



Financial Statements
September 30, 2018
City of McCall, Idaho

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Independent Auditor's Report

Members of the City Council
City of McCall, Idaho
McCall, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho (the City) as of and for the year ended September 30, 2018, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer's share of net pension liability – PERSI, and schedule of employer contributions, as listed in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is 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 a report dated March 14, 2019, on our consideration of the City of McCall, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
March 14, 2019

As management of the City of McCall, Idaho (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of McCall for the fiscal year ended September 30, 2018. Please use this information in conjunction with the information furnished in the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of McCall exceeded its liabilities at September 30, 2018 by \$68,269,413 in comparison to \$61,913,529 at September 30, 2017. Of this amount \$12,360,391 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.
- During fiscal year 2018 the City's total Net Position increased \$6,355,884. Net Position of the governmental activities increased \$5,904,270 and Net Position of business-type activities increased \$451,614. Net Position of the governmental activities increased primarily due to acquiring land with a grant from the Federal Aviation Administration. The grant covered 100 percent of the cost of acquisition. The land is needed to relocate the east parallel taxiway at the McCall Airport. Business-type activities increased due to an increase in development activity resulting in increased water connections within the Water Fund and an increase in the transfer amount from the general fund into the Golf Fund for needed capital improvements.
- Fund balance of governmental funds at September 30, 2018 totaled \$12,562,660. Of this amount, \$183,575 is nonspendable: 1) \$75,813 for inventory, 2) \$22,762 prepaid expenses, and 3) \$85,000 for long-term note receivable. The restricted portion of fund balance in the governmental funds totals \$2,430,922: 1) \$2,037,383 Franchise Fees for undergrounding utilities, 2) \$287,947 Tourism Local Option Taxes carried forward to Fiscal Year 2018, 3) \$39,849 Highway User State Shared Revenue, and 4) \$65,743 Private Contributions for the Library Expansion Project. The assigned portion of fund balance in the governmental funds is \$5,811,460 which represents the remaining fund balance of the special revenue funds: 1) \$1,218,324 Streets / Public Works, 2) \$824,383 Airport, 3) \$508,330 Library, 4) \$499,537 Recreation, 5) \$71,342 Capital Projects, and 6) \$2,689,544 Streets Local Option Taxes. The Unassigned portion of fund balance of \$4,136,703 represents the remaining fund balance of the General Fund.
- The City has \$2,025,558 in long-term debt; a drinking water note payable to the Idaho Department of Environmental Quality.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of McCall's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

These statements are designed to provide readers with a broad overview of the City of McCall's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

There are two government-wide statements:

Statement of Net Position

Reports all of the City's assets and liabilities with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities

Reports how the City's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of McCall include City administration, community planning and development, public safety, parks and recreation, library, airport, public works and streets, and local option tax. The business-type activities of the City include the golf course, water system, and wastewater system. However, as of August 2017 the City wastewater system was annexed into the Payette Lakes Recreational Water Sewer District by voter approval at the May 2017 election.

The government-wide financial statements include not only the City of McCall itself (known as the primary government), but also two legally separate entities. An urban renewal agency and a library foundation are component units of the City. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

The Fund financial statements provide information about the City's major funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds may be required by law or may be established by the City Council. All of the funds of the City of McCall can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the general, airport, street / public works, recreation, library, and local option tax fund. These are considered major funds. Data from the other non-major fund (capital projects) is also included.

Proprietary Funds

The City of McCall only has one type of propriety fund, the enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in the Proprietary Funds Statement of Net Position and the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position for the golf, water, and sewer funds, which are considered major funds.

Notes to the Financial Statements

The notes provide additional information that is necessary to fully understand the data presented in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required and non-required supplementary information. Budget to actual comparisons are presented as required supplementary information for the General Fund, the Street / Public Works Fund, the Airport Fund, the Recreation Fund, the Library Fund, and the Local Option Tax Fund.

Two additional schedules are included as required supplementary information. The Schedule of Employer's Share of Net Pension Liability – PERSI and the Schedule of Employer Contributions are included as required by Governmental Accounting Standards Board (GASB) No. 68.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net Position measures the difference between assets and deferred outflows of resources (what the City owns) and liabilities and deferred inflows of resources (what the City owes). The City's combined assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$68,269,413 in 2018. The largest portion of the City's Net Position, 65%, is invested in capital assets, net of related debt. Capital assets include land, buildings, equipment, machinery, and infrastructure. Unrestricted Net Position equals 15% of total Net Position.

The condensed Statements of Net Position for the years ended September 30, 2018 and 2017 are presented in the table below.

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Current and Other Assets	\$ 22,114,353	\$ 18,379,127	\$ 4,651,670	\$ 4,793,192	\$ 26,766,023	\$ 23,172,319
Capital Assets	35,097,950	30,966,506	20,030,280	20,494,699	55,128,230	51,461,205
Total Assets	57,212,303	49,345,633	24,681,950	25,287,891	81,894,253	74,633,524
Deferred Outflows of Resources	284,826	289,500	104,319	119,181	389,145	408,681
Total Assets and Deferred Outflows of Resources	57,497,129	49,635,133	24,786,269	25,407,072	82,283,398	75,042,205
Current Liabilities	23,965,865	689,875	576,128	1,309,848	24,541,993	1,999,723
Long-term Liabilities	1,468,191	1,625,095	2,076,178	2,421,494	3,544,369	4,046,589
Total Liabilities	25,434,056	2,314,970	2,652,306	3,731,342	28,086,362	6,046,312
Deferred Inflows of Resources	7,370,437	6,962,797	126,186	119,567	7,496,623	7,082,364
Total Liabilities and Deferred Inflows of Resources	32,804,493	9,277,767	2,778,492	3,850,909	35,582,985	13,128,676
Net Position						
Net investment in Capital Assets	\$ 35,097,950	\$ 30,966,506	\$ 18,380,150	\$ 18,059,067	\$ 53,478,100	\$ 49,025,573
Restricted	2,430,922	1,916,430	-	-	2,430,922	1,916,430
Unrestricted	8,732,764	7,474,430	3,627,627	3,497,096	12,360,391	10,971,526
Total Net Position	46,261,636	40,357,366	22,007,777	21,556,163	68,269,413	61,913,529
	\$ 79,066,129	\$ 49,635,133	\$ 24,786,269	\$ 25,407,072	\$ 103,852,398	\$ 75,042,205

Changes in Net Position

The following condensed financial information as presented in the table below was derived from the government-wide Statements of Activities for years ended September 30, 2018 and 2017. During the year the City's financial position increased by \$6,355,884.

	Primary Government					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Revenues						
Program Revenues						
Charges for services	\$ 1,159,692	\$ 1,000,198	\$ 3,314,184	\$ 5,081,356	\$ 4,473,876	\$ 6,081,554
Operating grants and contributions	323,068	381,101	-	-	323,068	381,101
Capital grants and contributions	3,254,380	514,172	19,392	147,494	3,273,772	661,666
General revenue:						
Property taxes	5,610,282	5,326,639	-	-	5,610,282	5,326,639
Franchise fees	320,387	316,968	-	-	320,387	316,968
Sales tax and other governmental	3,174,818	2,816,528	-	88,000	3,174,818	2,904,528
Unrestricted investment earnings	158,708	77,492	58,116	44,117	216,824	121,609
Other revenue	82,984	113,600	22,674	11,707	105,658	125,307
Loss on Transfer of Sewer Fund	-	-	-	(13,474,038)	-	(13,474,038)
Total Revenues	14,084,319	10,546,698	3,414,366	(8,101,364)	17,498,685	2,445,334
Expenses						
General Government						
Executive & Legislative	195,208	170,245	-	-	195,208	170,245
Administration	904,808	916,281	-	-	904,808	916,281
Public Safety	1,492,233	1,434,824	-	-	1,492,233	1,434,824
Parks	185,142	267,780	-	-	185,142	267,780
Recreation	1,028,477	806,122	-	-	1,028,477	806,122
Community Services	719,444	792,397	-	-	719,444	792,397
Library	435,645	421,308	-	-	435,645	421,308
Airport	515,793	523,048	-	-	515,793	523,048
Local Option Tax	270,428	205,585	-	-	270,428	205,585
Streets/Public Works	2,206,429	2,072,732	-	-	2,206,429	2,072,732
Enterprise - Golf, Water, Sewer	-	-	3,232,418	5,237,445	3,232,418	5,237,445
Total Expenses	7,953,607	7,610,322	3,232,418	5,237,445	11,186,025	12,847,767
Excess (deficiency) of revenues over expenditures before transfers	6,130,712	2,936,376	181,948	(13,338,809)	6,312,660	(10,402,433)
Transfers - internal activities	(226,442)	(97,229)	269,666	97,229	43,224	-
Change in Net Position	5,904,270	2,839,147	451,614	(13,241,580)	6,355,884	(10,402,433)
Net Position, Beginning of Year	40,357,366	37,518,219	21,556,163	34,797,743	61,913,529	72,315,962
Net Position, End of Year	\$ 46,261,636	\$ 40,357,366	\$ 22,007,777	\$ 21,556,163	\$ 68,269,413	\$ 61,913,529

Governmental Activities

The City of McCall saw an 8.73% increase in planning and zoning fee revenues, as compared to 2017, an indication that development activity continues to grow within the city and surrounding area. The City of McCall saw an increase in the number of permits issued in 2018 as well as an increase in the average building permit value as compared to the 2017 average value. Additionally, the City experienced an increase in interest rates and interest revenue on investments. All departments were conservative in spending throughout the year to ensure budget amounts were not exceeded. Quarterly budget review meetings are held to review revenue projections and the assumptions used during budget development in a continuing effort to keep expenditures within budget and not to exceed actual revenue receipts. Governmental activities increased the City's Net Position by \$5,904,270. The streets local option tax generated \$1,812,196 in tax revenue in 2018 as compared to \$1,658,948 in 2017. In 2018 the Downtown Core reconstruction project began construction with phase 1A. This project is a multi-year project which began in Summer of 2018 and is estimated to be completed in 2022 and is primarily funded with the streets local option tax revenue. The City continues to aggressively seek grant funding for capital projects to augment city resources for capital related projects.

The Library Board of Trustees has embarked upon a capital fund raising campaign to expand the existing library. In 2018 the McCall Public Library Foundation was created to assist in their fund-raising efforts.

Business-Type Activities

The business-type activities of the City include Golf and Water in 2018. The City of McCall issued 101.5 equivalent domestic use permits in the water system in 2018 as compared to 50 in 2017. The City also conducted a water utility rate study in 2018. The rate study recommended an initial rate increase of 46.9% and a rate increase of 2.5% each year thereafter. The Council chose to move to a block usage rate structure with an overall rate increase of 15.6% per year for the first three years and an annual rate increase of 2.5% thereafter.

