

CITY OF BURLEY, IDAHO

**Basic Financial Statements
With Supplemental Information**

September 30, 2015



CITY OF BURLEY, IDAHO
BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2015
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BASIC FINANCIAL STATEMENTS
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FINANCIAL SECTION

Evans Poulsen & Catmull PA

Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's
Edward G. Evans, CPA
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Jacob H. Catmull, CPA

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Burley, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Burley (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Burley as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in the notes to the financial statements, the City has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for*

Contributions Made Subsequent to the Measurement Date, which has resulted in a restatement of net position as of October 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6a through 6e and the schedules of employer's share of net pension liability and employer contributions, as listed in the table 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 basic financial statements. The combining and individual nonmajor fund and fiduciary fund financial statements, as well as the combining and individual agency fund schedules of receipts, disbursements, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the combining and individual agency funds schedules of receipts, disbursements, and changes in fund balance, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the combining and individual agency funds schedules of receipts, disbursements, and changes in fund balance, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, on our consideration of the City of Burley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Evans Poulsen & Catmull

Evans Poulsen & Catmull, PA
January 11, 2016

City of Burley
Management Discussion and Analysis
Fiscal Year Ending - September 30, 2015

Management's Discussion and Analysis Report

The management of the City of Burley, Idaho, presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015. This Management's Discussion and Analysis is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

Government-wide Financial Analysis

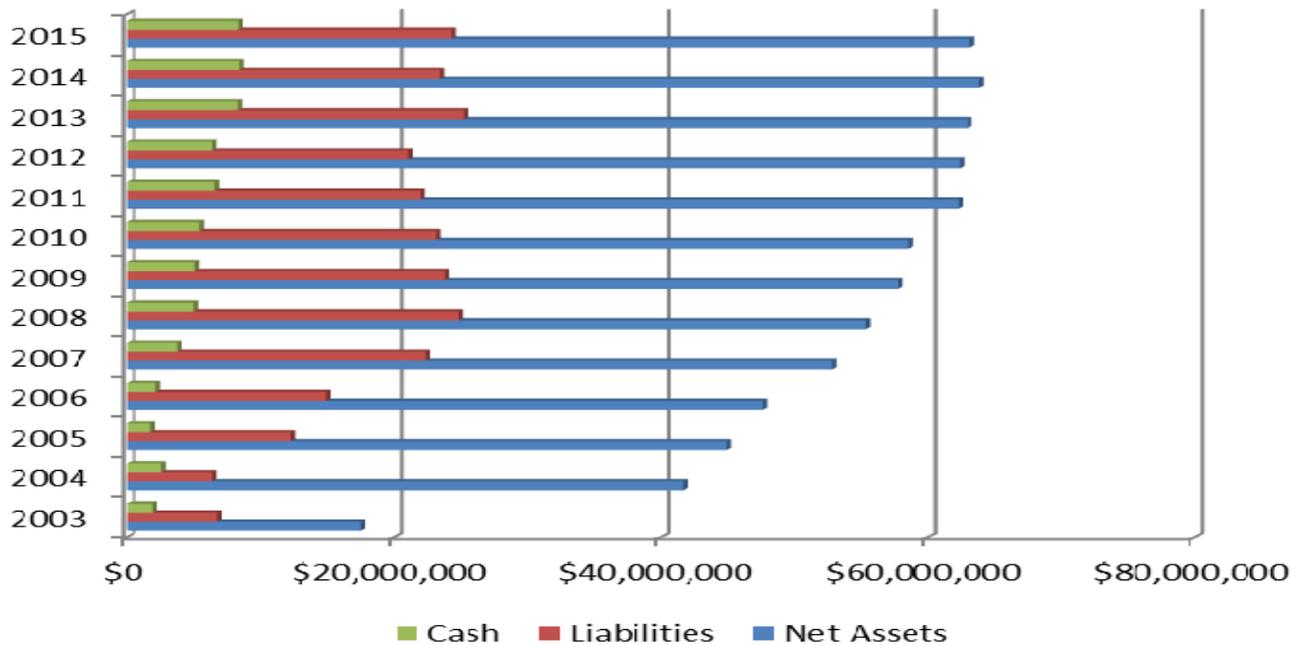
The City is required to present its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34) which also requires the management discussion and analysis. This year we are also reporting on the retirement holdings the City of Burley has with the Public Employees Retirement System of Idaho which is a requirement of GASB 67. A new regulation from GASB included in the audit for the fiscal year ending in 2015 was the disclosure of retirement system liability. The City of Burley and all full and some part-time employees participate in the PERSI. We must report on the financial statements a potential unfunded liability from being in this system.

Analysis of Net Position

The City total net position for the fiscal year ended September 30, 2015, is \$63,157,571 compared to \$63,862,891 for September 30, 2014. This is a decrease in net assets of \$705,320. The decrease in net assets is due to the recognition of the PERSI potential liability. The potential liability is created from current funding of benefits compared to future funding of retirement benefits. This amount (\$1,504,195) was the single item that changed what would have been an increase in net position to a decrease in net position. The Governmental funds decreased \$804,826 and the Enterprise funds decreased \$699,369 from this single item. The Enterprise funds are summarized on page 14 and 15 of the Financial Statements. Governmental funds are summarized on pages 9-11. Cash and Investments in the Governmental funds increased by \$359,996 and cash and investments in the Enterprise funds decreased \$436,500. The decrease in the Enterprise funds was primarily due to expenditures on capital assets in those funds. (See page 16-Acquisition of capital assets)

Liabilities for the City as a whole increased to the addition of the Net Pension Liability of \$1,504,195. The largest decreases in liabilities were in Long Term Bond Debt of \$914,999 from the 2014 fiscal year. The long term bond debt is in the Water, Wastewater and General Obligation Bonds.

Net Assets, Liabilities and Cash



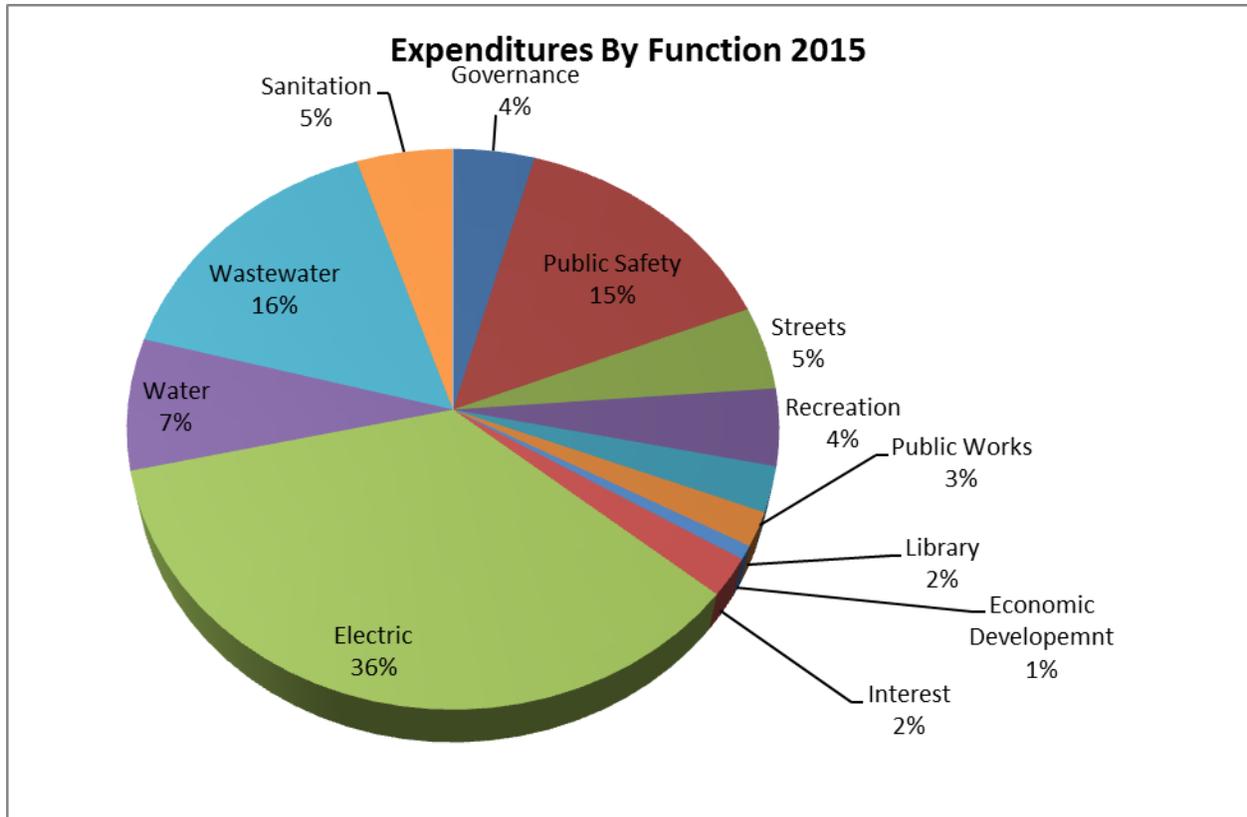
Funds analysis

The following is an analysis of the differences in the Net Position of each of the City's major funds types.

Governmental Funds – Total property taxes collected for FY 2014-2015 for all functions General including the Street Override levy, Library base levy and the Library Override levy, and General Obligation Bond were \$2,739,881. Property taxes for the General Fund (\$1,972,538), Library (\$408,320) and the General Obligation Bond revenue were \$329,023. Total revenues for the General Fund were \$6,571,323. State of Idaho collected local tax revenues (Sales Tax/Inventory Replacement Tax and shared Liquor Dispensary revenues) were \$918,100 up from \$861,206 for the previous fiscal year. Highway user taxes (a portion of gas tax and vehicle registrations) and revenue from City residents passed through to the city at a 50% reduction from the highway districts totaled \$654,027 for fiscal year 2014-2015 compared to \$618,048 for fiscal year 2013-2014.

