

CITY OF COUNCIL, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2016

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Independent Auditor's Report

Honorable Mayor
and City Council
Council, 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 Council, Idaho (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Council, Idaho, as of September 30, 2016, and the respective changes in financial position 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 budgetary comparison information, schedule of the City's proportion share of the net pension liability, and schedule of City contributions on pages 33 through 35 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 management's discussion and 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Council, Idaho's basic financial statements. The supplemental schedules of revenues by source and expenditures by object for the General fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules of revenues by source and expenditures by object for the General are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules of revenues by source and expenditures by object for the General fund and the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the City of Council, Idaho's 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 Council, Idaho's internal control over financial reporting and compliance.

Millington Zwysart CPAs, PLLC

Caldwell, Idaho
December 8, 2016

City of Council, Idaho
Statement of Net Position
September 30, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 144,991	\$ 629,591	\$ 774,582
Property Taxes Receivable (Net)	34,564	-	34,564
Accounts Receivable (Net)	-	33,803	33,803
Prepaid Expenses	6,785	-	6,785
Due From Other Governments	6,956	-	6,956
Restricted Cash and Cash Equivalents	-	-	-
Capital Assets:			
Land and Nondepreciable Infrastructure	490,845	-	490,845
Buildings and Improvements, Net	1,605,991	918,547	2,524,538
Equipment, Net	18,210	8,743	26,953
Total Capital Assets	<u>2,115,046</u>	<u>927,290</u>	<u>3,042,336</u>
Total Assets	<u>2,308,342</u>	<u>1,590,684</u>	<u>3,899,026</u>
Deferred Outflows			
Pension Related Items	18,138	38,544	56,682
Total Deferred Outflows	<u>18,138</u>	<u>38,544</u>	<u>56,682</u>
Liabilities			
Current Liabilities:			
Accounts Payable and Other Current Liabilities	43,255	28,039	71,294
Salaries Payable	856	1,898	2,754
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	5,567	9,869	15,436
Note Payable	-	15,000	15,000
Portion Due or Payable After One Year:			
Note Payable	-	169,071	169,071
Net Pension Liability	32,735	69,560	102,295
Total Liabilities	<u>82,413</u>	<u>293,437</u>	<u>375,850</u>
Deferred Inflows			
Pension Related Items	10,706	22,750	33,456
Total Deferred Inflows	<u>10,706</u>	<u>22,750</u>	<u>33,456</u>
Net Position			
Invested in Capital Assets, Net of Related Debt Restricted	2,115,046	743,219	2,858,265
Unrestricted (Deficit) Surplus	-	-	-
	118,315	569,822	688,137
Total Net Position	<u>\$ 2,233,361</u>	<u>\$ 1,313,041</u>	<u>\$ 3,546,402</u>

The accompanying notes are an integral
part of the financial statements.

City of Council, Idaho
Statement of Activities
For the Year Ended September 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
Administrative	\$ 116,897	\$ -	\$ -	\$ -	\$ (116,897)	\$ -	\$ (116,897)
General	202,243	45,732	-	-	(156,511)	-	(156,511)
Public Safety	57,447	-	-	-	(57,447)	-	(57,447)
Total Governmental Activities	<u>376,587</u>	<u>45,732</u>	<u>-</u>	<u>-</u>	<u>(330,855)</u>	<u>-</u>	<u>(330,855)</u>
Business-type Activities:							
Water	248,578	178,639	-	-	-	(69,939)	(69,939)
Sewer	138,189	238,191	-	-	-	100,002	100,002
Industrial Park	59,170	53,300	-	-	-	(5,870)	(5,870)
Total Business-type Activities	<u>445,937</u>	<u>470,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,193</u>	<u>24,193</u>
Total Primary Government	<u>\$ 822,524</u>	<u>\$ 515,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(330,855)</u>	<u>24,193</u>	<u>(306,662)</u>
General Revenues:							
					195,042	-	195,042
					103,300	-	103,300
					2,931	98	3,029
					1,521	-	1,521
					-	-	-
Total General Revenues and Special Items					<u>302,794</u>	<u>98</u>	<u>302,892</u>
Change in Net Assets					<u>(28,061)</u>	<u>24,291</u>	<u>(3,770)</u>
Net Position, Beginning of Year					<u>2,261,422</u>	<u>1,288,750</u>	<u>3,550,172</u>
Net Position, End of Year					<u>\$ 2,233,361</u>	<u>\$ 1,313,041</u>	<u>\$ 3,546,402</u>

