

CITY OF COUNCIL, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2017

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Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

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, and each major fund of the City of Council, Idaho (the City), as of and for the year ended September 30, 2017, 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, and each major fund of the City of Council, Idaho, as of September 30, 2017, 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 30 through 34 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 11, 2017, 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 11, 2017

City of Council, Idaho
Statement of Net Position
September 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 144,195	\$ 738,108	\$ 882,303
Property Taxes Receivable (Net)	19,768	-	19,768
Accounts Receivable (Net)	16,368	38,833	55,201
Prepaid Expenses	13,921	5,738	19,659
Due From Other Governments	7,531	-	7,531
Capital Assets:			
Land and Nondepreciable Infrastructure	490,845	-	490,845
Buildings and Improvements, Net	1,544,920	878,247	2,423,167
Equipment, Net	16,956	17,093	34,049
Total Capital Assets	<u>2,052,721</u>	<u>895,340</u>	<u>2,948,061</u>
Total Assets	<u>2,254,504</u>	<u>1,683,757</u>	<u>3,938,261</u>
Deferred Outflows			
Pension Related Items	5,667	12,044	17,711
Total Deferred Outflows	<u>5,667</u>	<u>12,044</u>	<u>17,711</u>
Liabilities			
Current Liabilities:			
Accounts Payable and Other Current Liabilities	8,936	16,874	25,810
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	5,403	8,586	13,989
Note Payable	-	20,000	20,000
Portion Due or Payable After One Year:			
Note Payable	-	146,061	146,061
Net Pension Liability	26,106	55,472	81,578
Total Liabilities	<u>40,445</u>	<u>246,993</u>	<u>287,438</u>
Deferred Inflows			
Pension Related Items	3,916	8,320	12,236
Total Deferred Inflows	<u>3,916</u>	<u>8,320</u>	<u>12,236</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	2,052,721	729,279	2,782,000
Restricted	-	-	-
Unrestricted (Deficit) Surplus	163,089	711,209	874,298
Total Net Position	<u>\$ 2,215,810</u>	<u>\$ 1,440,488</u>	<u>\$ 3,656,298</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, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contribution	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
Administrative	\$ 122,739	\$ -	\$ 33,830	\$ -	\$ (88,909)	\$ -	\$ (88,909)
General	301,112	47,249	-	31,200	(222,663)	-	(222,663)
Public Safety	57,333	-	-	-	(57,333)	-	(57,333)
Total Governmental Activities	<u>481,184</u>	<u>47,249</u>	<u>33,830</u>	<u>31,200</u>	<u>(368,905)</u>	<u>-</u>	<u>(368,905)</u>
Business-type Activities:							
Water	132,746	178,468	-	-	-	45,722	45,722
Sewer	135,489	215,689	-	-	-	80,200	80,200
Industrial Park	50,296	51,821	-	-	-	1,525	1,525
Total Business-type Activities	<u>318,531</u>	<u>445,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,447</u>	<u>127,447</u>
Total Primary Government	<u>\$ 799,715</u>	<u>\$ 493,227</u>	<u>\$ 33,830</u>	<u>\$ 31,200</u>	<u>(368,905)</u>	<u>127,447</u>	<u>(241,458)</u>
General Revenues:							
Property Taxes					178,464	-	178,464
State Sources					116,122	-	116,122
Other					55,081	-	55,081
Unrestricted Investment Earnings					1,688	-	1,688
Disposal of Assets					-	-	-
Total General Revenues and Special Items					<u>351,355</u>	<u>-</u>	<u>351,355</u>
Change in Net Assets					(17,550)	127,447	109,897
Net Position, Beginning of Year					<u>2,233,360</u>	<u>1,313,041</u>	<u>3,546,401</u>
Net Position, End of Year					<u>\$ 2,215,810</u>	<u>\$ 1,440,488</u>	<u>\$ 3,656,298</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, 2017