Expenses for the Streets Department for the year were of \$982,335 compared to \$792,520 for the previous fiscal year. This shows the amount of the override levy being put to street improvements. The difference between the streets revenue including the override levy and expenses creates a funding deficit of \$128,308 which is provided by the General fund. The City Council decided in 2007 to augment the Street funding to preserve street and curb and gutter infrastructure. This amount of funding is unsustainable for the long term unless other expenses are eliminated from the General fund. Total public safety, Sheriff's contract, Fire Department, Animal Control, Building Inspection and prosecution costs were \$3,000,919 compared to \$2,866,263 which represents over 48.2% of all General Fund expenditures. The City started providing all construction inspection services as of December 1, 2014. This created \$72,590 in additional revenue. Historic building inspection revenue was up an additional \$98,227 above the budgeted amount at the fiscal year end.

State and Federal Grants Fund – Grant reimbursements were received from the Federal Aviation Administration (Planning Grant) for \$196,801 and from ITD \$7,371 as reimbursements. State Parks reimbursed the City \$54,000 for the walking path construction. \$388,304 was received from an EPA grant for the construction of the Industrial Wastewater plant. Total grant funds reimbursed for all projects during the year was \$655,218.



Business Type Funds

Electric Fund – The Electric Fund Net assets decreased \$258,381 from October 1, 2014 to September 30, 2015. Cash & Investments decreased by \$146,706 due to the purchase and installation of automated meters and equipment. The only remaining automated meters to be installed are commercial meters that need coordination with the businesses. Based on the outcome of the prior year budget the Administration and the Electrical department will be bringing a 2.5% request for all electrical rates to the Council in the near future. The warm winter from last year caused a portion of the operating loss in the Electrical Department.

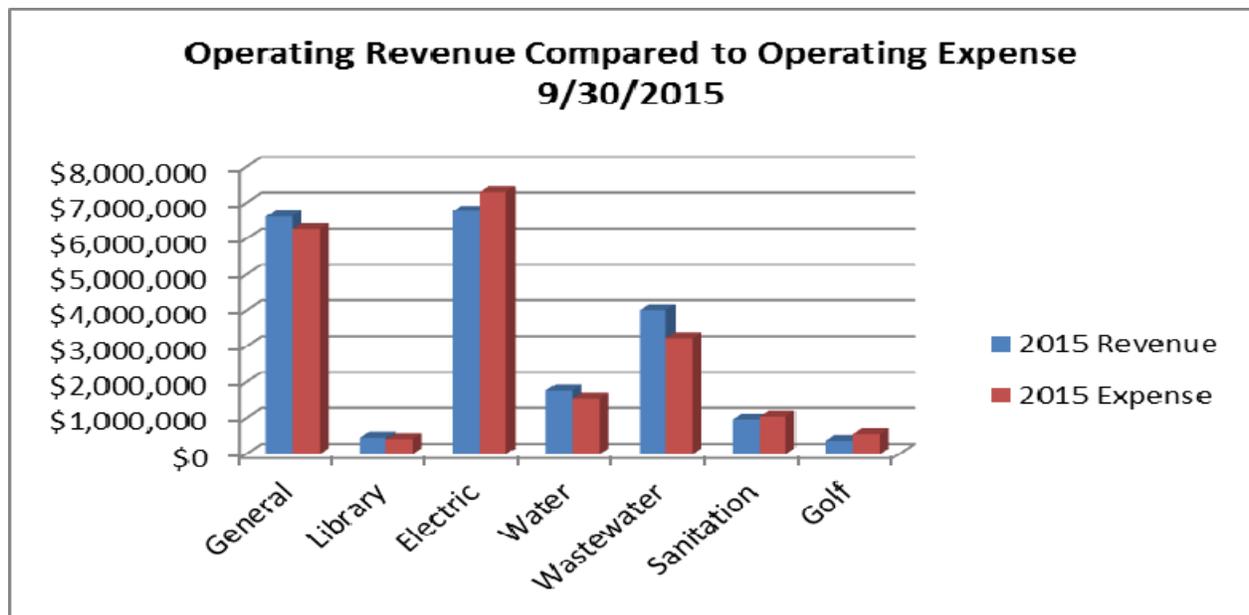
Water Fund – The Water Fund Net Assets increased by \$291,157 as of September 30, 2015. The increase was due to revenues from the dry winter and spring causing high pressure irrigation to be used earlier in the year. There were additional expenses of legal fees and mitigation, due to the water calls that happened in 2014 and 2015. There was \$222,537 spent on water system improvements and \$393,154 spent on new electronic meters for the water department. The Water Department will continue to monitor the capital improvement program and report to the Council

annually. The largest single operating cost for the Water Department other than labor is the cost of electricity at \$230,757 for fiscal year 2015. Due to BPA rate increase this will continue to affect the Water Department. The year over year increase between FY 2014 and FY 2015 was 6.6% for electrical costs. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

Wastewater Fund – The Wastewater Fund Net Position for September 30, 2014 was \$23,025,188. This is an increase of \$688,841 from October 1, 2014. Cash in the fund increased by \$574,807 due to lower than expected maintenance costs and increased revenue. The final STAG grant funds were reimbursed in the 2014-2015 fiscal year. The sludge dryer at the Municipal plant was repaired, and banana mixers were installed to two oxidation ditches. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

Golf Fund – The Golf Fund net position decreased by \$113,272 during the 2014-2015 fiscal year. The cash and payables were both higher at the end of the fiscal year due to the new structure of the golf pro's contract. The operating transfer to the Golf Fund was \$121,906 compared to \$44,304 for the prior fiscal year. The City Council continued a golf cart replacement plan during the fiscal year. They hope to replace all golf carts on a four year rotating basis.

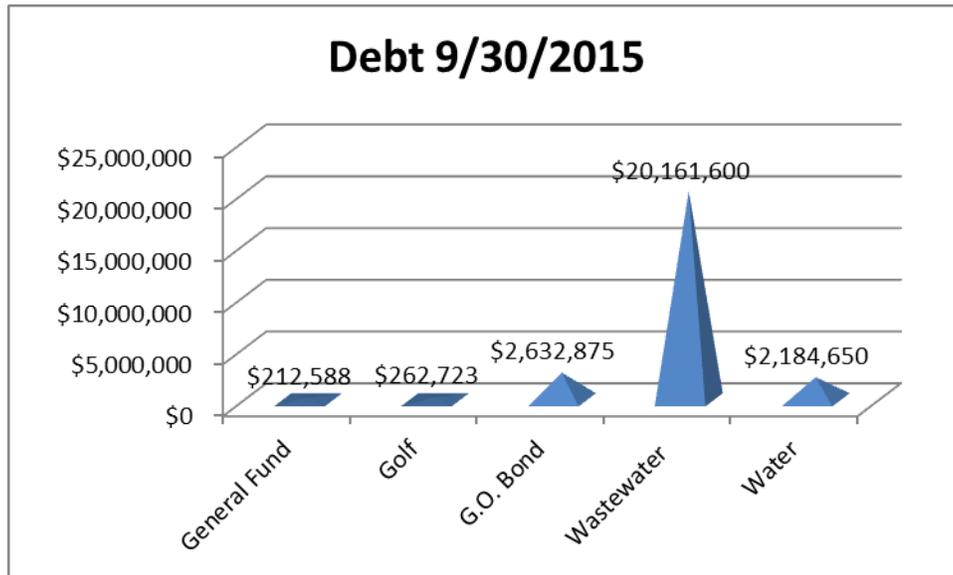
Sanitation Fund – The Sanitation Fund had a decrease in net position of \$222,026 from October 1, 2014 to September 30, 2015. The decrease was due to higher purchasing the new front end loader truck for commercial and residential service. The fund operating revenue increased \$35,178 from the previous fiscal year. Total operating expenses were \$1,044,903. A rate increase needs to be made soon because of increased cost of equipment and the loss of a major revenue. There were no significant deviations from budget.



OUTSTANDING DEBT

As of September 30, 2015 the City of Burley had \$25,445,436 short and long term debt and future interest payments compared to \$27,093,040 in debt and interest payments at the end of fiscal year 2014. General Fund debt is \$212,588 of the total amount or less than 1% of the total debt. Golf

Fund debt is \$262,723. Wastewater debt for the Industrial Plant and the Municipal plant is \$20,161,600. Water Department debt is 2,184,650. Additional detailed information on long-term obligations is available in note 6 to the financial statements.



Future Concerns and Notable Items

There are ongoing projects that will take a future financial commitment including airport relocation, funding a transfer station, a new park, and greenbelt improvements. General Fund will need to be very closely monitored as General Fund revenues affect services across the entire City. The problem of permanent funding for streets has only been partially addressed by the state legislature. The City of Burley has a temporary two-year override in the amount of \$200,000 that was approved in 2013 that will help with the backlog of street maintenance. It needs to be reapproved in May of 2016 or the street funding will be interrupted. General Fund revenues have stabilized, and future increases are likely in smaller amounts. These services touch most citizens and demand may grow in utility requests. The City should strongly resist adding any new General Fund services or expansion of existing services with the exception of new utility services.

Accounting for Assets

GASB 34 requires that public entities quantify the cost of existing assets and the maintenance costs of those assets. GASB 68 is a new requirement that will have the City of Burley showing a future liability for participation in the PERSI retirement for public employees. We continue the implementation of automated metering and should be substantially complete by the end of the 2016 fiscal year. As the City of Burley makes future public improvements it will not only increase the net assets shown on these financial statements but also commits the City to maintaining those improvements.