The accompanying notes are an integral part of the financial statements.

City of Council, Idaho
 Balance Sheet - Governmental Funds
 For the Year Ended September 30, 2016

	General	Special Grant Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 145,905	\$ (914)	\$ 144,991
Property Taxes Receivable (Net)	34,564	-	34,564
Prepaid Items	6,785	-	6,785
Due From Other Governments	6,956	-	6,956
Total Assets	\$ 194,210	\$ (914)	\$ 193,296
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts Payable	\$ 42,930	\$ 325	\$ 43,255
Salaries Payable	856	-	856
Total Liabilities	43,786	325	44,111
Deferred Inflows			
Unearned Revenue - Property Tax	25,248	-	25,248
Total Deferred Inflows	25,248	-	25,248
Fund Balances:			
Nonspendable:			
Prepaid Items	6,785	-	6,785
Unassigned	118,391	(1,239)	117,152
Total Fund Balances	125,176	(1,239)	123,937
Total Liabilities, Deferred Inflows and Fund Balances	\$ 194,210	\$ (914)	\$ 193,296

The accompanying notes are an integral
part of the financial statements.

City of Council, Idaho
 Reconciliation of the Balance Sheet of the Governmental
 Funds to the Statement of Net Position
 September 30, 2016

Total Fund Balances - Governmental Funds \$ 123,937

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:

Land and Nondepreciable Infrastructure	\$ 490,845	
Buildings and Improvements, net of \$794,889 accumulated depreciation	1,605,991	
Equipment, net of \$274,853 accumulated depreciation	<u>18,210</u>	
		2,115,046

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures and, therefore, are deferred in the funds. 25,248

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term are reported in the Statement of Net Position.

Compensated Absences (5,567)

The City participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$ (32,735)	
Pension Related Deferred Inflows	(10,706)	
Pension Related Deferred Outflows	<u>18,138</u>	
		<u>(25,303)</u>

Net Position of Governmental Activities \$ 2,233,361

The accompanying notes are an integral
 part of the financial statements.

City of Council, Idaho
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2016

	General	Special Grant Fund	Total Governmental Funds
Revenues			
Property Taxes	\$ 196,834	\$ -	\$ 196,834
Intergovernmental	103,300	-	103,300
Licenses, Permits, and Other	45,732	-	45,732
Grants and Contributions	-	-	-
Interest	1,521	-	1,521
Other	2,931	-	2,931
Total Revenues	<u>350,318</u>	<u>-</u>	<u>350,318</u>
Expenditures			
Current:			
Administrative	115,233	-	115,233
General	130,212	1,239	131,451
Public Safety	57,447	-	57,447
Total Expenditures	<u>302,892</u>	<u>1,239</u>	<u>304,131</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>47,426</u>	<u>(1,239)</u>	<u>46,187</u>
Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>47,426</u>	<u>(1,239)</u>	<u>46,187</u>
Fund Balances - Beginning	77,750	-	77,750
Fund Balances - Ending	<u>\$ 125,176</u>	<u>\$ (1,239)</u>	<u>\$ 123,937</u>

The accompanying notes are an integral
part of the financial statements.