	General	Special Grant Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 114,195	\$ 30,000	\$ 144,195
Property Taxes Receivable (Net)	19,768	-	19,768
Accounts Receivable	16,368	-	16,368
Prepaid Items	13,921	-	13,921
Due From Other Governments	7,531	-	7,531
Total Assets	<u>\$ 171,783</u>	<u>\$ 30,000</u>	<u>\$ 201,783</u>
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts Payable	\$ 8,936	\$ -	\$ 8,936
Total Liabilities	<u>8,936</u>	<u>-</u>	<u>8,936</u>
Deferred Inflows			
Unearned Revenue - Property Tax	18,760	-	18,760
Total Deferred Inflows	<u>18,760</u>	<u>-</u>	<u>18,760</u>
Fund Balances:			
Nonspendable:			
Prepaid Items	13,921	-	13,921
Unassigned	130,166	30,000	160,166
Total Fund Balances	<u>144,087</u>	<u>30,000</u>	<u>174,087</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 171,783</u>	<u>\$ 30,000</u>	<u>\$ 201,783</u>

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, 2017

Total Fund Balances - Governmental Funds \$ 174,087

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 \$855,960 accumulated depreciation	1,544,920	
Equipment, net of \$278,369 accumulated depreciation	<u>16,956</u>	
		2,052,721

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. 18,760

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 (5,403)

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	\$ (26,106)	
Pension Related Deferred Inflows	(3,916)	
Pension Related Deferred Outflows	<u>5,667</u>	
		<u>(24,355)</u>

Net Position of Governmental Activities \$ 2,215,810

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, 2017

	General	Special Grant Fund	Total Governmental Funds
Revenues			
Property Taxes	\$ 184,952	\$ -	\$ 184,952
Intergovernmental	116,122	-	116,122
Licenses, Permits, and Other	47,249	-	47,249
Grants and Contributions	31,200	33,830	65,030
Interest	1,688	-	1,688
Other	55,081	-	55,081
Total Revenues	<u>436,292</u>	<u>33,830</u>	<u>470,122</u>
Expenditures			
Current:			
Administrative	121,260	2,591	123,851
General	238,787	-	238,787
Public Safety	57,333	-	57,333
Total Expenditures	<u>417,380</u>	<u>2,591</u>	<u>419,971</u>
Net Change in Fund Balance	18,912	31,239	50,151
Fund Balances - Beginning	125,175	(1,239)	123,936
Fund Balances - Ending	<u>\$ 144,087</u>	<u>\$ 30,000</u>	<u>\$ 174,087</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, 2017

Total Net Change in Fund Balance - Governmental Funds \$ 50,151

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	\$ 7,262	
Depreciation Expense	<u>(69,587)</u>	
Net		(62,325)

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. (6,488)

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	164
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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. 948