Requests for information

The City's financial statements are designed to present the users with a general overview of the City's finances, and to demonstrate the city's accountability. If you have questions about the report or need additional financial information, please contact the City Clerk or City Administrator at P.O. Box 1090, Burley, ID 83318, or check out the City of Burley website www.burleyidaho.org.

CITY OF BURLEY, IDAHO

Statement of Net Position
September 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Totals	Burley Development Authority
ASSETS				
Current assets:				
Cash & investments	\$ 2,614,387	\$ 5,716,605	\$ 8,330,992	\$ 2,656,468
Receivables (net of allowances):				
Taxes	182,345	-	182,345	14,615
Accounts	18,812	902,157	920,969	-
Notes	-	-	-	-
Prepaid expenses	60,742	-	60,742	-
Inventory - note 3	-	878,372	878,372	-
Due from other funds	-	563,371	563,371	-
Due from other governments	238,899	-	238,899	-
Total current assets	<u>3,115,185</u>	<u>8,060,505</u>	<u>11,175,690</u>	<u>2,671,083</u>
Noncurrent assets:				
Restricted assets:				
Cash -	-	-	-	688,152
Capital assets - note 4:				
Land	10,654,919	432,801	11,087,720	1,672,810
Other capital assets, net of depreciation	18,100,617	47,086,849	65,187,466	-
Total noncurrent assets	<u>28,755,536</u>	<u>47,519,650</u>	<u>76,275,186</u>	<u>2,360,962</u>
Total assets	<u>31,870,721</u>	<u>55,580,155</u>	<u>87,450,876</u>	<u>5,032,045</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension obligations	378,257	322,730	700,987	-
Total Deferred Outflows of Resources	<u>378,257</u>	<u>322,730</u>	<u>700,987</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	353,862	1,160,730	1,514,592	27,946
Customer deposits payable	161,324	-	161,324	-
Compensated absences payable	144,154	-	144,154	-
Interest payable	4,283	30,309	34,592	163,925
Due to cash clearing	-	-	-	-
Bonds & notes payable - current maturity	235,000	827,442	1,062,442	524,513
Total current liabilities	<u>898,623</u>	<u>2,018,481</u>	<u>2,917,104</u>	<u>716,384</u>
Noncurrent liabilities:				
Notes due to other funds	201,270	-	201,270	-
Premium on bonds payable	160,000	1,921,539	2,081,539	-
Bonds payable - long term	1,925,000	15,394,956	17,319,956	8,524,708
Net pension liability	804,826	699,369	1,504,195	-
Total noncurrent liabilities	<u>3,091,096</u>	<u>18,015,864</u>	<u>21,106,960</u>	<u>8,524,708</u>
Total liabilities	<u>3,989,719</u>	<u>20,034,345</u>	<u>24,024,064</u>	<u>9,241,092</u>
DEFERRED INFLOWS OF RESOURCES				
Employer pension assumption	519,124	451,104	970,228	-
Total Deferred Inflows of Resources	<u>519,124</u>	<u>451,104</u>	<u>970,228</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	26,595,536	31,297,252	57,892,788	1,672,810
Restricted for:				
Capital projects & debt service	-	-	-	688,152
Unrestricted	1,144,599	4,120,184	5,264,783	(6,570,009)
Total Net Assets	<u>\$ 27,740,135</u>	<u>\$ 35,417,436</u>	<u>\$ 63,157,571</u>	<u>\$ (4,209,047)</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,681,137	\$ 352,178	\$ -	\$ 115,497	\$ 2,148,812
Receivables (net of allowances):					
Taxes	182,345	-	-	-	182,345
Accounts	18,812	-	-	-	18,812
Notes	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	238,899	-	-	-	238,899
Total assets	\$ 2,121,193	\$ 352,178	\$ -	\$ 115,497	\$ 2,588,868
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Vouchers payable and accrued liabilities	\$ 272,718	\$ 30,742	\$ -	\$ 50,027	\$ 353,487
Utility customer deposits	161,324	-	-	-	161,324
Due to other funds	-	-	-	-	-
Total liabilities	434,042	30,742	-	50,027	514,811
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue - property taxes	137,288	-	-	-	137,288
FUND BALANCE:					
Restricted for:					
Capital projects	-	-	-	-	-
Committed:					
General Obligation Bond Fund	-	-	-	-	-
Library Fund	-	321,436	-	-	321,436
Grant Fund	-	-	-	65,470	65,470
Unassigned: General Fund	1,549,863	-	-	-	1,549,863
Total fund balances	1,549,863	321,436	-	65,470	1,936,769
Total liabilities, deferred inflow of resources and fund balances	\$ 2,121,193	\$ 352,178	\$ -	\$ 115,497	\$ 2,588,868

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities September 30, 2015

Total Governmental Fund Balances		\$	1,936,769
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.			28,755,536
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property Taxes			137,288
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			525,942
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences			(144,154)
General Obligation Bonds (GOB) payable			(2,320,000)
Notes Payable - other funds			(201,270)
Accrued interest payable			(4,283)
Some liabilities, including pension obligations (liability) are not due and payable in the current period and, therefore are not reported in the funds, but are reported on the Statement of Net Position.			(804,826)
Balances at September 30, 2015:			
Deferred outflows of resources pension expense		325,507	
Deferred outflow of 2015 employer contributions		<u>52,750</u>	
			378,257
Deferred inflows or resources related to pensions.			<u>(519,124)</u>
Net Position of Governmental Activities		\$	<u>27,740,135</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 2,209,447	\$ 408,320	\$ 329,023	\$ -	\$ 2,946,790
Licenses and permits	277,533	-	-	-	277,533
Intergovernmental	1,572,127	-	-	-	1,572,127
Charges for services	1,621,196	-	-	-	1,621,196
Fees and fines	89,294	21,997	-	-	111,291
Grants / Donations	-	8,967	-	261,172	270,139
Miscellaneous	801,726	2,884	-	-	804,610
Total revenues	6,571,323	442,168	329,023	261,172	7,603,686
Expenditures:					
Legislative	261,054	-	-	-	261,054
Executive	39,023	-	-	-	39,023
Administrative	826,944	-	-	-	826,944
Legal & Professional	181,397	-	-	-	181,397
Buildings	325,487	-	-	-	325,487
Police	1,450,000	-	-	-	1,450,000
Fire	1,052,176	-	-	-	1,052,176
Animal control	77,845	-	-	-	77,845
Streets	980,112	-	-	-	980,112
Equipment maintenance	256,516	-	-	-	256,516
Airport	23,181	-	-	-	23,181
Parks and recreation	234,154	-	-	-	234,154
Swimming	135,128	-	-	-	135,128
Cemetery	257,122	-	-	-	257,122
Library	-	408,288	-	-	408,288
Debt Service - Principal	-	-	230,000	-	230,000
Debt Service - Interest	-	-	99,023	-	99,023
Capital outlays	-	-	-	430,458	430,458
Total expenditures	6,100,139	408,288	329,023	430,458	7,267,908
Excess of revenues over (under) expenditures	471,184	33,880	-	(169,286)	335,778
Other financing sources (uses)					
Transfers in	-	42,000	-	13,000	55,000
Transfers out	(176,906)	(16,000)	-	-	(192,906)
Bond / loan proceeds	-	-	-	-	-
Proceeds from the sale of capital assets	44,427	-	-	-	44,427
Total other financing sources (uses)	(132,479)	26,000	-	13,000	(93,479)
Net change in fund balances	338,705	59,880	-	(156,286)	242,299
Fund balance - beginning	1,211,158	261,556	-	221,756	1,694,470
Fund balance - ending	\$ 1,549,863	\$ 321,436	\$ -	\$ 65,470	\$ 1,936,769

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	242,299
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:</p>		
Fixed asset additions - purchased	\$	378,280
Fixed asset additions - contributed		-
Depreciation expense		<u>(794,367)</u>
Excess of capital outlay over depreciation		(416,087)
<p>Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds. This is the increase/(decrease) in deferred unavailable revenue.</p>		
		11,234
<p>The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Repayment of loan principal - GOB		250,000
Repayment of loan principal - Other Loans		33,169
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include: Net change in compensated absences</p>		
		(17,163)
Decrease (inc) in accrued interest on long-term debt		-
Basis in assets sold		-
<p>Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue/(expense) of the internal service funds are reported with governmental activities - current year</p>		
		33,052
<p>In the Governmental Funds, pension contributions are considered an expense, while on the statements of activities the contributions are considered a deferred outflow.</p>		
		<u>23,720</u>
Change in Net Position of Governmental Activities	\$	<u><u>160,224</u></u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget: Favorable (Unfavorable)
Revenues:				
Taxes	\$ 2,221,052	\$ 2,221,052	\$ 2,209,447	\$ (11,605)
Licenses and permits	104,500	104,500	277,533	173,033
Intergovernmental	1,487,700	1,487,700	1,572,127	84,427
Charges for services	1,579,215	1,579,215	1,621,196	41,981
Fines	88,000	88,000	89,294	1,294
Miscellaneous	851,850	851,850	801,726	(50,124)
Total revenues	6,332,317	6,332,317	6,571,323	239,006
Expenditures:				
Legislative	396,578	396,578	261,054	135,524
Executive	38,998	38,998	39,023	(25)
Administrative	837,639	837,639	826,944	10,695
Legal	184,281	184,281	181,397	2,884
Buildings	222,709	222,709	325,487	(102,778)
Police	1,450,000	1,450,000	1,450,000	-
Fire	1,076,655	1,076,655	1,052,176	24,479
Animal control	137,672	137,672	77,845	59,827
Streets	991,637	991,637	980,112	11,525
Equipment maintenance	246,723	246,723	256,516	(9,793)
Airport	23,950	23,950	23,181	769
Parks and recreation	246,076	246,076	234,154	11,922
Swimming	111,193	111,193	135,128	(23,935)
Cemetery	261,676	261,676	257,122	4,554
Construction	-	-	-	-
Total expenditures	6,225,787	6,225,787	6,100,139	125,648
Excess (deficiency) of revenues over expenditures	106,530	106,530	471,184	364,654
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(128,530)	(128,530)	(176,906)	(48,376)
Bond / loan proceeds	-	-	-	-
Proceeds from the sale of capital assets	22,000	22,000	44,427	22,427
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	338,705	338,705
Fund balance - beginning	1,211,158	1,211,158	1,211,158	-
Fund balance - ending	\$ 1,211,158	\$ 1,211,158	\$ 1,549,863	\$ 338,705

