

CITY OF CLARK FORK

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Year Ended September 30, 2018

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, 2018, 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, 2018, 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 February 5, 2019, 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
February 5, 2019

BASIC FINANCIAL STATEMENTS

CITY OF CLARK FORK
Statement of Net Position
September 30, 2018

	Government Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash & Investments	\$ 547,482	423,273	970,755
Receivables:			
Property Taxes (net)	8,245	-	8,245
Accounts Receivable (net)	25,214	40,905	66,119
Prepaid Expenses	3,590	1,386	4,976
Interfund Balances	13,729	(13,729)	-
Total Current Assets	598,260	451,835	1,050,095
Other Assets:			
Capital Assets, net of depreciation	469,730	418,190	887,920
Total Assets	\$ 1,067,990	870,025	1,938,015
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	7,105	2,944	10,049
Total Deferred Outflows of Resources	\$ 7,105	2,944	10,049
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 6,383	4,448	10,831
Compensated Absences	528	132	660
Current Portion of Long Term Debts	9,384	6,929	16,313
Total Current Liabilities	16,295	11,509	27,804
Long Term Liabilities			
Capital Lease, Net of Current Portion	6,536	-	6,536
Notes Payable, Net of Current Portion	-	53,498	53,498
Net Pension Liability	22,334	9,255	31,589
Total Long Term Liabilities	28,870	62,753	91,623
Total Liabilities	45,165	74,262	119,427
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	\$ 5,764	2,389	8,153
Total Deferred Inflows of Resources	5,764	2,389	8,153
NET POSITION			
Net Investment in Capital Assets	453,810	357,763	811,573
Restricted	-	9,792	9,792
Unrestricted	570,356	428,763	999,119
Total Net Position	\$ 1,024,166	796,318	1,820,484

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

CITY OF CLARK FORK
Statement of Activities
Year Ended September 30, 2018

	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
Governmental Activities							
General Government	\$ 74,963	\$ 3,245	\$ -	\$ -	\$ (71,718)	\$ -	\$ (71,718)
Fire Department	54,955	-	882	-	(54,073)	-	(54,073)
Law Enforcement	1,200	106	-	-	(1,094)	-	(1,094)
Cemetery	222	2,600	-	-	2,378	-	2,378
Parks & Recreation Expenses	5,302	-	1	-	(5,301)	-	(5,301)
City Shop	3,178	-	-	-	(3,178)	-	(3,178)
Street Expenses	102,155	-	-	-	(102,155)	-	(102,155)
Pension Plan Expense	4,849	-	-	-	(4,849)	-	(4,849)
Total Governmental Activities	246,824	5,951	883	-	(239,990)	-	(239,990)
Business-type Activities							
Water Service	99,538	137,466	-	-	-	37,928	37,928
Pension Plan Expense	1,553	-	-	-	-	(1,553)	(1,553)
Total Business-type Activities	101,091	137,466	-	-	-	36,375	36,375
Total Activities	\$ 347,915	\$ 143,417	\$ 883	\$ -	\$ (239,990)	\$ 36,375	\$ (203,615)

General Revenues:

Property Taxes	\$ 69,871	-	69,871
Other Governmental	111,719	-	111,719
Licenses and Fees	35,792	-	35,792
Franchise Fees	5,803	-	5,803
Other Revenues	23	-	23
Interest Earnings	7,229	5,511	12,740
Operating Transfers	-	-	-
Gain/(Loss) on Sale of Capital Assets	-	-	-
Total General Revenues and Operating Transfers	230,437	5,511	235,948
Change in Net Position	(9,553)	41,886	32,333
Net Position - Beginning	977,576	734,671	1,712,247
Prior Period Adjustment (see Note 11)	56,143	19,761	75,904
Net Position - Ending	\$ 1,024,166	\$ 796,318	\$ 1,820,484