Change in Net Position of Governmental Activities	<u><u>\$ (17,550)</u></u>
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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, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 238,649	\$ 339,479	\$ 165,718	\$ 743,846
Receivables, Net	16,490	19,677	2,666	38,833
Prepaid Expenses	1,257	4,307	174	5,738
Total Current Assets	<u>256,396</u>	<u>363,463</u>	<u>168,558</u>	<u>788,417</u>
Noncurrent Assets:				
Capital Assets:				
Buildings and Improvements, Net	2,679	71,923	803,645	878,247
Equipment (Net)	10,869	3,112	3,112	17,093
Total Noncurrent Assets	<u>13,548</u>	<u>75,035</u>	<u>806,757</u>	<u>895,340</u>
Total Assets	<u>269,944</u>	<u>438,498</u>	<u>975,315</u>	<u>1,683,757</u>
Deferred Outflows				
Pension Related Items	6,022	6,022	-	12,044
Total Deferred Outflows	<u>6,022</u>	<u>6,022</u>	<u>-</u>	<u>12,044</u>
Liabilities				
Current Liabilities:				
Accounts Payable	3,770	5,396	1,404	10,570
Deposits Payable	5,100	-	1,204	6,304
Compensated Absences	2,548	6,038	-	8,586
Bonds, Notes, and Loans Payable	-	20,000	-	20,000
Total Current Liabilities	<u>11,418</u>	<u>31,434</u>	<u>2,608</u>	<u>45,460</u>
Noncurrent Liabilities:				
Bonds, Notes, and Loans Payable	-	146,061	-	146,061
Net Pension Liability	27,736	27,736	-	55,472
Total Noncurrent Liabilities	<u>27,736</u>	<u>173,797</u>	<u>-</u>	<u>201,533</u>
Total Liabilities	<u>39,154</u>	<u>205,231</u>	<u>2,608</u>	<u>246,993</u>
Deferred Inflows				
Pension Related Items	4,160	4,160	-	8,320
Total Deferred Inflows	<u>4,160</u>	<u>4,160</u>	<u>-</u>	<u>8,320</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	13,548	(91,026)	806,757	729,279
Restricted	-	-	-	-
Unrestricted	219,104	326,155	165,950	711,209
Total Net Position	<u>\$ 232,652</u>	<u>\$ 235,129</u>	<u>\$ 972,707</u>	<u>\$ 1,440,488</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, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial Park	Total
Operating Revenues				
Charges for Services	\$ 178,468	\$ 215,689	\$ 51,821	\$ 445,978
Total Operating Revenues	<u>178,468</u>	<u>215,689</u>	<u>51,821</u>	<u>445,978</u>
Operating Expenses				
Wages	42,331	48,583	4,119	95,033
Employee Benefits	32,179	35,333	3,465	70,977
Advertising	40	-	-	40
Materials and Supplies	6,506	6,633	2,775	15,914
Repairs and Maintenance	17,127	9,332	674	27,133
Utilities	24,519	11,961	1,047	37,527
Legal and Professional	1,824	2,179	1,325	5,328
Depreciation	1,673	6,121	35,049	42,843
Miscellaneous	6,547	12,112	1,842	20,501
Total Operating Expenses	<u>132,746</u>	<u>132,254</u>	<u>50,296</u>	<u>315,296</u>
Operating Income (Loss)	<u>45,722</u>	<u>83,435</u>	<u>1,525</u>	<u>130,682</u>
Nonoperating Revenues (Expenses)				
Interest Expense	-	(3,235)	-	(3,235)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(3,235)</u>	<u>-</u>	<u>(3,235)</u>
Change in Net Position	45,722	80,200	1,525	127,447
Total Net Position - Beginning	<u>186,930</u>	<u>154,929</u>	<u>971,182</u>	<u>1,313,041</u>
Total Net Position - Ending	<u>\$ 232,652</u>	<u>\$ 235,129</u>	<u>\$ 972,707</u>	<u>\$1,440,488</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, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial	Total
Cash Flows From Operating Activities				
Cash Receipts from Customers	\$ 174,471	\$ 217,329	\$ 49,848	\$ 441,648
Payments to Suppliers for Goods or Services	(55,812)	(53,810)	(10,793)	(120,415)
Payments to Employees for Services	(80,370)	(86,846)	(7,624)	(174,840)
Net Cash Provided (Used) by Operating Activities	<u>38,289</u>	<u>76,673</u>	<u>31,431</u>	<u>146,393</u>
Cash Flows From Noncapital Financing Activities				
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from Capital Grant	(3,631)	(3,631)	(3,631)	(10,893)
Principal Paid on Capital Debt	-	(18,010)	-	(18,010)
Interest Paid on Capital Debt	-	(3,235)	-	(3,235)
Net Cash Used by Capital and Related Financing Activities	<u>(3,631)</u>	<u>(24,876)</u>	<u>(3,631)</u>	<u>(32,138)</u>
Cash Flows From Investing Activities	-	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	34,658	51,797	27,800	114,255
Cash and Cash Equivalents, Beginning	203,991	287,682	137,918	629,591
Cash and Cash Equivalents, Ending	<u>\$ 238,649</u>	<u>\$ 339,479</u>	<u>\$ 165,718</u>	<u>\$ 743,846</u>
Displayed As:				
Cash and Cash Equivalents	<u>\$ 238,649</u>	<u>\$ 339,479</u>	<u>\$ 165,718</u>	<u>\$ 743,846</u>
Internal Balances				

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, 2017

	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)	\$ 45,722	\$ 83,435	\$ 1,525	\$ 130,682
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,673	6,121	35,049	42,843
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(4,697)	1,640	(1,973)	(5,030)
(Increase) Decrease in Prepaid Expenses	(1,257)	(4,307)	(174)	(5,738)
(Increase) Decrease in Deferred Outflows	13,250	13,250	-	26,500
Increase (Decrease) in Salaries Payable	(4,604)	(885)	(40)	(5,529)
Increase (Decrease) in Accounts Payable	2,008	(7,286)	(2,956)	(8,234)
Increase (Decrease) in Deposits Payable	700	-	-	700
Increase (Decrease) in Compensated Absences	(247)	(1,036)	-	(1,283)
Increase (Decrease) in Net Pension Liability	(7,044)	(7,044)	-	(14,088)
Increase (Decrease) in Deferred Inflows	(7,215)	(7,215)	-	(14,430)
Net Cash Provided by Operating Activities	\$ 38,289	\$ 76,673	\$ 31,431	\$ 146,393

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017 there was no allowance for doubtful accounts.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

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, 2017

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 \$7,531.

