

CITY OF BURLEY, IDAHO

**Basic Financial Statements
With Supplemental Information**

September 30, 2016



CITY OF BURLEY, IDAHO
BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2016
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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
Jeffrey D. Poulsen, CPA
Jacob H. Catmull, CPA

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Burley, ID

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Burley as of September 30, 2016, and the respective changes in financial position, and, where applicable,

cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6a through 6f and the schedules of employer's share of net pension liability and employer contributions, as listed in the table of contents, be presented to support 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 combining and individual nonmajor fund financial statements, the combining and individual agency funds, schedules of receipts, disbursements, and changes in fund balance 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 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 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 17, 2017 on our consideration of the City'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 City's internal control over financial reporting and compliance.

Evans, Poulsen, & Catmull

Evans, Poulsen, & Catmull P.A

January 17, 2017

City of Burley
Management Discussion and Analysis
Fiscal Year Ending - September 30, 2016

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, 2016. 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 and each ensuing year we will update the reporting on the retirement holdings the City of Burley has with the Public Employees Retirement System of Idaho which is a requirement of GASB 68. GASB 68 is the disclosure of the potential retirement system liability. The City of Burley as the employer and all full time and some part-time employees participate in PERSI. We must report on the financial statements a potential unfunded liability from being in this system.

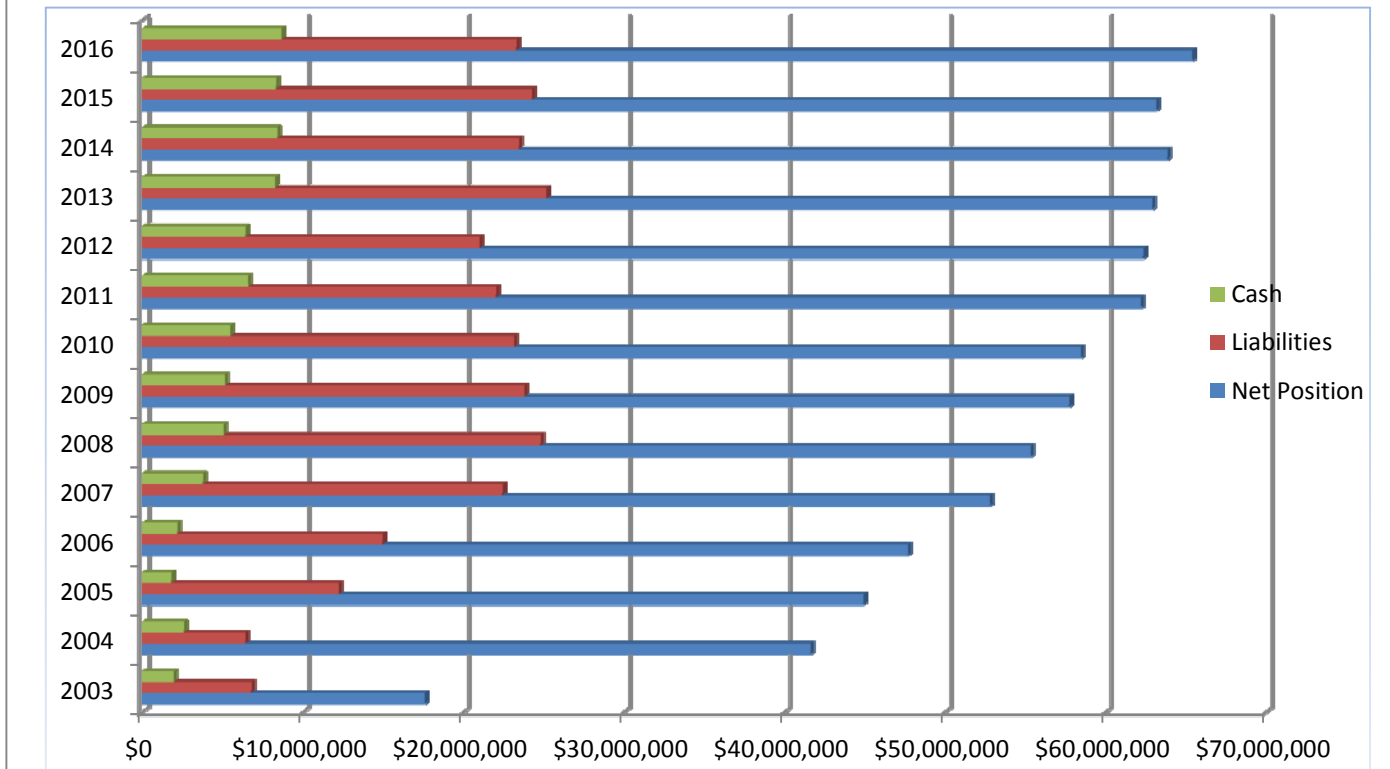
Analysis of Net Position

The City total net position for the fiscal year ended September 30, 2016, is \$65,428,290 compared to \$63,157,571 for September 30, 2015. This is an increase in net position of \$2,270,719. The Governmental funds Net Position increased by \$368,328. This increase was created due to a small increase in revenue over what was budgeted in the General Fund and being under budget in the General Fund by \$316,909. There was a small overall increase in the Library fund and the Grant and Construction fund.

