

# CITY OF CLARK FORK

## AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Year Ended September 30, 2017

*Prepared by*

Anderson Bros. CPA's, P.A.

Post Falls, ID

# CITY OF CLARK FORK

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## INDEPENDENT AUDITORS' REPORT



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## **INDEPENDENT AUDITORS' REPORT**

Mayor and City Council  
City of Clark Fork, Idaho

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clark Fork, Idaho, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Clark Fork'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, each major fund, and the aggregate remaining fund information of the City of Clark Fork, 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Schedule of City's Share of Net Pension Liability and the Schedule of City's Contributions on page 28, and the budgetary comparison information on pages 29 through 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion & Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2016, on our consideration of the City of Clark Fork, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Clark Fork's internal control over financial reporting and compliance.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho  
January 31, 2018

## BASIC FINANCIAL STATEMENTS

**CITY OF CLARK FORK**  
**Statement of Net Position**  
**September 30, 2017**

	Government Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash & Investments	\$ 555,845	385,664	941,509
Receivables:			
Property Taxes (net)	6,290	-	6,290
Accounts Receivable (net)	24,249	41,204	65,453
Prepaid Expenses	2,897	724	3,621
Total Current Assets	589,281	427,592	1,016,873
Capital Assets, net of depreciation	427,115	398,993	826,108
Other Assets:			
Interfund Balances	12,535	(12,535)	-
Total Assets	\$ 1,028,931	814,050	1,842,981
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Plan	7,565	3,294	10,859
Total Deferred Outflows of Resources	\$ 7,565	3,294	10,859
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 7,459	2,654	10,113
Compensated Absences	947	236	1,183
Current Portion of Long Term Debts	9,625	6,592	16,217
Total Current Liabilities	18,031	9,482	27,513
Long Term Liabilities			
Capital Lease, Net of Current Portion	11,516	-	11,516
Notes Payable, Net of Current Portion	-	60,403	60,403
Net Pension Liability	23,702	10,319	34,021
Total Liabilities	53,249	80,204	133,453
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan	\$ 5,671	2,469	8,140
Total Deferred Inflows of Resources	5,671	2,469	8,140
<b>NET POSITION</b>			
Net Investment in Capital Assets	405,974	331,998	737,972
Restricted	-	9,792	9,792
Unrestricted	571,602	392,881	964,483
Total Net Position	\$ 977,576	734,671	1,712,247

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

**CITY OF CLARK FORK**  
**Statement of Activities**  
**Year Ended September 30, 2017**

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 75,901	3,665	-	-	(72,236)	-	(72,236)
Fire Department	48,107	-	240	-	(47,867)	-	(47,867)
Law Enforcement	1,200	140	-	-	(1,060)	-	(1,060)
Cemetery	2,636	4,100	-	-	1,464	-	1,464
Parks & Recreation Expenses	2,441	-	300	-	(2,141)	-	(2,141)
City Shop	4,985	-	-	-	(4,985)	-	(4,985)
Street Expenses	40,606	-	-	-	(40,606)	-	(40,606)
Pension Plan Expense	3,925	-	-	-	(3,925)	-	(3,925)
Total Governmental Activities	179,801	7,905	540	-	(171,356)	-	(171,356)
<b>Business-type Activities</b>							
Water Service	102,844	154,630	-	-	-	51,786	51,786
Pension Plan Expense	1,708	-	-	-	-	(1,708)	(1,708)
Total Business-type Activities	104,552	154,630	-	-	-	50,078	50,078
Total Activities	\$ 284,353	162,535	540	-	(171,356)	50,078	(121,278)

General Revenues:

Property Taxes	\$ 67,850	-	67,850
Other Governmental	110,538	-	110,538
Licenses and Fees	36,440	-	36,440
Franchise Fees	3,414	-	3,414
Other Revenues	242	-	242
Interest Earnings	3,541	1,286	4,827
Operating Transfers	-	-	-
Gain/(Loss) on Sale of Capital Assets	(7,444)	-	(7,444)
Total General Revenues and Operating Transfers	214,581	1,286	215,867
Change in Net Position	43,225	51,364	94,589
Net Position - Beginning	934,351	683,307	1,617,658
Net Position - Ending	\$ 977,576	734,671	1,712,247

