

CITY OF CLARK FORK

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Year Ended September 30, 2016

Prepared by

Anderson Bros. CPA's, P.A.

Post Falls, ID

CITY OF CLARK FORK

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the 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, 2016, 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, 2016, 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
December 20, 2016

CITY OF CLARK FORK
Statement of Net Position
September 30, 2016

	Government Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash & Investments	\$ 632,932	328,522	961,454
Receivables:			
Property Taxes (net)	4,947	-	4,947
Accounts Receivable (net)	24,426	36,562	60,988
Grants Receivable	-	-	-
Prepaid Expenses	2,897	724	3,621
Total Current Assets	665,202	365,808	1,031,010
Capital Assets, net of depreciation	335,896	421,238	757,134
Other Assets:			
Interfund Balances	18,035	(18,035)	-
Total Assets	\$ 1,019,133	769,011	1,788,144
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	21,926	7,505	29,431
Total Deferred Outflows of Resources	\$ 21,926	7,505	29,431
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 8,117	3,315	11,432
Compensated Absences	1,763	441	2,204
Deferred Subscription Revenue	19,723	-	19,723
Current Portion of Long Term Debts	8,976	6,271	15,247
Total Current Liabilities	38,579	10,027	48,606
Long Term Liabilities			
Capital Lease, Net of Current Portion	21,141	-	21,141
Notes Payable, Net of Current Portion	-	66,998	66,998
Net Pension Liability	34,289	11,810	46,099
Total Liabilities	94,009	88,835	182,844
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	\$ 12,699	4,374	17,073
Total Deferred Inflows of Resources	12,699	4,374	17,073
NET POSITION			
Net Investment in Capital Assets	305,779	347,969	653,748
Restricted	-	10,918	10,918
Unrestricted	628,572	324,420	952,992
Total Net Position	\$ 934,351	683,307	1,617,658

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

CITY OF CLARK FORK
Statement of Activities
Year Ended September 30, 2016

	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	\$ 74,960	1,656	-	-	(73,304)	-	(73,304)
Fire Department	49,974	-	109	-	(49,865)	-	(49,865)
Law Enforcement	1,200	188	-	-	(1,012)	-	(1,012)
Cemetery	518	800	1,000	-	1,282	-	1,282
Parks & Recreation Expenses	3,051	-	501	-	(2,550)	-	(2,550)
City Shop	3,572	-	-	-	(3,572)	-	(3,572)
Street Expenses	40,840	-	-	-	(40,840)	-	(40,840)
Pension Plan Expense	6,385	-	-	-	(6,385)	-	(6,385)
Total Governmental Activities	180,500	2,644	1,610	-	(176,246)	-	(176,246)
Business-type Activities							
Water Service	87,044	129,132	-	-	-	42,088	42,088
Pension Plan Expense	2,618	-	-	-	-	(2,618)	(2,618)
Total Business-type Activities	89,662	129,132	-	-	-	39,470	39,470
Total Activities	\$ 270,162	131,776	1,610	-	(176,246)	39,470	(136,776)

General Revenues:

Property Taxes	\$ 66,840	-	66,840
Other Governmental	105,282	-	105,282
Licenses and Fees	31,910	-	31,910
Franchise Fees	3,211	-	3,211
Other Revenues	11	-	11
Interest Earnings	1,834	682	2,516
Operating Transfers	-	-	-
Gain/(Loss) on Sale of Capital Assets	-	-	-
Total General Revenues and Operating Transfers	209,088	682	209,770
Change in Net Position	32,842	40,152	72,994
Net Position - Beginning	901,509	660,405	1,561,914
Prior Period Adjustment, see note 11	-	(17,250)	(17,250)
Net Position - Ending	\$ 934,351	683,307	1,617,658