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Net Position
Proprietary Funds
September 30, 2015

	Business-Type Activities Enterprise Funds					Totals	Governmental Activities-
	Electric Fund	Water Fund	Wastewater Fund	Sanitation Fund	Golf Fund		Internal Service Funds
ASSETS							
Current assets:							
Cash & investments	\$ 1,154,226	\$ 145,087	\$ 4,544,801	\$ (127,509)	\$ -	\$ 5,716,605	\$ 465,575
Receivables (net of allowances):							
Accounts	451,641	114,170	272,567	63,384	395	902,157	-
Claims	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	60,742
Inventory	560,893	317,479	-	-	-	878,372	-
Total current assets	2,166,760	576,736	4,817,368	(64,125)	395	7,497,134	526,317
Noncurrent assets:							
Notes receivable - other funds	476,521	-	86,850	-	-	563,371	-
Restricted assets	-	-	-	-	-	-	-
Capital Assets:							
Land	85,735	242,114	92,452	12,500	-	432,801	-
Other capital assets, net of depr	4,109,743	6,993,555	34,503,842	736,947	742,762	47,086,849	-
Total noncurrent assets	4,671,999	7,235,669	34,683,144	749,447	742,762	48,083,021	-
Total assets	6,838,759	7,812,405	39,500,512	685,322	743,157	55,580,155	526,317
DEFERED OUTFLOWS OF RESOURCES							
Pension Obligations	106,132	58,168	86,726	52,742	18,962	322,730	
Total deferred inflows of resources	106,132	58,168	86,726	52,742	18,962	322,730	
LIABILITIES							
Current liabilities:							
Accounts payable & accrued exp	834,849	80,387	146,671	57,472	41,351	1,160,730	375
Deferred revenue	-	-	-	-	-	-	-
Interest payable	-	2,770	27,539	-	-	30,309	-
Due to other funds	-	-	-	-	-	-	-
Bonds & notes payable - current	-	90,000	655,000	-	82,442	827,442	-
Total current liabilities	834,849	173,157	829,210	57,472	123,793	2,018,481	375
Noncurrent liabilities:							
Premium on bonds payable	-	212,860	1,708,679	-	-	1,921,539	-
Bonds & notes payable	-	1,510,000	13,715,000	-	169,956	15,394,956	-
Net pension liability	229,993	126,053	187,938	114,294	41,091	699,369	-
Total liabilities	229,993	1,848,913	15,611,617	114,294	211,047	18,015,864	-
DEFERED INFLOWS OF RESOURCES							
Employer Pension Assumption	148,349	81,306	121,223	73,721	26,505	451,104	
Total deferred inflows of resources	148,349	81,306	121,223	73,721	26,505	451,104	
NET POSITION							
Net Investment in capital assets	4,195,478	5,635,669	20,226,294	749,447	490,364	31,297,252	-
Restricted for:							
Capital projects	-	-	-	-	-	-	-
Unrestricted	1,536,222	131,528	2,798,894	(256,870)	(89,590)	4,120,184	525,942
Total net position	\$ 5,731,700	\$ 5,767,197	\$ 23,025,188	\$ 492,577	\$ 400,774	\$ 35,417,436	\$ 525,942

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2015

	Business-Type Activities Enterprise Funds					Totals	Governmental Activities-
	Electric Fund	Water Fund	Wastewater Fund	Sanitation Fund	Golf Fund		Internal Service Funds
Operating revenues:							
Charges for utilities	\$ 6,764,736	\$ 1,764,401	\$ 4,011,931	\$ 962,099	\$ 360,860	\$ 13,864,027	\$ 1,868,755
Less cost of utilities	(4,337,196)	-	-	-	-	(4,337,196)	-
Gross profit on utilities	2,427,540	1,764,401	4,011,931	962,099	360,860	9,526,831	1,868,755
Other service charges	28,237	13,341	-	-	-	41,578	-
Total operating revenues	2,455,777	1,777,742	4,011,931	962,099	360,860	9,568,409	1,868,755
Operating expenses:							
Salaries & temp services	499,157	307,338	427,241	270,678	240,546	1,744,960	-
F.I.C.A. taxes	38,827	21,602	31,836	19,242	9,832	121,339	-
State retirement	43,813	23,786	39,432	23,792	12,772	143,595	-
Workman's compensation	12,149	10,614	16,545	26,708	3,126	69,142	-
Health and accident insurance	150,383	97,380	218,694	150,503	61,088	678,048	1,835,703
Operating supplies	38,511	154,837	218,844	60,751	7,060	480,003	-
Motor fuels and lubricants	12,592	9,531	25,795	82,671	13,139	143,728	-
Professional services	9,881	110,979	136,229	2,020	1,114	260,223	-
Advertising and printing	3,793	2,049	3,496	473	1,693	11,504	-
Insurance	13,887	12,500	30,535	16,000	2,912	75,834	-
Memberships, travel and training	57,861	5,732	10,720	108	2,126	76,547	-
Utilities and telephone	56,493	235,131	338,238	1,589	17,801	649,252	-
Rent - buildings and equipment	61,750	35,750	18,897	350	-	116,747	-
Maintenance expense	422,298	29,201	346,599	230,792	59,791	1,088,681	-
Other purchased services	-	-	18,324	-	1,200	19,524	-
Miscellaneous expense	10,662	3,970	19,955	1,986	6,487	43,060	-
Bad debts	11,606	2,740	6,665	1,421	-	22,432	-
Tax equivalents paid to Gen. Fund	692,375	-	-	-	-	692,375	-
Depreciation	330,945	336,931	1,102,751	118,986	97,345	1,986,958	-
Administrative services	459,965	120,000	146,250	27,083	2,710	756,008	-
Legal services	29,792	34,531	69,691	9,750	-	143,764	-
Total operating expenses	2,956,740	1,554,602	3,226,737	1,044,903	540,742	9,323,724	1,835,703
Operating income (loss)	(500,963)	223,140	785,194	(82,804)	(179,882)	244,685	33,052
Non-operating revenues (expenses)							
Grant revenue	-	6,697	388,004	-	-	394,701	-
Capital Contributions	224,856	254,500	155,500	-	-	634,856	-
Interest income	17,726	1,819	7,946	1,135	-	28,626	-
Interest (expense)	-	(40,201)	(417,007)	-	(4,844)	(462,052)	-
Total non-operating revenues (exp)	242,582	222,815	134,443	1,135	(4,844)	596,131	-
Income(Loss) before transfers	(258,381)	445,955	919,637	(81,669)	(184,726)	840,816	33,052
Transfers In	-	-	-	-	121,906	121,906	-
Transfers Out	-	-	-	-	-	-	-
Change in Net Position	(258,381)	445,955	919,637	(81,669)	(62,820)	962,722	33,052
Net Position Beginning of Year (Restated)	5,990,081	5,321,242	22,105,551	574,246	463,594	34,454,714	492,890
Net Position End of Year	\$ 5,731,700	\$ 5,767,197	\$ 23,025,188	\$ 492,577	\$ 400,774	\$ 35,417,436	\$ 525,942

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	Business-Type Activities Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund	Sanitation Fund	Golf Fund		
Cash flows provided by operating activities:							
Receipts from customers and users	\$ 6,745,491	\$ 1,756,547	\$ 3,972,803	\$ 947,360	\$ 360,465	\$ 13,782,666	\$ 1,868,755
Payments to suppliers	(5,903,283)	(887,141)	(1,521,794)	(609,905)	(212,173)	(9,134,296)	\$ (1,896,070)
Payments to employees	(499,157)	(307,338)	(427,241)	(270,678)	(240,546)	(1,744,960)	-
Payments for interfund services used	(489,757)	(154,531)	(215,941)	(36,833)	(2,710)	(899,772)	-
Other receipts/(payments)	-	-	-	-	-	-	-
Net cash provided (used) by operating activities	(146,706)	407,537	1,807,827	29,944	(94,964)	2,003,638	(27,315)
Cash flows from noncapital and related financing activities:							
Grants received	-	6,697	388,004	-	-	394,701	-
Transfers from (to) other funds	-	-	-	-	121,906	121,906	-
Net cash provided (used) by noncapital and related financing activities	-	6,697	388,004	-	121,906	516,607	-
Cash flows from capital and related financing activities:							
Proceeds from long-term debt	-	-	-	-	167,806	167,806	-
Capital contributions	224,856	254,500	155,500	-	-	634,856	-
Principal and interest paid on long-term debt	-	(154,167)	(1,250,209)	-	(66,940)	(1,471,316)	-
Transfer to restricted assets	-	-	-	-	-	-	-
Acquisition of capital assets	(502,683)	(777,321)	(457,411)	(325,570)	(167,806)	(2,230,791)	-
Net cash used by capital and related financing activities	(277,827)	(676,988)	(1,552,120)	(325,570)	(66,940)	(2,899,445)	-
Cash flows from investing activities:							
Loans to other funds	-	-	(86,850)	-	-	(86,850)	-
Principal received on loans to other funds	104,606	-	-	-	-	104,606	-
Interest received on Investments	17,726	1,819	7,946	1,135	-	28,626	-
Net cash provided by investing activities	122,332	1,819	(78,904)	1,135	-	46,382	-
Net increase (decrease) in cash	(302,201)	(260,935)	564,807	(294,491)	(39,998)	(332,818)	(27,315)
Cash at beginning of year (including restricted)	1,560,109	406,022	3,979,994	166,982	39,998	6,153,105	624,783
Cash at end of year (including restricted)	\$ 1,154,226	\$ 145,087	\$ 4,544,801	\$ (127,509)	\$ -	\$ 5,716,605	\$ 597,468
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (500,963)	\$ 223,140	\$ 785,194	\$ (82,804)	\$ (179,882)	\$ 244,685	\$ 33,052
Depreciation & amortization	330,945	336,931	1,102,751	118,986	97,345	1,986,958	-
(Increase) decrease in accounts receivable	56,202	(21,193)	(39,131)	(14,739)	(395)	(19,256)	(60,742.00)
(Increase) decrease in inventory	(103,684)	(92,870)	-	-	-	(196,554)	-
Increase (decrease) in payables	81,024	(32,864)	(32,627)	13,585	(10,204)	18,914	375
Net non-cash pension (revenue) expense	(10,230)	(5,607)	(8,360)	(5,084)	(1,828)	(31,109)	-
Net cash provided (used) by operating activities	\$ (146,706)	\$ 407,537	\$ 1,807,827	\$ 29,944	\$ (94,964)	\$ 2,003,638	\$ (27,315)