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, 2017, are considered by the City as a receivable.

Taxes not collected within 60 days after September 30, 2017, 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, 2017, the carrying amount of the City's deposits was \$887,841 and the respective bank balances totaled \$889,641. The entire bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the City.

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. As of September 30, 2017, all of the City's deposits were covered by the federal depository insurance or by collateral held by the District's agent

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

4. CASH AND INVESTMENTS (continued)

or pledging financial institution's trust department or agent in the name of the City, and thus were not exposed to custodial credit risk. The City also keeps \$200 petty cash on hand. The City does not have a formal policy limiting its exposure to custodial credit risk.

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, 2017, 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	\$ 144,195	\$ 743,846	\$888,041

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

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 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.

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% (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 and earnings from investments. 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) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

5. PENSION PLAN (continued)

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

Council, Idaho's contributions were \$18,531 the year ended September 30, 2017.

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

At September 30, 2017, the City 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City 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, 2017, the City of Council, Idaho's proportion was 0.0051901 percent.

For the year ended September 30, 2017, the City of Council, Idaho recognized pension expense/(revenue) of \$15,565. At September 30, 2017, 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	\$ 11,301	\$ 7,350
Changes in assumptions or other inputs	1,509	-
Net difference between projected and actual earnings on pension plan investments	-	4,888
City of Council, Idaho's contributions subsequent to the measurement date	4,902	-
Total	\$ 17,712	\$ 12,238

\$4,902 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, 2017.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

5. PENSION PLAN (continued)

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
2018	\$ 467
2019	7,664
2020	2,175
2021	(4,832)

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expense
Cost-of-living	1%

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

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

5. PENSION PLAN (continued)

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, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

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 fees 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><u>7.10%</u></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, 2017

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)	\$ 189,607	\$ 81,579	\$ (8,195)

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, 2017

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>9/30/2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2017</u>	<u>Current Portion</u>
Governmental Activities	\$ 5,567	\$ 1,472	\$ (1,636)	\$ 5,403	\$ 5,403
Business-type Activities	<u>9,869</u>	<u>680</u>	<u>\$ (1,963)</u>	<u>8,586</u>	<u>8,586</u>
Total	<u>\$ 15,436</u>	<u>\$ 2,152</u>	<u>\$ (3,599)</u>	<u>\$ 13,989</u>	<u>\$ 13,989</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>
2018	\$ 4,824
2019	4,824
2020	4,824
2021	<u>4,824</u>
	<u>\$ 19,296</u>

Lease expenditures for the year ended September 30, 2017, were \$4,954.

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, 2017

10. LESSOR COMMITMENTS (continued)

Future minimum lease payments are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 34,608
2019	17,280
2020	18,360
2021	<u>9,720</u>
	<u>\$ 79,968</u>

11. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2017, was as follows:

	<u>Balance 9/30/2016</u>	<u>Adjustment</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 9/30/2017</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	<u>293,063</u>	-	<u>7,262</u>	<u>(5,000)</u>	<u>295,325</u>
Total Historical Cost	<u>2,693,943</u>	-	<u>7,262</u>	<u>(5,000)</u>	<u>2,696,205</u>
Less: Accumulated Depreciation					
Buildings and Improvements	794,889	-	61,071	-	855,960
Equipment	<u>274,853</u>	-	<u>8,516</u>	<u>(5,000)</u>	<u>278,369</u>
Total Acc. Depr.	<u>1,069,742</u>	-	<u>69,587</u>	<u>(5,000)</u>	<u>1,134,329</u>
Net Depreciable Assets	<u>1,624,201</u>	-	<u>(62,325)</u>	-	<u>1,561,876</u>
Governmental Activities					
Capital Assets - Net	<u>\$ 2,115,046</u>	<u>\$ -</u>	<u>\$ (62,325)</u>	<u>\$ -</u>	<u>\$ 2,052,721</u>