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

CITY OF CLARK FORK
Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Street Fund	Total
ASSETS			
Cash & Investments	\$ 366,797	180,685	547,482
Receivables:			
Property Taxes (net)	3,137	5,108	8,245
Accounts Receivable (net)	18,543	6,671	25,214
Prepaid Expenses	2,220	1,370	3,590
Due (to) from Other Funds	13,729	-	13,729
Total Assets	<u>\$ 404,426</u>	<u>193,834</u>	<u>598,260</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 6,144	239	6,383
Total Liabilities	<u>6,144</u>	<u>239</u>	<u>6,383</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 3,061	5,016	8,077
Total Deferred Inflows of Resources	<u>3,061</u>	<u>5,016</u>	<u>8,077</u>
FUNDEQUITY			
Nonspendable:			
Prepaid Expenses	2,220	1,370	3,590
Assigned:			
Law Enforcement	172,318	-	172,318
Fire Department	27,338	-	27,338
Fire Department Donations	-	-	-
Sealcoating	-	53,897	53,897
Drywells	-	-	-
Street Equipment	-	22,400	22,400
Unassigned	193,345	110,912	304,257
Total Fund Equity	<u>395,221</u>	<u>188,579</u>	<u>583,800</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 404,426</u>	<u>193,834</u>	<u>598,260</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION:			
Total fund equity reported above			\$ 583,800
Add assets not reported above:			
Capital assets, net of depreciation		469,730	
Total assets not reported above		<u>469,730</u>	469,730
Less deferred inflows and outflows of resources not reported above:			
Deferred outflows - pension		7,105	
Deferred inflows - pension		(5,764)	
Total deferred inflows and outflows of resources not reported above		<u>1,341</u>	1,341
Less liabilities not reported above:			
Capital lease obligations		(15,920)	
Compensated absences		(528)	
Net pension liability		(22,334)	
Total liabilities not reported above		<u>(38,782)</u>	(38,782)
Deferred revenues			8,077
Net Position			<u>\$ 1,024,166</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, 2018

	General Fund	Street Fund	Total
Revenues:			
Property Taxes	\$ 32,166	34,972	67,138
Other Governmental Revenue	73,858	37,861	111,719
User Fees and Charges	41,743	-	41,743
Donations	883	-	883
Grants	-	-	-
Franchise Fees	5,803	-	5,803
Other	-	23	23
Interest Earnings	4,338	2,891	7,229
Total Revenues	158,791	75,747	234,538
Expenditures:			
General Government:			
Wages, Taxes, and Benefits	45,822	13,779	59,601
Other Costs	63,383	67,486	130,869
Capital Outlay	21,568	17,512	39,080
Debt Service:			
Principal	8,704	-	8,704
Interest	1,496	-	1,496
Total Expenditures	140,973	98,777	239,750
Excess (Deficiency) of Revenues Over Expenditures	17,818	(23,030)	(5,212)
Other Sources (Uses):			
Operating Transfers	-	-	-
Total Other Sources (Uses)	-	-	-
Net Change in Fund Balance	17,818	(23,030)	(5,212)
Fund Balance - October 1,	377,403	211,609	589,012
Fund Balance - September 30,	\$ 395,221	188,579	583,800

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, 2018

Changes in fund balances as reported on the governmental funds statements		(5,212)
Increase in current property taxes not reflected in revenue on the governmental fund statements		2,733
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:		
Capital Outlay	39,080	
Capital Lease Payable - Principal Payment	5,221	
Proceeds from Sale of Assets	-	
Loss on Sale of Assets	-	
Total expenses on the governmental fund statement not included on the government-wide statement		44,301
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(52,610)	
(Increase)/Decrease in Compensated Absence Liability	419	
Increase in Pension Plan Expense	(4,849)	
Decrease in PERSI Contribution	5,665	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(51,375)
Change in net position on the government-wide statements		\$ (9,553)

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

CITY OF CLARK FORK
Statement of Net Position
All Proprietary Funds
September 30, 2018

	Water Fund	Total
A S S E T S		
CURRENT ASSETS:		
Cash	\$ 423,273	423,273
Accounts Receivable (net)	40,905	40,905
Prepaid Expenses	1,386	1,386
Total Current Assets	465,564	465,564
Capital Assets	1,080,561	1,080,561
Accumulated Depreciation	(662,371)	(662,371)
Total Capital Assets	418,190	418,190
TOTAL ASSETS	\$ 883,754	883,754
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan	2,944	2,944
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 2,944	2,944
L I A B I L I T I E S		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 4,448	4,448
Compensated Absences	132	132
Due to Other Funds	13,729	13,729
Notes Payable, current portion	6,929	6,929
Total Current Liabilities	25,238	25,238
LONG TERM LIABILITIES:		
Notes Payable, net of current portion	53,498	53,498
Net Pension Liability	9,255	9,255
Total Long Term Liabilities	62,753	62,753
TOTAL LIABILITIES	87,991	87,991
DEFERRED INFLOWS OF RESOURCES		
Pension Plan	2,389	2,389
TOTAL DEFERRED INFLOWS OF RESOURCES	2,389	2,389
N E T P O S I T I O N		
Net Investment in Capital Assets	357,763	357,763
Restricted for Debt Covenants	9,792	9,792
Unrestricted	428,763	428,763
TOTAL NET POSITION	\$ 796,318	796,318