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ASSETS			
Cash & Investments	\$ 221,813	\$ 21,166	\$ 242,979
Prepaid Expenses	-	-	-
Other Assets	-	-	-
Total assets	<u>221,813</u>	<u>21,166</u>	<u>242,979</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	-	-	-
Deferred Revenue	-	-	-
Interest Payable	-	-	-
Long-Term Liabilities - Note 6:			
Due Within One Year	-	-	-
Due in More Than One Year	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in Trust	<u>221,813</u>	<u>21,166</u>	<u>242,979</u>
Total Net Position	<u>\$ 221,813</u>	<u>\$ 21,166</u>	<u>\$ 242,979</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2015

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ADDITIONS:			
Donations	\$ 1,315	\$ -	\$ 1,315
Investment earnings (losses)	(1,447)	-	(1,447)
Total additions	(132)	-	(132)
DEDUCTIONS:			
Community projects	-	-	-
Library construction	-	-	-
Other expenses	-	270	270
Total deductions	-	270	270
OTHER FINANCING SOURCES (USES):			
Transfers in	16,000	-	16,000
Transfers out	-	-	-
CHANGE IN NET POSITION:	15,868	(270)	15,598
Net position - beginning of year	205,945	21,436	227,381
Net position - end of year	\$ 221,813	\$ 21,166	\$ 242,979

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Burley have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. During the year ended September 30, 2015, the City implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*. The significant accounting policies of the City are described below.

A. Reporting Entity

The City of Burley was incorporated April 10, 1905. The City operates under a Mayor-City Council form of government. The six-member City Council and Mayor have governing responsibilities over all of the activities relating to the City of Burley. The City provides the following services: Public safety, public works, recreation and community development.

The component unit, the Burley Development Authority (BDA), is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The BDA's activities are presented in a separate column in the accompanying financial statements. The BDA is a separate and distinct legal entity authorized by state statute but does not have fiscal independence from the City. The commissioners are appointed by the Mayor and approved by the City Council and at termination of the BDA, the assets of the BDA revert to the City.

B. Government-Wide Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the primary government and component unit. 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 net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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.

C. Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2015

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 City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and other revenues if they are collected within 90 days of the end of the current 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.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Electric fund accounts for the operations of providing electricity to the citizens of the City.

The Water Fund accounts for the operations of providing water to the citizens of the City.

The Wastewater Fund accounts for the operations of the City's wastewater system.

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements. An exception to this rule is for payments from the Enterprise Funds to the General Fund for accounting and billing services rendered and rent of facilities. Elimination of these charges would distort the direct costs and program revenues of the funds involved.

Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions, and capital grants and contributions. All taxes are reported as general revenues as are internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges 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 non-operating revenues and expenses.

E. Fund Balance Classifications

Fund Balance Reserves - The City has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the City to classify and report amounts in the appropriate fund balance classifications. The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

The City reports the following classifications as applicable:

Non-spendable Fund Balance - Non-spendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form - such as inventory or prepaid insurance, or (b) legally or contractually required to be maintained intact - such as a trust that must be retained in perpetuity.

CITY OF BURLEY, IDAHO
Notes to Financial Statements
September 30, 2015

Restricted Fund Balance - Restricted fund balances are amounts that cannot be spent because they are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds. Legal enforceability means that the City can be compelled by an external party (e.g. citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance - Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the City Council. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the City Council. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the secretary/treasurer, or (b) an appointed body (e.g. a budget or finance committee) or an official to which the City Council have delegated the Agency to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

E. Deposits and Investments

Deposits: Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial credit risk. At year end, \$6,849,160 of the City's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments: Custodial credit risk, in the case of investments, is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>		
Idaho State Local Government Investment Pool	\$ 695,110	146 days	Maturity

These investments are unrated external investment pools sponsored by the Idaho State Treasurer's Office. They are classified as "Investments in an External Investment Pool" and are exempt from custodial credit risk and concentration of credit risk reporting. Interest rate risk is summarized as follows: Asset-backed securities are reported using weighted average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

The elected Idaho State Treasurer, following Idaho Code, Section 67-2328, is authorized to sponsor an investment pool in which the City voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body - oversight is with the State Treasurer, and Idaho Code defines allowable investments. All investments are entirely insured or collateralized with securities held by the Pool or by its agent in the Pool's name. And the fair value of the City's position in the external investment pool is the same as the value of the pool shares.

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Credit Risk: The City's policy is to comply with Idaho State statutes which authorize the City to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

Interest rate risk and concentration of credit risk: The City has no policy regarding these two investment risk categories.

F. Inventory

Inventories are valued at the lower of cost (first-in, first-out basis) or market. See Note 3.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, lighting systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation are removed, and any gain or loss arising from its disposal is credited or charged to operations. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Capital assets are reported net of accumulated depreciation on the statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25-40 years
Improvements	10-45 years
Equipment	3-10 years

H. Long-Term Liabilities

Long-term liabilities consist of bonds, notes, and other indebtedness including material liabilities associated with compensated absences.

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 assets.

I. Budgets and Budgetary Accounting

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

1. Prior to August 1, the City Clerk's office, after consultation with the various department heads, submits to the city councilmen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. At the regular council meeting on the 1st Tuesday in August the tentative budget is submitted to the councilmen and cleared for publications and public comment.

3. A public hearing is held at the regular council meeting on the 1st Tuesday in September to obtain public comment. After public comment, the budget is finalized and legally adopted.

4. Revisions to the budget can only be made by court order, public hearing or certain emergencies as defined by law.

5. Formal budgetary integration is employed as a management control device during the year for all Funds of the City.

6. Encumbrance accounting is not used for budget purposes and appropriations lapse at year end.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2015

- J. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts
Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued in the proprietary funds and the governmental funds in the statement of net assets.
- K. Encumbrances
Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is not considered necessary at present to assure effective budgetary control or to facilitate effective cash planning and control.
- L. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- M. Application of Restricted or Unrestricted Resources
The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
- N. Pensions
For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLES

An allowance for uncollectible utility accounts has been determined to be approximately equal to utility receivables outstanding 90 days or more, which totals \$577,607

The City has not experienced any significant loss of delinquent taxes receivable in past years and, therefore, does not consider it necessary to establish any allowance for uncollectible taxes receivable.

NOTE 3: INVENTORIES

Cost of electrical fund and water and sewer fund materials and supplies inventories are determined by the first-in, first-out method (FIFO) and are stated at the lower of cost or market. Electric fund inventory at September 30, 2015 was \$560,893, consisting of electrical system replacement parts. Water fund inventory was \$317,479 consisting of water supply parts. Sewer fund inventory is considered immaterial.

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2015

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

Primary Government

	Balance 9/30/14	Additions	Deletions	Balance 9/30/15
<u>Governmental Activities</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 10,654,919	\$ -	\$ -	\$ 10,654,919
Buildings	8,267,634	-	-	8,267,634
Improvements other than buildings	10,447,336	-	-	10,447,336
Infrastructure assets	6,059,399	378,280	-	6,437,679
Equipment	2,955,747	-	-	2,955,747
Total	38,385,035	378,280	-	38,763,315
Accumulated Depreciation:				
Buildings	2,702,149	190,880	-	2,893,029
Improvements other than buildings	3,527,837	279,662	-	3,807,499
Infrastructure assets	1,160,611	220,478	-	1,381,089
Equipment	1,822,816	103,346	-	1,926,162
Total	9,213,413	794,366	-	10,007,779
Net Book Value:				
Land (non-depreciable)	10,654,919	-	-	10,654,919
Buildings	5,565,485	(190,880)	-	5,374,605
Improvements other than buildings	6,919,499	(279,662)	-	6,639,837
Infrastructure assets	4,898,788	157,802	-	5,056,590
Equipment	1,132,931	(103,346)	-	1,029,585
Total	\$ 29,171,622	\$ (416,086)	\$ -	\$ 28,755,536

	Balance 9/30/14	Additions	Deletions	Balance 9/30/15
<u>Business-type Activities</u>				
<u>Electric Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 85,735	\$ -	\$ -	\$ 85,735
Buildings	352,131	-	-	352,131
Improvements other than buildings	8,201,143	502,683	-	8,703,826
Equipment	1,367,326	-	-	1,367,326
Total	10,006,335	502,683	-	10,509,018
Accumulated Depreciation:				
Buildings	223,986	6,423	-	230,409
Improvements other than buildings	4,812,389	211,442	-	5,023,831
Equipment	946,190	113,110	-	1,059,300
Total	5,982,565	330,975	-	6,313,540