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

11. CAPITAL ASSETS (continued)

	Balance 9/30/2016	Adjustment	Additions	Disposals	Balance 9/30/2017
Business-type Activities:					
Capital Assets Being Depreciated:					
Buildings and Improvements	\$ 3,585,669	\$ 160,609	\$ -	\$ -	\$ 3,746,278
Equipment	<u>604,416</u>	<u>(160,609)</u>	<u>10,893</u>	<u>-</u>	<u>454,700</u>
Total Historical Cost	<u>4,190,085</u>	<u>-</u>	<u>10,893</u>	<u>-</u>	<u>4,200,978</u>
Less: Accumulated Depreciation					
Buildings and Improvements	2,827,729	-	40,300	-	2,868,029
Equipment	<u>435,064</u>	<u>-</u>	<u>2,543</u>	<u>-</u>	<u>437,607</u>
Total Acc. Depr.	<u>3,262,793</u>	<u>-</u>	<u>42,843</u>	<u>-</u>	<u>3,305,636</u>
Business-type Activities - Net	<u>\$ 927,292</u>	<u>\$ -</u>	<u>\$ (31,950)</u>	<u>\$ -</u>	<u>\$ 895,342</u>

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

Governmental Activities:		
General		<u>\$ 69,587</u>
Business-type Activities:		
Water		\$ 1,673
Sewer		6,121
Industrial Park		<u>35,049</u>
		<u>\$ 42,843</u>

12. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended September 30, 2017, are as follows:

Description	Maturity	Rate	Required Reserve	9/30/16	Increase	Decrease	9/30/17	Current Portion
Business-type Activities:								
Bank of New York	2024	2 to 5%	N/A	\$ 160,000	\$ -	\$ (15,000)	\$ 145,000	\$ 20,000
				<u>160,000</u>	<u>-</u>	<u>(15,000)</u>	<u>145,000</u>	<u>20,000</u>
Unamort. Deferred Gain on Refunding				<u>24,071</u>	<u>-</u>	<u>(3,010)</u>	<u>21,061</u>	<u>-</u>
				<u>\$ 184,071</u>	<u>\$ -</u>	<u>\$ (18,010)</u>	<u>\$ 166,061</u>	<u>\$ 20,000</u>

City of Council, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

12. LONG-TERM OBLIGATIONS (continued)

Debt service requirements as of September 30, 2017, are as follows:

Year Ending September 30,	Business-type Activities:	
	Bonds and Notes	
	Principal	Interest
2018	\$ 20,000	\$ 5,650
2019	20,000	5,250
2020	20,000	4,450
2021	20,000	3,650
2022	20,000	2,850
2023-2024	45,000	3,500
	\$ 145,000	\$ 25,350

There was \$3,235 of interest expense in the year ended September 30, 2017. No interest was capitalized during the period.

13. OTHER COMMITMENTS

The City has a credit card with a credit limit of \$7,500. As of September 30, 2017, \$647 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 172,570	\$ 172,570	\$ 184,952	\$ 12,382
Intergovernmental	112,775	112,775	116,122	3,347
Licenses, Permits, and Other	37,475	37,475	47,249	9,774
Grants and Contributions	-	-	31,200	31,200
Other	1,800	1,800	56,769	54,969
Total Revenues	<u>324,620</u>	<u>324,620</u>	<u>436,292</u>	<u>111,672</u>
Expenditures				
Current:				
Administrative	117,570	117,570	121,260	(3,690)
General	143,900	143,900	238,787	(94,887)
Public Safety	63,150	63,150	57,333	5,817
Total Expenditures	<u>324,620</u>	<u>324,620</u>	<u>417,380</u>	<u>(92,760)</u>
Net Change in Fund Balance	-	-	18,912	18,912
Fund Balances - Beginning	-	-	125,175	125,175
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,087</u>	<u>\$ 144,087</u>

City of Council, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Special Grant Fund
 For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Grants and Contributions	\$ 100,000	\$ 100,000	\$ 33,830	\$ (66,170)
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>33,830</u>	<u>(66,170)</u>
Expenditures				
Current:				
Administrative	100,000	100,000	2,591	97,409
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>2,591</u>	<u>97,409</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>31,239</u>	<u>31,239</u>
Net Change in Fund Balance	-	-	31,239	31,239
Fund Balances - Beginning	-	-	(1,239)	(1,239)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>

City of Council, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2017

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.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The City had expenditures in excess of appropriations in the General fund in the amount of \$92,760.