The McCall area produces approximately 50,000 rounds of golf spread over five golf courses with McCall Golf Course attracting 50% the areas rounds played. The level of competition for the rounds of golf played in the area requires the McCall Golf Course to be very competitive when setting fees for playing a round of golf. Despite the stiff competition for play, the McCall Golf course had 29,130 total rounds of golf played which resulted in an 11.7% increase in facility revenue during 2018. The Golf Course continues to receive a subsidy from the general fund to help cover personnel costs, assist with capital improvements, and to plow cart paths in the winter to provide the general public a free recreational resource.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

General Fund

The general fund is the principal fund used for the City's major operations. The fund balance at September 30, 2018 was \$6,608,303, an increase of 16.4% over the fund balance at the end of the prior fiscal year. The City's conservative spending has kept expenditures at or below budget. Fund balance also increased due to the accumulation of Franchise Fees held for undergrounding utilities, staff positions that were vacant at various times during the year, and funding for a five (5) year Capital Improvement Plan.

General Fund Budgetary Highlights

General Fund

As part of the budget, Council adopts both contingent revenue and expense amounts to allow for the receipt and expenditure of small amounts of unexpected revenues without a formal budget amendment. Throughout the year, several unexpected grants, donations, and other miscellaneous revenues were received. City Council approved budget line item transfers from contingency line items to the appropriate revenue and expense accounts. These transfers did not change the original adopted budget for the fund. Contingency line items are not included in the original budget amounts on the Schedule of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual – General Fund, Street / Public Works Fund, Airport Fund, Recreation Fund, Library Fund and Streets Local Option Tax Fund.

The City of McCall funds a large portion of its Five-Year Capital Improvement Plan (CIP) for the governmental funds through the General Fund. Tax dollars that are reserved for capital expenditures in the General Fund are internally transferred to the Street / Public Works Fund, Airport Fund, Recreation Fund, Library Fund as needed per the CIP and project completion. Funds are retained within the General Fund until expenditures are incurred, and / or the project is completed. The City is constantly looking for ways to leverage limited city funding by actively seeking out grant and potential cost-sharing opportunities.

The Tourism Local Option Tax generated approximately \$527,038 in revenue in 2018 of which \$400,775 was used internally by the General Fund and externally for programs and non-profit groups. The programs and groups recommended for funding by the LOT commission and approved by Council in 2018 include the following; 1) McCall Area Chamber of Commerce, 2) McCall Area Snowmobilers, 3) Payette Lakes Ski Club, 4) MCPAWS Regional Animal Shelter, 5) Treasure Valley Transit, 6) Payette Lakes Community Association, 7) Alpine Playhouse, 8) McCall Winter Sports Club, 9) Idaho Hockey Foundation, 10) McCall Nordic Ski Club, 11) McCall Senior Citizens, and 12) McCall Arts and Humanities Council. The remainder of the Local Option Tax revenue, as recommended by the LOT commission, was transferred to the following funds (Recreation, Library, Streets / Public Works, and Golf) for city projects. City voters approved a 10-year extension of the tax in May 2018.

Capital Assets

At the end of 2018 the City had \$55,128,230 invested in capital assets (net of accumulated depreciation), compared to \$51,461,205 at the end of 2017. Additional information can be found in Note 5 of the financial statements.

Capital Assets as of September 30, 2018
(net of depreciation)

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Land	\$ 7,583,418	\$ 1,142,320	\$ 8,725,738
Buildings and Improvements	1,558,013	6,552,133	8,110,146
Infrastructure	11,753,850	-	11,753,850
Improvements Other Than Buildings	6,849,083	11,787,692	18,636,775
Machinery, Equipment, and Other	1,100,564	291,914	1,392,478
Construction in Progress	6,253,022	256,221	6,509,243
Total	\$ 35,097,950	\$ 20,030,280	\$ 55,128,230

The City recorded current year depreciation of \$1,304,659 in governmental activities and \$917,275 in business-type activities.

Long-Term Debt

Business-type activity outstanding debt includes \$2,025,558 in a note payable to the Idaho Department of Environmental Quality. The City is allowed a general obligation debt limit of 2% of market valuation of real and personal property in its taxing area. As of September 30, 2018, based on valuations from Valley County, the limit would be \$25,654,507. The City did not issue any new debt in 2018. Detailed information on the City's long-term debt can be found in Note 7 of the financial statements.

FY19 Budgetary Considerations

The 2019 budget includes several capital projects including implementation of the City's campus facility development plans, pathway improvement, and continued emphasis on pavement rehabilitation in the Governmental Funds. In the Enterprise funds the 2018 budget includes continued Supervisory Control and Data Acquisition (SCADA) improvements, water line replacement, implementation of the water master plan and water utility rate increase, reconstruction of the golf club house parking lot, and a lease for new golf maintenance equipment. The City is moving forward with the taxiway relocation on the land acquired in 2018 with an FAA grant that covered 100% of the acquisition costs. Preliminary study and planning for the relocation is scheduled to occur in 2019. The Library Board is moving forward with their capital campaign for the Library Expansion project. A Library Foundation was created to assist with the capital campaign and fund raising. The board is actively seeking a general manager and general contractor for the project. The City Council is exploring all funding options to assist the Library Board's efforts.

Staff continues to regularly monitor budget to actual revenues and expenditures during the year. This review process has proven to be a valuable budget management tool. The City continues to actively seek out grant opportunities to help fund projects. Management continues to evaluate and prioritize the City's Capital Improvement Plan, as well as, continue to seek input from the citizens of McCall with an emphasis on evaluating all funding options available to the City.

Requests for Information

This report is designed to provide a general overview of the City of McCall's finances for our citizens and customers. If you have questions about this report or need additional financial information contact the Finance Office: 216 East Park Street, McCall, Idaho 83638, (208) 634-2103.

City of McCall, Idaho
Statement of Net Position
September 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Urban Renewal	McCall Public Library Foundation
Assets and Deferred Outflows of Resources					
Current Assets					
Deposits and investments	\$ 8,820,761	\$ 3,972,728	\$ 12,793,489	\$ 334,378	\$ 65,422
Receivables					
Taxes	6,130,174	-	6,130,174	730,768	-
Intergovernmental	246,491	-	246,491	-	-
Accounts, net of allowance	538,843	311,628	850,471	-	-
Grants	3,015,211	-	3,015,211	-	-
Other	-	-	-	996	24,920
Prepays	22,762	10,400	33,162	-	-
Internal and component unit balances	113,049	(9,887)	103,162	-	-
Inventory	75,813	76,373	152,186	-	-
Total current assets	<u>18,963,104</u>	<u>4,361,242</u>	<u>23,324,346</u>	<u>1,066,142</u>	<u>90,342</u>
Noncurrent Assets					
Restricted deposits and investments	3,066,249	375,428	3,441,677	484,638	-
Long-term internal balances	85,000	(85,000)	-	-	-
Capital assets					
Land and construction in progress, not depreciated	13,836,440	1,398,541	15,234,981	293,115	-
Buildings, improvements and equipment, net of depreciation	<u>21,261,510</u>	<u>18,631,739</u>	<u>39,893,249</u>	<u>1,463,010</u>	<u>-</u>
Total noncurrent assets	<u>38,249,199</u>	<u>20,320,708</u>	<u>58,569,907</u>	<u>2,240,763</u>	<u>-</u>
Deferred Outflows of Resources					
Deferred net pension	284,826	104,319	389,145	-	-
Deferred amounts on refundings	-	-	-	1,150	-
Total assets and deferred outflows of resources	<u>\$ 57,497,129</u>	<u>\$ 24,786,269</u>	<u>\$ 82,283,398</u>	<u>\$ 3,308,055</u>	<u>\$ 90,342</u>

See Notes to Financial Statements

City of McCall, Idaho
Statement of Net Position
September 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Urban Renewal	McCall Public Library Foundation
Liabilities, Deferred Inflows of Resources and Net Position					
Current Liabilities					
Vouchers and interest payable	\$ 2,120,766	\$ 217,342	\$ 2,338,108	\$ 6,798	\$ -
Payroll payable	200,139	37,788	237,927	-	-
Advanced revenue	75,960	-	75,960	-	-
Due to City of McCall	-	-	-	103,162	-
Current portion of long-term liabilities	-	320,998	320,998	420,000	-
Total current liabilities	2,396,865	576,128	2,972,993	529,960	-
Noncurrent Liabilities					
Net pension liability	1,329,348	323,247	1,652,595	-	-
Compensated absences payable	138,843	48,371	187,214	-	-
Other long-term debt, non-current	-	1,704,560	1,704,560	-	-
Bonds payable, non-current	-	-	-	437,072	-
Total liabilities	3,865,056	2,652,306	6,517,362	967,032	-
Deferred Inflows of Resources					
Deferred net pension	314,384	126,186	440,570	-	-
Unavailable revenue	6,026,987	-	6,026,987	727,794	-
Irrevocable split-interest agreement	1,029,066	-	1,029,066	-	-
Total deferred inflows of resources	7,370,437	126,186	7,496,623	727,794	-
Net Position					
Net invested in capital assets	35,097,950	18,380,150	53,478,100	1,383,691	-
Restricted for					
Local option tax	287,947	-	287,947	-	-
Franchise fees	2,037,383	-	2,037,383	-	-
Library	65,743	-	65,743	-	90,342
Highways	39,849	-	39,849	-	-
Urban renewal	-	-	-	229,538	-
Unrestricted	8,732,764	3,627,627	12,360,391	-	-
Total net position	46,261,636	22,007,777	68,269,413	1,613,229	90,342
	<u>\$ 57,497,129</u>	<u>\$ 24,786,269</u>	<u>\$ 82,283,398</u>	<u>\$ 3,308,055</u>	<u>\$ 90,342</u>

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government				
Executive and legislative	\$ 195,208	\$ -	\$ -	\$ -
Administrative	904,808	46,341	-	-
Public safety	1,492,233	38,656	14,051	-
Parks and recreation				
Parks	185,142	-	-	1,650
Recreation	1,028,477	48,403	11,638	-
Community services				
Community services	719,444	630,981	36	-
Library	435,645	14,018	31,005	27,889
Airport	515,793	228,399	73,657	3,002,428
Local Option Tax	270,428	-	39,000	192,413
Streets/Public Works	2,206,429	152,894	153,681	30,000
Total Governmental Activities	<u>7,953,607</u>	<u>1,159,692</u>	<u>323,068</u>	<u>3,254,380</u>
Business-type Activities				
Water	2,305,639	2,579,545	-	16,521
Sewer	-	-	-	-
Golf	926,779	734,639	-	2,871
Total Business-type Activities	<u>3,232,418</u>	<u>3,314,184</u>	<u>-</u>	<u>19,392</u>
Total Primary Government	<u>\$ 11,186,025</u>	<u>\$ 4,473,876</u>	<u>\$ 323,068</u>	<u>\$ 3,273,772</u>
Component Units				
Urban Renewal	<u>\$ 423,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
McCall Public Library Foundation	<u>\$ 1,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,737</u>
General revenues				
Property taxes, levied for				
General purposes				
Recreation				
Library				
Airport				
Street/Public Works				
Franchise fees				
Local option tax				
Sales tax and other governmental				
Investment earnings				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, Beginning of Year				
Net Position, End of Year				

