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# **CITY OF CLARK FORK**

## **AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION**

**Year Ended September 30, 2014**

***Prepared by***

**Anderson Bros. CPA's, P.A.**

**Post Falls, ID**

**CITY OF CLARK FORK**  
**110 E 3<sup>RD</sup> AVENUE**  
**Clark Fork, ID 83811**  
**208-266-1315**

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December 1, 2014

Anderson Bros. CPA's, P.A.  
1810 E Schneidmiller Ave, Suite 310  
Post Falls, ID 83854

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of the City of Clark Fork, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date this letter is signed, the following representations made to you during your audit.

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 24, 2014, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the City's accounts.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Other where the fraud could have a material effect on the financial statements.



15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose affects should be considered when preparing financial statements.
17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

**Government – specific**

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
23. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
28. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered



for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

29. As part of your audit, you assisted with preparation of the financial statements and related notes and depreciation schedule. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and depreciation schedule.
30. Except as made known to you, the City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
34. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) , and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
37. Provisions for uncollectible receivables have been properly identified and recorded.
38. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
39. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Deposits and investment securities are properly classified as to risk, and investments are properly disclosed.
42. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.

43. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
44. We are following GASB Statement No. 54, paragraph 18, to determine the fund balance classifications for financial reporting purposes.
45. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**CITY OF CLARK FORK**  
**Statement of Net Position**  
**September 30, 2014**

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|                                       | Government<br>Activities | Business-Type<br>Activities | Total     |
|---------------------------------------|--------------------------|-----------------------------|-----------|
| <b>ASSETS</b>                         |                          |                             |           |
| Current Assets:                       |                          |                             |           |
| Cash & Investments                    | \$ 625,321               | 224,002                     | 849,323   |
| Receivables:                          |                          |                             |           |
| Property Taxes (net)                  | 8,773                    | -                           | 8,773     |
| Accounts Receivable (net)             | 19,141                   | 37,190                      | 56,331    |
| Grants Receivable                     | 2,105                    | -                           | 2,105     |
| Prepaid Expenses                      | 2,436                    | 609                         | 3,045     |
| Total Current Assets                  | 657,776                  | 261,801                     | 919,577   |
| Capital Assets, net of depreciation   | 292,195                  | 445,653                     | 737,848   |
| Other Assets:                         |                          |                             |           |
| Interfund Balances                    | 13,143                   | (13,143)                    | -         |
| Total Assets                          | \$ 963,114               | 694,311                     | 1,657,425 |
| <b>LIABILITIES</b>                    |                          |                             |           |
| Current Liabilities:                  |                          |                             |           |
| Accounts Payable and Accrued Expenses | \$ 12,250                | 2,457                       | 14,707    |
| Compensated Absences                  | 522                      | 131                         | 653       |
| Deferred Subscription Revenue         | 13,310                   | -                           | 13,310    |
| Current Portion of Long Term Debts    | 7,807                    | 5,675                       | 13,482    |
| Total Current Liabilities             | 33,889                   | 8,263                       | 42,152    |
| Long Term Liabilities                 |                          |                             |           |
| Capital Lease, Net of Current Portion | 38,488                   | -                           | 38,488    |
| Notes Payable, Net of Current Portion | -                        | 79,243                      | 79,243    |
| Total Liabilities                     | 72,377                   | 87,506                      | 159,883   |
| <b>NET POSITION</b>                   |                          |                             |           |
| Net Investment in Capital Assets      | 245,900                  | 439,978                     | 685,878   |
| Restricted                            | -                        | 10,918                      | 10,918    |
| Unrestricted                          | 644,837                  | 155,909                     | 800,746   |
| Total Net Position                    | \$ 890,737               | 606,805                     | 1,497,542 |