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

CITY OF CLARK FORK
Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Street Fund	Total
ASSETS			
Cash & Investments	\$ 382,603	250,329	632,932
Receivables:			
Property Taxes (net)	2,343	2,604	4,947
Accounts Receivable (net)	18,090	6,336	24,426
Grants Receivable	-	-	-
Prepaid Expenses	2,173	724	2,897
Due (to) from Other Funds	18,035	-	18,035
Total Assets	<u>\$ 423,244</u>	<u>259,993</u>	<u>683,237</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 7,971	146	8,117
Deferred Subscription Revenue	19,723	-	19,723
Total Liabilities	<u>27,694</u>	<u>146</u>	<u>27,840</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	\$ 1,498	1,833	3,331
Total Deferred Inflows of Resources	<u>1,498</u>	<u>1,833</u>	<u>3,331</u>
FUND EQUITY			
Nonspendable:			
Prepaid Expenses	2,173	724	2,897
Assigned:			
Law Enforcement	152,318	-	152,318
Fire Department	25,000	-	25,000
Fire Department Donations	450	-	450
Sealcoating	-	56,160	56,160
Drywells	-	48,000	48,000
Street Equipment	-	6,000	6,000
Unassigned	214,111	147,130	361,241
Total Fund Equity	<u>394,052</u>	<u>258,014</u>	<u>652,066</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$ 423,244</u>	<u>259,993</u>	<u>683,237</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION:			
Total fund equity reported above			\$ 652,066
Add assets not reported above:			
Capital assets, net of depreciation		335,896	
Total assets not reported above		<u>335,896</u>	335,896
Less deferred inflows and outflows of resources not reported above:			
Deferred outflows - pension		21,926	
Deferred inflows - pension		(12,699)	
Total deferred inflows and outflows of resources not reported above		<u>9,227</u>	9,227
Less liabilities not reported above:			
Capital lease obligations		(30,117)	
Compensated absences		(1,763)	
Net pension liability		(34,289)	
Total liabilities not reported above		<u>(66,169)</u>	(66,169)
Deferred revenues			3,331
Net Position			<u>\$ 934,351</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, 2016

	General Fund	Street Fund	Total
Revenues:			
Property Taxes	\$ 38,144	31,644	69,788
Other Governmental Revenue	68,211	37,071	105,282
User Fees and Charges	34,554	-	34,554
Donations	1,610	-	1,610
Grants	-	-	-
Franchise Fees	3,211	-	3,211
Other	15	(4)	11
Interest Earnings	1,146	688	1,834
Total Revenues	146,891	69,399	216,290
Expenditures:			
General Government:			
Wages, Taxes, and Benefits	48,814	11,742	60,556
Other Costs	58,998	18,259	77,257
Capital Outlay	4,741	6,824	11,565
Debt Service:			
Principal	8,371	-	8,371
Interest	2,429	-	2,429
Total Expenditures	123,353	36,825	160,178
Excess (Deficiency) of Revenues Over Expenditures	23,538	32,574	56,112
Other Sources (Uses):			
Operating Transfers	-	-	-
Total Other Sources (Uses)	-	-	-
Net Change in Fund Balance	23,538	32,574	56,112
Fund Balance - October 1,	370,514	225,440	595,954
Fund Balance - September 30,	\$ 394,052	258,014	652,066

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, 2016

Changes in fund balances as reported on the governmental funds statements		56,112
Decrease in current property taxes not reflected in revenue on the governmental fund statements		(2,949)
Amounts reported as expenditures on the governmental funds statements not included as expenses on the government-wide statements:		
Capital Outlay	11,565	
Capital Lease Payable - Principal Payment	8,371	
Proceeds from Sale of Assets	-	
Gain on Sale of Assets	-	
Total expenses on the governmental fund statement not included on the government-wide statement		19,936
Expenses on the government-wide statement of activity not included on the governmental funds statements:		
Depreciation	(38,594)	
Increase in Compensated Absence Liability	(781)	
Increase in Pension Plan Expense	(6,385)	
Decrease in PERSI Contribution	5,503	
Total expenses on the government-wide statement of activity not included on the governmental funds statements:		(40,257)
Change in net position on the government-wide statements		\$ 32,842