The Enterprise funds increased overall by \$1,902,391. The increase was due to cash increases in the Wastewater Fund and asset increases in the Water fund and other decreases in Sanitation and Golf. 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 \$239,861 compared to \$359,996 for FY 2015. Cash and investments in the Enterprise funds decreased \$177,295. 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, decreased from \$24,024,064 for the fiscal year ended 2015 to \$23,317,663 for the fiscal year ended 2016. The Net Pension Liability of \$1,504,195 at year end in 2015 increased to \$2,242,292 for 2016. The largest decreases in liabilities were in Long Term Bond Debt paid during the year. The long term bond debt is in the Water Fund, Wastewater Fund and General Obligation Bonds Fund.

Net Position, Liabilities and Cash



Funds analysis

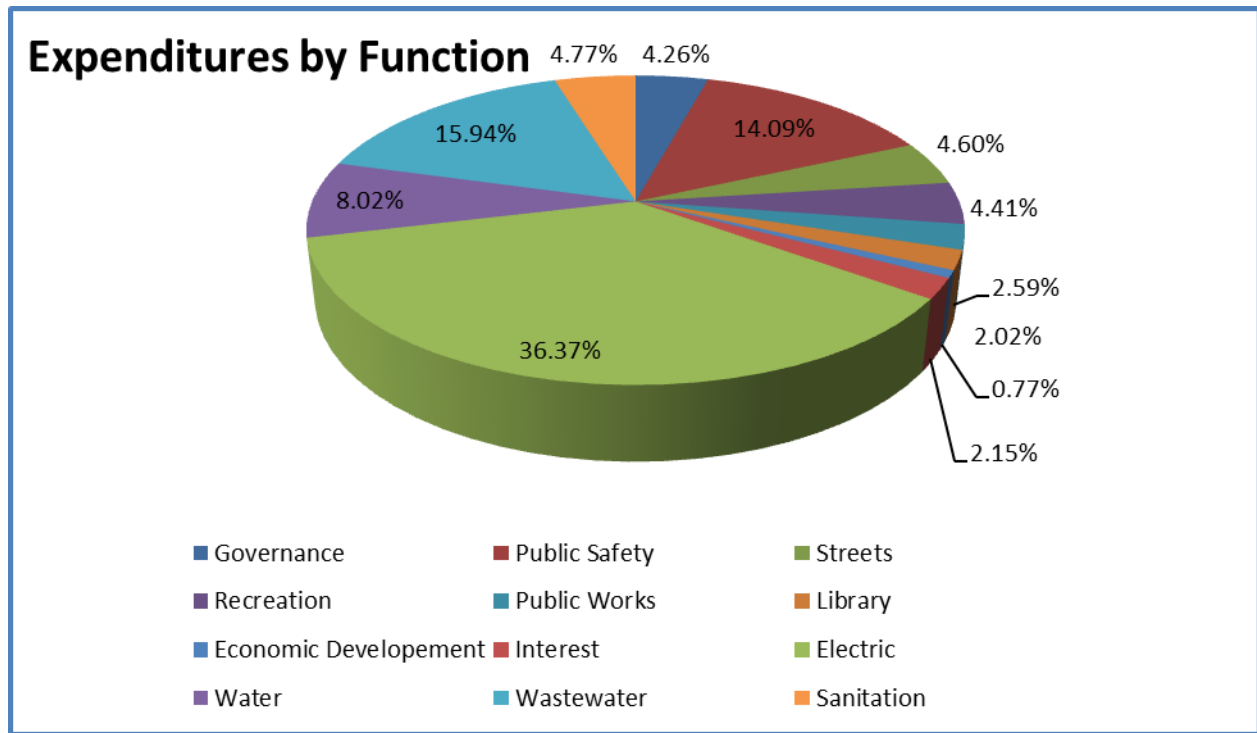
The following is an analysis of the differences in the Net Position of each of the City's major funds types for the Fiscal Year ending September 30, 2016.

Governmental Funds – Total property taxes collected for FY 2015-2016 for all functions including the General Fund, Street Override levy, Library base levy and the Library Override levy, and General Obligation Bond were \$3,046,363. Property taxes for the General Fund (\$2,305,564), Library (\$413,680) and the General Obligation Bond revenue were \$327,119. Total revenues for the General Fund were \$6,703,824. State of Idaho collected local tax revenues (Sales Tax/Inventory Replacement Tax and shared Liquor Dispensary revenues) were \$1,704,051 up from \$1,572,127 for the previous fiscal year. Highway user taxes (a portion of gas tax and vehicle registrations) totaled \$463,619 and revenue from City residents passed through to the city at a **50% reduction** from the highway districts totaled \$466,391 for fiscal year. The General Fund support for the Street Department over taxes received was \$124,211.