City of Council, Idaho
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of the Governmental Funds
 to the Statement of Activities
 For the Year Ended September 30, 2016

Total Net Change in Fund Balance - Governmental Funds \$ 46,187

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	\$ -	
Depreciation Expense	(70,792)	
Net	(70,792)	(70,792)

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (1,792)

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Change in long-term liabilities at year-end consist of:

Compensated Absences	(951)
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The City participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities. (713)

Change in Net Position of Governmental Activities	\$ (28,061)
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The accompanying notes are an integral
 part of the financial statements.

City of Council, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial Park	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 203,991	\$ 287,682	\$ 137,918	\$ 629,591
Receivables, Net	11,793	21,317	693	33,803
Total Current Assets	<u>215,784</u>	<u>308,999</u>	<u>138,611</u>	<u>663,394</u>
Noncurrent Assets:				
Capital Assets:				
Buildings (Net)	2,847	4,301	838,175	845,323
Equipment (Net)	8,743	-	-	8,743
Improvements (Net)	-	73,224	-	73,224
Total Noncurrent Assets	<u>11,590</u>	<u>77,525</u>	<u>838,175</u>	<u>927,290</u>
Total Assets	<u>227,374</u>	<u>386,524</u>	<u>976,786</u>	<u>1,590,684</u>
Deferred Outflows				
Pension Related Items	19,272	19,272	-	38,544
Total Deferred Outflows	<u>19,272</u>	<u>19,272</u>	<u>-</u>	<u>38,544</u>
Liabilities				
Current Liabilities:				
Salaries Payable	973	885	40	1,898
Accounts Payable	5,393	12,682	4,360	22,435
Deposits Payable	4,400	-	1,204	5,604
Compensated Absences	2,795	7,074	-	9,869
Bonds, Notes, and Loans Payable	-	15,000	-	15,000
Total Current Liabilities	<u>13,561</u>	<u>35,641</u>	<u>5,604</u>	<u>54,806</u>
Noncurrent Liabilities:				
Bonds, Notes, and Loans Payable	-	169,071	-	169,071
Net Pension Liability	34,780	34,780	-	69,560
Total Noncurrent Liabilities	<u>34,780</u>	<u>203,851</u>	<u>-</u>	<u>238,631</u>
Total Liabilities	<u>48,341</u>	<u>239,492</u>	<u>5,604</u>	<u>293,437</u>
Deferred Inflows				
Pension Related Items	11,375	11,375	-	22,750
Total Deferred Inflows	<u>11,375</u>	<u>11,375</u>	<u>-</u>	<u>22,750</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	11,590	(106,546)	838,175	743,219
Restricted	-	-	-	-
Unrestricted	175,340	261,475	133,007	569,822
Total Net Position	<u>\$ 186,930</u>	<u>\$ 154,929</u>	<u>\$ 971,182</u>	<u>\$ 1,313,041</u>

The accompanying notes are an integral
part of the financial statements.

City of Council, Idaho
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial Park	Total
Operating Revenues				
Charges for Services	\$ 178,639	\$ 238,191	\$ 53,300	\$ 470,130
Total Operating Revenues	<u>178,639</u>	<u>238,191</u>	<u>53,300</u>	<u>470,130</u>
Operating Expenses				
Wages	55,445	46,204	4,873	106,522
Employee Benefits	31,338	37,010	-	68,348
Advertising	-	-	-	-
Travel	714	136	-	850
Materials and Supplies	125,168	6,025	3,956	135,149
Repairs and Maintenance	2,448	11,687	5,099	19,234
Utilities	21,964	13,222	3,625	38,811
Legal and Professional	4,588	2,537	1,300	8,425
Depreciation	1,153	5,602	34,532	41,287
Miscellaneous	5,760	11,927	5,785	23,472
Total Operating Expenses	<u>248,578</u>	<u>134,350</u>	<u>59,170</u>	<u>442,098</u>
Operating Income (Loss)	<u>(69,939)</u>	<u>103,841</u>	<u>(5,870)</u>	<u>28,032</u>
Nonoperating Revenues (Expenses)				
Interest Expense	-	(3,839)	-	(3,839)
Grants	-	-	-	-
Gain (Loss) on Sale of Assets	-	-	-	-
Other	-	98	-	98
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(3,741)</u>	<u>-</u>	<u>(3,741)</u>
Change in Net Position	<u>(69,939)</u>	<u>100,100</u>	<u>(5,870)</u>	<u>24,291</u>
Total Net Position - Beginning	<u>256,869</u>	<u>54,829</u>	<u>977,052</u>	<u>1,288,750</u>
Total Net Position - Ending	<u>\$ 186,930</u>	<u>\$ 154,929</u>	<u>\$ 971,182</u>	<u>\$ 1,313,041</u>