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



**CITY OF CLARK FORK**  
**Statement of Activities**  
**Year Ended September 30, 2014**

|                                 | Program Revenues |                      | Net (Expenses) Revenues and Changes in Net Position |                                |           |
|---------------------------------|------------------|----------------------|---|--------------------------------|-----------|
|                                 | Expenses         | Charges for Services | Operating Grants and Contributions                  | Capital Grants & Contributions | Total     |
| <b>Governmental Activities</b>  |                  |                      |   |                                |           |
| General Government              | \$ 76,322        | 2,160                | -   | -                              | (74,162)  |
| Fire Department                 | 53,769           | -                    | 4,010   | -                              | (49,759)  |
| Law Enforcement                 | 1,200            | 145                  | -   | -                              | (1,055)   |
| Cemetery                        | 1,335            | 555                  | -   | -                              | (780)     |
| Parks & Recreation Expenses     | 2,442            | -                    | 216   | -                              | (2,226)   |
| City Shop                       | 23,512           | -                    | -   | -                              | (23,512)  |
| Street Expenses                 | 43,219           | -                    | -   | -                              | (43,219)  |
| Total Governmental Activities   | 201,799          | 2,860                | 4,226   | -                              | (194,713) |
| <b>Business-type Activities</b> |                  |                      |   |                                |           |
| Water Service                   | 89,845           | 110,308              | -   | -                              | 20,463    |
| Total Business-type Activities  | 89,845           | 110,308              | -   | -                              | 20,463    |
| Total Activities                | \$ 291,644       | 113,168              | 4,226   | -                              | (174,250) |

**General Revenues:**

|  |            |         |   |           |
|--|------------|---------|---|-----------|
| Property Taxes                                 | \$ 61,215  | -       | - | 61,215    |
| Other Governmental                             | 94,034     | -       | - | 94,034    |
| Licenses and Permits                           | 27,059     | -       | - | 27,059    |
| Franchise Fees                                 | 3,396      | -       | - | 3,396     |
| Other Revenues                                 | -          | -       | - | -         |
| Interest Earnings                              | 534        | 143     | - | 677       |
| Operating Transfers                            | -          | -       | - | -         |
| Gain/(Loss) on Sale of Capital Assets          | -          | 750     | - | 750       |
| Total General Revenues and Operating Transfers | 186,238    | 893     | - | 187,131   |
| Change in Net Position                         | (8,475)    | 21,356  | - | 12,881    |
| Net Position - Beginning                       | 899,212    | 585,449 | - | 1,484,661 |
| Net Position - Ending                          | \$ 890,737 | 606,805 | - | 1,497,542 |

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

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**CITY OF CLARK FORK**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2014**

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|   | General<br>Fund   | Street<br>Fund | Total          |
|---|-------------------|----------------|----------------|
| <b>ASSETS</b>   |                   |                |                |
| Cash & Investments  | \$ 348,417        | 276,904        | 625,321        |
| Receivables:  |                   |                |                |
| Property Taxes (net)  | 4,268             | 4,505          | 8,773          |
| Accounts Receivable (net)   | 14,754            | 4,387          | 19,141         |
| Grants Receivable   | 2,105             | -              | 2,105          |
| Prepaid Expenses  | 1,827             | 609            | 2,436          |
| Due (to) from Other Funds   | 13,143            | -              | 13,143         |
| Total Assets  | <u>\$ 384,514</u> | <u>286,405</u> | <u>670,919</u> |
| <b>LIABILITIES</b>  |                   |                |                |
| Current Liabilities:  |                   |                |                |
| Accounts Payable and Accrued Expenses                             | \$ 11,675         | 575            | 12,250         |
| Deferred Subscription Revenue                                     | 13,310            | -              | 13,310         |
| Total Liabilities   | 24,985            | 575            | 25,560         |
| <b>DEFERRED INFLOW OF RESOURCES</b>                               |                   |                |                |
| Unavailable Revenue - Property Taxes                              | \$ 4,113          | 4,356          | 8,469          |
| Total Deferred Inflow of Resources                                | 4,113             | 4,356          | 8,469          |
| <b>FUND EQUITY</b>  |                   |                |                |
| Nonspendable:   |                   |                |                |
| Prepaid Expenses  | 1,827             | 609            | 2,436          |
| Assigned:   |                   |                |                |
| Law Enforcement   | 152,318           | -              | 152,318        |
| Fire Department   | 17,500            | -              | 17,500         |
| Fire Department Donations   | 450               | -              | 450            |
| Sealcoating   | -                 | 81,192         | 81,192         |
| Drywells  | -                 | 48,000         | 48,000         |
| Street Equipment  | -                 | 6,000          | 6,000          |
| Unassigned  | 183,321           | 145,673        | 328,994        |
| Total Fund Equity   | 355,416           | 281,474        | 636,890        |
| Total Liabilities, Deferred Inflows of Resources, and Fund Equity | <u>\$ 384,514</u> | <u>286,405</u> | <u>670,919</u> |