Expenses for the Streets Department for the year were of \$991,019 compared to \$980,112 for the previous fiscal year. The City Council decided in 2007 to augment the Street funding to preserve street and curb and gutter infrastructure. This amount of funding is becoming more sustainable as the tax base grows; however, eventually the Streets should be self-supporting from users and gas taxes. Total public safety, Sheriff's contract, Fire Department, Animal Control, Building Inspection and prosecution costs were \$3,032,577 compared to \$3,000,919 which represents over 47% of all General

Fund expenditures. The City started providing all construction inspection services as of December 1, 2014. This created \$225,004 in revenue for FY 2016. The General Fund completed the year with 100.5% of expected revenue and 96.3% of budgeted expenditures.

State and Federal Grants Fund – Grant reimbursements were received from the Federal Aviation Administration (Planning Grant) for \$175,676 and from other State and Federal Grants in the amount of \$554,851. Total grant funds reimbursed for all projects during the year was \$673,723. Grant projects completed during the year were the 1st phase of the Bedke RV Park, Boat Docks, and a RDBG for Fabri-Kal.



Business Type Funds

Electric Fund – The Electric Fund Net Position decreased \$301,379 from October 1, 2015 to September 30, 2016. Cash & Investments decreased by \$384,712 due to the BPA monthly rates being higher than what was projected in our excess months. The Department was very cautious in its expenditures but the deficit still persisted. Based on the outcome of the prior year budget the Administration and the Electrical Department will be discussing a 5.0% electrical rate increase with the Electrical Committee.

Water Fund – The Water Fund Net Position increased by \$1,796,195 as of September 30, 2016. The increase was due to investment in automated metering, creating a large amount of infrastructure investment. There were also additional expenses of mitigation due to the 2nd water call. There was \$889,256 spent on new electric meters and the associated meter box improvements. One of the largest operating costs for the Water Department other than labor is the cost of electrical service at \$251,739 compared to \$230,757 for fiscal year 2015. BPA electrical rate increases will continue to affect the Water Department and Wastewater departments. There were no significant differences

between budgeted revenue and expenditures and actual revenue and expenditures other than the expenditure for the electronic meters.

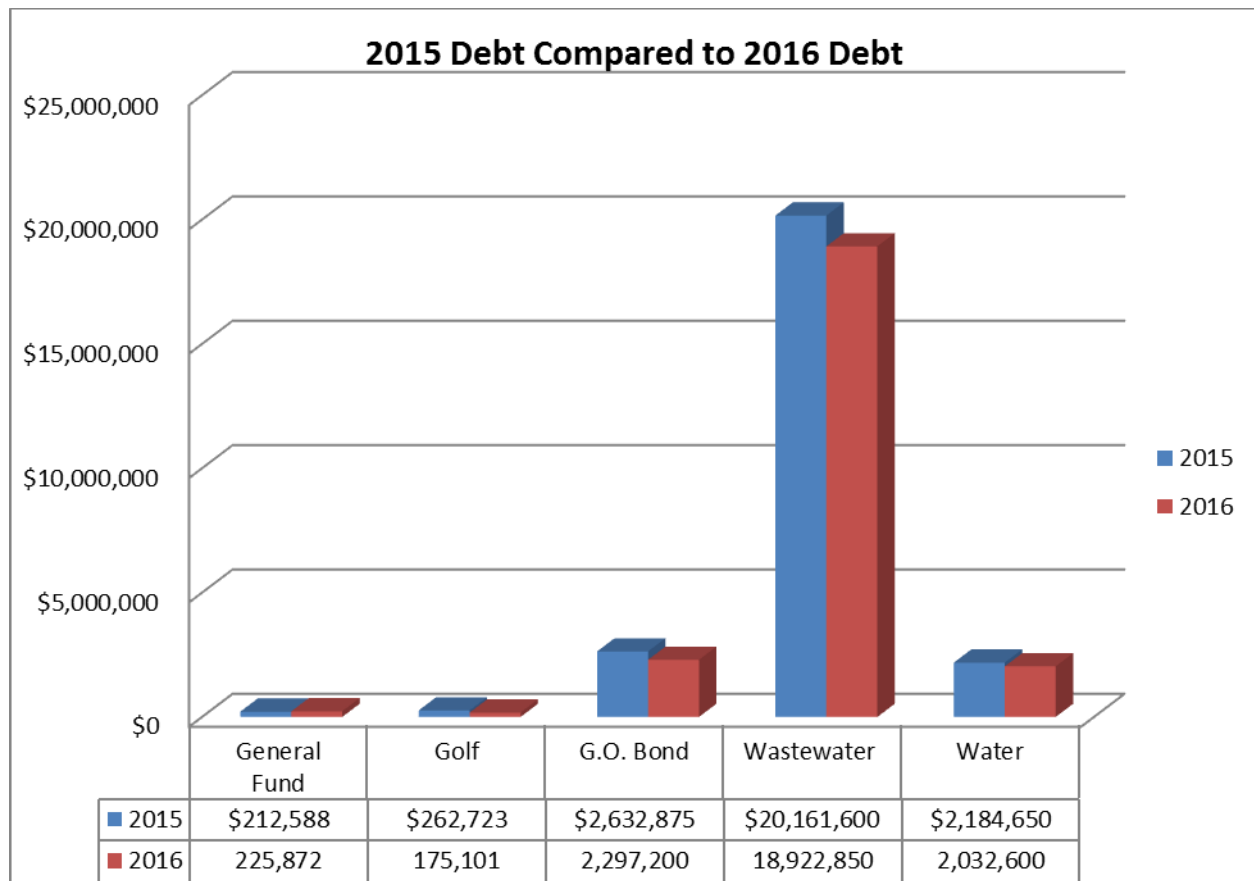
Wastewater Fund – The Wastewater Fund Net Position for September 30, 2016, was \$24,139,819 compared to \$23,025,188 for 2015. This is an increase of \$1,114,631 from October 1, 2016. Cash in the fund increased by \$226,152 due to lower than expected maintenance costs and increased revenue. The CDBG Grant for the new river crossing pipeline was completed in the fall of 2015. The sludge dryer at the Municipal plant was refurbished. The block grant and chemical addition accounted for over \$830,000 of the total expense in the Industrial Plant final expenses. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