The accompanying notes are an integral
part of the financial statements.

City of Council, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial Park	Total
Cash Flows From Operating Activities				
Cash Receipts from Customers	\$ 176,957	\$ 236,975	\$ 49,145	\$ 463,077
Payments to Suppliers for Goods or Services	(203,049)	(38,525)	(15,925)	(257,499)
Payments to Employees for Services	(88,797)	(78,684)	(4,916)	(172,397)
Net Cash Provided (Used) by Operating Activities	<u>(114,889)</u>	<u>119,766</u>	<u>28,304</u>	<u>33,181</u>
Cash Flows From Noncapital Financing Activities				
Other	-	98	-	98
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>98</u>	<u>-</u>	<u>98</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from Capital Grant	-	-	-	-
Principal Paid on Capital Debt	-	(18,010)	-	(18,010)
Interest Paid on Capital Debt	-	(3,839)	-	(3,839)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(21,849)</u>	<u>-</u>	<u>(21,849)</u>
Cash Flows From Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(114,889)	98,015	28,304	11,430
Cash and Cash Equivalents, Beginning	318,880	189,667	109,614	618,161
Cash and Cash Equivalents, Ending	<u>\$ 203,991</u>	<u>\$ 287,682</u>	<u>\$ 137,918</u>	<u>\$ 629,591</u>
Displayed As:				
Cash and Cash Equivalents	<u>\$ 203,991</u>	<u>\$ 287,682</u>	<u>\$ 137,918</u>	<u>\$ 629,591</u>

The accompanying notes are an integral part of the financial statements.

City of Council, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial Park	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (69,939)	\$ 103,841	\$ (5,870)	\$ 28,032
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,153	5,602	34,532	41,287
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(1,782)	(1,216)	(693)	(3,691)
(Increase) Decrease in Deferred Outflows	(9,061)	(9,061)	-	(18,122)
Increase (Decrease) in Salaries Payable	(4,304)	(25)	(43)	(4,372)
Increase (Decrease) in Accounts Payable	(42,407)	7,009	3,840	(31,558)
Increase (Decrease) in Deposits Payable	100	-	(3,462)	(3,362)
Increase (Decrease) in Compensated Absences	1,533	3,798	-	5,331
Increase (Decrease) in Net Pension Liability	12,691	12,691	-	25,382
Increase (Decrease) in Deferred Inflows	(2,873)	(2,873)	-	(5,746)
Net Cash Provided by Operating Activities	\$(114,889)	\$119,766	\$ 28,304	\$ 33,181

The accompanying notes are an integral
part of the financial statements.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the City of Council, Idaho (the City), which has responsibility and control over all activities related to water and sewer services and some elements of public safety within the City. The City receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other government reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the City's reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. 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 financial activities of the City. 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 in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of 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 expenses - expenses of the general government related to the administration and support of the City's programs, such as personnel and accounting (but not interest on long-term debt) - are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Program revenues include (a) charges paid 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 and state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds. 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 nonmajor funds.

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 City, except those required to be accounted for in another fund.
- *Special Grant fund.* This fund accounts for grants received and expenditures of those grants.