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

CITY OF CLARK FORK
Statement of Net Position
All Proprietary Funds
September 30, 2016

	Water Fund	Total
ASSETS		
CURRENT ASSETS:		
Cash	\$ 328,522	328,522
Accounts Receivable (net)	36,562	36,562
Prepaid Expenses	724	724
Total Current Assets	365,808	365,808
Capital Assets	1,043,492	1,043,492
Accumulated Depreciation	(622,254)	(622,254)
Total Capital Assets	421,238	421,238
TOTAL ASSETS	\$ 787,046	787,046
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan	7,505	7,505
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 7,505	7,505
LIABILITIES		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 3,315	3,315
Compensated Absences	441	441
Due to Other Funds	18,035	18,035
Notes Payable, current portion	6,271	6,271
Total Current Liabilities	28,062	28,062
LONG TERM LIABILITIES:		
Notes Payable, net of current portion	66,998	66,998
Net Pension Liability	11,810	11,810
Total Long Term Liabilities	78,808	78,808
TOTAL LIABILITIES	106,870	106,870
DEFERRED INFLOWS OF RESOURCES		
Pension Plan	4,374	4,374
TOTAL DEFERRED INFLOWS OF RESOURCES	4,374	4,374
NET POSITION		
Net Investment in Capital Assets	347,969	347,969
Restricted for Debt Covenants	10,918	10,918
Unrestricted	324,420	324,420
TOTAL NET POSITION	\$ 683,307	683,307

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, 2016

	Water Fund	Total
Operating Revenues:		
Charges for Services	\$ 124,132	124,132
Hookup Fees	5,000	5,000
Miscellaneous Revenues	-	-
Total Operating Revenues	129,132	129,132
Operating Expenses:		
Wages, Taxes, and Benefits	20,465	20,465
Administrative	34,031	34,031
Water Treatment & Testing	6,074	6,074
Depreciation	22,935	22,935
Pension Plan Expense	2,618	2,618
Total Operating Expenses	86,123	86,123
Operating Income	43,009	43,009
Non-Operating Revenues (Expenses):		
Interest Income	682	682
Interest Expense	(3,539)	(3,539)
Gain/(Loss) on Sale of Capital Assets	-	-
Total Non-Operating Revenue (Expenses)	(2,857)	(2,857)
Change in Net Position	40,152	40,152
Net Position - October 1,	660,405	660,405
Prior Period Adjustment, See Note 11	(17,250)	
Net Position - September 30,	\$ 683,307	683,307

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, 2016

	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 135,388	135,388
Payments to Suppliers	(37,285)	(37,285)
Payments to Employees	(22,165)	(22,165)
Net Cash Provided by Operating Activities	75,938	75,938
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Borrowing from General Fund	5,406	5,406
Net Cash Provided by Non-Capital Financing Activities	5,406	5,406
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Capital Assets	(6,824)	(6,824)
Proceeds from Sale of Capital Assets	-	-
Principal paid on Capital Debt	(5,437)	(5,437)
Interest paid on Capital Debt	(3,539)	(3,539)
Net Cash Used by Capital and Related Financing Activities	(15,800)	(15,800)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earnings	681	681
Net Cash Provided by Investing Activities	681	681
Net Increase in Cash and Cash Equivalents	66,225	76,619
Cash and Cash Equivalents, October 1,	262,297	262,297
Cash and Cash Equivalents, September 30,	\$ 328,522	328,522
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:		
Operating Income	\$ 43,009	43,009
Adjustments to reconcile operating income to net cash provided by operating activities:		
Cash flows reported in other categories:		
Depreciation	22,935	22,935
Change in assets and liabilities:		
(Increase)/Decrease in Receivables	6,256	6,256
(Increase)/Decrease in Prepaid Expenses	-	-
Increase/(Decrease) in Accounts Payable and Accrued Expenses	2,820	2,820
Increase/(Decrease) in Compensated Absences	195	195
Increase/(Decrease) in Pension Plan	723	723
Net Cash Provided by Operating Activities	\$ 75,938	75,938

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

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2016

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, 2016

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, 2016. 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, 2016

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

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e. roads, sidewalks, street lights, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years.