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

**CITY OF CLARK FORK**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2017**

	General Fund	Street Fund	Total
<b>ASSETS</b>			
Cash & Investments	\$ 351,628	204,217	555,845
Receivables:			
Property Taxes (net)	2,818	3,472	6,290
Accounts Receivable (net)	17,783	6,466	24,249
Prepaid Expenses	2,173	724	2,897
Due (to) from Other Funds	12,535	-	12,535
Total Assets	<u>\$ 386,937</u>	<u>214,879</u>	<u>601,816</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 7,227	232	7,459
Total Liabilities	<u>7,227</u>	<u>232</u>	<u>7,459</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	\$ 2,307	3,038	5,345
Total Deferred Inflows of Resources	<u>2,307</u>	<u>3,038</u>	<u>5,345</u>
<b>FUNDEQUITY</b>			
Nonspendable:			
Prepaid Expenses	2,173	724	2,897
Assigned:			
Law Enforcement	152,318	-	152,318
Fire Department	14,625	-	14,625
Fire Department Donations	-	-	-
Sealcoating	-	90,160	90,160
Drywells	-	-	-
Street Equipment	-	20,000	20,000
Unassigned	208,287	100,725	309,012
Total Fund Equity	<u>377,403</u>	<u>211,609</u>	<u>589,012</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 386,937</u>	<u>214,879</u>	<u>601,816</u>
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION:</b>			
Total fund equity reported above			\$ 589,012
Add assets not reported above:			
Capital assets, net of depreciation		427,115	
Total assets not reported above		<u>427,115</u>	427,115
Less deferred inflows and outflows of resources not reported above:			
Deferred outflows - pension		7,565	
Deferred inflows - pension		(5,671)	
Total deferred inflows and outflows of resources not reported above		<u>1,894</u>	1,894
Less liabilities not reported above:			
Capital lease obligations		(21,141)	
Compensated absences		(947)	
Net pension liability		(23,702)	
Total liabilities not reported above		<u>(45,790)</u>	(45,790)
Deferred revenues			5,345
Net Position			<u>\$ 977,576</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, 2017**

	General Fund	Street Fund	Total
<b>Revenues:</b>			
Property Taxes	\$ 37,568	28,267	65,835
Other Governmental Revenue	70,473	40,061	110,534
User Fees and Charges	44,345	-	44,345
Donations	540	-	540
Grants	-	-	-
Franchise Fees	3,414	-	3,414
Other	242	-	242
Interest Earnings	2,196	1,345	3,541
Total Revenues	158,778	69,673	228,451
<b>Expenditures:</b>			
General Government:			
Wages, Taxes, and Benefits	47,931	14,472	62,403
Other Costs	64,755	16,548	81,303
Capital Outlay	51,941	85,058	136,999
Debt Service:			
Principal	8,976	-	8,976
Interest	1,824	-	1,824
Total Expenditures	175,427	116,078	291,505
Excess (Deficiency) of Revenues Over Expenditures	(16,649)	(46,405)	(63,054)
<b>Other Sources (Uses):</b>			
Operating Transfers	-	-	-
Total Other Sources (Uses)	-	-	-
Net Change in Fund Balance	(16,649)	(46,405)	(63,054)
Fund Balance - October 1,	394,052	258,014	652,066
Fund Balance - September 30,	\$ 377,403	211,609	589,012