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Net Book Value:

Land (non-depreciable)	85,735	-	-	85,735
Buildings	128,145	(6,423)	-	121,722
Improvements other than buildings	3,388,754	291,241	-	3,679,995
Equipment	421,136	(113,110)	-	308,026
Total	\$ 4,023,770	\$ 171,708	\$ -	\$ 4,195,478

Water Fund

Cost / Historical Value

Land (non-depreciable)	\$ 242,114	\$ -	\$ -	\$ 242,114
Buildings	687,985	-	-	687,985
Improvements other than buildings	11,162,823	777,321	-	11,940,144
Equipment	529,381	-	-	529,381
Total	12,622,303	777,321	-	13,399,624

Accumulated Depreciation:

Buildings	411,692	24,967	-	436,659
Improvements other than buildings	4,891,262	307,293	-	5,198,555
Equipment	524,069	4,672	-	528,741
Total	5,827,023	336,932	-	6,163,955

Net Book Value:

Land (non-depreciable)	242,114	-	-	242,114
Buildings	276,293	(24,967)	-	251,326
Improvements other than buildings	6,271,561	470,028	-	6,741,589
Equipment	5,312	(4,672)	-	640
Total	\$ 6,795,280	\$ 440,389	\$ -	\$ 7,235,669

Balance				Balance
9/30/14	Additions	Deletions		9/30/15

Wastewater Fund

Cost / Historical Value

Land (non-depreciable)	\$ 92,452	\$ -	\$ -	\$ 92,452
Buildings	1,590,416	-	-	1,590,416
Improvements other than buildings	42,283,865	367,170	-	42,651,035
Equipment	1,155,689	90,241	-	1,245,930
Total	45,122,422	457,411	-	45,579,833

Accumulated Depreciation:

Buildings	392,270	36,580	-	428,850
Improvements other than buildings	8,774,738	980,921	-	9,755,659
Equipment	713,782	85,248	-	799,030
Total	9,880,790	1,102,749	-	10,983,539

Net Book Value:

Land (non-depreciable)	92,452	-	-	92,452
Buildings	1,198,146	(36,580)	-	1,161,566
Improvements other than buildings	33,509,127	(613,751)	-	32,895,376
Equipment	441,907	4,993	-	446,900
Total	\$ 35,241,632	\$ (645,338)	\$ -	\$ 34,596,294

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2015

Sanitation Fund

Cost / Historical Value

Land (non-depreciable)	\$	12,500	\$	-	\$	-	\$	12,500
Buildings		-		-		-		-
Improvements other than buildings		-		-		-		-
Equipment		2,315,289		325,570		-		2,640,859
Total		2,327,789		325,570		-		2,653,359

Accumulated Depreciation:

Buildings		-		-		-		-
Improvements other than buildings		-		-		-		-
Equipment		1,784,926		118,986		-		1,903,912
Total		1,784,926		118,986		-		1,903,912

Net Book Value:

Land (non-depreciable)		12,500		-		-		12,500
Buildings		-		-		-		-
Improvements other than buildings		-		-		-		-
Equipment		530,363		206,584		-		736,947
Total	\$	542,863	\$	206,584	\$	-	\$	749,447

	Balance					Balance
	9/30/14	Additions	Deletions			9/30/15

Golf Fund

Cost / Historical Value

Land (non-depreciable)	\$	-	\$	-	\$	-	\$	-
Buildings		483,556		-		-		483,556
Improvements other than buildings		609,042		-		-		609,042
Equipment		688,721		167,806		-		856,527
Total		1,781,319		167,806		-		1,949,125

Accumulated Depreciation:

Buildings		200,087		11,454		-		211,541
Improvements other than buildings		484,459		24,570		-		509,029
Equipment		424,471		61,322		-		485,793
Total		1,109,017		97,346		-		1,206,363

Net Book Value:

Land (non-depreciable)		-		-		-		-
Buildings		283,469		(11,454)		-		272,015
Improvements other than buildings		124,583		(24,570)		-		100,013
Equipment		264,250		106,484		-		370,734
Total	\$	672,302	\$	70,460	\$	-	\$	742,762

CITY OF BURLEY, IDAHO

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Depreciation was charged to functions/programs of the governmental activities as follows:

General Government	\$ 408,822
Public Safety	44,985
Highways & Streets	240,040
Parks & Recreation	53,478
Public Works	1,863
Airport	39,864
Library	5,315
Total Governmental Activities Depreciation	<u>\$ 794,367</u>

All depreciable capital assets are being depreciated using the straight-line method over the respective estimated lives described in Note 1. The City elected to phase in reporting of existing infrastructure assets acquired between 1980 and 2003, as allowed for Phase 2 governments during the GASB 34 transition period. All infrastructure assets acquired during that time period have been reported with financial statements beginning with the year ended September 30, 2007. Infrastructure assets which had not previously been reported consist mainly of streets, curb and gutter, stop lights and street lights.

Discretely presented component unit - Burley Development Authority

A summary of changes in capital assets follows:

	Balance			Balance
	9/30/14	Additions	Deletions	9/30/15
<u>Governmental Activities</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 1,672,810	\$ -	\$ -	\$ 1,672,810
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Infrastructure assets	-	-	-	-
Equipment	-	-	-	-
Total	<u>1,672,810</u>	-	-	<u>1,672,810</u>
Accumulated Depreciation:				
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Infrastructure assets	-	-	-	-
Equipment	-	-	-	-
Total	-	-	-	-
Net Book Value:				
Land (non-depreciable)	1,672,810	-	-	1,672,810
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Infrastructure assets	-	-	-	-
Equipment	-	-	-	-
Total	<u>\$ 1,672,810</u>	\$ -	\$ -	<u>\$ 1,672,810</u>

CITY OF BURLEY, IDAHO
Notes to Financial Statements
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NOTE 5: 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 of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

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

Member and Employer Contributions - Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) 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. As of September 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City's contributions were \$312,604 for the year ended September 30, 2015.

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

At year end, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, 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 July 1, 2015, the City's proportion was .1142279 percent.

For the year ended September 30, 2015, the City recognized pension expense (revenue) of (\$55,677). At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF BURLEY, IDAHO
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 180,521
Changes in assumptions or other inputs	54,781	
Net difference between projected and actual earnings on pension plan investments	553,587	789,707
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	-
City contributions subsequent to the measurement date	92,619	-
 Total	 \$ 700,987	 \$ 970,228

The \$92,619 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2015.

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, 2014 the beginning of the measurement period ended June 30, 2015 is 5.6 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended Sept 30	
2016	\$ (154,299)
2017	(154,299)
2018	(154,299)
2019	111,994
2020	(10,959)

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 July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 - 10%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

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

CITY OF BURLEY, IDAHO
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An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Actuarial Assumptions			
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			7.10%

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

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

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2015

	1% Decrease (6.1%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset) - PERSI	\$ 3,048,683	\$ 1,251,699	\$ (242,256)
Employer's net pension (asset) - Firefighter	\$ (4,006)	\$ (3,909)	\$ (2,274)

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 year end the City reported no 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 6: LONG-TERM DEBT
Long-term debt activity for the primary government is as follows:

Compensated absences:

Changes in compensated absences for the year are as follows:

	Beginning Balance	Increase/ (Decrease)	Ending Balance
General Fund	\$ 126,990	\$ 9,494	\$ 136,484
Library Fund	5,700	1,970	7,670
Electric Fund	29,020	2,579	31,599
Water Fund	16,335	2,775	19,110
Sewer Fund	22,001	(1,224)	20,777
Sanitation Fund	10,403	3,215	13,618
Golf Fund	13,585	(3,297)	10,288
Totals	\$ 224,034	\$ 15,512	\$ 239,546

Capital Leases:

The City has entered into lease and purchase agreements for financing the acquisition of various pieces of equipment and property. The annual requirements to amortize each of the agreements are as follows:

General Fund

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Fire Truck	3.80%	2016	45,926	4,810	50,736
		2017	47,701	3,035	50,736
		2018	49,546	1,190	50,736
		2019	4,214	27	4,241
Total - Fire Truck			\$ 147,387	\$ 9,062	\$ 156,449

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Street Sweeper	2.00%	2016	14,277	474	14,751
		2017	14,565	156	14,721
Total - Street			\$ 28,842	\$ 630	\$ 29,472

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2015

Item	Int. Rate	Due Year	Principal	Interest	Total
		Ending 9/30			
Cemet. Mower	5.67%	2016	11,177	1,131	12,308
		2017	11,827	481	12,308
		2018	2,037	14	2,051
Total - Street			\$ 25,041	\$ 1,626	\$ 26,667
Total General Fund			\$ 201,270	\$ 11,318	\$ 212,588

Golf Fund

Item	Int. Rate	Due Year	Principal	Interest	Total
		Ending 9/30			
Mowers	0.34%	2016	41,875	292	42,167
		2017	42,018	149	42,167
		2018	17,578	21	17,599
Total - Mowers			\$ 101,471	\$ 462	\$ 101,933

Item	Int. Rate	Due Year	Principal	Interest	Total
		Ending 9/30			
Golf Carts	2.00%	2016	21,066	1,545	22,611
		2017	21,491	1,120	22,611
		2018	21,925	686	22,611
		2019	22,368	243	22,611
Total - Mowers			\$ 86,850	\$ 3,594	\$ 90,444

Item	Int. Rate	Due Year	Principal	Interest	Total
		Ending 9/30			
Golf Carts	6.00%	2016	19,501	3,314	22,815
		2017	20,703	2,112	22,815
		2018	21,981	834	22,815
		2019	1,892	9	1,901
Total - Mowers			\$ 64,077	\$ 6,269	\$ 70,346
Total Golf Fund			\$ 252,398	\$ 10,325	\$ 262,723