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

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

Asset Class	Estimated 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, 2016

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 6 hours of sick pay per month and can carry over a maximum of 120 hours. Employees are not paid for unused sick pay on termination.

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, 2016

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, 2016

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, 2016.

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 2015 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, 2016

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, 2016, 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	\$ 817,619
Amount collateralized with securities held in trust, but not in City's name	-
Total deposits without exposure to custodial credit risk	\$ 817,619
<i>Deposits with exposure to custodial credit risk:</i>	
Amounts uninsured-exposed to custodial credit risk	\$ 149,430
Total bank balance (deposits)	\$ 967,049

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

Statement of net position	
Cash and investments	\$ 961,454
Restricted cash and investments	-
	\$ 961,454

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

Cash	
Deposits with financial institutions	\$ 393,713
Petty cash on hand	123
Cash equivalents	
Deposits with Idaho state investment pool	567,618
	\$ 961,454

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 \$2,554 as of September 30, 2016, which has not been reflected in the financial statements.

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2016

NOTE 3 – RECEIVABLES & DEFERRED REVENUE-(CONTINUED)

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

GENERAL FUND	
State Revenue Sharing	\$ 5,489
Highway User's	6,336
State Liquor	7,698
Franchise Fees	344
Sales Tax	2,818
Other	1,741
Total	\$ 24,426

NOTE 4 – CAPITAL ASSETS

The changes in capital assets used in governmental activities during fiscal year 2015/16 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
<i>Capital assets being depreciated</i>				
Buildings & Improvements	\$ 429,743	10,235	(4,570)	\$ 435,408
Equipment	541,298	1,330	-	542,628
Total capital assets being depreciated	971,041	11,565	(4,570)	978,036
Less accumulated depreciation	608,116	38,594	(4,570)	642,140
Governmental activity capital assets, net	\$ 362,925	(27,029)	-	\$ 335,896

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 2015/16 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
<i>Water:</i>				
Depreciable Capital Assets	\$ 1,036,668	6,824	-	\$ 1,043,492
Accumulated Depreciation	(599,319)	(22,935)	-	(622,254)
Water assets being depreciated, net	\$ 437,349	(16,111)	-	\$ 421,238

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2016

NOTE 4 – CAPITAL ASSETS-(CONTINUED)

Depreciation expense was charged to function as follows:

Governmental Activities:

General Government	\$	1,798
Fire Department		24,536
Cemetery		134
City Shop		487
Street		11,639
		38,594
Business-type Activities		22,935
Total Depreciation Expense	\$	61,529

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, 2016, the General Fund paid interest on the debt of \$2,429. 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 \$38,400. 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, 2016 are as follows:

	9/30/2015	Increase	Decrease	9/30/2016
Lease Obligation	\$ 38,488	-	(8,371)	30,117
Total	\$ 38,488	-	(8,371)	30,117

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

	Principal	Interest	Total Payment
2016-17	\$ 8,976	1,824	10,800
2017-18	9,625	1,175	10,800
2018-19	10,321	479	10,800
2019-20	1,195	7	1,202
2020-21	-	-	-
Total	\$ 30,117	3,485	33,602

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2016

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, 2016, the Water Enterprise Fund paid interest on the debt of \$3,539.