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

**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, 2017**

Changes in fund balances as reported on the governmental funds statements		(63,054)
Increase in current property taxes not reflected in revenue on the governmental fund statements		2,015
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:		
Capital Outlay	136,999	
Capital Lease Payable - Principal Payment	8,976	
Proceeds from Sale of Assets	-	
Loss on Sale of Assets	(7,444)	
Total expenses on the governmental fund statement not included on the government-wide statement		138,531
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(38,338)	
Decrease in Compensated Absence Liability	816	
Increase in Pension Plan Expense	(3,925)	
Decrease in PERSI Contribution	7,180	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(34,267)
Change in net position on the government-wide statements		\$ 43,225

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

**CITY OF CLARK FORK**  
**Statement of Net Position**  
**All Proprietary Funds**  
**September 30, 2017**

	Water Fund	Total
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 385,664	385,664
Accounts Receivable (net)	41,204	41,204
Prepaid Expenses	724	724
Total Current Assets	427,592	427,592
Capital Assets	1,044,286	1,044,286
Accumulated Depreciation	(645,293)	(645,293)
Total Capital Assets	398,993	398,993
<b>TOTAL ASSETS</b>	\$ 826,585	826,585
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Plan	3,294	3,294
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	\$ 3,294	3,294
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable and Accrued Expenses	\$ 2,654	2,654
Compensated Absences	236	236
Due to Other Funds	12,535	12,535
Notes Payable, current portion	6,592	6,592
Total Current Liabilities	22,017	22,017
<b>LONG TERM LIABILITIES:</b>		
Notes Payable, net of current portion	60,403	60,403
Net Pension Liability	10,319	10,319
Total Long Term Liabilities	70,722	70,722
<b>TOTAL LIABILITIES</b>	92,739	92,739
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Plan	2,469	2,469
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	2,469	2,469
<b>NET POSITION</b>		
Net Investment in Capital Assets	331,998	331,998
Restricted for Debt Covenants	9,792	9,792
Unrestricted	392,881	392,881
<b>TOTAL NET POSITION</b>	\$ 734,671	734,671

*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, 2017**

	Water Fund	Total
<b>Operating Revenues:</b>		
Charges for Services	\$ 131,382	131,382
Hookup Fees	5,000	5,000
Miscellaneous Revenues	18,248	18,248
Total Operating Revenues	154,630	154,630
<b>Operating Expenses:</b>		
Wages, Taxes, and Benefits	23,024	23,024
Administrative	44,837	44,837
Water Treatment & Testing	8,426	8,426
Depreciation	23,039	23,039
Pension Plan Expense	1,708	1,708
Total Operating Expenses	101,034	101,034
Operating Income	53,596	53,596
<b>Non-Operating Revenues (Expenses):</b>		
Interest Income	1,286	1,286
Interest Expense	(3,518)	(3,518)
Gain/(Loss) on Sale of Capital Assets	-	-
Total Non-Operating Revenue (Expenses)	(2,232)	(2,232)
Change in Net Position	51,364	51,364
Net Position - October 1,	683,307	683,307
Net Position - September 30,	\$ 734,671	734,671

*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, 2017**

	Water Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from Customers	\$ 149,988	149,988
Payments to Suppliers	(53,924)	(53,924)
Payments to Employees	(24,122)	(24,122)
Net Cash Provided by Operating Activities	71,942	71,942
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Repayment of Interfund Borrowing	(5,500)	(5,500)
Net Cash Used by Non-Capital Financing Activities	(5,500)	(5,500)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases of Capital Assets	(794)	(794)
Principal paid on Capital Debt	(6,273)	(6,273)
Interest paid on Capital Debt	(3,518)	(3,518)
Net Cash Used by Capital and Related Financing Activities	(10,585)	(10,585)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest Earnings	1,285	1,285
Net Cash Provided by Investing Activities	1,285	1,285
Net Increase in Cash and Cash Equivalents	57,142	73,227
Cash and Cash Equivalents, October 1,	328,522	328,522
Cash and Cash Equivalents, September 30,	\$ 385,664	385,664
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:</b>		
Operating Income	\$ 53,596	53,596
Adjustments to reconcile operating income to net cash provided by operating activities:		
Cash flows reported in other categories:		
Depreciation	23,039	23,039
Change in assets and liabilities:		
(Increase)/Decrease in Receivables	(4,642)	(4,642)
(Increase)/Decrease in Prepaid Expenses	-	-
Increase/(Decrease) in Accounts Payable and Accrued Expenses	(661)	(661)
Increase/(Decrease) in Compensated Absences	(205)	(205)
Increase/(Decrease) in Pension Plan	815	815
Net Cash Provided by Operating Activities	\$ 71,942	71,942

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

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

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, 2017**

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.