Proprietary fund operating revenues and expenses are related to providing water and sewer services to the residents and businesses of the City and providing services to other parts of the City government. Revenues and expenses that arise from capital and non-capital financing activities and from investing activities are presented as non-operating revenues or expenses.

The City reports the following major enterprise funds:

- *Water fund.* This fund accounts for the activities of the City's water supply system.
- *Sewer fund.* This fund accounts for the activities of the City's sewer system, pumping stations, sewage treatment plant, and collection systems.
- *Industrial Park fund.* This fund accounts for the activities related to the City's industrial park.

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, 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 liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The City uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable*. Prepaid expenditures that are permanently precluded from conversion to cash.
- *Unassigned*. Balances available for any purpose or fund deficits.

The remaining fund balance classifications (restricted, committed, and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the City Council, the City's highest level of decision making authority, through a formal action. The City Council would also have the authority to assign funds or authorize another official to do so.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the City's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

C. Assets and Liabilities

Cash Equivalents

The City requires all cash belonging to the City to be placed in custody of the Clerk. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All cash on hand, demand deposits and short-term investment with an original maturity of three months or less from the date of acquisition are considered to be cash and cash equivalents. See Note 4.

Property Tax Calendar

The City levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Receivables

All trade and property tax receivables are shown net of an allowance for doubtful accounts. As of September 30, 2016 there was no allowance for doubtful accounts.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are shown below:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$5,000	Straight-Line	10 – 40 Years
Equipment and Vehicles	\$5,000	Straight-Line	5 – 20 Years

General infrastructure assets acquired prior to October 1, 2003, are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Compensated Absences

The City uses the vesting method to compute compensated absences for unused vacation.

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.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of state revenue sharing (State of Idaho) of \$6,956.

3. PROPERTY TAXES

The City of Council receives tax revenue from Adams County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the City by the County as of September 30, 2016, are considered by the City as a receivable.

Taxes not collected within 60 days after September 30, 2016, are not considered available for use by the City and are recorded as deferred revenue in the fund financial statements.

4. CASH AND INVESTMENTS

Summary of Deposit and Investment Balances

The City maintains a cash pool for use by all funds.

Deposits

As of September 30, 2016, the carrying amount of the City's deposits was \$774,382 and the respective bank balances totaled \$774,382.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The City also keeps \$200 petty cash on hand. The City does not have a formal policy limiting its exposure to custodial credit risk.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

4. CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The City follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the City to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

As of September 30, 2016, the City’s only investments consisted of money market accounts held at FDIC insured banks and are included in the deposits total.

At year-end, cash was reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	\$ 144,791	\$ 629,591	\$ 774,382

5. PENSION PLAN

Plan Description

The City of Council, Idaho 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

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

5. PENSION PLAN (continued)

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.

Employee membership data related to the PERSI Base Plan, as of September 30, 2016 was as follows:

Retirees and beneficiaries currently receiving benefits	44,181
Terminated employees entitled to but not yet receiving benefits	12,251
Active plan members	<u>68,517</u>
	<u>124,949</u>

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 services (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 credit services is 2% of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

5. PENSION PLAN (continued)

by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees. 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 percent of covered payroll is set by the Retirement Board and was 11.32% for general employees of covered compensation. The City of Council, Idaho's contributions were \$17,570 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 of Council, Idaho 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 of Council, Idaho's proportion of the net pension liability was based on the City of Council, Idaho'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 of Council, Idaho's proportion was 0.0050463 percent.

For the year ended September 30, 2016, the City of Council, Idaho recognized pension expense/(revenue) of \$19,797. At September 30, 2016, the City of Council, Idaho 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	\$ -	\$ 10,193
Changes in assumptions or other inputs	2,274	-
Net difference between projected and actual earnings on pension plan investments	49,790	23,264
City of Council, Idaho's contributions subsequent to the measurement date	4,619	-
Total	\$ 56,683	\$ 33,457

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

5. PENSION PLAN (continued)

\$4,619 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 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 5.6 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:

For the Year Ended September 30:	PERSI
2017	\$ 4,723
2018	104
2019	11,868
2020	6,531

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 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 expense
Cost-of-living	1%

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

5. PENSION PLAN (continued)

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

1. Set back 3 years for teachers
2. No offset for male fire and police
3. Forward one year for female fire and police
4. 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.