**RECONCILIATION TO THE STATEMENT OF NET POSITION:**

|                                      |          |                   |
|--------------------------------------|----------|-------------------|
| Total fund equity reported above     |          | \$ 636,890        |
| Add assets not reported above:       |          |                   |
| Capital assets, net of depreciation  | 292,195  |                   |
| Total assets not reported above      |          | 292,195           |
| Less liabilities not reported above: |          |                   |
| Capital lease obligations            | (46,295) |                   |
| Compensated absences                 | (522)    |                   |
| Total liabilities not reported above |          | (46,817)          |
| Deferred revenues                    |          | 8,469             |
| Net Position                         |          | <u>\$ 890,737</u> |

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

**CITY OF CLARK FORK**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - All Governmental Fund Types**  
**Year Ended September 30, 2014**

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|   | General<br>Fund | Street<br>Fund | Total   |
|---|-----------------|----------------|---------|
| <b>Revenues:</b>                                  |                 |                |         |
| Property Taxes                                    | \$ 32,326       | 28,405         | 60,731  |
| Other Governmental Revenue                        | 65,452          | 28,582         | 94,034  |
| User Fees and Charges                             | 29,919          | -              | 29,919  |
| Donations   | 719             | -              | 719     |
| Grants  | 3,507           | -              | 3,507   |
| Franchise Fees                                    | 3,396           | -              | 3,396   |
| Other   | -               | -              | -       |
| Interest Earnings                                 | 327             | 207            | 534     |
| Total Revenues                                    | 135,646         | 57,194         | 192,840 |
| <b>Expenditures:</b>                              |                 |                |         |
| General Government:                               |                 |                |         |
| Wages, Taxes, and Benefits                        | 44,349          | 12,815         | 57,164  |
| Other Costs                                       | 64,903          | 28,021         | 92,924  |
| Capital Outlay                                    | 4,698           | 1,200          | 5,898   |
| Debt Service:                                     |                 |                |         |
| Principal   | 7,280           | -              | 7,280   |
| Interest  | 3,520           | -              | 3,520   |
| Total Expenditures                                | 124,750         | 42,036         | 166,786 |
| Excess (Deficiency) of Revenues Over Expenditures | 10,896          | 15,158         | 26,054  |
| <b>Other Sources (Uses):</b>                      |                 |                |         |
| Operating Transfers                               | -               | -              | -       |
| Total Other Sources (Uses)                        | -               | -              | -       |
| Net Change in Fund Balance                        | 10,896          | 15,158         | 26,054  |
| Fund Balance - October 1,                         | 344,520         | 266,316        | 610,836 |
| Fund Balance - September 30,                      | \$ 355,416      | 281,474        | 636,890 |

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



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**CITY OF CLARK FORK**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended September 30, 2014**

|   |          |                          |
|---|----------|--------------------------|
| Changes in fund balances as reported on the governmental funds statements   |          | 26,054                   |
| Increase in current property taxes not reflected in revenue on the governmental fund statements                                   |          | 484                      |
| Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements: |          |                          |
| Capital Outlay  | 5,898    |                          |
| Capital Lease Payable - Principal Payment   | 7,280    |                          |
|   | <hr/>    |                          |
| Total expenses on the governmental fund statement not included on the government-wide statement                                   |          | 13,178                   |
| Expenses on the government-wide statement of activity not included on the governmental funds statements:                          |          |                          |
| Depreciation  | (48,669) |                          |
| Decrease in Compensated Absence Liability   | 478      |                          |
|   | <hr/>    |                          |
| Total expenses on the government-wide statement of activity not included on the governmental funds statements:                    |          | (48,191)                 |
| Change in net position on the government-wide statements  |          | <u><u>\$ (8,475)</u></u> |

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

**CITY OF CLARK FORK**  
**Statement of Net Position**  
**All Proprietary Funds**  
**September 30, 2014**

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**ASSETS**

**CURRENT ASSETS:**

Cash  
Accounts Receivable (net)  
Prepaid Expenses

Total Current Assets

Capital Assets  
Accumulated Depreciation

Total Capital Assets

**TOTAL ASSETS**

|    | Water<br>Fund | Total     |
|----|---------------|-----------|
| \$ | 224,002       | 224,002   |
|    | 37,190        | 37,190    |
|    | 609           | 609       |
|    | 261,801       | 261,801   |
|    | 1,023,849     | 1,023,849 |
|    | (578,196)     | (578,196) |
|    | 445,653       | 445,653   |
| \$ | 707,454       | 707,454   |