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 cost at September 30, 2017. 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.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

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

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 Liquor Revenues and State Revenue Sharing are recorded as revenue in the general fund. Receivables for State Highway User’s Tax are recorded as revenue in the street 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 Useful Lives
Buildings	15 - 30
Building Improvements	15 - 30
Water Distribution System	30 - 60
Machinery & Equipment	3 - 10
Vehicles	3 - 10

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.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

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

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 4 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.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 one item, pension plan, which is reported in the government-wide statement of net position and qualifies for reporting in this category at this time.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

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

Deferred Outflows/Inflows of Resources- (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. One item, unavailable revenue, is reported only in the governmental funds balance sheet. The other item, pension plan, is reported in the government-wide statement of net position. These amounts are deferred and recognized as inflows of resources in the period that the amounts becomes available.

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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, 2017**

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, 2017.

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 2017 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 – CASH AND INVESTMENTS

General

State statutes authorize the City's investments. The City is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

NOTE 2 – CASH AND INVESTMENTS – (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss. As of September 30, 2017, the City’s deposits were exposed to custodial credit risk as follows:

<i>Deposits without exposure to custodial credit risk:</i>	
Amount insured by FDIC or other agencies	\$ 1,043,135
Amount collateralized with securities held in trust, but not in City's name	-
Total deposits without exposure to custodial credit risk	\$ 1,043,135
<i>Deposits with exposure to custodial credit risk:</i>	
Amounts uninsured-exposed to custodial credit risk	\$ -
Total bank balance (deposits)	\$ 1,043,135

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

Statement of net position	
Cash and investments	\$ 941,509
Restricted cash and investments	-
	\$ 941,509

Cash and investments at September 30, 2016 consist of the following:

Cash	
Deposits with financial institutions	\$ 124,881
Petty cash on hand	188
Cash equivalents	
Deposits with Idaho state investment pool	816,440
	\$ 941,509

State Investment Pool

Investments in 2a7-like pools are valued based upon the value of pool shares. The City invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer’s Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. GASB Statement No. 3 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. The Pool has not been assigned a risk category since the City is not issued securities, but rather it owns an undivided beneficial interest in the assets of the Pool. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body nor is any balances insured by the Federal Deposit Insurance Corporation. Financial reports are available from the Idaho State Treasurer's Office upon request.

The balances above that the City has in the State Investment Pool are carried at amortized cost, which is permitted pursuant to GASB 31, and calculated on a monthly basis. The City’s portion of the State Investment Pool had an unrealized gain of \$3,021 as of September 30, 2017, which has not been reflected in the financial statements.



**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

NOTE 3 – RECEIVABLES & DEFERRED REVENUE-(CONTINUED)

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

GENERAL FUND	
State Revenue Sharing	\$ 5,874
State Liquor	7,783
Franchise Fees	169
Sales Tax	3,126
Other	831
Total	\$ 17,783
STREET FUND	
Highway User's	6,466
Total	\$ 6,466

NOTE 4 – CAPITAL ASSETS

The changes in capital assets used in governmental activities during fiscal year 2016/17 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
<i>Capital assets being depreciated</i>				
Buildings & Improvements	\$ 435,408	97,932	(44,665)	\$ 488,675
Equipment	542,628	39,067	-	581,695
Total capital assets being depreciated	978,036	136,999	(44,665)	1,070,370
Less accumulated depreciation	642,140	38,337	(37,222)	643,255
Governmental activity capital assets, net	\$ 335,896	98,662	(7,443)	\$ 427,115