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, 2016 are as follows:

	9/30/2015	Increase	Decrease	9/30/2016
Revenue Bond	\$ 79,243	-	(5,974)	73,269
Total	\$ 79,243	-	(5,974)	73,269

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

	Principal	Interest	Total Payment
2016-17	\$ 6,271	3,521	9,792
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
2022-2026	38,537	4,480	43,017
Total	\$ 73,269	18,708	91,977

NOTE 6 – COMPENSATED ABSENCES

Changes in compensated absences payable for the year ended September 30, 2016 are as follows:

	9/30/2015	Increase	Decrease	9/30/2016
Governmental Funds	\$ 982	781	-	1,763
Enterprise Funds	246	195	-	441
Total	\$ 1,228	976	-	2,204

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2016

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, 2016 consist of the following:

	Due to the General Fund from the Water	
\$ 18,035	Fund representing short-term loans	
	Due from the Water Fund to the General	
	(18,035) 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 \$177,768 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

Plan Description

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, 2016

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, 2016 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percentage 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 \$7,397 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.0022741 percent.

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2016

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, 2016, the City recognized pension expense of \$9,003. At September 30, 2016, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	-	4,593
Changes in assumptions or other inputs	1,025	-
Net difference between projected and actual earnings on pension plan investments	22,438	10,484
Change in the City's proportion and differences between the City's contributions and the City's proportionate contributions	5,024	1,996
Amortized change in prior year's proportionate share	(913)	-
City's contributions subsequent to the measurement date	1,857	-
	<u> </u>	<u> </u>
Total	<u>\$ 29,431</u>	<u>\$ 17,073</u>

\$1,857 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, 2016.

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, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 for the measurement period June 30, 2015.

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:	
2017	553
2018	553
2019	5,854
2020	3,449
2021	90

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, 2016

NOTE 10 – PENSION PLAN – (CONTINUED)

Actuarial Assumptions-(continued)

The total pension liability in the June 30, 2016 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, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

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.

CITY OF CLARK FORK
Notes to Financial Statements
September 30, 2016

NOTE 10 – PENSION PLAN – (CONTINUED)

Actuarial Assumptions-(continued)

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, 2016.

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 Standard Deviation	12.59%
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, 2016

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)	\$90,431	\$46,100	\$9,233

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, 2016 the City reported payable to the defined pension benefit plan of \$139 for legally required employer contributions and \$231 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

Business-type Activities: In the Government-wide and fund level statements, prior year proprietary accounts receivable was overstated due to an accounting error. Utility billings were not properly reconciled into the accounting records. Following is a reconciliation of the prior period ending fund balance to the current year beginning fund balance:

Beginning fund balance	\$ 660,405
Adjustment to correct accounts receivable	(17,250)
Beginning fund balance, as restated	\$ 643,155

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

	9/30/2016	9/30/2015
City's portion of the net pension liability	0.0022741%	0.0023962%
City's proportionate share of the net pension liability	\$ 46,099	\$ 31,554
City's covered-employee payroll	\$ 68,687	\$ 69,417
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	67.11%	45.46%
Plan fiduciary net position as a percentage of the total pension liability	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, 2016 (measurement date)

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

	9/30/2016	9/30/2015
Statutorily required contribution	\$ 6,760	\$ 7,838
Contributions in relation to the statutorily required contribution	\$ (7,632)	\$ (7,698)
Contribution (deficiency) excess	\$ (872)	\$ 140
City's covered-employee payroll	\$ 68,687	\$ 69,417
Contributions as a percentage of covered-employee payroll	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 June 30, 2016 (measurement date)