See Notes to Financial Statements

City of McCall, Idaho
Statement of Activities
Year Ended September 30, 2018

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Urban Renewal	McCall Public Library Foundation
\$ (195,208)	\$ -	\$ (195,208)	\$ -	\$ -
(858,467)	-	(858,467)	-	-
(1,439,526)	-	(1,439,526)	-	-
(183,492)	-	(183,492)	-	-
(968,436)	-	(968,436)	-	-
(88,427)	-	(88,427)	-	-
(362,733)	-	(362,733)	-	-
2,788,691	-	2,788,691	-	-
(39,015)	-	(39,015)	-	-
<u>(1,869,854)</u>	<u>-</u>	<u>(1,869,854)</u>	<u>-</u>	<u>-</u>
<u>(3,216,467)</u>	<u>-</u>	<u>(3,216,467)</u>	<u>-</u>	<u>-</u>
-	290,427	290,427	-	-
-	-	-	-	-
<u>-</u>	<u>(189,269)</u>	<u>(189,269)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>101,158</u>	<u>101,158</u>	<u>-</u>	<u>-</u>
<u>(3,216,467)</u>	<u>101,158</u>	<u>(3,115,309)</u>	<u>-</u>	<u>-</u>
			<u>\$ (423,993)</u>	
				<u>\$ 90,314</u>
3,385,422	-	3,385,422	735,715	-
235,885	-	235,885	-	-
429,401	-	429,401	-	-
35,902	-	35,902	-	-
1,523,672	-	1,523,672	-	-
320,387	-	320,387	-	-
2,339,234	-	2,339,234	-	-
835,584	-	835,584	-	-
158,708	58,116	216,824	12,783	28
82,984	22,674	105,658	-	-
(226,442)	269,666	43,224	(43,224)	-
<u>9,120,737</u>	<u>350,456</u>	<u>9,471,193</u>	<u>705,274</u>	<u>28</u>
5,904,270	451,614	6,355,884	281,281	90,342
<u>40,357,366</u>	<u>21,556,163</u>	<u>61,913,529</u>	<u>1,331,948</u>	<u>-</u>
<u>\$ 46,261,636</u>	<u>\$ 22,007,777</u>	<u>\$ 68,269,413</u>	<u>\$ 1,613,229</u>	<u>\$ 90,342</u>

	General	Street / Public Works	Airport	Recreation	Library
Assets					
Deposits and investments	\$ 3,208,733	\$ 1,271,792	\$ 30,987	\$ 640,320	\$ 612,927
Receivables					
Taxes	3,628,857	1,721,998	71,624	261,062	446,633
Intergovernmental	174,113	39,849	32,529	-	-
Accounts	150,140	9,544	4,324	437	3,603
Grants	3,981	-	3,008,036	-	706
Prepays	22,762	-	-	-	-
Due from other funds and component units	1,299,628	5,703	-	86,448	2,986
Interfund loans receivable	85,000	-	-	-	-
Inventory	-	75,813	-	-	-
Restricted deposits and investments	2,037,383	-	-	-	1,028,866
	<u>\$ 10,610,597</u>	<u>\$ 3,124,699</u>	<u>\$ 3,147,500</u>	<u>\$ 988,267</u>	<u>\$ 2,095,721</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Deficit in deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	302,431	36,499	937,139	91,235	10,225
Payroll payable	120,758	36,787	5,858	22,503	11,082
Due to other funds	60,077	-	1,299,628	-	-
Advanced revenue	-	-	-	44,343	34,817
	<u>483,266</u>	<u>73,286</u>	<u>2,242,625</u>	<u>158,081</u>	<u>56,124</u>
Deferred Inflows of Resources					
Unavailable revenue	3,619,028	1,717,427	80,492	260,364	445,451
Irrevocable split- interest agreement	-	-	-	-	1,028,866
	<u>3,619,028</u>	<u>1,717,427</u>	<u>80,492</u>	<u>260,364</u>	<u>1,474,317</u>
Fund Balances					
Nonspendable	107,762	75,813	-	-	-
Restricted	2,263,838	39,849	-	61,492	65,743
Assigned	-	1,218,324	824,383	508,330	499,537
Unassigned	4,136,703	-	-	-	-
Total fund balances	<u>6,508,303</u>	<u>1,333,986</u>	<u>824,383</u>	<u>569,822</u>	<u>565,280</u>
	<u>\$ 10,610,597</u>	<u>\$ 3,124,699</u>	<u>\$ 3,147,500</u>	<u>\$ 988,267</u>	<u>\$ 2,095,721</u>

See Notes to Financial Statements

City of McCall, Idaho
Balance Sheet – Governmental Funds
September 30, 2018

Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
\$ 3,065,372	\$ -	\$ 8,830,131
-	-	6,130,174
-	-	246,491
370,560	235	538,843
-	2,488	3,015,211
-	-	22,762
-	77,989	1,472,754
-	-	85,000
-	-	75,813
-	-	3,066,249
<u>\$ 3,435,932</u>	<u>\$ 80,712</u>	<u>\$ 23,483,428</u>
\$ -	\$ 9,370	\$ 9,370
743,237	-	2,120,766
3,151	-	200,139
-	-	1,359,705
-	-	79,160
<u>746,388</u>	<u>9,370</u>	<u>3,769,140</u>
-	-	6,122,762
-	-	1,028,866
-	-	7,151,628
-	-	183,575
-	-	2,430,922
2,689,544	71,342	5,811,460
-	-	4,136,703
<u>2,689,544</u>	<u>71,342</u>	<u>12,562,660</u>
<u>\$ 3,435,932</u>	<u>\$ 80,712</u>	<u>\$ 23,483,428</u>

City of McCall, Idaho
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 September 30, 2018

Fund balance - total governmental funds		\$ 12,562,660
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		35,097,950
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.		98,775
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(138,843)
Net pension liabilities applicable to the City's governmental funds are not reported as fund liabilities.		(1,329,348)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to pensions:		
Differences between expected and actual experience	112,021	
Changes in assumptions	91,207	
Contributions made subsequent to measurement date	39,458	
Changes in proportionate share	42,140	
	284,826	284,826
Deferred inflows of resources related to pensions:		
Net difference between projected and actual investment earnings on pension plan investments	(104,780)	
Differences between expected and actual experience	(209,604)	
	(314,384)	(314,384)
Net position of governmental activities		\$ 46,261,636

	General	Street / Public Works	Airport	Recreation	Library
Revenues					
Property taxes	\$ 3,425,718	\$ 1,541,956	\$ 34,787	\$ 238,709	\$ 434,488
Local option tax	400,775	5,156	-	118,121	2,986
Interest	80,240	17,137	1,932	8,011	8,156
Licenses and permits	384,674	-	-	7,417	-
Intergovernmental	849,671	153,681	3,005,464	7,018	11,706
Fines and forfeitures	33,976	-	-	-	2,471
Charges for services	1,423,665	184,717	283,420	40,986	11,547
Miscellaneous	14,926	43,137	5,731	15,732	5,306
Total revenues	6,613,645	1,945,784	3,331,334	435,994	476,660
Expenditures					
Current					
General government	1,589,094	-	-	-	-
Public safety	1,496,880	-	-	-	-
City clerk	200,366	-	-	-	-
Community services	848,377	-	-	-	437,275
Streets	-	1,587,002	-	-	-
Airport	-	-	262,499	-	-
Recreation	-	-	-	892,463	-
Local Option Tax	-	-	-	-	-
Capital outlay	441,318	377,086	2,818,782	264,523	-
Total expenditures	4,576,035	1,964,088	3,081,281	1,156,986	437,275
Excess (Deficiency) of Revenues over (under) expenditures	2,037,610	(18,304)	250,053	(720,992)	39,385
Other Financing Sources (Uses)					
Contributions	1,650	30,000	-	4,620	45,341
Transfers in	-	-	87,359	817,928	-
Transfers out	(1,121,719)	(220,000)	-	(10,010)	-
Total other financing sources (uses)	(1,120,069)	(190,000)	87,359	812,538	45,341
Net Change in Fund Balance	917,541	(208,304)	337,412	91,546	84,726
Fund Balance, Beginning of Year	5,590,762	1,542,290	486,971	478,276	480,554
Fund Balance, End of Year	\$ 6,508,303	\$ 1,333,986	\$ 824,383	\$ 569,822	\$ 565,280

See Notes to Financial Statements

City of McCall, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2018

Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
\$ -	\$ -	\$ 5,675,658
1,812,196	-	2,339,234
41,116	-	156,592
39,000	2,116	433,207
192,413	-	4,219,953
-	-	36,447
-	-	1,944,335
-	-	84,832
<u>2,084,725</u>	<u>2,116</u>	<u>14,890,258</u>
-	-	1,589,094
-	-	1,496,880
-	-	200,366
-	-	1,285,652
-	-	1,587,002
-	-	262,499
-	-	892,463
310,457	-	310,457
1,495,395	-	5,397,104
<u>1,805,852</u>	<u>-</u>	<u>13,021,517</u>
<u>278,873</u>	<u>2,116</u>	<u>1,868,741</u>
-	-	81,611
220,000	-	1,125,287
-	-	(1,351,729)
<u>220,000</u>	<u>-</u>	<u>(144,831)</u>
498,873	2,116	1,723,910
<u>2,190,671</u>	<u>69,226</u>	<u>10,838,750</u>
<u>\$ 2,689,544</u>	<u>\$ 71,342</u>	<u>\$ 12,562,660</u>

City of McCall, Idaho

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended September 30, 2018

Net change in fund balances - total governmental funds	\$ 1,723,910
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and contributed capital assets of (\$5,436,103) exceeded depreciation (\$1,304,659) in the current period.	4,131,444
Some property tax and special assessment revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(49,776)
Compensated absences are not recorded in the governmental funds because they are not a use of current financial resources. However, in the statement of activities, the change is recorded as a revenue (expense).	(4,566)
Pension revenues (expenses) are not recorded in the governmental funds because they are not a use of current financial resources. However, in the statement of activities, the change is recorded as a revenue (expense).	<u>103,258</u>
Change in Net Position	<u><u>\$ 5,904,270</u></u>