Golf Fund – The Golf Fund net position decreased by \$29,106 during the 2015-2016 fiscal year. The operating transfer to the Golf Fund was \$190,098 compared to \$121,906 for the previous fiscal year. The City Council continued a golf cart replacement plan during the fiscal year. The equipment replacement cost for the fiscal year (Mowers and Golf Carts) was \$87,593 of the total budget. The planned General Fund transfer for the fiscal year was \$116,000. The actual General Fund transfer after the year end (to Balance the fund to \$0.00) was an additional \$65,777. Total operating revenues for the Golf Fund were \$341,806 compared to \$360,860 for the previous fiscal year. Operating costs between the last two fiscal years increased by \$15,078. The Golf Course Mowers will be paid off 3 months into the 2017-2018 fiscal year. That will remove \$42,167 of expense from the Golf Maintenance budget.

Sanitation Fund – The Sanitation Fund had a decrease in net position of \$28,063 from \$222,026 from the previous fiscal year. The decrease was due to unexpected repair expenses when a garbage truck caught on fire and was damaged. ICRMP covered the damage and the truck is being repaired. If it were not for this repair the fund would have had an increase in net position. The fund operating revenue increased \$36,091 over the previous fiscal year. Total operating expenses were \$1,027,337 a decrease of \$17,566. There were no significant deviations from budget.

OUTSTANDING DEBT

As of September 30, 2016 the City of Burley had \$23, 653,623 short and long term debt and future interest payments compared to \$25,445,436 in debt and interest payments at the end of fiscal year 2015. General Fund debt is \$225,872 of the total amount or .95% of the total debt. Golf Fund debt is \$175,101 or 0.74%. Wastewater debt for the Industrial Plant and the Municipal plant is \$18,922,850 or 80% of the total debt. Water Department debt is 2,032,600 and 8.59% of the total debt. Additional detailed information on long-term obligations is available in note 6 to the financial statements.



Future Concerns and Notable Items

The Council implemented the first phase of a wage study prepared by an internal committee. There will be other phases of the wage study implemented as available ongoing funding is recognized. This study compares like positions across comparable Cities in the public sector.

The problem of permanent funding for streets has only been partially addressed by the State of Idaho Legislature. The City of Burley has a temporary two-year override in the amount of \$140,000 that was approved in 2016 that will help with the backlog of street maintenance. It needs to be reapproved in May of 2018 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.

BPA projections of electrical rates for the City of Burley continue to prove to be inaccurate. We need to hire an outside consultant to get the rates in line with the BPA formulas.

Sanitation will need to add another employee in the coming year to keep up with the additional number of homes and businesses that have been established in the last five years. A small increase in fees was approved by the City Council in 2016. There needs to be another increase to fund ongoing equipment purchases and maintenance. The increase is also needed for the addition of 1 more sanitation driver.