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>2017</u>	<u>2016</u>	<u>2015</u>
City proportion of the net pension liability (asset)	0.0051901%	0.0050463%	0.0049337%
City's proportionate share of the net pension liability (asset)	\$ 81,579	\$ 102,296	\$ 64,969
City's covered-employee payroll	\$ 163,702	\$ 155,212	\$ 137,417
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.83%	65.91%	47.28%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	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 June 30, 2017

City of Council, Idaho
Schedule of City Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 18,531	\$ 17,570	\$ 15,556
Contributions in relation to the contractually required contribution	<u>18,531</u>	<u>17,570</u>	<u>15,556</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 163,702	\$ 155,212	\$ 137,417
Contributions as a percentage of covered-employee payroll	11.32%	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, 2017

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, 2017

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 172,570	\$ 184,952	\$ 12,382
Total Taxes	<u>172,570</u>	<u>184,952</u>	<u>12,382</u>
Intergovernmental			
State Liquor Apportionment	20,000	20,276	276
Highway Users	35,754	37,556	1,802
State Sales Tax	57,021	58,290	1,269
Total Intergovernmental	<u>112,775</u>	<u>116,122</u>	<u>3,347</u>
Licenses, Permits, and Other			
Beer, Wine, and Liquor Licenses	800	870	70
Dog Licenses and Fees	4,000	5,095	1,095
Building Permits	-	3,983	3,983
Airport Rental	2,944	2,894	(50)
Airport Fuel	7,000	11,684	4,684
Street Fines	6,000	3,045	(2,955)
Cable One Fees	1,700	670	(1,030)
Cell Tower Fees	5,931	5,931	-
Idaho Power Fees	7,500	11,487	3,987
Business Licenses	1,600	1,590	(10)
Total Licenses and Permits	<u>37,475</u>	<u>47,249</u>	<u>9,774</u>
Grants and Contributions			
Grant Revenue	-	31,200	31,200
Total Grants and Contributions	<u>-</u>	<u>31,200</u>	<u>31,200</u>
Other			
Interest Earned	1,800	1,688	(112)
Other	-	55,081	55,081
Total Other	<u>1,800</u>	<u>56,769</u>	<u>54,969</u>
Total Revenue	<u>\$ 324,620</u>	<u>\$ 436,292</u>	<u>\$ 111,672</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Administrative			
Salaries	\$ 53,000	\$ 51,042	\$ 1,958
Employee Benefits	34,000	35,457	(1,457)
Mayor and Council	3,000	2,235	765
Tort Insurance	13,570	13,231	339
Professional Services	14,000	19,295	(5,295)
Total Administrative	<u>117,570</u>	<u>121,260</u>	<u>(3,690)</u>
General			
Advertising	3,000	1,957	1,043
Airport	10,100	13,649	(3,549)
Bank Charges	2,000	365	1,635
Building Maintenance	7,000	41,052	(34,052)
Donations	3,000	1,998	1,002
Health and Sanitation	1,000	1,311	(311)
Miscellaneous	17,850	16,777	1,073
Planning and Zoning	2,500	1,310	1,190
Street Expenditures	82,500	116,888	(34,388)
Telephone	4,200	3,376	824
Supplies	4,150	2,018	2,132
Office Lease	1,100	1,313	(213)
Utilities	5,500	4,506	994
Capital Improvement	-	32,267	(32,267)
Total General	<u>143,900</u>	<u>238,787</u>	<u>(94,887)</u>
Public Safety			
Law Enforcement	57,250	54,250	3,000
Animal Control	5,900	3,083	2,817
Total Public Safety	<u>63,150</u>	<u>57,333</u>	<u>5,817</u>
Total Expenditures	<u>\$ 324,620</u>	<u>\$ 417,380</u>	<u>\$ (92,760)</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, and each major fund of the City of Council, Idaho, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Council, Idaho's basic financial statements, and have issued our report thereon dated December 11, 2017.

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 11, 2017