**LIABILITIES**

**CURRENT LIABILITIES:**

Accounts Payable and Accrued Expenses  
Compensated Absences  
Due to Other Funds  
Notes Payable, current portion

Total Current Liabilities

**LONG TERM LIABILITIES:**

Notes Payable, net of current portion

Total Long Term Liabilities

**TOTAL LIABILITIES**

|    |         |         |
|----|---------|---------|
| \$ | 2,457   | 2,457   |
|    | 131     | 131     |
|    | 13,143  | 13,143  |
|    | 5,675   | 5,675   |
|    | 21,406  | 21,406  |
|    | 79,243  | 79,243  |
|    | 79,243  | 79,243  |
|    | 100,649 | 100,649 |

**NET POSITION**

Net Investment in Capital Assets  
Restricted for Debt Covenants  
Unrestricted

Total Net Position

|    |         |         |
|----|---------|---------|
|    | 360,735 | 360,735 |
|    | 10,918  | 10,918  |
|    | 235,152 | 235,152 |
| \$ | 606,805 | 606,805 |

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

**CITY OF CLARK FORK**  
**Statement of Revenues, Expenses, and Changes in Net Position -**  
**All Proprietary Fund Types**  
**Year Ended September 30, 2014**

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|   | Water<br>Fund | Total   |
|---|---------------|---------|
| <b>Operating Revenues:</b>                |               |         |
| Charges for Services                      | \$ 110,308    | 110,308 |
| Hookup Fees                               | -             | -       |
| Miscellaneous Revenues                    | -             | -       |
| Total Operating Revenues                  | 110,308       | 110,308 |
| <b>Operating Expenses:</b>                |               |         |
| Wages, Taxes, and Benefits                | 22,381        | 22,381  |
| Administrative                            | 30,880        | 30,880  |
| Water Treatment & Testing                 | 11,058        | 11,058  |
| Depreciation                              | 21,169        | 21,169  |
| Total Operating Expenses                  | 85,488        | 85,488  |
| Operating Income                          | 24,820        | 24,820  |
| <b>Non-Operating Revenues (Expenses):</b> |               |         |
| Interest Income                           | 143           | 143     |
| Interest Expense                          | (4,357)       | (4,357) |
| Gain/(Loss) on Sale of Capital Assets     | 750           | 750     |
| Total Non-Operating Revenue<br>(Expenses) | (3,464)       | (3,464) |
| Change in Net Position                    | 21,356        | 21,356  |
| Net Position - October 1,                 | 585,449       | 585,449 |
| Net Position - September 30,              | \$ 606,805    | 606,805 |

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



**CITY OF CLARK FORK  
STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUNDS  
Year Ended September 30, 2014**

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|  | Water<br>Fund | Total    |
|--|---------------|----------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |               |          |
| Receipts from Customers  | \$ 107,925    | 107,925  |
| Payments to Suppliers  | (40,470)      | (40,470) |
| Payments to Employees  | (22,500)      | (22,500) |
| Net Cash Provided by Operating Activities  | 44,955        | 44,955   |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>                                   |               |          |
| Borrowing from General Fund  | 2,341         | 2,341    |
| Net Cash Provided by Non-Capital Financing Activities                                      | 2,341         | 2,341    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                           |               |          |
| Purchases of Capital Assets  | (500)         | (500)    |
| Proceeds from Sale of Capital Assets   | 750           | 750      |
| Principal paid on Capital Debt   | (5,413)       | (5,413)  |
| Interest paid on Capital Debt  | (4,357)       | (4,357)  |
| Net Cash Used by Capital and Related Financing Activities                                  | (9,520)       | (9,520)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |               |          |
| Interest Earnings  | 143           | 143      |
| Net Cash Provided by Investing Activities  | 143           | 143      |
| Net Increase in Cash and Cash Equivalents  | 37,919        | 45,098   |
| Cash and Cash Equivalents, October 1,  | 186,083       | 186,083  |
| Cash and Cash Equivalents, September 30,   | \$ 224,002    | 224,002  |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO<br/>NET CASH PROVIDED BY OPERATIONS:</b>   |               |          |
| Operating Income   | \$ 24,820     | 24,820   |
| Adjustments to reconcile operating income to net cash<br>provided by operating activities: |               |          |
| Cash flows reported in other categories:   |               |          |
| Depreciation   | 21,169        | 21,169   |
| Change in assets and liabilities:  |               |          |
| Accounts receivables, net  | (2,383)       | (2,383)  |
| Prepaid expenses   | (22)          | (22)     |
| Accounts payable and accrued expenses  | 1,490         | 1,490    |
| Compensated absences   | (119)         | (119)    |
| Net Cash Provided by Operating Activities  | \$ 44,955     | 44,955   |