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Totals	Burley Development Authority
ASSETS				
Current assets:				
Cash & investments	\$ 3,133,396	\$ 5,539,310	\$ 8,672,706	\$ 3,271,175
Receivables (net of allowances):				
Taxes	175,271	-	175,271	17,300
Accounts	15,116	978,814	993,930	-
Notes	-	-	-	-
Prepaid expenses	-	-	-	-
Inventory - note 3	-	1,013,658	1,013,658	-
Due from other funds	-	527,444	527,444	-
Due from other governments	268,273	-	268,273	-
Total current assets	3,592,056	8,059,226	11,651,282	3,288,475
Noncurrent assets:				
Restricted assets:				
Cash -	-	-	-	689,187
Capital assets - note 4:				
Land	10,723,744	432,801	11,156,545	-
Other capital assets, net of depreciation	17,599,839	47,868,226	65,468,065	-
Total noncurrent assets	28,323,583	48,301,027	76,624,610	689,187
Total assets	31,915,639	56,360,253	88,275,892	3,977,662
DEFERRED OUTFLOWS OF RESOURCES				
Pension obligations	677,677	583,190	1,260,867	-
Total Deferred Outflows of Resources	677,677	583,190	1,260,867	-
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	258,688	1,077,388	1,336,076	33,465
Customer deposits payable	155,280	-	155,280	-
Compensated absences payable	168,887	-	168,887	-
Interest payable	3,847	24,734	28,581	151,895
Bonds & notes payable - current maturity	240,000	854,223	1,094,223	556,008
Total current liabilities	826,702	1,956,345	2,783,047	741,368
Noncurrent liabilities:				
Notes due to other funds	215,927	-	215,927	-
Premium on bonds payable	140,000	1,710,663	1,850,663	-
Bonds payable - long term	1,685,000	14,540,734	16,225,734	8,270,402
Net pension liability	1,199,687	1,042,605	2,242,292	-
Total noncurrent liabilities	3,240,614	17,294,002	20,534,616	8,270,402
Total liabilities	4,067,316	19,250,347	23,317,663	9,011,770
DEFERRED INFLOWS OF RESOURCES				
Employer pension assumption	417,537	373,269	790,806	-
Total Deferred Inflows of Resources	417,537	373,269	790,806	-
NET POSITION				
Net investment in capital assets	26,398,583	32,906,070	59,304,653	-
Restricted for:				
Capital projects & debt service	-	-	-	689,187
Unrestricted	1,709,880	4,413,757	6,123,637	(5,723,295)
Total Net Assets	\$ 28,108,463	\$ 37,319,827	\$ 65,428,290	\$ (5,034,108)

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Activities
For the Year Ended September 30, 2016

Functions / Programs	Primary Government						Component Unit	
	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities		Burley Development Authority
						Totals		
Governmental Activities:								
General Government	\$ 1,746,195	\$ 914,341	\$ -	\$ -	\$ (831,854)	\$ (831,854)		
Public Safety	2,669,707	230,289	-	-	(2,439,418)	(2,439,418)		
Highways & Streets	1,220,660	-	-	-	(1,220,660)	(1,220,660)		
Parks and Recreation	443,252	80,780	-	-	(362,472)	(362,472)		
Public Works	852,831	88,934	-	-	(763,897)	(763,897)		
Airport	69,054	13,128	-	-	(55,926)	(55,926)		
Library	439,643	21,426	3,737	-	(414,480)	(414,480)		
Community Development	673,723	-	-	720,527	46,804	46,804		
Interest on long-term debt	91,683	-	-	-	(91,683)	(91,683)		
Total Governmental Activities	8,206,748	1,348,898	3,737	720,527	(6,133,586)	(6,133,586)		
Business-Type Activities:								
Electric	7,828,099	7,526,720	-	132,756	\$ (168,623)	(168,623)		
Water	1,768,129	2,509,388	-	254,200	995,459	995,459		
Wastewater	3,839,472	4,229,965	-	715,000	1,105,493	1,105,493		
Sanitation	1,027,337	998,190	-	-	(29,147)	(29,147)		
Golf	561,012	341,806	-	-	(219,206)	(219,206)		
Total Business-Type Activities	15,024,049	15,606,069	-	1,101,956	1,683,976	1,683,976		
Total Primary Government	\$ 23,230,797	\$ 16,954,967	\$ 3,737	\$ 1,822,483	(6,133,586)	1,683,976	(4,449,610)	
Component Unit:								
Burley Development Authority	\$ 1,376,540	\$ -	\$ -	\$ -			\$ (1,376,540)	
	General Revenues							
					2,820,722	-	2,820,722	2,043,234
					345,000	-	345,000	-
					753,214	-	753,214	-
					950,836	-	950,836	-
					573,005	-	573,005	-
					2,287	28,317	30,604	2,146
					1,230,885	-	1,230,885	24,572
					16,064	-	16,064	(1,518,473)
					(190,098)	190,098	-	-
					6,501,915	218,415	6,720,330	551,479
					368,329	1,902,391	2,270,720	(825,061)
					27,740,134	35,417,436	63,157,570	(4,209,047)
					\$ 28,108,463	\$ 37,319,827	\$ 65,428,290	\$ (5,034,108)