City of McCall, Idaho
Statement of Net Position – Proprietary Funds
September 30, 2018

	Enterprise Funds			
	Water	Sewer	Golf	Total
Assets and Deferred Outflows of Resources				
Current Assets				
Deposits and investments	\$ 3,763,486	\$ 121	\$ 209,121	\$ 3,972,728
Receivables				
Accounts, net of allowance	295,261	-	16,367	311,628
Prepays	-	-	10,400	10,400
Inventory	76,373	-	-	76,373
Total current assets	<u>4,135,120</u>	<u>121</u>	<u>235,888</u>	<u>4,371,129</u>
Noncurrent Assets				
Restricted deposits and investments	375,428	-	-	375,428
Capital assets				
Land	562,326	-	579,994	1,142,320
Buildings	12,000,457	-	874,512	12,874,969
Improvements other than buildings	17,356,714	-	3,746,178	21,102,892
Equipment	379,617	-	655,185	1,034,802
Construction in progress	238,713	-	17,508	256,221
Less accumulated depreciation	<u>(13,083,139)</u>	<u>-</u>	<u>(3,297,785)</u>	<u>(16,380,924)</u>
Total noncurrent assets	<u>17,830,116</u>	<u>-</u>	<u>2,575,592</u>	<u>20,405,708</u>
Deferred Outflows of Resources				
Deferred net pension	<u>77,483</u>	<u>-</u>	<u>26,836</u>	<u>104,319</u>
Total assets and deferred outflows of resources	<u>\$ 22,042,719</u>	<u>\$ 121</u>	<u>\$ 2,838,316</u>	<u>\$ 24,881,156</u>

City of McCall, Idaho
Statement of Net Position – Proprietary Funds
September 30, 2018

	Enterprise Funds			
	Water	Sewer	Golf	Total
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Accounts and interest payable	\$ 191,312	\$ 121	\$ 25,909	\$ 217,342
Payroll payable	20,100	-	17,688	37,788
Due to other funds	4,184	-	5,703	9,887
Current portion of long-term liabilities	<u>320,998</u>	<u>-</u>	<u>-</u>	<u>320,998</u>
Total current liabilities	536,594	121	49,300	586,015
Long-Term Debt				
Net pension liability	233,814	-	89,433	323,247
Compensated absences payable	31,248	-	17,123	48,371
Other long-term debt, non-current	1,704,560	-	-	1,704,560
Long-term interfund loans payable	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>85,000</u>
Total liabilities	<u>2,506,216</u>	<u>121</u>	<u>240,856</u>	<u>2,747,193</u>
Deferred Inflows of Resources				
Deferred net pension	<u>91,850</u>	<u>-</u>	<u>34,336</u>	<u>126,186</u>
Net Position				
Net invested in capital assets	15,804,558	-	2,575,592	18,380,150
Unrestricted	<u>3,640,095</u>	<u>-</u>	<u>(12,468)</u>	<u>3,627,627</u>
Total net position	<u>19,444,653</u>	<u>-</u>	<u>2,563,124</u>	<u>22,007,777</u>
	<u>\$ 22,042,719</u>	<u>\$ 121</u>	<u>\$ 2,838,316</u>	<u>\$ 24,881,156</u>

City of McCall, Idaho
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended September 30, 2018

	Enterprise Funds			
	Water	Sewer	Golf	Total
Operating Revenues				
Charges for services	\$ 2,191,431	\$ -	\$ 734,639	\$ 2,926,070
Intergovernmental	21	-	-	21
Other	5,798	-	16,876	22,674
Total operating revenues	<u>2,197,250</u>	<u>-</u>	<u>751,515</u>	<u>2,948,765</u>
Operating Expenses				
Personnel services	701,279	-	510,227	1,211,506
Contractual services	318,602	-	11,150	329,752
Materials and supplies	138,545	-	124,176	262,721
Utilities	171,680	-	56,015	227,695
Repairs and maintenance	136,165	-	72,193	208,358
Depreciation	764,257	-	153,018	917,275
Total operating expenses	<u>2,230,528</u>	<u>-</u>	<u>926,779</u>	<u>3,157,307</u>
Operating Loss	<u>(33,278)</u>	<u>-</u>	<u>(175,264)</u>	<u>(208,542)</u>
Nonoperating Revenues (Expenses)				
Interest income	57,548	-	568	58,116
Bad debt expense	(3,123)	-	-	(3,123)
Private contributions	16,500	-	2,871	19,371
Hook-on fees	388,114	-	-	388,114
Interest expense	(71,988)	-	-	(71,988)
Total nonoperating revenues	<u>387,051</u>	<u>-</u>	<u>3,439</u>	<u>390,490</u>
Income (Loss) Before Contributions and Transfers	353,773	-	(171,825)	181,948
Transfers in	<u>-</u>	<u>-</u>	<u>269,666</u>	<u>269,666</u>
Change in Net Position	353,773	-	97,841	451,614
Net Position, Beginning of Year	<u>19,090,880</u>	<u>-</u>	<u>2,465,283</u>	<u>21,556,163</u>
Net Position, End of Year	<u>\$ 19,444,653</u>	<u>\$ -</u>	<u>\$ 2,563,124</u>	<u>\$ 22,007,777</u>

City of McCall, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2018

	Enterprise Funds			
	Water	Sewer	Golf	Total
Operating Activities				
Received from user charges	\$ 2,189,482	\$ 110,828	\$ 742,354	\$ 3,042,664
Payments to employees for services	(713,376)	(92)	(521,612)	(1,235,080)
Payments to suppliers for goods and services	(668,749)	(318,147)	(325,327)	(1,312,223)
Net Cash from (used for) Operating Activities	<u>807,357</u>	<u>(207,411)</u>	<u>(104,585)</u>	<u>495,361</u>
Noncapital Financing Activities				
Transfers in	-	-	269,666	269,666
Transfers out	-	-	-	-
Net payments on due to other funds	-	-	-	-
Net Cash from Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>269,666</u>	<u>269,666</u>
Capital and Related Financing Activities				
Acquisition of capital assets	(321,487)	-	(110,685)	(432,172)
Capital grants	23,778	54,031	-	77,809
Hook-on fees	388,114	-	-	388,114
Private contributions	-	-	2,871	2,871
Principal payments on long-term debt	(779,665)	-	-	(779,665)
Interest paid	(57,703)	-	-	(57,703)
Net Cash from (used for) Capital and Related Financing Activities	<u>(746,963)</u>	<u>54,031</u>	<u>(107,814)</u>	<u>(800,746)</u>
Capital and Related Investing Activities				
Interest received on investments	57,548	-	568	58,116
Net Cash from Capital and Related Investing Activities	<u>57,548</u>	<u>-</u>	<u>568</u>	<u>58,116</u>
Net Change in Cash and Cash Equivalents	117,942	(153,380)	57,835	22,397
Cash and Cash Equivalents, Beginning of Year	4,020,972	153,501	151,286	4,325,759
Cash and Cash Equivalents, End of Year	<u>\$ 4,138,914</u>	<u>\$ 121</u>	<u>\$ 209,121</u>	<u>\$ 4,348,156</u>
Presented on the State of Net Position - Proprietary Funds				
Cash and cash equivalents	\$ 3,763,486	\$ 121	\$ 209,121	\$ 3,972,728
Restricted cash	375,428	-	-	375,428
	<u>\$ 4,138,914</u>	<u>\$ 121</u>	<u>\$ 209,121</u>	<u>\$ 4,348,156</u>

City of McCall, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2018

	Enterprise Funds			
	Water	Sewer	Golf	Total
Reconciliation of operating loss to net cash from (used for) operating activities				
Operating loss	\$ (33,278)	\$ -	\$ (175,264)	\$ (208,542)
Adjustments to reconcile operating loss to net cash from (used for) operating activities				
Depreciation and amortization	764,257	-	153,018	917,275
Pension related items	(8,150)	-	(4,616)	(12,766)
Changes in assets and liabilities				
Accounts receivable	(7,768)	110,828	(9,161)	93,899
Prepays	-	-	(10,400)	(10,400)
Inventory	(512)	-	-	(512)
Vouchers payable	96,755	(318,147)	(51,393)	(272,785)
Compensated absences	(3,097)	-	(1,267)	(4,364)
Payroll payable	(850)	(92)	(5,502)	(6,444)
Net Cash from (used for) Operating Activities	<u>\$ 807,357</u>	<u>\$ (207,411)</u>	<u>\$ (104,585)</u>	<u>\$ 495,361</u>
Supplemental Information				
Contributed property, plant and equipment	\$ 16,500	\$ -	\$ -	\$ 16,500

Note 1 - Summary of Significant Accounting Policies

The City of McCall, Idaho (the City) incorporated in the State of Idaho on July 19, 1911. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police), parks and recreation, community services, streets, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

These basic financial statements present the City and its component units as required by generally accepted accounting principles. Component units are organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The component unit columns in the government-wide financial statements represent the financial data of the City's two component units, the Urban Renewal Agency (URA) and the McCall Public Library Foundation, Inc (the Library Foundation). URA and the Library Foundation are separate and distinct legal entities. The directors for URA are appointed by the Mayor and approved by the City Council. URA provides urban renewal services for the citizens of the City. The Library Foundation provides support and fundraising efforts for the McCall Public Library.

The City contributes to the multi-employer Public Employee Retirement System of Idaho (the System). The System is administered by the State of Idaho and the City is not the major participant in the plan, therefore, the plan's financial statements are not included in this report.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Street/Public Works Fund - The Street/Public Works Fund is used to account for the operation of the street maintenance department. Financing is provided by state gasoline and sales taxes as well as property taxes. State law and city ordinance require that these revenues be used to maintain roads and streets.

Airport Fund - The Airport Fund is used to account for the operation of the City's local airport. Financing is provided through property taxes, charges for services and state and federal grants.

Recreation Fund - To account for operation of City recreation programs. Financing is provided by a specific annual property tax levy to the extent miscellaneous revenues are not sufficient to provide such financing. City ordinance restricts these property taxes to financing of recreation programs.

Library Fund – A special revenue fund to account for the operation of the public library. Financing is provided principally through property taxes which are restricted for library operations by City ordinance.

Local Option Tax – To account for the operation of the City's Local Option Tax over tourism.

The City has reported the following nonmajor governmental fund:

Capital Project Fund - To account for certain capital projects of the City.

The City reports the following major proprietary funds:

Water Fund - To account for the operations of the water system.

Sewer Fund - To account for the wind down of operations of the sewer system.

Golf Fund - To account for the operations of the City's public golf course.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business when the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government when elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Water and Sewer Funds also recognize, as non-operating revenue, the portion of hook-on fees intended to recover the cost of connecting new customers to the system.