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, 2018

	Water Fund	Total
Operating Revenues:		
Charges for Services	\$ 132,466	132,466
Hookup Fees	5,000	5,000
Miscellaneous Revenues	-	-
Total Operating Revenues	137,466	137,466
Operating Expenses:		
Wages, Taxes, and Benefits	22,305	22,305
Administrative	44,368	44,368
Water Treatment & Testing	4,121	4,121
Depreciation	25,519	25,519
Pension Plan Expense	1,553	1,553
Total Operating Expenses	97,866	97,866
Operating Income	39,600	39,600
Non-Operating Revenues (Expenses):		
Interest Income	5,511	5,511
Interest Expense	(3,225)	(3,225)
Gain/(Loss) on Sale of Capital Assets	-	-
Total Non-Operating Revenue (Expenses)	2,286	2,286
Change in Net Position	41,886	41,886
Net Position - October 1,	734,671	734,671
Prior Period Adjustment (see Note 11)	19,761	19,761
Net Position - September 30,	\$ 796,318	796,318

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, 2018

	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 137,765	137,765
Payments to Suppliers	(47,357)	(47,357)
Payments to Employees	(24,756)	(24,756)
Net Cash Provided by Operating Activities	65,652	65,652
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment of Interfund Borrowing	1,194	1,194
Net Cash Provided by Non-Capital Financing Activities	1,194	1,194
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Capital Assets	(24,955)	(24,955)
Principal paid on Capital Debt	(6,568)	(6,568)
Interest paid on Capital Debt	(3,225)	(3,225)
Net Cash Used by Capital and Related Financing Activities	(34,748)	(34,748)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earnings	5,511	5,511
Net Cash Provided by Investing Activities	5,511	5,511
Net Increase in Cash and Cash Equivalents	37,609	71,163
Cash and Cash Equivalents, October 1,	385,664	385,664
Cash and Cash Equivalents, September 30,	\$ 423,273	423,273
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:		
Operating Income	\$ 39,600	39,600
Adjustments to reconcile operating income to net cash provided by operating activities:		
Cash flows reported in other categories:		
Depreciation	25,519	25,519
Change in assets and liabilities:		
(Increase)/Decrease in Receivables	299	299
(Increase)/Decrease in Prepaid Expenses	(662)	(662)
Increase/(Decrease) in Accounts Payable and Accrued Expenses	1,794	1,794
Increase/(Decrease) in Compensated Absences	(104)	(104)
Increase/(Decrease) in Pension Plan	(794)	(794)
Net Cash Provided by Operating Activities	\$ 65,652	65,652

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

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2018

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, 2018

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, 2018. 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, 2018

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, 2018

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, 2018

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 become 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, 2018

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, 2018.

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, 2018

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, 2018, 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	\$ 1,023,990
Amount collateralized with securities held in trust, but not in City's name	-
Total deposits without exposure to custodial credit risk	\$ 1,023,990
<i>Deposits with exposure to custodial credit risk:</i>	
Amounts uninsured-exposed to custodial credit risk	\$ -
Total bank balance (deposits)	\$ 1,023,990

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

Statement of net position	
Cash and investments	\$ 970,755
Restricted cash and investments	-
	\$ 970,755

Cash and investments at September 30, 2018 consist of the following:

Cash	
Deposits with financial institutions	\$ 92,796
Petty cash on hand	107
Cash equivalents	
Deposits with Idaho state investment pool	877,852
	\$ 970,755

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 \$2,546 as of September 30, 2018, which has not been reflected in the financial statements.

**CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2018**

NOTE 2 – CASH AND INVESTMENTS – (CONTINUED)

State Investment Pool- (continued)

State statutes authorize the City 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 pools, and money market funds consisting of any of these securities listed. No unauthorized investment transactions were carried out by the City during the year.