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,893,377	\$ 382,358	\$ -	\$ 112,938	\$ 2,388,673
Receivables (net of allowances):					
Taxes	175,271	-	-	-	175,271
Accounts	15,116	-	-	-	15,116
Notes	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	268,273	-	-	-	268,273
Total assets	\$ 2,352,037	\$ 382,358	\$ -	\$ 112,938	\$ 2,847,333
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Vouchers payable and accrued liabilities	\$ 227,514	\$ 30,511	\$ -	\$ 663	\$ 258,688
Utility customer deposits	155,280	-	-	-	155,280
Due to other funds	-	-	-	-	-
Total liabilities	382,794	30,511	-	663	413,968
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue - property taxes	137,252	-	-	-	137,252
FUND BALANCE:					
Restricted for:					
Capital projects	-	-	-	-	-
Committed:					
General Obligation Bond Fund	-	-	-	-	-
Library Fund	-	351,847	-	-	351,847
Grant Fund	-	-	-	112,275	112,275
Unassigned: General Fund	1,831,991	-	-	-	1,831,991
Total fund balances	1,831,991	351,847	-	112,275	2,296,113
Total liabilities, deferred inflow of resources and fund balances	\$ 2,352,037	\$ 382,358	\$ -	\$ 112,938	\$ 2,847,333

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, 2016

Total Governmental Fund Balances	\$	2,296,113
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.		28,323,583
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes		137,252
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.		744,723
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		(168,887)
General Obligation Bonds (GOB) payable		(2,065,000)
Notes Payable - other funds		(215,927)
Accrued interest payable		(3,847)
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.		(1,199,687)
Balances at September 30, 2016:		
Deferred outflows of resources pension expense	610,580	
Deferred outflow of 2016 employer contributions	<u>67,097</u>	
		677,677
Deferred inflows or resources related to pensions.		<u>(417,537)</u>
Net Position of Governmental Activities	\$	<u><u>28,108,463</u></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, 2016

	General Fund	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 2,305,564	\$ 413,680	\$ 327,119	\$ -	\$ 3,046,363
Licenses and permits	263,960	-	-	-	263,960
Intergovernmental	1,704,051	-	-	-	1,704,051
Charges for services	1,578,420	-	-	-	1,578,420
Fees and fines	83,323	21,426	-	-	104,749
Grants / Donations	-	3,737	-	720,527	724,264
Miscellaneous	768,506	4,355	-	-	772,861
Total revenues	6,703,824	443,198	327,119	720,527	8,194,668
Expenditures:					
Legislative	311,190	-	-	-	311,190
Executive	49,394	-	-	-	49,394
Administrative	825,508	-	-	-	825,508
Legal & Professional	143,182	-	-	-	143,182
Buildings	315,666	-	-	-	315,666
Police	1,479,000	-	-	-	1,479,000
Fire	1,074,136	-	-	-	1,074,136
Animal control	81,135	-	-	-	81,135
Streets	991,019	-	-	-	991,019
Equipment maintenance	268,597	-	-	-	268,597
Airport	28,481	-	-	-	28,481
Parks and recreation	265,046	-	-	-	265,046
Swimming	128,799	-	-	-	128,799
Cemetery	260,367	-	-	-	260,367
Library	-	435,787	-	-	435,787
Debt Service - Principal	-	-	235,000	-	235,000
Debt Service - Interest	-	-	92,119	-	92,119
Capital outlays	3,141	-	-	673,723	676,864
Total expenditures	6,224,661	435,787	327,119	673,723	7,661,290
Excess of revenues over (under) expenditures	479,163	7,411	-	46,804	533,378
Other financing sources (uses)					
Transfers in	-	23,000	-	-	23,000
Transfers out	(213,098)	-	-	-	(213,098)
Bond / loan proceeds	-	-	-	-	-
Proceeds from the sale of capital assets	16,064	-	-	-	16,064
Total other financing sources (uses)	(197,034)	23,000	-	-	(174,034)
Net change in fund balances	282,129	30,411	-	46,804	359,344
Fund balance - beginning	1,549,863	321,436	-	65,470	1,936,769
Fund balance - ending	\$ 1,831,992	\$ 351,847	\$ -	\$ 112,274	\$ 2,296,113

