 and \$2,140,286, respectively.

The City has pledged future water customer revenues, net of specified operating expenses, to repay a \$5.9 million drinking water facility promissory note payable to the State of Idaho signed in April 2004. Proceeds from the note provided financing to complete phase II of the water treatment facility. The bonds are payable solely from drinking water facility revenues and are payable through 2024. Annual principal and interest payments on the note are expected to require less than 20 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,519,349. Principal and interest paid for the current year and total customer net revenues were \$359,909 and \$2,140,286, respectively.

Note 12 - Contingent Liabilities

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of the City. City management believes disallowances, if any, will be immaterial.

The City has been named as defendant in various legal actions, the results of which are not presently determinable. However, in the opinion of the City's management and legal counsel, the amount of losses that might be sustained, if any, would not materially affect the City's financial position.

The City has entered into various commitments to developers for certain expansion to infrastructure projects. These are contingent on the developments being constructed and no amount has been assigned or accrued.

Note 13 - Component Unit

The Urban Renewal Agency (URA or the Agency) is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate legal entity.

The following is a summary of the disclosures required for a fair presentation of the component unit in the City's financial statements.

Cash Equivalents

Cash equivalents include amounts in money market accounts and The Local Government Investment Pool (LGIP), which managed by the State of Idaho Treasurer's office. At year-end, the carrying amount of deposits, reported as cash and cash equivalents was \$539,451 and \$479,970. The funds of the LGIP are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Deposits and Investments

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The Agency's policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at amortized cost. Investments in the Joint Powers Investment Pool and repurchase agreements are valued at fair value.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The URA does not have a policy for custodial credit risk outside of the deposit and investment agreements.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody’s, Standard & Poor’s and Fitch’s. The investments of the URA are not rated. The URA does not have a restrictive policy regarding rated investments.

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The URA is invested in money market funds with an average maturity of nine days. The URA does not have a policy concerning maturities of investments.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The URA has no policy limiting the amount it may invest in any one issuer.

At September 30, 2017, the URA’s cash equivalents consisted of the following:

Cash equivalents	
US Bank Money Market Account	\$ 185,072
Local General Investment Pool	354,379
	\$ 539,451
	\$ 539,451
Restricted cash equivalents	
First American Treasury Obligation, Class D	\$ 479,970
	\$ 479,970

The money market funds are managed by First American Funds. The funds are invested in repurchase agreements and U.S. Treasury Strips, Notes, and Bonds. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Changes in General Fixed Assets

Changes in general fixed assets are as follows:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
Capital assets, not depreciated				
Land	\$ 293,115	\$ -	\$ -	\$ 293,115
Total capital assets, not depreciated	<u>293,115</u>	<u>-</u>	<u>-</u>	<u>293,115</u>
Capital assets, depreciated				
Improvements	3,498,650	-	-	3,498,650
Total capital assets, depreciated	<u>3,498,650</u>	<u>-</u>	<u>-</u>	<u>3,498,650</u>
Less accumulated depreciation				
Improvements	1,363,024	340,756	-	1,703,780
Total accumulated depreciation	<u>1,363,024</u>	<u>340,756</u>	<u>-</u>	<u>1,703,780</u>
	<u>\$ 2,428,741</u>	<u>\$ (340,756)</u>	<u>\$ -</u>	<u>\$ 2,087,985</u>

Unavailable Revenue

The URA reports unavailable revenue in connection with property taxes receivables that are not considered to be available to liquidate liabilities of the current period as deferred inflows of resources. The URA also defers revenue recognition in connection with resources that were raised for the subsequent fiscal year. At the end of the current fiscal year, deferred inflows of resources were reported for property taxes.

Long-term Debt

The following is a summary of changes in long-term debt of the URA for the year ended September 30, 2017:

	Long-term Debt at Oct. 1, 2016	Debt Issued	Debt Retired	Long-term Debt at Sept. 30, 2017
Revenue bonds				
2006 agency bonds	\$ 2,095,000	\$ -	\$ 385,000	\$ 1,710,000
Premium on agency bonds	4,980	-	1,597	3,383
	\$ 2,099,980	\$ -	\$ 386,597	\$ 1,713,383

Long-term debt at September 30, 2017 is comprised of the following:

\$5,010,000 agency bonds consisting of \$4,120,000 in serial bonds due in annual principal installments of \$385,000 to \$420,000 through 2019, and \$890,000 in term bonds due in 2020 and 2021 for \$435,000 and \$455,000, respectively; interest accrues at 4.25% to 4.5%. 100% of the property tax revenues are pledged toward this debt. \$ 1,710,000

The annual requirements to amortize all debt outstanding as of September 30, 2017, are as follows:

	Component Unit	
	Principal	Interest
2018	\$ 400,000	\$ 74,900
2019	420,000	57,900
2020	435,000	40,050
2021	455,000	20,475
	\$ 1,710,000	\$ 193,325

Note 14 - Disposal of Operations

Effective August 31, 2017, the Payette Lakes Recreational Water and Sewer District (PLRWSD) annexed the Sewer operations of the City to combine with existing sewer operations and continue to provide those services to the City's citizens. As such, the majority of the assets and liabilities of the Sewer Fund were transferred to PLRWSD. The City transferred all capital assets from the Sewer Fund, and simultaneously with annexation, the bonded debt of the Sewer Fund was defeased. Some assets and liabilities remained in the Sewer Fund until ultimate liquidation and a corresponding liability "Due to PLRWSD" has been recorded. This transaction resulted in the recording of a loss on transfer to PLRWSD of \$13,474,038.

Assets and liabilities transferred to PLRWSD

Assets	
Cash and cash equivalents	\$ 2,192,821
Inventory	2,254
Capital assets	28,651,180
Accumulated depreciation on capital assets	(10,944,969)
Liabilities	
Bonds payable	(6,655,000)
Premium on bonds payable	(179,202)
Accumulated amortization on bonds payable	134,041
Assets and liabilities transferred to PLRWSD, net	13,201,125

Assets and liabilities to be transferred upon liquidation

Assets	
Cash and cash equivalents	153,501
Accounts receivable	110,828
Grants receivable	54,031
Liabilities	
Accounts payable	(45,355)
Payroll payable	(92)
Amounts due to PLRWSD upon liquidation of assets and liabilities, net	272,913
Total assets and liabilities transferred to PLRWSD, net	\$ 13,474,038

Note 15 - Subsequent Events

Effective November 14, 2017, the City paid \$1,650,000 for the condemnation of four parcels of land totaling approximately fifteen acres adjacent to the airport.