Investments

GASB Statement No. 40 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The short-term investment pools are not evidenced by securities that exist in physical or book entry form and accordingly, are not categorized for credit risk.

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 \$ 40,905

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 measurable 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 9/30/17	Levy 2017	Adjustments & Collections	Balance 9/30/18
2010-2017	\$ 6,290	68,755	(66,800)	8,245

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, 2018 is as follows:

Taxes due at September 30, 2018	\$ 8,245
Received October 2018	(168)
Received November 2018	-
Total	\$ 8,077

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2018

NOTE 3 – RECEIVABLES & DEFERRED REVENUE-(CONTINUED)

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

GENERAL FUND	
State Revenue Sharing	\$ 6,381
State Liquor	7,633
Franchise Fees	208
Sales Tax	3,455
Other	866
Total	\$ 18,543
STREET FUND	
Highway User's	6,671
Total	\$ 6,671

NOTE 4 – CAPITAL ASSETS

The changes in capital assets used in governmental activities during fiscal year 2017/18 were as follows:

	Beginning Balances	Increases	Decreases	Prior Period Adjustment	Ending Balances
Governmental Activities					
<i>Capital assets being depreciated</i>					
Buildings & Improvements	\$ 488,675	16,569	-	134,151	\$ 639,395
Equipment	581,695	22,511	(6,310)	(78,008)	519,888
Total capital assets being depreciated	1,070,370	39,080	(6,310)	56,143	1,159,283
Less accumulated depreciation	643,255	52,608	(6,310)	-	689,553
Governmental activity capital assets, net	\$ 427,115	(13,528)	-	56,143	\$ 469,730

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 2017/18 were as follows:

	Beginning Balances	Increases	Decreases	Prior Period Adjustment	Ending Balances
Business-type activities					
<i>Water:</i>					
Depreciable Capital Assets	\$ 1,044,286	24,955	(8,441)	19,761	\$ 1,080,561
Accumulated Depreciation	(645,293)	(25,519)	8,441	-	(662,371)
Water assets being depreciated, net	\$ 398,993	(564)	-	19,761	\$ 418,190

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2018

NOTE 4 – CAPITAL ASSETS-(CONTINUED)

Depreciation expense was charged to function as follows:

Governmental Activities:

General Government	\$	2,026
Fire Department		26,406
Cemetery		150
Parks & Recreation		1,127
City Shop		616
Street		22,283
		52,608
Business-type Activities		25,519
Total Depreciation Expense	\$	78,127

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 \$850 per month including interest at 7.0%. For the year ended September 30, 2018, the General Fund paid interest on the debt of \$1,175. 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 \$44,800. 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, 2018 are as follows:

	9/30/2017	Additions	Reductions	9/30/2018	Due in 1 Year
Lease Obligation	\$ 24,624	-	(8,704)	15,920	9,383
Total	\$ 24,624	-	(8,704)	15,920	9,383

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

	Principal	Interest	Total Payment
2018-19	9,383	817	10,200
2019-20	6,537	171	6,708
2020-21	-	-	-
Total	\$ 15,920	988	16,908

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2018

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, 2018, the Water Enterprise Fund paid interest on the debt of \$3,225.

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, 2018 are as follows:

	9/30/2017	Increase	Decrease	9/30/2018	Due in 1 Year
Revenue Bond	\$ 66,998	-	(6,571)	60,427	6,929
Total	\$ 66,998	-	(6,571)	60,427	6,929

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

	Principal	Interest	Total Payment
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
2022-23	8,460	1,332	9,792
2023-2025	22,050	1,383	23,433
Total	\$ 60,427	11,966	72,393

NOTE 6 – COMPENSATED ABSENCES

Changes in compensated absences payable for the year ended September 30, 2018 are as follows:

	9/30/2017	Increase	Decrease	9/30/2018
Governmental Funds	\$ 947	-	(419)	528
Enterprise Funds	236	-	(104)	132
Total	\$ 1,183	-	(523)	660

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2018

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, 2018 consist of the following:

	Due to the General Fund from the Water	
\$ 13,729	Fund representing short-term loans	
	Due from the Water Fund to the General	
	(13,729) 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 \$199,656 and \$76,297, 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.

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, 2018

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, 2018, 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 \$8,011 for the year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was 0.0021416 percent.