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	359,344
<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	\$	333,495
Fixed asset additions - contributed		-
Depreciation expense		<u>(765,449)</u>
Excess of capital outlay over depreciation		(431,954)
<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>		
		(35)
<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		255,000
Repayment (borrowing) of loan principal - Other Loans		(14,657)
<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:</p>		
Net change in compensated absences		(24,733)
Decrease (inc) in accrued interest on long-term debt		436
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>		
		218,781
<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>6,147</u>
Change in Net Position of Governmental Activities	\$	<u><u>368,329</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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget: Favorable (Unfavorable)
Revenues:				
Taxes	\$ 2,345,700	\$ 2,345,700	\$ 2,305,564	\$ (40,136)
Licenses and permits	135,200	135,200	263,960	128,760
Intergovernmental	1,602,000	1,602,000	1,704,051	102,051
Charges for services	1,575,615	1,575,615	1,578,420	2,805
Fines	87,000	87,000	83,323	(3,677)
Miscellaneous	919,160	919,160	768,506	(150,654)
Total revenues	6,664,675	6,664,675	6,703,824	39,149
Expenditures:				
Legislative	614,275	614,275	311,190	303,085
Executive	39,268	39,268	49,394	(10,126)
Administrative	827,885	827,885	825,508	2,377
Legal	178,341	178,341	143,182	35,159
Buildings	291,014	291,014	315,666	(24,652)
Police	1,479,000	1,479,000	1,479,000	-
Fire	1,046,856	1,046,856	1,074,136	(27,280)
Animal control	85,341	85,341	81,135	4,206
Streets	1,027,323	1,027,323	991,019	36,304
Equipment maintenance	251,055	251,055	268,597	(17,542)
Airport	60,450	60,450	28,481	31,969
Parks and recreation	256,828	256,828	265,046	(8,218)
Swimming	115,291	115,291	128,799	(13,508)
Cemetery	262,143	262,143	260,367	1,776
Construction	6,500	6,500	3,141	3,359
Total expenditures	6,541,570	6,541,570	6,224,661	316,909
Excess (deficiency) of revenues over expenditures	123,105	123,105	479,163	356,058
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(145,105)	(145,105)	(213,098)	(67,993)
Bond / loan proceeds	-	-	-	-
Proceeds from the sale of capital assets	22,000	22,000	16,064	(5,936)
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	282,129	282,129
Fund balance - beginning	1,549,863	1,549,863	1,549,863	-
Fund balance - ending	\$ 1,549,863	\$ 1,549,863	\$ 1,831,992	\$ 282,129

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Net Position
Proprietary Funds
September 30, 2016

	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	\$ 779,514	\$ 82,648	\$ 4,770,953	\$ (93,805)	\$ -	\$ 5,539,310	\$ 744,723
Receivables (net of allowances):							
Accounts	487,794	151,361	274,910	64,339	410	978,814	-
Claims	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
Inventory	671,241	342,417	-	-	-	1,013,658	-
Total current assets	1,938,549	576,426	5,045,863	(29,466)	410	7,531,782	744,723
Noncurrent assets:							
Notes receivable - other funds	361,058	-	166,386	-	-	527,444	-
Restricted assets	-	-	-	-	-	-	-
Capital Assets:							
Land	85,735	242,114	92,452	12,500	-	432,801	-
Other capital assets, net of depr	4,027,988	7,935,506	34,613,758	655,258	635,716	47,868,226	-
Total noncurrent assets	4,474,781	8,177,620	34,872,596	667,758	635,716	48,828,471	-
Total assets	6,413,330	8,754,046	39,918,459	638,292	636,126	56,360,253	744,723
DEFERED OUTFLOWS OF RESOURCES							
Pension Obligations	172,189	129,179	152,760	86,141	42,921	583,190	
Total deferred inflows of resources	172,189	129,179	152,760	86,141	42,921	583,190	
LIABILITIES							
Current liabilities:							
Accounts payable & accrued exp	588,044	107,139	298,202	50,786	33,217	1,077,388	-
Deferred revenue	-	-	-	-	-	-	-
Interest payable	-	2,482	22,252	-	-	24,734	-
Due to other funds	-	-	-	-	-	-	-
Bonds & notes payable - current	-	90,000	680,000	-	84,223	854,223	-
Total current liabilities	588,044	199,621	1,000,454	50,786	117,440	1,956,345	-
Noncurrent liabilities:							
Premium on bonds payable	-	185,589	1,525,074	-	-	1,710,663	-
Bonds & notes payable	-	1,420,000	13,035,000	-	85,734	14,540,734	-
Net pension liability	307,832	230,942	273,099	153,999	76,733	1,042,605	-
Total liabilities	307,832	1,836,531	14,833,173	153,999	162,467	17,294,002	-
DEFERED INFLOWS OF RESOURCES							
Employer Pension Assumption	110,209	82,681	97,773	55,134	27,472	373,269	
Total deferred inflows of resources	110,209	82,681	97,773	55,134	27,472	373,269	
NET POSITION							
Net Investment in capital assets	4,113,723	6,667,620	20,991,210	667,758	465,759	32,906,070	-
Restricted for:							
Capital projects	-	-	-	-	-	-	-
Unrestricted	1,465,711	96,772	3,148,609	(203,244)	(94,091)	4,413,757	744,723
Total net position	\$ 5,579,434	\$ 6,764,392	\$ 24,139,819	\$ 464,514	\$ 371,668	\$ 37,319,827	\$ 744,723