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 2016/17 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
<i>Water:</i>				
Depreciable Capital Assets	\$ 1,043,491	795	-	\$ 1,044,286
Accumulated Depreciation	(622,254)	(23,039)	-	(645,293)
Water assets being depreciated, net	\$ 421,237	(22,244)	-	\$ 398,993

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

NOTE 4 – CAPITAL ASSETS-(CONTINUED)

Depreciation expense was charged to function as follows:

Governmental Activities:	
General Government	\$ 1,797
Fire Department	24,158
Cemetery	134
City Shop	572
Street	11,677
	38,338
Business-type Activities	23,039
Total Depreciation Expense	\$ 61,377

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, 2017, the General Fund paid interest on the debt of \$1,824. 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 \$41,600. 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, 2017 are as follows:

	9/30/2016	Increase	Decrease	9/30/2017
Lease Obligation	\$ 30,117	-	(8,976)	21,141
Total	\$ 30,117	-	(8,976)	21,141

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

	Principal	Interest	Total Payment
2017-18	9,625	1,175	10,800
2018-19	10,321	479	10,800
2019-20	1,195	7	1,202
2020-21	-	-	-
Total	\$ 21,141	1,661	22,802

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

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

**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, 2017, the Water Enterprise Fund paid interest on the debt of \$3,518.

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.

Changes in enterprise fund obligations for the year ended September 30, 2017 are as follows:

	9/30/2016	Increase	Decrease	9/30/2017
Revenue Bond	\$ 73,269	-	(6,274)	66,995
Total	\$ 73,269	-	(6,274)	66,995

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

	Principal	Interest	Total Payment
2017-18	6,592	3,200	9,792
2018-19	6,929	2,863	9,792
2019-20	7,284	2,508	9,792
2020-21	7,656	2,136	9,792
2021-22	8,048	1,744	9,792
2022-2025	30,486	2,736	33,222
Total	\$ 66,995	15,187	82,182

**NOTE 6 – COMPENSATED ABSENCES**

Changes in compensated absences payable for the year ended September 30, 2017 are as follows:

	9/30/2016	Increase	Decrease	9/30/2017
Governmental Funds	\$ 1,763	-	(816)	947
Enterprise Funds	441	-	(205)	236
Total	\$ 2,204	-	(1,021)	1,183

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

**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.

**NOTE 8 – INTERFUND BALANCES AND ACTIVITY**

Balances due to/from other funds at September 30, 2017 consist of the following:

	Due to the General Fund from the Water			
\$	12,535	Fund representing short-term loans		
		Due from the Water Fund to the General		
	(12,535)	Fund representing short-term loans		
<hr/>				
\$	-	Total		
<hr/>				

**NOTE 9 – ASSIGNED FUND BALANCE**

The General and Street Funds currently have assigned portions of their respective fund balances in the amount of \$166,943 and \$110,160, 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.

**NOTE 10 – PENSION PLAN**

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

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

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

NOTE 10 – PENSION PLAN- (CONTINUED)

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The City's contributions were \$7,180 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 0.0021644 percent.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

NOTE 10 – PENSION PLAN- (CONTINUED)

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

For the year ended September 30, 2017, the City recognized pension expense of \$5,631. 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	4,713	3,065
Changes in assumptions or other inputs	629	-
Net difference between projected and actual earnings on pension plan investments	-	2,038
Change in the City's proportion and differences between the City's contributions and the City's proportionate contributions	5,024	3,815
Amortized change in proportionate share	(1,827)	(778)
City's contributions subsequent to the measurement date	2,320	-
Total	\$ 10,859	\$ 8,140

\$2,320 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017.