Deposits and Investments

The City pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principal offices in Idaho. All cash is either covered with FDIC insurance or fully collateralized in the name of the City.

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool (LGIP) is managed by the State of Idaho Treasurer's office. The funds of the Pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

An annual audit of Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool.

Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The City policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The City's policy requires all investments should be held in the City's name, in the bank's Trust Department, or alternately in the Federal Reserve Bank.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The limits on credit risk are based on Idaho Code.

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The City's policy to mitigate interest rate risk is to structure the City's portfolio so that securities mature to meet the City's cash demands and ongoing operations, thereby precluding the need to sell securities to the open market prior to their maturity and primarily invest in shorter-term securities.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The City's policy is to invest no more than 50% of their total investments in a single security type or with a single financial institution, with the exception of the U.S. Treasury Securities, and authorized pools.

Property Taxes Receivable

Within the governmental fund financial statement, property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year-end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20.

Taxpayers may pay all or one-half of their tax liability on or before December 20. If one-half of the amount is paid on December 20, the remaining balance is due by the following June 20. Since the City is on a September 30 fiscal year-end, property taxes levied during September for the succeeding year's collection are recorded as deferred inflows of resources at the City's year-end and recognized as revenue in the following fiscal year for all governmental funds. Valley County bills and collects taxes for the City.

Customer Services Receivable

Amounts owed to the City for customer services are due from area residents and businesses and relate to water services provided by the City. The City analyzes past due accounts and current circumstances to evaluate collectability. There is an allowance for doubtful accounts as of September 30, 2018, of \$4,649. As of September 30, 2018, accounts past 90 days totaled \$4,649.

General Fund Accounts Receivable

Amounts owed to the City for customer services are due from a variety of sources. The City analyzes past due accounts and current circumstances to evaluate collectability. There is no allowance for doubtful accounts as of September 30, 2018. As of September 30, 2018, there are no accounts past 90 days.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The cost of inventory items are recognized as expenditures in governmental funds when purchased (purchase method) and as expenses in proprietary funds when used (consumption method).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated acquisition value on the date donated. Public domain infrastructure consisting of roads, sidewalks, water and sewer lines are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

Estimated Useful Life (Years)	
Buildings	12 - 40
Infrastructure	20 - 50
Improvements other than buildings	10 - 40
Machinery and equipment	5 - 10

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

The City capitalizes interim financing interest as a cost of the related enterprise fund assets.

Deferred Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The one item is as follows: the pension obligation, reported in the government-wide statement of net position.

Bonded Indebtedness

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences Payable

The City provides personal leave to its full-time employees and sick leave to both full and part-time employees. Personal leave is either paid to employees when taken or paid to employees or their beneficiaries upon the employee's termination, retirement or death. Sick leave is either paid to employees when taken or paid to employees or their beneficiaries upon the employee's termination, retirement or death for hours accrued in excess of 500 to a maximum of either 720 or 960 hours, depending on the hire date of the employee. The amount of unpaid leave accumulated by City employees is accrued as an expense when incurred in the government-wide and the proprietary funds financial statements, which use the accrual basis of accounting. In the Governmental Funds, only the amount that normally would be liquidated with expendable available financial resources is accrued as current year expenditures. Unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditures are accrued. Therefore, the entire unpaid liability for the Governmental Funds is considered long-term and is recorded in the government-wide financial statement only.

Advanced Revenue

The City reports advanced revenues on its statement of net position and fund balance sheet. Advanced revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the City has a legal claim to the resources, the liability for advanced revenue is removed from the balance sheet and the revenue is recognized.

Fund Balance Reporting

The Local Option Tax (LOT) was established in 2005 by City Ordinance No. 796, renewed by City Ordinance No. 887 in 2011 effective January 1, 2012, and renewed by City Ordinance No. 965 in 2018 effective January 1, 2019. In 2015, two additional local LOTs were established by City Ordinance 936. The LOT established in 2011 is to be used for programs and groups recommended by the LOT commission and approved by City Council. The two additional LOT's established in 2015 are to be used primarily for street replacement, repair and maintenance. Highway user fees are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements. Franchise fees are established by City Ordinance No. 862 in 2009 for the specific use of funding underground utility expansion. Drug restitutions are considered restricted because their use is restricted by State Statute 37-2744 for police investigative expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Resolution 11-19 was adopted in November of 2011 to establish minimum fund balance / net position policies consisting of cash flow and budget stabilization. Those minimum balances enable the City to meet debt payments and other obligations. The minimum balances established for cash flow are expressed as a percentage of the current years' operating budget. Those minimums are as follows: General Fund – 25%, Special Revenue Funds – 20%, Enterprise Funds – 30%, in addition to any sums required under loan or bond agreements. The minimum fund balances established for budget stabilization are expressed as a percentage of the three most recent years' average operating budgets. Those minimums are as follows: General Fund – 15%, Special Revenue Funds – 10%. In the event these minimum balances are used, the City shall strive to restore the balances to the above levels within no more than three fiscal years following the fiscal year in which the reserves were used.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are non-cash or legally or contractually required to be maintained intact such as inventory, long-term loans receivable, property held for sale, endowment or permanent fund principal, and prepaid items.
- Restricted fund balance—amounts that have externally enforceable limitations on their uses; amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City Council itself; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same level action to remove or change the constraint.
- Assigned fund balance—amounts the City Council intend to use for a specific purpose; intent can be expressed by the City Council or by an official designated by the City Council by resolution.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of September 30, 2018, fund balances are composed of the following:

	General	Streets / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Funds
Nonspendable							
Prepays	\$ 22,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	75,813	-	-	-	-	-
Long-term interfund note receivable	85,000	-	-	-	-	-	-
Total nonspendable	107,762	75,813	-	-	-	-	-
Restricted							
Local Option Tax	226,455	-	-	61,492	-	-	-
Library	-	-	-	-	65,743	-	-
Highway user fee	-	39,849	-	-	-	-	-
Franchise fees	2,037,383	-	-	-	-	-	-
Total restricted	2,263,838	39,849	-	61,492	65,743	-	-
Assigned							
Street/Public works	-	1,218,324	-	-	-	-	-
Airport	-	-	824,383	-	-	-	-
Library	-	-	-	-	499,537	-	-
Recreation	-	-	-	508,330	-	-	-
Local Option Tax	-	-	-	-	-	2,688,079	-
Capital Projects	-	-	-	-	-	-	71,342
Total assigned	-	1,218,324	824,383	508,330	499,537	2,688,079	71,342
Unassigned							
Unassigned	4,136,703	-	-	-	-	-	-
Total unassigned	4,136,703	-	-	-	-	-	-
	\$ 6,508,303	\$ 1,333,986	\$ 824,383	\$ 569,822	\$ 565,280	\$ 2,688,079	\$ 71,342

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category reported on the government-wide statement of net position. They are the employer pension assumption, property taxes, and an irrevocable split-interest agreement.

The City reports unavailable revenue as a deferred inflow of resources on its statement of net position and fund balance sheet. On the government fund financial statements property taxes that are delinquent are recorded as unavailable revenue since they are not available within 60 days of the fiscal year end, however in the government-wide financial statements delinquent taxes are recognized in the year they are measurable. Taxes levied during September for the succeeding year's collection are recorded as deferred inflows of resources at the City's year-end and recognized as revenue in the following fiscal year for all governmental funds and governmental activities.

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 the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Risk Management

The City is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for liability, medical and disability insurance. The City's exposure to loss from its participation in ICRMP is limited to the extent of their deductible only.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits and Investments

At September 30, 2018, the City's deposits in banks were entirely covered by FDIC insurance or collateralized with securities held in the City's name as follows:

	<u>Rating</u>	<u>Maturity</u>	
Deposits			
Insured or collateralized	N/A	N/A	\$ 1,677,836
Idaho First Bank Certificate of Deposit	N/A	October 3, 2019	240,000
Zion's Bank Money Market	N/A	N/A	<u>479,932</u>
			<u>\$ 2,397,768</u>

Certain assets are reported at fair value in the City's financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the City develops inputs using the best information available in the circumstances.

Investments' fair value measurements are as follows at September 30, 2018:

Equities: Valued at fair value based on the quoted prices for active markets.

Fixed Income: Corporate bonds, U.S. Government obligations, and municipal bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, state interest rates, and market-rate assumptions.

Real Estate Assets: Values are based on trust statement value of real estate assets.

The related fair values of these assets are determined as follows:

	Total	Level 1	Level 2	Level 3
Equities	\$ 483,335	\$ 483,335	\$ -	\$ -
Fixed Income				
Corporate Bonds	30,311	-	30,311	-
U.S. Treasuries	39,972	-	39,972	-
Municipal Securities	225,692	-	225,692	-
Real Estate	237,474	-	-	237,474
Total deposits and investments by fair value level	<u>1,016,784</u>	<u>483,335</u>	<u>295,975</u>	<u>237,474</u>
Investments measured at net asset value (NAV)				
State of Idaho Local Government Investment Pool (LGIP)	13,820,306	-	-	-
Total deposits and investments	<u>\$ 14,837,090</u>	<u>\$ 483,335</u>	<u>\$ 295,975</u>	<u>\$ 237,474</u>

Investments valued using the net asset value (NAV) per share generally do not have readily obtainable market values and are instead valued based on the City's pro-rata share of the pool's fair value of the underlying assets. The City values these investments based on information provided by the State of Idaho Treasurer's Office.

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates.

As of September 30, 2018, the City had the following investments subject to interest rate risk:

Investment Type	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Corporate Bonds	\$ 30,311	\$ -	\$ 16,113	\$ 14,198	\$ -
U.S. Treasuries	39,972	-	22,315	17,657	-
Municipal Securities	225,692	-	95,936	95,238	34,518
	<u>\$ 295,975</u>	<u>\$ -</u>	<u>\$ 134,364</u>	<u>\$ 127,093</u>	<u>\$ 34,518</u>

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB requires disclosure of credit quality ratings for investments in debt securities. (The credit risk ratings below are issued upon standards set by Standard and Poor's).