Revenue Refunding Bonds - Series 2012B:

The City issued revenue refunding bonds on June 21, 2012 in the amount of \$2,645,000, including an amortizable premium of \$413,925, and bearing a coupon rate varying from 3% to 5%. These revenue refunding bonds replaced the Series 2003 General Obligation Bonds, which were refunded. The annual requirements to amortize the bonds are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2016	235,000	91,675	326,675
2017	240,000	85,800	325,800
2018	250,000	76,200	326,200
2019	265,000	63,700	328,700
2020	275,000	55,750	330,750
2020 - 2023	895,000	90,750	985,750
Totals	\$ 2,160,000	\$ 463,875	\$ 2,623,875

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2015

Water Revenue Refunding Bonds, Series 2012:

The City issued water revenue refunding bonds on December 20, 2012 in the amount of \$1,870,000, including an amortizable premium of \$330,049, and bearing a coupon rate varying from 2% to 5%. These revenue refunding bonds replaced the State of Idaho DEQ Revolving Water Loan on Well #7, which was paid off. The amortizable premium will be amortized over the life of the bonds as a reduction to interest expense. The annual requirements to amortize the bonds are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2016	90,000	68,650	158,650
2017	90,000	65,050	155,050
2018	95,000	61,450	156,450
2019	95,000	59,550	154,550
2020	100,000	55,750	155,750
2021 - 2025	570,000	215,050	785,050
2026 - 2029	560,000	59,150	619,150
Totals	<u>\$ 1,600,000</u>	<u>\$ 584,650</u>	<u>\$ 2,184,650</u>

Sewer Revenue Refunding Bonds, Series 2012

The City issued sewer revenue refunding bonds on December 20, 2012 in the amount of \$16,380,000, including an amortizable premium of \$2,617,009, and bearing a coupon rate varying from 2% to 5%. These revenue refunding bonds replaced the State of Idaho DEQ Revolving Wastewater Loan, which was paid off and resulted in the issuance of \$4,125,000 of new debt. The amortizable premium will be amortized over the life of the bonds as a reduction to interest expense. The annual requirements to amortize the bonds are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2016	655,000	596,750	1,251,750
2017	680,000	570,550	1,250,550
2018	710,000	543,350	1,253,350
2019	720,000	529,150	1,249,150
2020	750,000	500,350	1,250,350
2021 - 2025	4,225,000	2,026,550	6,251,550
2026 - 2030	4,655,000	935,650	5,590,650
2031 - 2032	1,975,000	89,250	2,064,250
Totals	<u>\$ 14,370,000</u>	<u>\$ 5,791,600</u>	<u>\$ 20,161,600</u>

A summary of changes in long-term debt is as follows:

	Balance at 9/30/2014	Additions	Reductions	Balance at 9/30/2015
Compensated Absences	\$ 224,034	\$ 15,512	\$ -	\$ 239,546
Capital Leases - Gen Fund	234,439	-	(33,169)	201,270
Capital Leases - Golf Fund	146,688	-	(45,217)	101,471
Capital Leases - Golf Fund	-	86,850	-	86,850
Capital Leases - Golf Fund	-	64,077	-	64,077
General Oblig. Bonds-S2012B	2,570,000	-	(410,000)	2,160,000
Water Rev. Refunding S2012	1,685,000	-	(85,000)	1,600,000
Sewer Rev. Refunding S2012	15,010,000	-	(640,000)	14,370,000
Totals	<u>\$ 19,870,161</u>	<u>\$ 166,439</u>	<u>\$ (1,213,386)</u>	<u>\$ 18,823,214</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2015

Information on other debt (Local Improvement Districts):

The city has assisted in the creation of LIDs (Local Improvement Districts) for street improvements for Stevens Place LID #1, North Burley LID #2 & Burley Sidewalk LID #3 located within the City. The assessments to home owners and the bond payments on the bonds issued for the cost of these improvements are being handled by the City acting as an agent for the LID. The City is not liable for payments or potential defaults on the bonds. The amount of debt is \$3,876 from DL Evans Bank for LID #1, \$200,000 for LID #2 which was loaned by the Electric Fund and \$51,873 from DL Evans Bank for LID #3.

The City has also assisted in the creation of additional LIDs for infrastructure projects on commercial developments in West Burley which guarantee debt owed by the Burley Development Authority. No debt has been issued by these LIDs.

Long-term debt activity for the component unit is as follows:

The Burley Development Authority (BDA) has issued 3 bonds as detailed below:

BDA Urban Renewal Bond - 2007:

The Burley Development Authority issued an urban renewal bond on June 22, 2007 in the amount of \$1,185,410, bearing an interest rate of 5.5%. The bond proceeds were used to pay for infrastructure improvements in the North Burley urban renewal area and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2016	84,778	38,836	123,614
2017	89,440	34,174	123,614
2018	94,360	29,254	123,614
2019	99,550	24,064	123,614
2020	105,025	18,589	123,614
2021-2023	229,603	19,820	249,423
Totals	\$ 702,756	\$ 164,737	\$ 867,493

BDA Revenue Allocation Refunding Bond - Series 2013

The Burley Development Authority issued an urban renewal bond on October 16, 2013 in the amount of \$5,516,000, bearing an interest rate of 5.75%. The bond proceeds were used to refund its Series 2009A revenue bonds originally issued June 16, 2009 in the amount of \$2,997,000 bearing an interest rate of 8.50% and its 2009B revenue bonds originally issued June 16, 2009, in the amount of \$3,639,000 bearing an interest rate of 8.5%. The original bond proceeds were used to pay for infrastructure improvements in the urban renewal area west of Burley and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2016	402,753	283,692	686,445
2017	427,334	259,113	686,447
2018	452,610	233,835	686,445
2019	479,381	207,065	686,446
2020	507,266	179,180	686,446
2021 - 2025	2,690,046	406,201	3,096,247
Totals	\$ 4,959,390	\$ 1,569,086	\$ 6,528,476

CITY OF BURLEY, IDAHO
Notes to Financial Statements
September 30, 2015

BDA Urban Renewal Bond - Series 2008A

The Burley Development Authority issued an urban renewal bond on March 1, 2009 in the amount of \$3,700,000, bearing an interest rate of 6%. The bond was issued to DOT Foods, Inc. as a cost reimbursement and construction incentive for locating within the urban renewal area and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2016	36,982	202,669	239,651
2017	39,234	200,417	239,651
2018	41,623	198,027	239,650
2019	44,159	195,493	239,652
2020	46,848	192,804	239,652
2021 - 2025	280,673	917,585	1,198,258
2026 - 2030	377,201	821,056	1,198,257
2031 - 2035	506,927	691,331	1,198,258
2036 - 2037	2,013,429	230,681	2,244,110
Totals	<u>\$ 3,387,076</u>	<u>\$ 3,650,063</u>	<u>\$ 7,037,139</u>

A summary of changes in BDA long-term debt is as follows:

	9/30/2014	Additions	Reductions	9/30/2015
Urban Renewal Bond 2007	\$ 783,065	\$ -	\$ (80,309)	\$ 702,756
Urban Renewal Bond 2008A	3,421,927	-	(34,851)	3,387,076
Urban Revenue Bond 2013	5,337,529	-	(378,140)	4,959,389
Totals	<u>\$ 9,542,521</u>	<u>\$ -</u>	<u>\$ (493,300)</u>	<u>\$ 9,049,221</u>

NOTE 7: RISK MANAGEMENT/INSURANCE COVERAGE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred most of its risk by purchasing commercial insurance.

Workman's Compensation insurance is purchased through the Idaho State Insurance Fund.

Airport owners and operators general liability insurance is purchased through Old Republic Insurance Company.

NOTE 8: LITIGATION AND CONTINGENT LIABILITIES

The City is not currently involved in any litigation and is not aware of any pending or threatened litigation against the City. The City does receive various tort claims which are forwarded on to the City's insurance carrier. There are no known material claims outstanding.

NOTE 9: PROPERTY TAXES - DEFERRED REVENUE

Property taxes are levied by the 2nd Monday in September, in conformity with Title 31, Section 1605, of the Idaho State Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before December 20 and June 20 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the fiscal year.

The deferred revenue account in the General Fund represents the taxes receivable after 60 days of the year end.

CITY OF BURLEY, IDAHO
Notes to Financial Statements
September 30, 2015

NOTE 10: STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Enterprise Funds consider all checking and certificates of deposit with maturity dates within 90 days to be cash equivalents.

Required supplemental information for the statement of cash flows: Cash paid for interest during the year: \$684,335.

NOTE 11: INTERFUND RECEIVABLES, PAYABLES & TRANSFERS

Interfund balances at September 30, 2015, consisted of the following individual fund receivables and payables which are presented in the financial statements as negative cash balances (pooled cash).

Fund	Receivable	Payable
Combined City Pooled Cash:		
Various Funds below:	\$ 127,509	\$ -
Sanitation Fund	-	127,509
Total	<u>\$ 127,509</u>	<u>\$ 127,509</u>

The following transfers were made during the year:

<u>From:</u>	<u>To:</u>	<u>Amount:</u>	<u>Purpose:</u>
General Fund	Golf Fund	\$ 121,906	Operating transfer
General Fund	Library Fund	\$ 42,000	Operating transfer
General Fund	Grant Fund	\$ 13,000	Airport Grant share
Library Fund	Library Bldg Fund	\$ 16,000	Building Fund Pledge

NOTE 12: COMPONENT UNIT - BURLEY DEVELOPMENT AUTHORITY

Burley Development Authority is an urban renewal agency created by and existing under the Local Development Act, Chapter 29, Title 50 of the Idaho Code, and is an independent public body. As explained in note 1, the BDA was determined to be a component unit of the City of Burley. As provided by the Idaho Code, the BDA uses tax revenue allocation financing to: encourage private development in the urban renewal area, prevent and arrest decay of the urban renewal area, encourage taxing districts to cooperate in the allocation of future tax revenues to facilitate the long-term growth of their common tax bases and other public purposes.