Required Supplementary Information
September 30, 2017

City of McCall, Idaho

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 3,326,646	\$ 3,326,646	\$ 3,330,592	\$ 3,946
Local option tax	-	404,802	256,655	(148,147)
Interest	11,000	11,000	41,789	30,789
Licenses and permits	218,200	218,200	298,292	80,092
Intergovernmental	707,317	707,317	803,748	96,431
Fines and forfeitures	42,200	42,200	33,269	(8,931)
Charges for services	412,950	1,135,691	1,289,279	153,588
Miscellaneous	405,110	684,820	44,630	(640,190)
Total revenues	5,123,423	6,530,676	6,098,254	(432,422)
Expenditures				
Mayor and council	221,448	221,448	170,650	50,798
Network administration	329,070	329,070	296,048	33,022
City manager	401,803	401,803	368,453	33,350
Administrative	330,884	330,884	300,888	29,996
Finance department	402,393	402,393	385,661	16,732
Public safety	1,437,786	1,408,586	1,458,939	(50,353)
City clerk	224,105	224,105	196,523	27,582
Community services	628,998	638,184	704,469	(66,285)
Local option tax	400,710	391,802	197,215	194,587
Capital outlay	-	1,093,650	110,188	983,462
Total expenditures	4,377,197	5,441,925	4,189,034	1,252,891
Excess of Revenues over Expenditures	746,226	1,088,751	1,909,220	820,469
Other Financing Sources (Uses)				
Transfer in	722,741	-	-	-
Transfer out	(2,202,435)	(1,134,749)	(1,070,512)	64,237
Total other financing Sources (Uses)	(1,479,694)	(1,134,749)	(1,070,512)	64,237
Excess (Deficiency) of Revenues and other sources over (under) expenditures	(733,468)	(45,998)	838,708	\$ 884,706
Fund Balance, Beginning of Year	4,752,054	4,752,054	4,752,054	
Fund Balance, End of Year	\$ 4,018,586	\$ 4,706,056	\$ 5,590,762	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street/Public Works
Fund
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 1,296,681	\$ 1,296,681	\$ 1,307,371	\$ 10,690
Local option tax	-	13,000	13,000	-
Interest	1,640	1,640	9,993	8,353
Intergovernmental	130,208	130,208	146,597	16,389
Charges for services	-	209,329	212,376	3,047
Miscellaneous	24,000	3,500	9,170	5,670
Total revenues	<u>1,452,529</u>	<u>1,654,358</u>	<u>1,698,507</u>	<u>44,149</u>
Expenditures				
Streets	1,389,059	1,618,455	1,465,653	152,802
Capital outlay	564,870	501,437	109,235	392,202
Total expenditures	<u>1,953,929</u>	<u>2,119,892</u>	<u>1,574,888</u>	<u>545,004</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(501,400)</u>	<u>(465,534)</u>	<u>123,619</u>	<u>589,153</u>
Other Financing Sources (Uses)				
Transfer in	381,615	192,786	192,786	-
Transfer out	(142,963)	-	-	-
Total other financing sources	<u>238,652</u>	<u>192,786</u>	<u>192,786</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other uses over (under) expenditures	(262,748)	(272,748)	316,405	<u>\$ 589,153</u>
Fund Balance, Beginning of Year	<u>1,225,885</u>	<u>1,225,885</u>	<u>1,225,885</u>	
Fund Balance, End of Year	<u>\$ 963,137</u>	<u>\$ 953,137</u>	<u>\$ 1,542,290</u>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Airport Fund
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 60,450	\$ 60,450	\$ 60,638	\$ 188
Local option tax	30,000	30,000	30,000	-
Interest	776	776	2,183	1,407
Intergovernmental	3,654,777	3,654,777	514,172	(3,140,605)
Charges for services	255,994	255,994	252,602	(3,392)
Miscellaneous	7,800	7,800	29,464	21,664
Total revenues	4,009,797	4,009,797	889,059	(3,120,738)
Expenditures				
Airport	246,403	312,123	253,925	58,198
Capital outlay	3,981,110	3,951,110	677,682	3,273,428
Total expenditures	4,227,513	4,263,233	931,607	3,331,626
Excess (Deficiency) of Revenues over (under) expenditures	(217,716)	(253,436)	(42,548)	210,888
Other Financing Sources (Uses)				
Transfer in	7,200	7,200	7,200	-
Transfer out	(35,720)	-	-	-
Total other financing sources (uses)	(28,520)	7,200	7,200	-
Excess (Deficiency) of Revenues over (under) expenditures	(246,236)	(246,236)	(35,348)	\$ 210,888
Fund Balance, Beginning of Year	522,319	522,319	522,319	
Fund Balance, End of Year	\$ 276,083	\$ 276,083	\$ 486,971	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Recreation Fund
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 237,340	\$ 237,340	\$ 239,821	\$ 2,481
Local option tax	60,000	75,000	80,000	5,000
Interest	246	246	2,898	2,652
Licenses and permits	7,500	7,500	7,313	(187)
Intergovernmental	30,160	30,160	18,791	(11,369)
Charges for services	34,610	36,222	35,524	(698)
Miscellaneous	49,650	73,687	28,066	(45,621)
Total revenues	<u>419,506</u>	<u>460,155</u>	<u>412,413</u>	<u>(47,742)</u>
Expenditures				
Recreation	759,061	896,114	814,780	81,334
Capital outlay	371,360	399,668	268,007	131,661
Total expenditures	<u>1,130,421</u>	<u>1,295,782</u>	<u>1,082,787</u>	<u>212,995</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(710,915)</u>	<u>(835,627)</u>	<u>(670,374)</u>	<u>165,253</u>
Other Financing Sources (Uses)				
Contributions	3,000	8,330	13,189	4,859
Transfer in	784,206	784,206	784,206	-
Transfer out	(130,291)	(10,909)	(10,909)	-
Total other financing sources	<u>656,915</u>	<u>781,627</u>	<u>786,486</u>	<u>4,859</u>
Excess (Deficiency) of Revenues over (under) expenditures	(54,000)	(54,000)	116,112	<u>\$ 170,112</u>
Fund Balance, Beginning of Year	<u>362,164</u>	<u>362,164</u>	<u>362,164</u>	
Fund Balance, End of Year	<u>\$ 308,164</u>	<u>\$ 308,164</u>	<u>\$ 478,276</u>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Library
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 390,332	\$ 390,332	\$ 394,442	\$ 4,110
Local option tax	-	1,500	5,500	4,000
Interest	480	480	6,970	6,490
Intergovernmental	6,000	15,000	2,000	(13,000)
Fines and forfeitures	2,000	2,000	2,971	971
Charges for services	8,100	8,100	12,617	4,517
Miscellaneous	8,615	50,715	3,993	(46,722)
Total revenues	<u>415,527</u>	<u>468,127</u>	<u>428,493</u>	<u>(39,634)</u>
Expenditures				
Community services	354,855	468,857	427,301	41,556
Capital outlay	6,000	-	-	-
Total expenditures	<u>360,855</u>	<u>468,857</u>	<u>427,301</u>	<u>41,556</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>54,672</u>	<u>(730)</u>	<u>1,192</u>	<u>1,922</u>
Other Financing Sources (Uses)				
Contributions and donations	2,830	730	33,139	32,409
Transfer out	(64,502)	-	-	-
Total other financing sources (uses)	<u>(61,672)</u>	<u>730</u>	<u>33,139</u>	<u>32,409</u>
Excess (Deficiency) of Revenues over (under) expenditures	(7,000)	-	34,331	<u>\$ 34,331</u>
Fund Balance, Beginning of Year	<u>446,223</u>	<u>446,223</u>	<u>446,223</u>	
Fund Balance, End of Year	<u>\$ 439,223</u>	<u>\$ 446,223</u>	<u>\$ 480,554</u>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Local Option Tax
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local option tax	\$ 1,220,000	\$ 1,675,000	\$ 1,658,948	\$ (16,052)
Interest	-	-	12,560	12,560
Licenses and permits	-	-	61,000	61,000
Intergovernmental	100,000	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,320,000</u>	<u>1,675,000</u>	<u>1,732,508</u>	<u>57,508</u>
Expenditures				
Local option tax	769,608	2,302,395	267,201	2,035,194
Capital outlay	<u>1,632,219</u>	<u>454,432</u>	<u>391,781</u>	<u>62,651</u>
Total expenditures	<u>2,401,827</u>	<u>2,756,827</u>	<u>658,982</u>	<u>2,097,845</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(1,081,827)</u>	<u>(1,081,827)</u>	<u>1,073,526</u>	<u>2,155,353</u>
Excess (Deficiency) of Revenues over (under) expenditures	(1,081,827)	(1,081,827)	1,073,526	<u>\$ 2,155,353</u>
Fund Balance, Beginning of Year	<u>1,117,145</u>	<u>1,117,145</u>	<u>1,117,145</u>	
Fund Balance, End of Year	<u>\$ 35,318</u>	<u>\$ 35,318</u>	<u>\$ 2,190,671</u>	