<u>Investment Ratings</u>	<u>U.S. Treasuries</u>	<u>Corporate Bonds</u>	<u>Municipal Securities</u>	<u>Total</u>
AAA	\$ -	\$ -	\$ 10,405	\$ 10,405
AA	39,972	-	126,043	166,015
A	-	9,971	89,244	99,215
BBB	-	20,340	-	20,340
	<u>\$ 39,972</u>	<u>\$ 30,311</u>	<u>\$ 225,692</u>	<u>\$ 295,975</u>

Note 3 - Restricted Assets

Restricted assets are required to be segregated as to use and are therefore identified as restricted assets. The restricted assets are as follows:

Deposits and investments		
General Fund, Franchise Fees	\$	2,037,383
Library Fund, Irrevocable Split Interest Trust		1,028,866
Water Fund, DEQ Loan Reserves		375,428
		375,428
	\$	3,441,677

Note 4 - Intergovernmental and Grant Receivables

The following summarizes the intergovernmental receivables at September 30, 2018:

Source		
State of Idaho		
Revenue sharing	\$	174,113
Highway users		39,849
United States Forest Service		32,529
		32,529
	\$	246,491

Grants owed to the City at September 30, 2018, by source are:

Federal Aviation Administration	\$	2,936,360
Idaho Airport Aid Program		71,676
United States Department of Transportation		3,981
Idaho Commission for Libraries		706
Idaho Community Development Block Grant		2,488
		2,488
	\$	3,015,211

Governmental funds report unavailable revenue in connection with property taxes receivables that are not considered to be available to liquidate liabilities of the current period as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that were raised for the subsequent fiscal year.

At the end of the current fiscal year, the various components reported in the governmental funds as deferred inflows of resources were as follows:

	<u>Delinquent Taxes</u>	<u>Subsequent Tax Levy</u>	<u>Total</u>
Property taxes (general fund)	\$ 21,079	\$ 3,597,949	\$ 3,619,028
Property taxes (street fund)	43,737	1,673,690	1,717,427
Property taxes / hangar lease (airport fund)	16,120	64,372	80,492
Property taxes (recreation fund)	4,893	255,471	260,364
Property taxes (library fund)	12,946	432,505	445,451
 Total unavailable revenue	 <u>\$ 98,775</u>	 <u>\$ 6,023,987</u>	 <u>\$ 6,122,762</u>

Note 5 - Capital Assets

Changes in capital assets of governmental activities are as follows:

	<u>Oct. 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Sept. 30, 2018</u>
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 7,583,418	\$ -	\$ -	\$ -	\$ 7,583,418
Construction in progress	1,746,812	4,506,210	-	-	6,253,022
Total capital assets, not depreciated	<u>9,330,230</u>	<u>4,506,210</u>	<u>-</u>	<u>-</u>	<u>13,836,440</u>
Capital assets, depreciated					
Buildings	3,566,260	-	-	-	3,566,260
Infrastructure	17,575,501	-	-	-	17,575,501
Improvements other than buildings	15,005,138	451,250	-	-	15,456,388
Equipment	3,969,017	478,643	-	-	4,447,660
Total capital assets, depreciated	<u>40,115,916</u>	<u>929,893</u>	<u>-</u>	<u>-</u>	<u>41,045,809</u>
Less accumulated depreciation for					
Buildings	1,921,046	87,201	-	-	2,008,247
Infrastructure	5,286,161	535,490	-	-	5,821,651
Improvements other than buildings	8,101,007	506,298	-	-	8,607,305
Equipment	3,171,426	175,670	-	-	3,347,096
Total accumulated depreciation	<u>18,479,640</u>	<u>1,304,659</u>	<u>-</u>	<u>-</u>	<u>19,784,299</u>
Total net capital assets, depreciated	<u>21,636,276</u>	<u>(374,766)</u>	<u>-</u>	<u>-</u>	<u>21,261,510</u>
Governmental activities capital assets, net	<u>\$ 30,966,506</u>	<u>\$ 4,131,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,097,950</u>

Changes in capital assets of business-type activities are as follows:

	<u>Oct. 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Sept. 30, 2018</u>
Business-type activities					
Capital assets, not depreciated					
Land	\$ 1,142,320	\$ -	\$ -	\$ -	\$ 1,142,320
Construction in progress	-	256,221	-	-	256,221
Total capital assets, not depreciated	<u>1,142,320</u>	<u>256,221</u>	<u>-</u>	<u>-</u>	<u>1,398,541</u>
Capital assets, depreciated					
Buildings	12,874,969	-	-	-	12,874,969
Improvements other than buildings	21,040,215	62,677	-	-	21,102,892
Equipment	999,578	133,958	-	98,734	1,034,802
Total capital assets, depreciated	<u>34,914,762</u>	<u>196,635</u>	<u>-</u>	<u>98,734</u>	<u>35,012,663</u>
Less accumulated depreciation for					
Buildings	6,006,480	316,356	-	-	6,322,836
Improvements other than buildings	8,769,548	545,652	-	-	9,315,200
Equipment	786,355	55,267	-	98,734	742,888
Total accumulated depreciation	<u>15,562,383</u>	<u>917,275</u>	<u>-</u>	<u>98,734</u>	<u>16,380,924</u>
Total net capital assets, depreciated	<u>19,352,379</u>	<u>(720,640)</u>	<u>-</u>	<u>-</u>	<u>18,631,739</u>
Business-type activities capital assets, net	<u>\$ 20,494,699</u>	<u>\$ (464,419)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,030,280</u>

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

Governmental activities	
General government	\$ 141,811
Recreation	145,027
Public works / Streets	677,706
Police	23,833
Parks	56,966
Library	2,700
Community development	600
Airport	256,016
Total depreciation expense - governmental activities	<u>\$ 1,304,659</u>
Business-type activities	
Water	\$ 764,257
Golf	153,018
Total depreciation expense - business-type activities	<u>\$ 917,275</u>

Note 6 - Interfund Receivables, Payables, and Transfers

Incoming receipts and outgoing disbursements are sometimes deposited to/disbursed from one fund on behalf of another fund. At that time, a corresponding receivable/payable and operating transfer is recorded between the funds. The composition of interfund balances as of September 30, 2018 is as follows:

Amounts due to the General Fund from:	
Golf, long-term receivable balance	\$ 85,000
Airport	<u>1,299,628</u>
	<u>\$ 1,384,628</u>
Amounts due to the Street / Public Works Fund from:	
Golf	<u>\$ 5,703</u>
Amounts due to the Library Fund from:	
General	<u>\$ 2,986</u>
Amounts due to the Recreation Fund from:	
General	\$ 43,224
Urban Renewal Agency	<u>43,224</u>
General	<u>\$ 86,448</u>
Amounts due to the Capital Projects Fund from:	
Urban Renewal Agency	\$ 59,938
Water	4,184
General	<u>13,867</u>
	<u>\$ 77,989</u>

Interfund transfers were made for the purpose of funding operations and the settlement of internal balances.

Interfund transfers for the year ended September 30, 2018, were:

Interfund transfers	<u>Golf Fund</u>	<u>Local Option Tax</u>	<u>Airport</u>	<u>Recreation</u>
Transfers out				
General	\$ 266,856	\$ -	\$ 80,159	\$ 774,704
Street / Public Works	-	220,000	-	-
Recreation	2,810	-	7,200	-
Urban Renewal Agency	-	-	-	43,224
	<u>\$ 269,666</u>	<u>\$ 220,000</u>	<u>\$ 87,359</u>	<u>\$ 817,928</u>

Note 7 - Long-Term Debt

The following is a summary of changes in long-term liabilities of the City for the year ended September 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<i>Governmental Activities</i>					
Compensated absences	<u>\$ 134,276</u>	<u>\$ 19,487</u>	<u>\$ 14,920</u>	<u>\$ 138,843</u>	<u>\$ -</u>
Governmental activities long-term liabilities	<u>\$ 134,276</u>	<u>\$ 19,487</u>	<u>\$ 14,920</u>	<u>\$ 138,843</u>	<u>\$ -</u>
<i>Business-type Activities</i>					
Compensated absences	<u>\$ 52,735</u>	<u>\$ -</u>	<u>\$ 4,364</u>	<u>\$ 48,371</u>	<u>\$ -</u>
Revenue bonds					
\$5.63 million 2003 water revenue refunding bonds	465,000	-	465,000	-	-
Notes payable					
Department of Environmental Quality	<u>2,340,223</u>	<u>-</u>	<u>314,665</u>	<u>2,025,558</u>	<u>320,998</u>
Total bonds and notes payable	<u>2,805,223</u>	<u>-</u>	<u>779,665</u>	<u>2,025,558</u>	<u>320,998</u>
Business-type activities long-term liabilities	<u>\$ 2,857,958</u>	<u>\$ -</u>	<u>\$ 784,029</u>	<u>\$ 2,073,929</u>	<u>\$ 320,998</u>

Compensated absences will be liquidated by all funds as the associated payroll is expended.

Business-type activities long-term debt at September 30, 2018 is comprised of the following:

Note Payable

Note payable to State of Idaho, for \$5,908,755. Due in semi-annual installments of \$179,955 through 2024; interest accrues at 2.0%, unsecured. \$ 2,025,558

Total business-type activities \$ 2,025,558

The annual requirements to amortize all debt outstanding as of September 30, 2018, are as follows:

	Business-type Activities	
	Principal	Interest
2019	\$ 320,998	\$ 38,911
2020	327,450	32,459
2021	334,032	25,877
2022	340,746	19,163
2023	347,595	12,314
2024	354,737	5,328
	<u>\$ 2,025,558</u>	<u>\$ 134,052</u>

In Idaho, a municipality is allowed a general obligation bond debt limit of 2% of the market valuation of the real and personal property in its taxing area. The City's legal debt limits for 2018, based on data available from Valley County as of September 30, 2018, would be approximately \$25,655,000. The City has no aggregate general obligation bond indebtedness on September 30, 2018.

Note 8 - Leases

The City leases seven pieces of Caterpillar heavy equipment under a long-term lease / purchase agreement. The terms of the agreement call for transfer of ownership and a balloon payment at the end of the lease term, however, the equipment dealer has entered into a buyback guarantee for the amount of the balloon payment, which the City intends to exercise. The lease expires in November of 2021 (fiscal year 2022) wherein the balloon payment of \$858,000 is due. Based on the terms of the agreement and the intent of the City, the lease has been reported as an operating lease.

The City leases office space in a building with a \$2,700 monthly payment. The lease agreement expires in fiscal year 2023. The City also leases various copiers and a postage meter. The lease payments range from \$98/month to \$455/month. The leases expire at various dates through fiscal year 2023.

Future minimum lease payments, not including the balloon payments, are as follows:

2019		\$ 164,182
2020		162,508
2021		161,208
2022		155,209
2023		10,134
		\$ 653,241
		\$ 653,241

Note 9 - Defined Benefit Pension Plan

Plan Description

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police. As of June 30, 2018, it was 6.79% for general employees and 8.36% for police. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police. The City's contributions were \$430,678 for the year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2018, the City's proportion was 0.1120390 percent, which was a decrease of 0.0046422 percent from June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$285,819. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 181,408	\$ 124,811
Changes in assumptions or other inputs	107,534	-
Net difference between projected and actual earnings on pension plan investments	-	183,613
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	132,146
City contributions subsequent to the measurement date	<u>100,203</u>	<u>-</u>
Total	<u>\$ 389,145</u>	<u>\$ 440,570</u>

The \$100,203 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, 2019.