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2018

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, 2018, the City recognized pension expense of \$6,402. At September 30, 2018, 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	3,468	2,386
Changes in assumptions or other inputs	2,055	-
Net difference between projected and actual earnings on pension plan investments	-	3,510
Change in the City's proportion and differences between the City's contributions and the City's proportionate contributions	5,024	4,171
Amortized change in proportionate share	(2,740)	(1,914)
City's contributions subsequent to the measurement date	2,242	-
Total	\$ 10,049	\$ 8,153

\$2,242 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, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017 the beginning of the measurement period ended June 30, 2018 is 4.8 and 4.9 for the measurement period June 30, 2017.

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:	
2019	2,568
2020	303
2021	(2,588)
2022	(654)
2023	-

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, 2018

NOTE 10 – PENSION PLAN- (CONTINUED)

Actuarial Assumptions-(continued)

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases**	3.75%
Salary inflation	3.75%
Investment rate of return*	7.05%
Cost-of-living adjustments	1%

*net of pension plan investment expense

**there is an additional component of assumed salary growth (on top of the 3.75%) that varies for each individual member based on years of service

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, 2018 is based on the results of an actuarial valuation date July 1, 2018.

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, 2018.

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2018

NOTE 10 – PENSION PLAN- (CONTINUED)

Actuarial Assumptions-(continued)

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return	Long- Term Expected Real Rate of Return
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	1.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
<u>Valuation Assumptions Chosen by PERSI Board</u>			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			<u>7.05%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. 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, 2018

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 7.05 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
City's proportionate share of the net pension liability (asset)	\$ 79,074	\$ 31,589	\$ (7,731)

Pension plan fiduciary net position

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

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

Payables to the pension plan

At September 30, 2018, the City reported no payables to the pension plan.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

Governmental Activities: In the Government-wide statements, prior year capital assets were understated due to previously unidentified assets of the City.

Business-type Activities: In both the Government-wide and fund level statements, prior year proprietary capital assets were understated due to previously unidentified assets of the City.

Following is a reconciliation of the prior period ending net position to the current year beginning net position resulting from the above changes:

	General Fund	Water Fund
Beginning net position	977,576	734,671
Adjustments to add capital assets	56,143	19,761
Beginning net position, as restated	\$ 1,033,719	\$ 754,432

REQUIRED SUPPLEMENTARY INFORMATION

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

	9/30/2018	9/30/2017	9/30/2016	9/30/2015
City's portion of the net pension liability	0.0021416%	0.0021644%	0.0022741%	0.0023962%
City's proportionate share of the net pension liability	\$ 31,589	\$ 34,021	\$ 46,099	\$ 31,554
City's covered-employee payroll	\$ 64,268	\$ 63,428	\$ 68,687	\$ 69,417
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	49.15%	53.64%	67.11%	45.46%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	90.68%	87.26%	91.38%

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

Data reported is measured as of June 30, 2018

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

	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Statutorily required contribution	\$ 8,317	\$ 7,299	\$ 6,760	\$ 7,838
Contributions in relation to the statutorily required contribution	\$ (7,905)	\$ (7,713)	\$ (7,632)	\$ (7,698)
Contribution (deficiency) excess	\$ 411	\$ (415)	\$ (872)	\$ 140
City's covered-employee payroll	\$ 64,268	\$ 63,428	\$ 68,687	\$ 69,417
Contributions as a percentage of covered-employee payroll	12.30%	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 Clark Fork will present information for those to use for which information is available.

Data reported is measured as of September 30, 2018

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, 2018

	General Fund			Street Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Property Taxes	\$ 30,000	30,000	32,166	\$ 38,755	38,755	34,972
Other	110,405	110,405	126,625	37,569	37,569	40,775
Total Revenues	140,405	140,405	158,791	76,324	76,324	75,747
Expenditures:						
General Government:						
Wages, Taxes, & Benefits	52,213	52,213	45,822	15,790	15,790	13,779
Other Costs	85,484	89,084	63,383	46,704	89,704	67,486
Capital Outlay	9,001	9,001	21,568	18,830	18,830	17,512
Debt Service:						
Principal	10,800	10,800	8,704	-	-	-
Interest	-	-	1,496	-	-	-
Total Expenditures	157,498	161,098	140,973	81,324	124,324	98,777
Excess (Deficiency) of Revenues Over Expenditures	(17,093)	(20,693)	17,818	(5,000)	(48,000)	(23,030)
Other Sources (Uses):						
Operating Transfers	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(17,093)	(20,693)	17,818	(5,000)	(48,000)	(23,030)
Fund Balance - October 1,	377,403	377,403	377,403	211,609	211,609	211,609
Fund Balance - September 30,	\$ 360,310	356,710	395,221	\$ 206,609	163,609	188,579

See accompanying notes to budget and independent auditors' report.