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.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

5. PENSION PLAN (continued)

Capital Market Assumptions

<u>Asset Class</u>	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
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%	90.00%	0%	0% - 5%
<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fess and expenses

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

Discount Rate

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

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

5. PENSION PLAN (continued)

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

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

	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability (asset)	\$ 200,669	\$ 102,296	\$ 20,489

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.

6. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

7. RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) worker's compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

8. COMPENSATED ABSENCES

Vacation leave is granted to all regular City employees who have been employed by the City for more than one year. In the event of termination, an employee is reimbursed for accumulated vacation leave. A summary of the current year activity and year-end liability is as follows:

	<u>10/1/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2016</u>	<u>Current Portion</u>
Governmental Activities	\$ 4,616	\$ 1,344	\$ (393)	\$ 5,567	\$ 5,567
Business-type Activities	<u>4,538</u>	<u>640</u>	<u>4,691</u>	<u>9,869</u>	<u>9,869</u>
Total	<u>\$ 9,154</u>	<u>\$ 1,984</u>	<u>\$ 4,298</u>	<u>\$ 15,436</u>	<u>\$ 15,436</u>

9. LESSEE COMMITMENTS

The City leases a copy machine located at City Hall. The lease period is for five years and it is anticipated that the copier will be returned at the end of the lease period, which is June 2017. Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 4,824
2018	4,824
2019	4,824
2020	4,824
2021	<u>4,824</u>
	<u>\$ 24,120</u>

Lease expenditures for the year ended September 30, 2016, were \$5,012.

10. LESSOR COMMITMENTS

The City leases several buildings and office spaces to commercial businesses in the Council Business Park. The cost and related accumulated depreciation for those assets available for lease are as follows:

Buildings	\$ 1,381,301
Less: Accumulated Deprecation	<u>(543,126)</u>
	<u>\$ 838,175</u>

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

10. LESSOR COMMITMENTS (continued)

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 46,098
2018	34,608
2019	17,280
2020	18,360
2021	9,720
	<u>\$ 126,066</u>

11. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2016, was as follows:

	<u>Balance 10/1/2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 9/30/2016</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 490,845	\$ -	\$ -	\$ 490,845
Capital Assets Being Depreciated:				
Buildings and Improvements	2,400,880	-	-	2,400,880
Equipment	293,063	-	-	293,063
Total Historical Cost	2,693,943	-	-	2,693,943
Less: Accumulated Depreciation				
Buildings and Improvements	733,821	61,068	-	794,889
Equipment	265,129	9,724	-	274,853
Total Acc. Depr.	998,950	70,792	-	1,069,742
Net Depreciable Assets	1,694,993	(70,792)	-	1,624,201
Governmental Activities				
Capital Assets - Net	\$ 2,185,838	\$ (70,792)	\$ -	\$ 2,115,046

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

11. CAPITAL ASSETS (continued)

	Balance 10/1/2015	Additions	Disposals	Balance 9/30/2016
Business-type Activities:				
Capital Assets Being Depreciated:				
Buildings	\$ 1,529,986	\$ -	\$ -	\$ 1,529,986
Equipment	604,416	-	-	604,416
Improvements	2,055,683	-	-	2,055,683
Total Historical Cost	<u>4,190,085</u>	<u>-</u>	<u>-</u>	<u>4,190,085</u>
Less: Accumulated Depreciation				
Buildings	649,573	35,090	-	684,663
Equipment	434,078	986	-	435,064
Improvements	2,137,855	5,211	-	2,143,066
Total Acc. Depr.	<u>3,221,506</u>	<u>41,287</u>	<u>-</u>	<u>3,262,793</u>
Business-type Activities - Net	<u>\$ 968,579</u>	<u>\$ (41,287)</u>	<u>\$ -</u>	<u>\$ 927,292</u>