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

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:

<u>Years ended June 30:</u>	
2019	\$ 88,727
2020	(26,336)
2021	(167,717)
2022	(46,302)

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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	3.00%
Salary increases including inflation	3.75%
Investment rate of return	7.05%, net of pension plan investment expense
Cost-of-living adjustments	1%

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

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

An experience study was performed for the period 2013 through 2017 for the PERSI Base Plan, which reviewed all economic and demographic assumptions. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date July 1, 2018.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

The capital market assumptions are:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return (Arithmetic)</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			1.42%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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 (asset) calculated using the discount rate of 7.05 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 4,136,819	\$ 1,652,595	\$ (404,444)

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

At September 30, 2018, the City had no reported payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 10 - Pledged Revenue

The City has pledged future water customer revenues, net of specified operating expenses, to repay a \$5.9 million drinking water facility promissory note payable to the State of Idaho signed in April 2004. Proceeds from the note provided financing to complete phase II of the water treatment facility. The bonds are payable solely from drinking water facility revenues and are payable through 2024. Annual principal and interest payments on the note are expected to require less than 20 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,159,610. Principal and interest paid for the current year and total customer net revenues were \$359,909 and \$2,191,431, respectively.

Note 11 - Contingent Liabilities

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of the City. City management believes disallowances, if any, will be immaterial.

The City has been named as defendant in various legal actions, the results of which are not presently determinable. However, in the opinion of the City's management and legal counsel, the amount of losses that might be sustained, if any, would not materially affect the City's financial position.

The City has entered into various commitments to developers for certain expansion to infrastructure projects. These are contingent on the developments being constructed and no amount has been assigned or accrued.

Note 12 - Component Units

The Urban Renewal Agency (URA or the Agency) is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate legal entity.

The McCall Public Library Foundation, Inc. (MPLF or the Foundation) is a legally separate, tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and is organized pursuant to the Idaho Nonprofit Corporation Act.

The following is a summary of the disclosures required for a fair presentation of the component units in the City's financial statements.

Deposits and Investments

Deposits and investments for URA include amounts in money market accounts and The Local Government Investment Pool (LGIP), which managed by the State of Idaho Treasurer's office. At year-end, the carrying amount of deposits and LGIP reported in deposits and investments was \$334,378 and restricted deposits and investments was \$484,638. The funds of the LGIP are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Deposits and investments for MPLF include amounts in deposit and money market accounts. At year-end, the carrying amount of deposits and money market accounts was \$65,422.

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The Agency's policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits URA investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at amortized cost. Investments in the Joint Powers Investment Pool and repurchase agreements are valued at fair value.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The component units do not have a policy for custodial credit risk outside of the deposit and investment agreements.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The investments of the component units are not rated. The component units do not have a restrictive policy regarding rated investments.

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The component units do not have a policy concerning maturities of investments.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The component units do not have policy limiting the amount it may invest in any one issuer.

At September 30, 2018, the URA's cash equivalents consisted of the following:

Cash equivalents and investments	
US Bank Money Market Account	\$ 127,550
Local General Investment Pool	<u>206,828</u>
	<u>\$ 334,378</u>
Restricted cash equivalents and investments	
First American Treasury Obligation, Class D	<u>\$ 484,638</u>

The money market funds are managed by First American Funds. The funds are invested in repurchase agreements and U.S. Treasury Strips, Notes, and Bonds. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Changes in General Fixed Assets

Changes in URA general fixed assets are as follows:

	Balance Oct. 1, 2017	Additions	Deletions	Balance Sept. 30, 2018
Capital assets, not depreciated				
Land	\$ 293,115	\$ -	\$ -	\$ 293,115
Total capital assets, not depreciated	<u>293,115</u>	<u>-</u>	<u>-</u>	<u>293,115</u>
Capital assets, depreciated				
Improvements	3,498,650	-	-	3,498,650
Total capital assets, depreciated	<u>3,498,650</u>	<u>-</u>	<u>-</u>	<u>3,498,650</u>
Less accumulated depreciation				
Improvements	1,703,780	331,860	-	2,035,640
Total accumulated depreciation	<u>1,703,780</u>	<u>331,860</u>	<u>-</u>	<u>2,035,640</u>
	<u>\$ 2,087,985</u>	<u>\$ (331,860)</u>	<u>\$ -</u>	<u>\$ 1,756,125</u>

Unavailable Revenue

The URA reports unavailable revenue in connection with property taxes receivables that are not considered to be available to liquidate liabilities of the current period as deferred inflows of resources. The URA also defers revenue recognition in connection with resources that were raised for the subsequent fiscal year. At the end of the current fiscal year, deferred inflows of resources were reported for property taxes.

Long-term Debt

The following is a summary of changes in long-term debt of the URA for the year ended September 30, 2018:

	Long-term Debt at Oct. 1, 2017	Debt Issued	Debt Retired	Long-term Debt at Sept. 30, 2018
Revenue bonds				
2006 agency bonds	\$ 1,710,000	\$ -	\$ 855,000	\$ 855,000
Premium on agency bonds	3,383	-	1,311	2,072
	\$ 1,713,383	\$ -	\$ 856,311	\$ 857,072

Long-term debt at September 30, 2018 is comprised of the following:

\$5,010,000 agency bonds consisting of \$4,120,000 in serial bonds due in annual principal installments of \$420,000 in 2019, and \$890,000 in term bonds due in 2020 for \$435,000, respectively; interest accrues at 4.25% to 4.5%. 100% of the property tax revenues are pledged toward this debt. \$ 855,000

The annual requirements to amortize all debt outstanding as of September 30, 2018, are as follows:

	Component Unit	
	Principal	Interest
2019	\$ 420,000	\$ 37,425
2020	435,000	19,575
	\$ 855,000	\$ 57,000



Required Supplementary Information
September 30, 2018

City of McCall, Idaho

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 3,387,900	\$ 3,387,900	\$ 3,425,718	\$ 37,818
Local option tax	500,131	500,131	400,775	(99,356)
Interest	31,042	31,042	80,240	49,198
Licenses and permits	269,100	269,100	384,674	115,574
Intergovernmental	819,675	819,675	849,671	29,996
Fines and forfeitures	39,000	39,000	33,976	(5,024)
Charges for services	508,372	1,314,322	1,423,665	109,343
Miscellaneous	52,400	52,400	14,926	(37,474)
Total revenues	5,607,620	6,413,570	6,613,645	200,075
Expenditures				
Mayor and council	244,156	244,156	195,515	48,641
Network administration	399,223	399,223	333,068	66,155
City manager	369,788	378,538	368,921	9,617
Administrative	320,083	320,083	345,555	(25,472)
Finance department	431,433	412,871	346,035	66,836
Public safety	1,625,393	1,583,393	1,496,880	86,513
City clerk	239,053	239,053	200,366	38,687
Community services	676,118	685,304	591,035	94,269
Local option tax	508,131	554,669	257,342	297,327
Debt service	-	42,000	-	42,000
Capital outlay	-	1,092,561	441,318	651,243
Total expenditures	4,813,378	5,951,851	4,576,035	1,375,816
Excess of Revenues over Expenditures	794,242	461,719	2,037,610	1,575,891
Other Financing Sources (Uses)				
Contributions	-	-	1,650	1,650
Transfer in	805,950	-	-	-
Transfer out	(2,142,503)	(1,523,318)	(1,121,719)	401,599
Total other financing sources (Uses)	(1,336,553)	(1,523,318)	(1,120,069)	403,249
Excess (Deficiency) of Revenues and other sources over (under) expenditures	(542,311)	(1,061,599)	917,541	\$ 1,979,140
Fund Balance, Beginning of Year	5,590,762	5,590,762	5,590,762	
Fund Balance, End of Year	\$ 5,048,451	\$ 4,529,163	\$ 6,508,303	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street/Public Works Fund

Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 1,514,366	\$ 1,514,366	\$ 1,541,956	\$ 27,590
Local option tax	-	5,157	5,156	(1)
Interest	7,324	7,324	17,137	9,813
Intergovernmental	137,904	137,904	153,681	15,777
Charges for services	-	173,051	184,717	11,666
Miscellaneous	34,157	30,671	43,137	12,466
Total revenues	<u>1,693,751</u>	<u>1,868,473</u>	<u>1,945,784</u>	<u>77,311</u>
Expenditures				
Streets	1,558,478	1,798,926	1,587,002	211,924
Capital outlay	403,000	399,547	377,086	22,461
Total expenditures	<u>1,961,478</u>	<u>2,198,473</u>	<u>1,964,088</u>	<u>234,385</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(267,727)</u>	<u>(330,000)</u>	<u>(18,304)</u>	<u>311,696</u>
Other Financing Sources (Uses)				
Contributions	-	-	30,000	30,000
Transfer in	149,051	-	-	-
Transfer out	(431,324)	(220,000)	(220,000)	-
Total other financing sources (uses)	<u>(282,273)</u>	<u>(220,000)</u>	<u>(190,000)</u>	<u>30,000</u>
Excess (Deficiency) of Revenues and Other uses over (under) expenditures	(550,000)	(550,000)	(208,304)	<u>\$ 341,696</u>
Fund Balance, Beginning of Year	<u>1,542,290</u>	<u>1,542,290</u>	<u>1,542,290</u>	
Fund Balance, End of Year	<u>\$ 992,290</u>	<u>\$ 992,290</u>	<u>\$ 1,333,986</u>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Airport Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 34,646	\$ 34,646	\$ 34,787	\$ 141
Interest	3,156	3,156	1,932	(1,224)
Intergovernmental	3,468,750	3,471,786	3,005,464	(466,322)
Charges for services	249,211	249,211	283,420	34,209
Miscellaneous	8,500	8,500	5,731	(2,769)
Total revenues	3,764,263	3,767,299	3,331,334	(435,965)
Expenditures				
Airport	249,110	330,749	262,499	68,250
Capital outlay	3,750,000	5,098,909	2,818,782	2,280,127
Total expenditures	3,999,110	5,429,658	3,081,281	2,348,377
Excess (Deficiency) of Revenues over (under) expenditures	(234,847)	(1,662,359)	250,053	1,912,412
Other Financing Sources (Uses)				
Transfer in	87,359	1,386,987	87,359	(1,299,628)
Transfer out	(53,603)	-	-	-
Total other financing sources	33,756	1,386,987	87,359	(1,299,628)
Excess (Deficiency) of Revenues over (under) expenditures	(201,091)	(275,372)	337,412	\$ 612,784
Fund Balance, Beginning of Year	486,971	486,971	486,971	
Fund Balance, End of Year	\$ 285,880	\$ 211,599	\$ 824,383	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Recreation Fund
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 234,080	\$ 234,080	\$ 238,709	\$ 4,629
Local option tax	138,500	138,500	118,121	(20,379)
Interest	2,116	2,116	8,011	5,895
Licenses and permits	7,300	7,300	7,417	117
Intergovernmental	18,166	21,166	7,018	(14,148)
Charges for services	35,900	35,900	40,986	5,086
Miscellaneous	50,250	50,250	15,732	(34,518)
Total revenues	<u>486,312</u>	<u>489,312</u>	<u>435,994</u>	<u>(53,318)</u>
Expenditures				
Recreation	811,980	975,616	892,463	83,153
Capital outlay	409,166	409,166	264,523	144,643
Total expenditures	<u>1,221,146</u>	<u>1,384,782</u>	<u>1,156,986</u>	<u>227,796</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(734,834)</u>	<u>(895,470)</u>	<u>(720,992)</u>	<u>174,478</u>
Other Financing Sources (Uses)				
Contributions	4,000	4,000	4,620	620
Transfer in	782,918	801,480	817,928	16,448
Transfer out	(152,084)	(10,010)	(10,010)	-
Total other financing sources	<u>634,834</u>	<u>795,470</u>	<u>812,538</u>	<u>17,068</u>
Excess (Deficiency) of Revenues over (under) expenditures	(100,000)	(100,000)	91,546	<u>\$ 191,546</u>
Fund Balance, Beginning of Year	<u>478,276</u>	<u>478,276</u>	<u>478,276</u>	
Fund Balance, End of Year	<u>\$ 378,276</u>	<u>\$ 378,276</u>	<u>\$ 569,822</u>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Library
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 426,040	\$ 426,040	\$ 434,488	\$ 8,448
Local option tax	62,986	62,986	2,986	(60,000)
Interest	1,412	1,412	8,156	6,744
Intergovernmental	5,350	12,000	11,706	(294)
Fines and forfeitures	1,900	1,900	2,471	571
Charges for services	8,700	8,700	11,547	2,847
Miscellaneous	700	27,340	5,306	(22,034)
Total revenues	<u>507,088</u>	<u>540,378</u>	<u>476,660</u>	<u>(63,718)</u>
Expenditures				
Community services	376,846	499,728	437,275	62,453
Capital outlay	65,350	-	-	-
Total expenditures	<u>442,196</u>	<u>499,728</u>	<u>437,275</u>	<u>62,453</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>64,892</u>	<u>40,650</u>	<u>39,385</u>	<u>(1,265)</u>
Other Financing Sources (Uses)				
Contributions and donations	5,640	19,350	45,341	25,991
Transfer out	(82,532)	-	-	-
Total other financing sources (uses)	<u>(76,892)</u>	<u>19,350</u>	<u>45,341</u>	<u>25,991</u>
Excess (Deficiency) of Revenues over (under) expenditures	(12,000)	60,000	84,726	<u>\$ 24,726</u>
Fund Balance, Beginning of Year	<u>480,554</u>	<u>480,554</u>	<u>480,554</u>	
Fund Balance, End of Year	<u>\$ 468,554</u>	<u>\$ 540,554</u>	<u>\$ 565,280</u>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Local Option Tax
Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local option tax	\$ 3,196,250	\$ 3,209,250	\$ 1,812,196	\$ (1,397,054)
Interest	6,884	6,884	41,116	34,232
Licenses and permits	-	-	39,000	39,000
Fines and forfeitures	104,800	104,800	192,413	87,613
Total revenues	<u>3,307,934</u>	<u>3,320,934</u>	<u>2,084,725</u>	<u>(1,236,209)</u>
Expenditures				
Local option tax	71,712	71,712	310,457	(238,745)
Capital outlay	3,469,222	3,469,222	1,495,395	1,973,827
Total expenditures	<u>3,540,934</u>	<u>3,540,934</u>	<u>1,805,852</u>	<u>1,735,082</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(233,000)</u>	<u>(220,000)</u>	<u>278,873</u>	<u>498,873</u>
Other Financing Sources (Uses)				
Transfer in	-	-	220,000	220,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>220,000</u>	<u>220,000</u>
Excess (Deficiency) of Revenues over (under) expenditures	(233,000)	(220,000)	498,873	<u>\$ 718,873</u>
Fund Balance, Beginning of Year	<u>2,190,671</u>	<u>2,190,671</u>	<u>2,190,671</u>	
Fund Balance, End of Year	<u>\$ 1,957,671</u>	<u>\$ 1,970,671</u>	<u>\$ 2,689,544</u>	

Note 1 - Budgets and Budgetary Accounting

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

Prior to September 1, the City Council and City Manager prepare a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at City Hall to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.

Budgets are adopted on a basis consistent with generally accepted accounting principles for the general, special revenue, capital projects and debt service funds. All annual appropriations lapse at fiscal year-end. The City Manager is authorized to transfer budget amounts within departments and between departments within any fund. Revisions that alter the total expenditure appropriation of any fund must be approved by the City Council. State law does not allow fund expenditures to exceed fund appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds.

**Schedule of Employer's Share of Net Pension Liability
 PERSI - Base Plan
 Last 10 - Fiscal Years**

	2018	2017	2016	2015
Employer's portion of the net pension liability	0.11%	0.12%	0.13%	0.12%
Employer's proportionate share of the net pension liability	\$ 1,652,595	\$ 1,834,028	\$ 2,479,805	\$ 1,633,159
Employer's covered payroll	\$ 3,820,157	\$ 3,782,093	\$ 3,736,238	\$ 3,516,395
Employer's proportional share of the net pension liability as a percentage of its covered payroll	43.26%	48.49%	66.37%	46.44%
Plan fiduciary net position as a percentage of the total pension liability	91.69%	90.68%	87.26%	91.38%

(1) The City will continue to annually report information until this schedule includes 10 fiscal years.

(2) Amounts as of the measurement date of June 30.

**Schedule of Employer Contributions
 PERSI - Base Plan
 Last 10 - Fiscal Years**

	2018	2017	2016	2015
Statutorily required contribution	\$ 430,678	\$ 425,774	\$ 409,600	\$ 393,234
Contributions in relation to the statutorily required contribution	(430,678)	(425,774)	(409,600)	(393,234)
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 3,839,839	\$ 3,773,897	\$ 3,624,112	\$ 3,516,395
Contributions as a percentage of covered payroll	11.22%	11.28%	11.30%	11.18%

(1) The City will continue to annually report information until this schedule includes 10 fiscal years.



Other Information
September 30, 2018

City of McCall, Idaho



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

Members of the City Council
City of McCall, Idaho
McCall, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of McCall, Idaho’s basic financial statements and have issued our report thereon dated March 14, 2019.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, 2018-01.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of McCall, Idaho's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of McCall, Idaho's Response to Finding

City of McCall, Idaho's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of McCall, Idaho's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
March 14, 2019



Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Members of the City Council
City of McCall, Idaho
McCall, Idaho

Report on Compliance for Each Major Federal Program

We have audited the City of McCall, Idaho’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of McCall, Idaho’s major federal program for the year ended September 30, 2018. The City of McCall, Idaho’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for the City of McCall, Idaho’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of McCall, Idaho’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of McCall, Idaho’s compliance.

Opinion on the Major Federal Program

In our opinion, The City of McCall, Idaho complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major Federal program for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of the City of McCall, Idaho is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of McCall, Idaho's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of McCall, Idaho's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Boise, Idaho
March 14, 2019

City of McCall, Idaho
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>Federal Aviation Administration</u>			
Airport Improvement Project	20.106		<u>\$ 2,703,365</u>
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607		<u>498</u>
<u>U.S. Department of Transportation</u>			
Highway Safety Cluster			
Pass Through Payments From State of Idaho			
Mini-Grant Equipment Funding Assistance	20.600	PT-2018-02-00-00	2,663
Traffic Enforcement Impaired Mobilization - Holiday Season	20.616	M5OT-2018-EB-00-00	1,896
Traffic Enforcement Impaired Mobilization	20.616	M5OT-2018-EC-00-00	1,589
Traffic Enforcement Impaired Mobilization - Labor Day	20.616	164AL-2018-01-00-00	<u>1,318</u>
Total Highway Safety Cluster			7,466
Pass Through Payments From State of Idaho			
Traffic Enforcement Alcohol Mini-Grant	20.608	164AL-2018-01-00-00	1,116
Traffic Enforcement Impaired Mobilization - 4th of July	20.608	M5OT-2018-ED-00-00	1,744
Traffic Enforcement Seat Belt Mobilization	20.608	OP-2018-EB-00-00	1,433
Traffic Enforcement Speed/Aggressive Driving Mobilization	20.608	PT-2018-02-00-00	<u>1,794</u>
Total U.S. Department of Transportation			13,553
<u>United States Environmental Protection Agency</u>			
Pass Through Payments From State of Idaho			
McCall Drinking Water Grant	66.468	DWG - 162 2016 1	<u>21</u>
<u>U.S. National Endowment for the Humanities</u>			
Pass Through Payments From State of Idaho	45.310	#LS-00-18-0013-18	<u>706</u>
Library Services and Technology Act			
Total Federal Expenditures			<u><u>\$ 2,718,143</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City. The City received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The City has not elected to use the 10% de minimus cost rate.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting: Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs: Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major programs:

<u>Name of Federal Programs or Clusters</u>	<u>CFDA number</u>
Federal Aviation Administration Airport Improvement Project	20.106
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

Section II – Financial Statement Findings
2018-01 Financial Statement Preparation
Material Weakness

Criteria:

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting and the ability to convert the trial balance from modified accrual to full accrual under the requirements of the Governmental Accounting Standards Board (GASB). It also includes the ability to prepare the footnote disclosures required by GASB. Additionally, this includes posting of all material adjustments necessary to close the year and accurately reflect the activity of the City throughout the year.

Condition:

An internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain closing entries, government-wide reporting conversion entries and footnotes.

Cause:

The size of the City and the limited number of accounting personnel makes it difficult to implement this level of internal control.

Effect:

Management relied on the auditing firm to report financial data in accordance with generally accepted accounting principles. The auditor proposed certain accrual closing entries, government-wide reporting conversion entries and prepared the footnotes and reported financial data in accordance with generally accepted accounting principles.

Recommendation:

Management should develop written procedures for year-end closure to ensure that all year-end adjustments are recorded and that the financial information is recorded accurately and in a timely manner. Management and those charged with governance should assess the benefit of implementing an internal control system that includes the preparation of the financial statements and related footnotes in relation to the cost or other considerations.

Views of Responsible Officials:

Management will work to develop procedures for year-end closing entries. Management will consider the cost and benefits of preparing the report in future years.

Section III – Federal Award Findings and Questioned Costs

None reported.