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

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

**DRAFT**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- ✓ the organization is legally separate (can sue and be sued in their own name)
- ✓ the City holds the corporate powers of the organization
- ✓ the City appoints a voting majority of the organization's board
- ✓ the City is able to impose its will on the organization
- ✓ the organization has the potential to impose a financial benefit/burden on the City
- ✓ there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Clark Fork has no component units.

The City of Clark Fork is a municipality of the State of Idaho. The City has oversight responsibility and control over all activities related to The City's functions. The City is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the City council members.

**Basis of Presentation, Basis of Accounting**

**Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category- *governmental, and proprietary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.



**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

*General Fund.* This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Street Fund.* This accounts for the revenues and expenditures as they relate to the maintenance and operation of the streets of the City.

The City reports the following major enterprise funds:

*Water Enterprise Fund.* The Water Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

**Measurement Focus, Basis of Accounting**

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.



**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

**DRAFT**

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at September 30, 2014, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash and Investments." Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The City considers cash and cash equivalents in proprietary funds to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Receivables for State Highway User's Tax, State Liquor, and State Revenue Sharing are recorded as revenue in the general fund.

The City records enterprise fund charges as earned, not when collected.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e. roads, sidewalks, street lights, 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 City as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. A composite depreciation rate is used for infrastructure assets. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class               | Estimated<br>Useful Lives |
|---------------------------|---------------------------|
| Buildings                 | 15 - 30                   |
| Building Improvements     | 15 - 30                   |
| Water Distribution System | 30 - 60                   |
| Machinery & Equipment     | 3 - 10                    |
| Vehicles                  | 3 - 10                    |

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Compensated Absences**

All employees are eligible for vacation and sick leave. Employees can accrue up to 60 hours of vacation per calendar year. The maximum unused vacation leave an employee may carry over is 20 hours. Upon termination, an employee will be paid for unused vacation. The liability for unused vacations is insignificant and has been included with accounts payable and accrued expenses in the accompanying financial statements.

The City's sick leave policy allows employees to accrue 6 hours of sick pay per month and can carry over a maximum of 120 hours. Employees are not paid for unused sick pay on termination.

**Long Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

**Interfund Transactions**

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as "interfund balances". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "interfund balances" as well.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has no items that qualify for reporting in this category at this time.



**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Fund Balance**

During fiscal year 2011/12, the City adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (required implementation date of June 2011), which redefined how fund balances of the governmental funds are presented in the financial statements.

Fund balances are classified as follows:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

**Assigned**—Amounts that are designated by the Council for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

**Unassigned**—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 5). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The City reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

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

Extraordinary and Special Items

Extraordinary items are transactions that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during the fiscal year ended September 30, 2014.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes and Deferred Tax Revenues

Property taxes levied for 2013 are recorded as receivables. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent that they are collected within 60 days of year-end, in accordance with the modified accrual basis of accounting. Receivables collectible after the 60-day date are reflected in the fund financial statements as deferred revenues. In the government-wide financial statements property taxes are recorded as revenue in the period levied, in accordance with the accrual basis of accounting.

Property taxes are levied on the third Monday of September and attach as an enforceable lien on property. They are payable in two installments on December 20 of the current calendar year and June 20 of the next calendar year. Assessed values are established by the county assessor. The taxes are collected and remitted to the City by Bonner County.

Fair Value of Financial Instruments

The City's financial instruments are cash, cash equivalents, receivables, accounts payable, debt and other obligations. The recorded values of these assets and liabilities approximate fair value.