The accounting and reporting policies of the BDA are consistent with the City of Burley as explained earlier in these financial statements. Required disclosures relating to fixed assets and long-term debt are included within these financial statements as previously noted.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events were evaluated through the audit report date, January 11, 2016.

NOTE 14: ADOPTION OF NEW STANDARD

As of October 1, 2014, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

CITY OF BURLEY, IDAHO
Notes to Financial Statements
September 30, 2015

	Governmental			Waste
	Funds	Electric Fund	Water Fund	Water Fund
Net position at 9/30/14, previously reported	\$ 28,549,324	\$ 6,272,521	\$ 5,476,040	\$ 22,336,346
Net pension liability at 9/30/2014	(1,035,221)	(295,588)	(162,005)	(241,539)
Deferred outflows of resources related to contributions made during the fiscal year ended September 30, 2014	65,808	13,148	7,207	10,744
Net position as restated, October 1, 2014	<u>\$ 27,579,911</u>	<u>\$ 5,990,081</u>	<u>\$ 5,321,242</u>	<u>\$ 22,105,551</u>
	Sanitation Fund	Golf Fund		
Net position at 9/30/14, previously reported	\$ 714,604	\$ 514,056		
Net pension liability at 9/30/2014	(146,892)	(52,810)		
Deferred outflows of resources related to contributions made during the fiscal year ended September 30, 2014	6,534	2,348		
Net position as restated, October 1, 2014	<u>\$ 574,246</u>	<u>\$ 463,594</u>		

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF BURLEY

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY

SCHEDULE OF EMPLOYER'S CONTRIBUTIONS

For the Year Ended September 30, 2015

Schedule of Employer's Share of Net Pension Liability

PERSI - Base Plan

Last 10 Fiscal Years *

2015

Employer's portion of the net pension liability	0.1142279%
Employer's proportionate share of the net pension liability	\$ 1,504,195
Employer's covered-employee payroll	\$ 2,793,672
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	53.84%
Plan fiduciary net position as a percentage of the total pension liability	91.38%

Data reported is measured as of July 1, 2015 (measurement date)

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

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 Fiscal Years *

2015

Statutorily required contribution	\$ 373,642
Contributions in relation to the statutorily required contribution	\$ 366,946
Contribution (deficiency) excess	(6,696)
Employer's covered-employee payroll	\$ 2,793,672
Contributions as a percentage of covered-employee payroll	13.37%

Data reported is measured as of September 30, 2015

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

CITY OF BURLEY, IDAHO

Combining Statement of Net Position
Internal Service Funds
September 30, 2015

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	
ASSETS				
Cash & Investments	\$ 250,219	\$ 23,210	\$ 192,146	\$ 465,575
Receivables (Net of Allowances):				
Claims	-	-	-	-
Prepaid Expenses	-	60,742	-	60,742
Due from other fund	-	-	-	-
Capital Assets:				
Land	-	-	-	-
Other Capital Assets, Net of Depreciation	-	-	-	-
Total assets	250,219	83,952	192,146	526,317
LIABILITIES				
Accounts Payable and Accrued Expenses	-	375	-	375
Customer Deposits Payable	-	-	-	-
Interest Payable	-	-	-	-
Due to other fund	-	-	-	-
Long-Term Liabilities:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Total liabilities	-	375	-	375
NET POSITION				
Net Investment in Capital Assets	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Unrestricted	250,219	83,577	192,146	525,942
Total Net Assets	\$ 250,219	\$ 83,577	\$ 192,146	\$ 525,942

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
Year Ended September 30, 2015

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	
Operating revenues:				
Insurance charges to other funds	\$ 1,589,487	\$ 129,748	\$ 131,693	\$ 1,850,928
Premium dividend (refunds)	-	-	17,827	17,827
Miscellaneous revenue	-	-	-	-
Total operating revenues	1,589,487	129,748	149,520	1,868,755
Operating expenses:				
Administrative services	11,550	-	-	11,550
Claims and premium costs	1,561,238	123,839	139,076	1,824,153
Other Insurance premiums	-	-	-	-
Wellness benefit program	-	-	-	-
Other expenses	-	-	-	-
Total operating expenses	1,572,788	123,839	139,076	1,835,703
Operating income (loss)	16,699	5,909	10,444	33,052
Non-operating revenues (expenses)				
Grant revenue	-	-	-	-
Grant (expense)	-	-	-	-
Gain (Loss) on sale of equipment	-	-	-	-
Interest income	-	-	-	-
Interest (expense)	-	-	-	-
Total non-operating revenues (expenses)	-	-	-	-
Income/(Loss) before contributions and transfers	16,699	5,909	10,444	33,052
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Position	16,699	5,909	10,444	33,052
Net Position Beginning of Year	233,520	77,668	181,702	492,890
Net Position End of Year	\$ 250,219	\$ 83,577	\$ 192,146	\$ 525,942

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2015

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	
Cash flows provided by operating activities:				
Receipts from customers and users	\$ 1,589,487	\$ 129,748	\$ 149,520	\$ 1,868,755
Payments to suppliers	(1,572,788)	(184,206)	(139,076)	(1,896,070)
Payments to employees	-	-	-	-
Payments for interfund services used	-	-	-	-
Other receipts/(payments)	-	-	-	-
Net cash provided (used) by operating activities	16,699	(54,458)	10,444	(27,315)
Cash flows from noncapital and related financing activities:				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	-	-	-	-
Cash flows from capital and related financing activities:				
Principal and interest paid on long-term debt	-	-	-	-
Disposal of capital assets	-	-	-	-
Acquisition of capital assets	-	-	-	-
Net cash used by capital and related financing activities	-	-	-	-
Cash flows from investing activities:				
Principal received on loan to other fund	-	-	-	-
Interest received on Investments	-	-	-	-
Net cash provided by investing activities	-	-	-	-
Net increase (decrease) in cash	16,699	(54,458)	10,444	(27,315)
Cash at beginning of year	233,520	77,668	181,702	492,890
Cash at end of year	\$ 250,219	\$ 23,210	\$ 192,146	\$ 465,575
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 16,699	\$ 5,909	\$ 10,444	\$ 33,052
Depreciation & amortization	-	-	-	-
(Increase) decrease in accounts receivable	-	(60,742)	-	(60,742)
Increase (decrease) in accounts payable	-	375	-	375
Net cash provided (used) by operating activities	\$ 16,699	\$ (54,458)	\$ 10,444	\$ (27,315)

See accompanying notes to the financial statements.

Evans Poulsen & Catmull PA

Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's
Edward G. Evans, CPA
Jeffrey D. Poulsen, CPA
Jacob H. Catmull, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council
City of Burley, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Burley, Idaho (the "City") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Burley'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*.

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.

Evans Poulsen & Catmull

Evans Poulsen & Catmull, PA

January 11, 2016

SINGLE AUDIT

Evans Poulsen & Catmull PA

Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's
Edward G. Evans, CPA
Jeffrey D. Poulsen, CPA
Jacob H. Catmull, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Mayor and City Council
City of Burley, Idaho

Report on Compliance for Each Major Federal Program

We have audited the City of Burley, Idaho's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Burley's major federal programs for the year ended September 30, 2015. The City of Burley's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Burley's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of 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 Burley'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 each major federal program. However, our audit does not provide a legal determination of the City of Burley's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Burley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Burley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Burley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine

the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Burley'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 over compliance 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Evans Poulsen & Catmull

Evans Poulsen & Catmull, PA

January 11, 2016

CITY OF BURLEY

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

<u>Federal Grantor/Pass Through Grantor:</u> <u>Program Title:</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
Federal Aviation Administration- Department of Transportation <u> Airport Improvement Program</u>	20.106	\$ 196,801
Environmental Protection Agency- Office of the Chief Financial Officer <u> Congressionally Mandated Projects</u>	66.202	388,004
Idaho Commission for Libraries State Library Program	45.310	1,662
Idaho Department of Parks & Recreation Recreational Trails Program	20.219	54,000
Idaho Department of Environmental Quality Capitalization Grants for Drinking Water	66.468	6,697
Idaho Military Division Homeland Security Grant Program	97.067	8,054
 Total Expenditure of Federal Awards		<u>\$ 655,218</u>

CITY OF BURLEY

Schedule of Findings and Questioned Costs-Federal Awards For the Year Ended September 30, 2015

I. SUMMARY OF AUDITOR'S RESULTS:

- 1 The accounting records for grant programs are maintained on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations.
- 2 The auditor's report expresses an unqualified opinion on the basic financial statements of City of Burley.
- 3 There were no material weaknesses disclosed during the audit of the basic financial statements of City of Burley.
- 4 No instances of noncompliance material to the basic financial statements of City of Burley were disclosed during the audit.
- 5 The auditor's report on compliance for the major federal award programs for the City of Burley expresses an unqualified opinion on all major federal programs.
- 6 The program tested as a major program was:

Environmental Protection Agency-
Congressionally Mandated Projects CFDA # 66.202
- 7 The threshold for distinguishing Types A and B programs was \$300,000.
- 8 City of Burley was not determined to be a low-risk auditee.
- 9 The audit did not disclose any material weaknesses in internal control over major programs.
- 10 There were no audit findings that are required to be reported in accordance with OMB Circular A-133 in this schedule.

II. FINANCIAL STATEMENT FINDINGS:

There were no findings or questioned costs in the financial statements.

III. FEDERAL AWARD FINDINGS:

There were no findings or questioned costs in any of the federal award programs.