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 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:

Year ended September 30:	
2018	(1,715)
2019	3,331
2020	1,042
2021	(2,259)
2022	-

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.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

NOTE 10 – PENSION PLAN- (CONTINUED)

Actuarial Assumptions-(continued)

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	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:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all 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. The Total Pension Liability as of June 30, 2017 is based on the results of an actuarial valuation date 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.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

NOTE 10 – PENSION PLAN- (CONTINUED)

Actuarial Assumptions-(continued)

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	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	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

\* Expected arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.08%
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	7.10%

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.

**CITY OF CLARK FORK**  
**Notes to Financial Statements**  
**September 30, 2017**

NOTE 10 – PENSION PLAN- (CONTINUED)

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
City's proportionate share of the net pension liability (asset)	\$ 79,071	\$ 34,021	\$ (3,417)

Pension plan fiduciary net position

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

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

Payables to the pension plan

At September 30, 2017, the City reported payables to the pension plan totaling \$455.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
City's portion of the net pension liability	0.0021644%	0.0022741%	0.0023962%
City's proportionate share of the net pension liability	\$ 34,021	\$ 46,099	\$ 31,554
City's covered-employee payroll	\$ 63,428	\$ 68,687	\$ 69,417
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	53.64%	67.11%	45.46%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Worley will present information for those to use for which information is available.

Data reported is measured as of June 30, 2017

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

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Statutorily required contribution	\$ 7,299	\$ 6,760	\$ 7,838
Contributions in relation to the statutorily required contribution	\$ (7,713)	\$ (7,632)	\$ (7,698)
Contribution (deficiency) excess	\$ (415)	\$ (872)	\$ 140
City's covered-employee payroll	\$ 63,428	\$ 68,687	\$ 69,417
Contributions as a percentage of covered-employee payroll	12.16%	11.11%	11.09%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Worley will present information for those to use for which information is available.

Data reported is measured as of September 30, 2017

*See independent auditors' report.*

**CITY OF CLARK FORK**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Governmental Funds**  
**Year Ended September 30, 2017**

	General Fund			Street Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenues:</b>						
Property Taxes	\$ 35,364	35,364	37,568	\$ 29,753	29,753	28,267
Other	107,046	107,046	121,210	53,414	53,414	41,406
Total Revenues	142,410	142,410	158,778	83,167	83,167	69,673
<b>Expenditures:</b>						
General Government:						
Wages, Taxes, & Benefits	49,544	49,544	47,931	14,853	14,853	14,472
Other Costs	128,157	148,757	111,955	52,601	108,659	100,407
Capital Outlay	5,033	5,033	4,741	15,713	15,713	1,199
Debt Service:						
Principal	-	-	8,371	-	-	-
Interest	-	-	2,429	-	-	-
Total Expenditures	182,734	203,334	175,427	83,167	139,225	116,078
Excess (Deficiency) of Revenues Over Expenditures	(40,324)	(60,924)	(16,649)	-	(56,058)	(46,405)
<b>Other Sources (Uses):</b>						
Operating Transfers	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(40,324)	(60,924)	(16,649)	-	(56,058)	(46,405)
Fund Balance - October 1,	394,052	394,052	394,052	258,014	258,014	258,014
Fund Balance - September 30,	\$ 353,728	333,128	377,403	\$ 258,014	201,956	211,609

See accompanying notes to budget and independent auditors' report.

**CITY OF CLARK FORK**  
**Notes to the Budget and Actual Statement**  
**September 30, 2017**

Budgets are adopted for the general, street and enterprise fund. The annual budget is a plan of financial operation with an estimate of expenditures and means of financing them. A preliminary budget is prepared in July, budget hearings are held, and the final budget is adopted by October 1.

The adopted budget constitutes the appropriations for the City and is the maximum limit of expenditures in each budgeted fund. The adopted budget may be amended for emergencies and other matters as provided by State law. There was one budget amendment for the fiscal year 2016/17.

The budget is prepared on the basis of accounting described for its governmental funds in Note 1 to the financial statement. Tax levies are set by expenditure requirements, but are authorized and limited by State law. Transfers of budget authority within a fund are permitted. Appropriations lapse at September 30.