**NOTE 2 - DEPOSITS AND INVESTMENT BALANCES**

Summary of Deposit and Investment Balances

Following is a reconciliation of the City's deposit and investment balances as of September 30, 2014:

|               | Pooled Cash and<br>Investments | Other | Total   |
|---------------|--------------------------------|-------|---------|
| Bank Deposits | \$ 849,323                     | -     | 849,323 |
| Investments   | -                              | -     | -       |
| Total         | \$ 849,323                     | -     | 849,323 |



**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

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**NOTE 2 - DEPOSITS AND INVESTMENT BALANCES-(CONTINUED)**

Cash Deposits

As of September 30, 2014, the carrying amount of the City's bank deposits and investments was \$849,323 (including Idaho State Investment Pool) and the respective bank balances totaled \$850,715 (including Idaho State Investment Pool). Of the total bank balance, \$87,435 was uninsured by the Federal Depository Insurance Corporation (FDIC) as of year-end.

Investments

State statutes authorize the City's investments. The City of Clark Fork is authorized to invest in U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, government pool and money market funds consisting of any of these securities listed.

Investments in 2a7-like pools are valued based upon the value of pool shares. The City invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. The pool does not include any involuntary participants.

GASB Statement No. 40 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment.

The City's investments have been classified into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty or by the counterparty's trust department or agent, but not in the City's name.

All of the City's investments in the local government investment pool is considered category 1 as listed above.

**NOTE 3 - RECEIVABLES & DEFERRED REVENUE**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes collected by Bonner County and taxes collected by the State of Idaho.

Business-type activities report water billings as their major receivables.

|                             |           |
|-----------------------------|-----------|
| Water Usage Receivable, net | \$ 37,190 |
|-----------------------------|-----------|

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

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**NOTE 3 – RECEIVABLES & DEFERRED REVENUE-(CONTINUED)**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to pay liabilities of the current period. Under the modified accrual basis of accounting only revenue which is measureable and available, is recognized in financial statements of governmental funds. Because property taxes levied in a year may not be paid by the taxpayer for up to three years, the taxes are not available as a spendable resource until received. Property taxes levied but not recorded by the City within 60 days after September 30 are reflected on the accompanying financial statements as unavailable revenue.

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

| Year      | Balance<br>9/30/13 | Levy<br>2013 | Adjustments<br>& Collections | Balance<br>9/30/14 |
|-----------|--------------------|--------------|------------------------------|--------------------|
| 2009-2013 | \$ 9,510           | 59,430       | (60,167)                     | 8,773              |

In accordance with NCGA Interpretation #3, revenue, which is not received within 60 days of the year-end, has been reflected as deferred revenue. The balance as of September 30, 2014 is as follows:

|                                 |                 |
|---------------------------------|-----------------|
| Taxes due at September 30, 2014 | \$ 8,773        |
| Received October 2014           | -               |
| Received November 2014          | (304)           |
| Total                           | <u>\$ 8,469</u> |

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

|                       |                  |
|-----------------------|------------------|
| <b>GENERAL FUND</b>   |                  |
| State Revenue Sharing | \$ 4,760         |
| Highway User's        | 4,387            |
| State Liquor          | 7,519            |
| Franchise Fees        | 234              |
| Sales Tax             | 2,241            |
| Total                 | <u>\$ 19,141</u> |

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

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**NOTE 4 – CAPITAL ASSETS**

The changes in capital assets used in governmental activities during fiscal year 2013/14 were as follows:

|   | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|---|-----------------------|-----------|-----------|--------------------|
| Governmental Activities                   |                       |           |           |                    |
| <i>Capital assets being depreciated</i>   |                       |           |           |                    |
| Buildings & Improvements                  | \$ 340,092            | -         | -         | \$ 340,092         |
| Equipment                                 | 552,362               | 5,898     | -         | 558,260            |
| Total capital assets being depreciated    | 892,454               | 5,898     | -         | 898,352            |
| Less accumulated depreciation             | 557,488               | 48,669    | -         | 606,157            |
| Governmental activity capital assets, net | \$ 334,966            | (42,771)  | -         | \$ 292,195         |

Because the City is a Phase 3 government (governments with total annual revenues of less than \$10 million), the City is encouraged but not required to report major infrastructure assets retroactively.