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

Governmental Activities:		
General		<u>\$ 70,792</u>
Business-type Activities:		
Water		\$ 1,153
Sewer		5,602
Industrial Park		<u>34,532</u>
		<u>\$ 41,287</u>

12. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended September 30, 2016, are as follows:

Description	Maturity	Rate	Required Reserve	10/1/2015	Increase	Decrease	9/30/2016	Current Portion
Business-type Activities:								
Bank of New York	2024	2 to 5%	N/A	\$ 175,000	\$ -	\$ (15,000)	\$ 160,000	\$ 15,000
				<u>175,000</u>	<u>-</u>	<u>(15,000)</u>	<u>160,000</u>	<u>15,000</u>
Unamort. Deferred Gain on Refunding				<u>27,081</u>	<u>-</u>	<u>(3,010)</u>	<u>24,071</u>	<u>-</u>
				<u>\$ 202,081</u>	<u>\$ -</u>	<u>\$ (18,010)</u>	<u>\$ 184,071</u>	<u>\$ 15,000</u>

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2016

12. LONG-TERM OBLIGATIONS (continued)

Debt service requirements as of September 30, 2016, are as follows:

Year Ending September 30,	<u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 15,000	\$ 6,250
2018	20,000	5,650
2019	20,000	5,250
2020	20,000	4,450
2021	20,000	3,650
2022-2024	65,000	6,350
	<u>\$ 160,000</u>	<u>\$ 31,600</u>

13. OTHER COMMITMENTS

The City has a credit card with a credit limit of \$7,500. As of September 30, 2016, \$753 of this credit was in use.

REQUIRED SUPPLEMENTARY INFORMATION

City of Council, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 172,468	\$ 172,468	\$ 196,834	\$ 24,366
Intergovernmental	109,399	109,399	103,300	(6,099)
Licenses, Permits, and Other	40,475	40,475	45,732	5,257
Grants and Contributions				
Other	-	-	4,452	4,452
Total Revenues	<u>322,342</u>	<u>322,342</u>	<u>350,318</u>	<u>27,976</u>
Expenditures				
Current:				
Administrative	115,892	115,892	115,233	659
General	143,150	143,150	130,212	12,938
Public Safety	63,300	63,300	57,447	5,853
Total Expenditures	<u>322,342</u>	<u>322,342</u>	<u>302,892</u>	<u>19,450</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>47,426</u>	<u>47,426</u>
Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>47,426</u>	<u>47,426</u>
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>77,750</u>	<u>77,750</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,176</u>	<u>\$ 125,176</u>

City of Council, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Special Grant Fund
 For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, Permits, and Other	-	-	-	-
Grants and Contributions	100,000	100,000	-	(100,000)
Other	-	-	-	-
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Expenditures				
Current:				
Administrative	-	-	-	-
General	100,000	100,000	1,239	98,761
Public Safety	-	-	-	-
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>1,239</u>	<u>98,761</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(1,239)</u>	<u>(1,239)</u>
Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	(1,239)	(1,239)
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,239)</u>	<u>\$ (1,239)</u>

City of Council, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2016

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to September 1, the City Clerk, Mayor, and City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- D. The City is authorized to transfer budgeted amounts between departments within any fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for enterprise funds may also be revised in the same manner as those situations involving federal and state grants.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund.

City of Council, Idaho
 Schedule of the City's Proportionate Share of the
 Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>
City proportion of the net pension liability (asset)	0.0050463%	0.0049337%
City's proportionate share of the net pension liability (asset)	\$ 102,296	\$ 64,969
City's covered-employee payroll	\$ 155,212	\$ 137,417
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.91%	47.28%
Plan fiduciary net position as a percentage of the total pension liability	82.26%	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 Council, Idaho will present information for those years for which information is available.