Note 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to September 1, the City Council and City Manager prepare a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at City Hall to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.

Budgets are adopted on a basis consistent with generally accepted accounting principles for the general, special revenue, capital projects and debt service funds. All annual appropriations lapse at fiscal year-end. The City Manager is authorized to transfer budget amounts within departments and between departments within any fund. Revisions that alter the total expenditure appropriation of any fund must be approved by the City Council. State law does not allow fund expenditures to exceed fund appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds.

**Schedule of Employer's Share of Net Pension Liability
 PERSI - Base Plan
 Last 10 - Fiscal Years**

	2017	2016	2015
Employer's portion of the net pension liability	0.12%	0.13%	0.12%
Employer's proportionate share of the net pension liability	\$ 1,834,028	\$ 2,479,805	\$ 1,633,159
Employer's covered-employee payroll	\$ 3,782,093	\$ 3,736,238	\$ 3,516,395
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	48.49%	66.37%	46.44%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%

- (1) The City will continue to annually report information until this schedule includes 10 fiscal years.
 (2) Amounts as of the measurement date of June 30.

**Schedule of Employer Contributions
 PERSI - Base Plan
 Last 10 - Fiscal Years**

	2017	2016	2015
Statutorily required contribution	\$ 425,774	\$ 409,600	\$ 393,234
Contributions in relation to the statutorily required contribution	(425,774)	(409,600)	(393,234)
Contribution (deficiency) excess	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 3,773,897	\$ 3,624,112	\$ 3,516,395
Contributions as a percentage of covered-employee payroll	11.28%	11.30%	11.18%

(1) The City will continue to annually report information until this schedule includes 10 fiscal years.



Other Information
September 30, 2017

City of McCall, Idaho



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*

Members of the City Council
City of McCall, Idaho
McCall, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of McCall, Idaho’s basic financial statements and have issued our report thereon dated March 9, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, 2017-01.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of McCall, Idaho's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of McCall, Idaho's Response to Finding

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
March 9, 2018

2017-01- Financial Statement Findings

Criteria:

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting and the ability to convert the trial balance from modified accrual to full accrual under the requirements of the Governmental Accounting Standards Board (GASB). It also includes the ability to prepare the footnote disclosures required by GASB. Additionally, this includes posting of all material adjustments necessary to close the year and accurately reflect the activity of the City throughout the year.

Condition:

An internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain accrual closing entries, government-wide reporting conversion entries and footnotes.

Effect:

Management relied on the auditing firm to report financial data in accordance with generally accepted accounting principles. The auditor proposed certain accrual closing entries, government-wide reporting conversion entries and prepared the footnotes and reported financial data in accordance with generally accepted accounting principles.

Cause:

The size of the City and the limited number of accounting personnel makes it difficult to implement this level of internal control.

Recommendation:

Management should develop written procedures for year-end closure to ensure that all year-end adjustments are recorded and that the financial information is recorded accurately and in a timely manner. Management and those charged with governance should assess the benefit of implementing an internal control system that includes the preparation of the financial statements and related footnotes in relation to the cost or other considerations.

Response and Action Plan of Management:

Management will work to develop procedures for year-end closing entries. Management will consider the cost and benefits of preparing the report in future years.