The changes in capital assets used in business-type activities during fiscal year 2013/14 were as follows:

|                                     | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|-------------------------------------|-----------------------|-----------|-----------|--------------------|
| Business-type activities            |                       |           |           |                    |
| <i>Water:</i>                       |                       |           |           |                    |
| Depreciable Capital Assets          | 1,024,849             | 500       | (1,500)   | 1,023,849          |
| Accumulated Depreciation            | (558,527)             | (21,169)  | 1,500     | (578,196)          |
| Water assets being depreciated, net | \$ 466,322            | (20,669)  | -         | 445,653            |

Depreciation expense was charged to function as follows:

**Governmental Activities:**

|                    |          |
|--------------------|----------|
| General Government | \$ 2,950 |
| Fire Department    | 24,125   |
| Cemetery           | 134      |
| Parks & Recreation | 41       |
| City Shop          | 18,916   |
| Street             | 2,503    |
|                    | <hr/>    |
|                    | 48,669   |

**Business-type Activities**

|                                   |                  |
|-----------------------------------|------------------|
|                                   | <hr/>            |
|                                   | 21,169           |
|                                   | <hr/>            |
| <b>Total Depreciation Expense</b> | <b>\$ 69,838</b> |



**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

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**NOTE 5 – LONG-TERM OBLIGATIONS**

**Governmental Fund Obligations**

The general fund has a capital lease obligation with Panhandle Area Council (PAC) dated December 29, 2004 which was used to finance the purchase of a facility used for a fire station. The obligation is payable at \$900 per month including interest at 7.0%. For the year ended September 30, 2014, the General Fund paid interest on the debt of \$3,520. This lease is collateralized by the fire station, and is included in the capital asset balance on the accompanying Statement of Net Position at \$96,000 less accumulated depreciation of \$32,000. The depreciation associated with the asset is allocated to Fire Department expense on the Statement of Activities.

Changes in governmental fund obligations for the year ended September 30, 2014 are as follows:

|                  | 9/30/2013 | Increase | Decrease | 9/30/2014 |
|------------------|-----------|----------|----------|-----------|
| Lease Obligation | \$ 53,575 | -        | (7,280)  | 46,295    |
| Total            | \$ 53,575 | -        | (7,280)  | 46,295    |

Annual requirements to amortize governmental fund capital leases are as follows:

|         | Principal | Interest | Total Payment |
|---------|-----------|----------|---------------|
| 2014-15 | \$ 7,807  | 2,993    | 10,800        |
| 2015-16 | 8,371     | 2,429    | 10,800        |
| 2016-17 | 8,976     | 1,824    | 10,800        |
| 2017-18 | 9,625     | 1,175    | 10,800        |
| 2018-19 | 10,321    | 479      | 10,800        |
| 2019-20 | 1,195     | 7        | 1,202         |
| Total   | \$ 46,295 | 8,907    | 55,202        |

**Enterprise Fund Revenue Bond**

Water Revenue Bonds were issued on July 15, 1986 pursuant to Ordinance No. 184. The bond is payable in monthly installments of \$816, including interest at 5.0%. For the year ended September 30, 2014, the Water Enterprise Fund paid interest on the debt of \$4,357.

This bond creates a first lien and charge upon the net revenues of the water system (as defined in Ordinance No. 184) superior to all other charges of any kind or nature, except the charges necessary to pay the principal of and interest on any parity bonds.



**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

**DRAFT**

**NOTE 5 – LONG-TERM OBLIGATIONS-(CONTINUED)**

Changes in enterprise fund obligations for the year ended September 30, 2014 are as follows:

|              | 9/30/2013 | Increase | Decrease | 9/30/2014 |
|--------------|-----------|----------|----------|-----------|
| Revenue Bond | \$ 90,331 | -        | (5,413)  | 84,918    |
| Total        | \$ 90,331 | -        | (5,413)  | 84,918    |

Annual requirements to amortize enterprise fund long-term debt are as follows:

|         | Principal | Interest |
|---------|-----------|----------|
| 2014-15 | \$ 5,675  | 4,116    |
| 2015-16 | 5,965     | 3,827    |
| 2016-17 | 6,271     | 3,521    |
| 2017-18 | 6,591     | 3,201    |
| 2018-19 | 6,929     | 2,863    |
| 2020-24 | 40,337    | 8,623    |
| 2025    | 13,150    | 491      |
| Total   | \$ 84,918 | 26,642   |