Data reported is measured as of July 01, 2016

City of Council, Idaho
Schedule of City Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2016	2015
Contractually required contributions	\$ 17,570	\$ 15,556
Contributions in relation to the contractually required contribution	17,570	15,556
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 155,212	\$ 137,417
Contributions as a percentage of covered-employee payroll	11.32%	11.32%

* 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 Council, Idaho will present information for those years for which information is available.

Data reported is measured as of September 30, 2016

SUPPLEMENTAL INFORMATION

City of Council, Idaho
Supplemental Schedule of Revenues by Source
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2016

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 172,468	\$ 196,834	\$ 24,366
Total Taxes	<u>172,468</u>	<u>196,834</u>	<u>24,366</u>
Intergovernmental			
State Liquor Apportionment	20,000	19,192	(808)
Highway Users	34,129	35,921	1,792
State Sales Tax	55,270	48,187	(7,083)
Total Intergovernmental	<u>109,399</u>	<u>103,300</u>	<u>(6,099)</u>
Licenses, Permits, and Other			
Beer, Wine, and Liquor Licenses	700	870	170
Dog Licenses and Fees	4,500	4,278	(222)
Building Permits	-	5,610	5,610
Airport Rental	2,944	3,369	425
Airport Fuel	8,000	8,180	180
Street Fines	8,000	5,225	(2,775)
Cable One Fees	1,700	1,871	171
Cell Tower Fees	5,931	5,931	-
Idaho Power Fees	7,500	8,758	1,258
Business Licenses	1,200	1,640	440
Total Licenses and Permits	<u>40,475</u>	<u>45,732</u>	<u>5,257</u>
Other			
Interest Earned	-	1,521	1,521
Other	-	2,931	2,931
Total Other	<u>-</u>	<u>4,452</u>	<u>4,452</u>
Total Revenue	<u>\$ 322,342</u>	<u>\$ 350,318</u>	<u>\$ 27,976</u>

City of Council, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Administrative			
Salaries	\$ 57,000	\$ 55,433	\$ 1,567
Employee Benefits	30,000	32,143	(2,143)
Mayor and Council	3,000	1,120	1,880
Tort Insurance	12,892	13,026	(134)
Professional Services	12,000	12,760	(760)
Materials and Supplies	1,000	751	249
Total Administrative	<u>115,892</u>	<u>115,233</u>	<u>659</u>
General			
Advertising	1,500	1,258	242
Airport	10,150	4,436	5,714
Bank Charges	1,000	731	269
Building Maintenance	7,200	4,133	3,067
Donations	3,000	1,600	1,400
Health and Sanitation	1,000	1,168	(168)
Miscellaneous	35,300	19,633	15,667
Planning and Zoning	1,000	5,322	(4,322)
Street Expenditures	64,500	80,926	(16,426)
Telephone	4,400	3,139	1,261
Supplies	3,000	2,113	887
Office Lease	1,100	1,218	(118)
Utilities	5,000	4,535	465
Capital Improvement	5,000	-	5,000
Total General	<u>143,150</u>	<u>130,212</u>	<u>12,938</u>
Public Safety			
Law Enforcement	57,250	57,250	-
Animal Control	6,050	197	5,853
Total Public Safety	<u>63,300</u>	<u>57,447</u>	<u>5,853</u>
Total Expenditures	<u>\$ 322,342</u>	<u>\$ 302,892</u>	<u>\$ 19,450</u>

FEDERAL REPORTS



Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor
and City Council
Council, 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 Council, 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 Council, Idaho's basic financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Council, 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 Council, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Council, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Council, 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 Standard*.

Purpose of this Report

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

Millington Zwyzart CPAs, PLLC

Caldwell, Idaho
December 8, 2016