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, 2016

	General Fund			Street Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Property Taxes	\$ 31,498	31,498	38,144	\$ 31,984	31,984	31,644
Other	94,910	94,910	108,747	40,698	40,698	37,755
Total Revenues	126,408	126,408	146,891	72,682	72,682	69,399
Expenditures:						
General Government:						
Wages, Taxes, & Benefits	35,262	35,262	48,814	20,130	20,130	11,742
Other Costs	89,420	89,420	58,998	44,965	44,965	18,259
Capital Outlay	6,000	6,000	4,741	14,500	14,500	6,824
Debt Service:						
Principal	10,800	10,800	8,371	-	-	-
Interest	-	-	2,429	-	-	-
Total Expenditures	141,482	141,482	123,353	79,595	79,595	36,825
Excess (Deficiency) of Revenues Over Expenditures	(15,074)	(15,074)	23,538	(6,913)	(6,913)	32,574
Other Sources (Uses):						
Operating Transfers	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(15,074)	(15,074)	23,538	(6,913)	(6,913)	32,574
Fund Balance - October 1,	370,514	370,514	370,514	225,440	225,440	225,440
Fund Balance - September 30,	\$ 355,440	355,440	394,052	\$ 218,527	218,527	258,014

See accompanying notes to budget and independent auditors' report.

CITY OF CLARK FORK
Notes to the Budget and Actual Statement
September 30, 2016

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 were no budget amendments for the fiscal year 2015/16.

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.



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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, 2016, 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 December 20, 2016.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. #2016-3

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. #2016-1, 2016-2

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
December 20, 2016

CITY OF CLARK FORK
Schedule of Findings and Responses
September 30, 2016

2016-1

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

The Council will remain involved with the financial affairs of the City. Obviously the optimal solution would be to hire more employees to allow for better segregation of duties related to financial duties. The Council will remain vigilant and provide oversight to the clerks.

CITY OF CLARK FORK
Schedule of Findings and Responses
September 30, 2016

2016-2

Proprietary Capital Assets and Depreciation

During fiscal year 2015-16, the City under-recorded depreciation of approximately \$22,935 and failed to capitalize fixed assets of approximately \$6,824.

Criteria

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

Condition

During fiscal year 2015-16, the City understated depreciation expense by approximately \$22,935, overstated expenses by approximately \$6,824, and overstated net capital assets by approximately \$16,111.

Effect

Total proprietary fund net assets and net income were overstated by approximately \$16,111.

Cause

The City was experiencing a transition with the change in their City Clerk this year, and as a result failed to make these year-end adjustments as necessary.

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

The Council was made aware of the events leading to the under-recorded fixed assets, depreciation expenses, and accumulated depreciation. We are looking into the procedures to resolve the inventory control issues and making sure depreciation schedules will be accurate.

CITY OF CLARK FORK
Schedule of Findings and Responses
September 30, 2016

2016-3

Proprietary Revenue and Receivables

While performing audit procedures for proprietary revenues and receivables, we identified that the billing software was not properly reconciling into the accounting software. We identified that accounts receivable and water revenues were understated by approximately \$6,027.

Criteria

According to GASB: CS-1:

- Financial reporting should fulfill a government's duty to be publicly accountable and should enable users of the financial statements to assess that accountability
- Financial reporting should assist users in evaluating the operating results of the governmental entity for the year
- Financial reporting should assist users in assessing the level of services that can be provided by the governmental entity and its ability to meet its obligations.

Condition

While performing audit procedures for proprietary revenues and receivables, we identified that the billing software was not properly reconciling into the accounting software. We identified that accounts receivable and water revenues were understated by approximately \$6,027.

Effect

Accounts receivable and water revenues for the water fund were understated by approximately \$6,027.

Cause

The City's accounting personnel has been entering collections from customer receipts as revenue, but not adjusting billings to accounts receivable.

Recommendations

We recommend that the City reconcile their accounting records with the billing system on a quarterly basis, providing a final check of accounts receivable from the billing register to the accounting records. We also recommend that a second person is involved in monitoring or reviewing the reconciliations to verify their accuracy.

Views of Responsible Officials

Continued training for the clerks for billing and accounting will continue, we will stay vigilant to the idiosyncrasies regarding the proper reconciliation to the correct accounts. The Council will be engaged with the clerk to verify accuracy on a quarterly basis.