**NOTE 6 – COMPENSATED ABSENCES**

Changes in compensated absences payable for the year ended September 30, 2014 are as follows:

|                    | 9/30/2013 | Increase | Decrease | 9/30/2014 |
|--------------------|-----------|----------|----------|-----------|
| Governmental Funds | \$ 999    | -        | (477)    | 522       |
| Enterprise Funds   | 250       | -        | (119)    | 131       |
| Total              | \$ 1,249  | -        | (596)    | 653       |

**NOTE 7 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member in the Idaho Counties Risk Management Program (ICRMP). ICRMP was created to provide risk management and insurance services to public entities in Idaho. ICRMP itself is a public entity. The City pays an annual premium for all risks of physical loss or damage to real and personal property, general liability, City Council legal liability and employee dishonesty. The effective coverage period is October 1 to September 30. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage in the past four years.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2014**

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**NOTE 8 - CONTRIBUTIONS TO PENSION PLAN**

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov)

The actuarially determined contribution requirements of the City of Clark Fork and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2014, the required contribution rate as a percentage of covered payroll for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The City of Clark Fork's employer contributions required and paid were \$6,979, \$6,013, and \$5,081 for the three years ended September 30, 2014, 2013, and 2012, respectively.

**NOTE 9 - INTERFUND BALANCES AND ACTIVITY**

Balances due to/from other funds at September 30, 2014 consist of the following:

|           |  |
|-----------|--|
|           | Due to the General Fund from the Water |
| \$ 13,143 | Fund representing short-term loans     |
|           | Due from the Water Fund to the General |
| (13,143)  | Fund representing short-term loans     |
| <hr/>     |  |
| \$ -      | Total                                  |
| <hr/>     |  |

**NOTE 10 - ASSIGNED FUND BALANCE**

The General and Street Funds currently have assigned portions of their respective fund balances in the amount of \$170,268 and \$135,192, respectively, to be used for future planned capital expenditures. The City has designated amounts for law enforcement capital purchases, fire department building improvements, street projects, and street equipment purchases.

**CITY OF CLARK FORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Governmental Funds**  
**Year Ended September 30, 2014**

|  | General Fund       |                 |         | Street Fund        |                 |         |
|--|--------------------|-----------------|---------|--------------------|-----------------|---------|
|  | Original<br>Budget | Final<br>Budget | Actual  | Original<br>Budget | Final<br>Budget | Actual  |
| <b>Revenues:</b>   |                    |                 |         |                    |                 |         |
| Property Taxes   | \$ 32,006          | 32,006          | 32,326  | \$ 28,652          | 28,652          | 28,405  |
| Other  | 84,229             | 84,229          | 103,320 | 27,913             | 27,913          | 28,789  |
| Total Revenues   | 116,235            | 116,235         | 135,646 | 56,565             | 56,565          | 57,194  |
| <b>Expenditures:</b>   |                    |                 |         |                    |                 |         |
| General Government:  |                    |                 |         |                    |                 |         |
| Wages, Taxes, & Benefits   | 38,860             | 38,860          | 44,349  | 12,952             | 12,952          | 12,815  |
| Other Costs  | 80,555             | 80,555          | 64,903  | 42,804             | 42,804          | 28,021  |
| Capital Outlay   | 10,500             | 10,500          | 4,698   | 14,500             | 14,500          | 1,200   |
| Debt Service:  |                    |                 |         |                    |                 |         |
| Principal  | 10,800             | 10,800          | 7,280   | -                  | -               | -       |
| Interest   | -                  | -               | 3,520   | -                  | -               | -       |
| Total Expenditures   | 140,715            | 140,715         | 124,750 | 70,256             | 70,256          | 42,036  |
| Excess (Deficiency) of Revenues Over Expenditures                                  | (24,480)           | (24,480)        | 10,896  | (13,691)           | (13,691)        | 15,158  |
| <b>Other Sources (Uses):</b>   |                    |                 |         |                    |                 |         |
| Operating Transfers  | -                  | -               | -       | -                  | -               | -       |
| Net Other Financing Sources (Uses)   | -                  | -               | -       | -                  | -               | -       |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | (24,480)           | (24,480)        | 10,896  | (13,691)           | (13,691)        | 15,158  |
| Fund Balance - October 1,  | 344,520            | 344,520         | 344,520 | 266,316            | 266,316         | 266,316 |
| Fund Balance - September 30,   | 320,040            | 320,040         | 355,416 | 252,625            | 252,625         | 281,474 |

See accompanying notes to budget and independent auditors' report.

**DRAFT**