The amounts shown in the budget column of the schedule are the original and final budgeted amounts. State law requires only that a fund's total expenditures not exceed total budgeted expenditures.

REPORT REQUIRED BY GAO



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**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**

To the City Council  
City of Clark Fork, 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, each major fund, and the aggregate remaining fund information of the City of Clark Fork, Idaho as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Clark Fork, Idaho's basic financial statements and have issued our report thereon dated January 31, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Clark Fork, 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 the City of Clark Fork, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Clark Fork, Idaho's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. #2017-1, #2017-2, #2017-3.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Clark Fork, 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 Clark Fork, Idaho's Response to Findings**

City of Clark Fork, Idaho's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Clark Fork, 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. According, this communication is not suitable for any other purpose.



Anderson Bros. CPA's, P.A.

Post Falls, Idaho  
January 31, 2018

**CITY OF CLARK FORK**  
**Schedule of Findings and Responses**  
**September 30, 2017**

2017-1

*Segregation of Duties*

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Criteria

Proper segregation of duties requires an accounting system that provides adequate internal controls, which includes a design that ensures no one individual is involved with a transaction from its beginning to its end.

Condition

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Effect

This situation dictates that the Council remains involved in the financial affairs of the organization to provide oversight and independent review functions in an effort to mitigate the possible effects of the lack of segregation of duties that exists within the City.

Cause

The City does not have enough staff to adequately segregate all accounting functions.

Recommendations

Our recommendation for the City is to consider increasing the staff size to allow for adequate segregation of duties or to involve a City Council member in more aspects of the financial reporting process.

Views of Responsible Officials

City budget constraint does not allow for additional personnel for this task. To alleviate the segregation of duties concern, the City council is an active participant in the City budget process.

**CITY OF CLARK FORK**  
**Schedule of Findings and Responses**  
**September 30, 2017**

2017-2

*Proprietary Capital Assets and Depreciation*

During fiscal year 2016-17, the City under-recorded depreciation expense of approximately \$23,039.

Criteria

Proprietary funds should be maintained on the accrual basis of accounting, which includes recording capital assets, depreciation expense, and accumulated depreciation in accordance with GAAP.

Condition

During fiscal year 2016-17, the City understated depreciation expense by approximately \$23,039 and overstated net capital assets by approximately \$23,039.

Effect

Total proprietary fund net assets and net income were overstated by approximately \$23,039.

Cause

The City failed to record a provision for depreciation expense as part of their year-end close process.

Recommendations

We recommend that the City review depreciation schedules provided to them by us for reasonableness and accuracy, and use the schedules as a basis for estimating and recording a depreciation provision in proprietary funds. Additionally, the City should review for fixed assets in proprietary funds in order to properly categorize them.

Views of Responsible Officials

To establish future depreciation schedules, the City will review current depreciation schedules for reasonableness and accuracy.

**CITY OF CLARK FORK**  
**Schedule of Findings and Responses**  
**September 30, 2017**

2017-3

*Deferred Subscription Revenues*

During fiscal year 2016-17, the City did not recognize \$19,723 of prepaid fire subscriptions as revenues.

Criteria

General funds should be maintained on the modified accrual basis of accounting, which includes recognizing revenues when they are realized or realizable and earned no matter when cash is received, in accordance with GAAP.

Condition

During fiscal year 2016-17, the City overstated deferred revenues by approximately \$19,723 and understated revenues by approximately \$19,723.

Effect

Total general fund net assets and net income were understated by approximately \$19,723.

Cause

The City failed to adjust deferred fire subscription revenues as part of their year-end adjustment process.

Recommendations

We recommend that the City review all balance sheet accounts for reasonableness and accuracy, making any necessary adjustments prior to the audit. Additionally, we recommend that the City review revenue accounts at year end, researching any unexpected amounts or variances across years.

Views of Responsible Officials

The City believes this concern will be addressed by changing the schedule of fire subscriptions notifications to before the City budget is completed.