CITY OF CLARK FORK
Notes to the Budget and Actual Statement
September 30, 2018

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 2017/18.

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, 2018, 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 February 5, 2019.

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. #2018-1, #2018-2, #2018-3.

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
February 5, 2019

SCHEDULE OF FINDINGS AND RESPONSES

CITY OF CLARK FORK
Schedule of Findings and Responses
September 30, 2018

2018-1

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

Due to fiduciary responsibilities to the City, it could not justify hiring more personnel at this time. Fortunately, our clerks are able to cover all the bases. Your recommendation to involve a City Council member in more aspects of financial reporting is a good discussion topic for this Council.

The Council is keenly aware of the potential for error within the accounting and financial affairs of the City. For years, the Council has been kept up to date by auditing the accounts on a regular basis. This is done monthly with a review of the expenditures at each council meeting. The Mayor and Council provide oversight for questions and concerns about financial responsibility throughout the year. The Council also plays a major role in the yearly budgeting process with minimal input from Clerks with exception to historical numbers.

CITY OF CLARK FORK
Schedule of Findings and Responses
September 30, 2018

2018-2

Proprietary Fund Capital Assets and Depreciation

During fiscal year 2017-18, the City under-recorded depreciation expense of approximately \$25,519 and failed to capitalize assets of approximately \$24,955.

Criteria

Generally Accepted Accounting Principles and the standards applicable to financial statements audited under *Government Auditing Standards* require proprietary funds to be presented on the accrual basis of accounting. Such requirements include capitalizing fixed assets and depreciating them over the life of the asset.

Condition

Depreciation expense and accumulated depreciation in the City's proprietary funds were understated by approximately \$25,519. Additionally, capital assets were understated and expenses were overstated in the City's proprietary funds by approximately \$24,955.

Effect

Total proprietary fund net position and change in net position were understated by approximately \$564.

Cause

The City failed to record any provision for depreciation expense in their proprietary funds, and did not appropriately capitalize their fixed asset purchases.

Recommendations

We recommend that the City review depreciation schedules provided to them 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 in their accounting records.

Views of Responsible Officials

Perhaps better communication (from you) with City staff would elicit an appropriate response.

The City has started reviewing the depreciation schedule for the priority funds and will adjust the amounts on a monthly basis which will alleviate or minimize the discrepancies at the end of the fiscal year. Training is underway to identify capitol assets that need to be recorded as the invoice is received instead of when the bill is paid. This procedure allows the capitol assets to be recorded within the same fiscal year.

CITY OF CLARK FORK
Schedule of Findings and Responses
September 30, 2018

2018-3

Unrecorded Liabilities

During audit procedures, we identified unrecorded liabilities of approximately \$5,375 in the General Fund and approximately \$3,860 in the Water Fund.

Criteria

GAAP for governments requires accounts payable for all funds to include amounts for all goods and services received or performed through the end of the period. In situations where actual amounts are not available, procedures should include a method for estimating such liabilities.

Condition

During audit procedures, we identified unrecorded liabilities of approximately \$5,375 in the General Fund and approximately \$3,860 in the Water Fund.

Effect

General Fund accounts payable and expenditures were understated by approximately \$5,375 and Water Fund accounts payable and expenses were understated by approximately \$3,860.

Cause

The City is recording invoices and bills in their accounting software based on date paid, rather than service date.

Recommendations

We recommend that the City Clerk and Deputy Clerk inspect each invoice or bill carefully to identify when the goods were received or services were rendered in order to record the transaction in the proper accounting period.

Views of Responsible Officials

Thank you for your recommendation.

These errors are a result of unfamiliarity with the “bill tracker” feature in Quickbooks. A feature which was used by the previous employee and training with it not carried forward. The identified unrecorded liabilities came from the credit card purchase of items at the end of the fiscal year, but not paid until the following fiscal year when the bill came due. Staff is aware of this and began training on the use of “bill tracker” to prevent this error in the future.