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, 2016

	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	\$ 7,521,448	\$ 2,506,341	\$ 4,229,965	\$ 998,190	\$ 341,806	\$ 15,597,750	\$ 1,735,663
Less cost of utilities	(4,934,664)	-	-	-	-	(4,934,664)	-
Gross profit on utilities	2,586,784	2,506,341	4,229,965	998,190	341,806	10,663,086	1,735,663
Other service charges	5,272	3,047	-	-	-	8,319	-
Total operating revenues	2,592,056	2,509,388	4,229,965	998,190	341,806	10,671,405	1,735,663
Operating expenses:							
Salaries & temp services	518,121	381,901	456,105	280,896	237,870	1,874,893	-
F.I.C.A. taxes	38,515	28,724	33,810	19,051	9,555	129,655	-
State retirement	30,685	69,433	46,467	16,395	27,067	190,047	-
Workman's compensation	9,037	12,249	15,245	17,769	2,933	57,233	-
Health and accident insurance	156,614	91,232	185,723	132,246	65,560	631,375	1,516,882
Operating supplies	40,657	129,691	104,604	98,053	4,574	377,579	-
Motor fuels and lubricants	9,093	8,325	23,739	61,996	10,797	113,950	-
Professional services	8,119	103,644	171,205	25,193	780	308,941	-
Advertising and printing	2,346	3,100	2,184	577	-	8,207	-
Insurance	14,695	12,500	35,920	16,000	2,982	82,097	-
Memberships, travel and training	63,703	4,562	10,724	1,022	1,404	81,415	-
Utilities and telephone	61,164	258,894	378,126	2,002	13,047	713,233	-
Rent - buildings and equipment	57,000	33,330	17,407	-	-	107,737	-
Maintenance expense	344,813	38,185	618,271	193,876	55,911	1,251,056	-
Other purchased services	-	-	9,534	5,585	-	15,119	-
Miscellaneous expense	16,372	5,056	5,579	709	7,203	34,919	-
Bad debts	5,459	23,381	-	-	-	28,840	-
Tax equivalents paid to Gen. Fund	692,400	-	-	-	-	692,400	-
Depreciation expense	337,176	370,969	1,117,422	121,967	113,637	2,061,171	-
Administrative services	459,966	120,000	135,000	25,000	2,500	742,466	-
Legal services	27,500	31,875	64,125	9,000	-	132,500	-
Total operating expenses	2,893,435	1,727,051	3,431,190	1,027,337	555,820	9,634,833	1,516,882
Operating income (loss)	(301,379)	782,337	798,775	(29,147)	(214,014)	1,036,572	218,781
Non-operating revenues (expenses)							
Grant revenue	82,416	200	500,000	-	-	582,616	-
Capital Contributions	50,340	254,000	215,000	-	-	519,340	-
Interest income	16,357	1,736	9,139	1,085	-	28,317	-
Interest (expense)	-	(41,078)	(408,282)	-	(5,192)	(454,552)	-
Total non-operating revenues (exp)	149,113	214,858	315,857	1,085	(5,192)	675,721	-
Income(Loss) before transfers	(152,266)	997,195	1,114,632	(28,062)	(219,206)	1,712,293	218,781
Transfers In	-	-	-	-	190,098	190,098	-
Transfers Out	-	-	-	-	-	-	-
Change in Net Position	(152,266)	997,195	1,114,632	(28,062)	(29,108)	1,902,391	218,781
Net Position Beginning of Year	5,731,700	5,767,197	23,025,188	492,577	400,774	35,417,436	525,942
Net Position End of Year	\$ 5,579,434	\$ 6,764,392	\$ 24,139,820	\$ 464,515	\$ 371,666	\$ 37,319,827	\$ 744,723

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	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	\$ 7,490,567	\$ 2,472,197	\$ 4,227,622	\$ 997,235	\$ 341,791	\$ 15,529,412	\$ 1,735,663
Payments to suppliers	(6,176,445)	(784,937)	(1,511,330)	(609,441)	(199,196)	(9,281,349)	\$ (1,456,515)
Payments to employees	(518,121)	(381,901)	(456,105)	(280,896)	(237,870)	(1,874,893)	-
Payments for interfund services used	(487,466)	(151,875)	(199,125)	(34,000)	(2,500)	(874,966)	-
Other receipts/(payments)	(692,400)	-	-	-	-	(692,400)	-
Net cash provided (used) by operating activities	(383,865)	1,153,484	2,061,062	72,898	(97,775)	2,805,804	279,148
Cash flows from noncapital and related financing activities:							
Grants received	82,416	200	500,000	-	-	582,616	-
Transfers from (to) other funds	-	-	-	-	190,098	190,098	-
Net cash provided (used) by noncapital and related financing activities	82,416	200	500,000	-	190,098	772,714	-
Cash flows from capital and related financing activities:							
Proceeds from long-term debt	-	-	-	-	-	-	-
Capital contributions	50,340	254,000	215,000	-	-	519,340	-
Principal and interest paid on long-term debt	-	(158,938)	(1,252,174)	-	(85,733)	(1,496,845)	-
Transfer to restricted assets	-	-	-	-	-	-	-
Acquisition of capital assets	(255,423)	(1,312,921)	(1,227,339)	(40,279)	(6,590)	(2,842,552)	-
Net cash used by capital and related financing activities	(205,083)	(1,217,859)	(2,264,513)	(40,279)	(92,323)	(3,820,057)	-
Cash flows from investing activities:							
Loans to other funds	-	-	(100,602)	-	-	(100,602)	-
Principal received on loans to other funds	115,463	-	21,066	-	-	136,529	-
Interest received on Investments	16,357	1,736	9,139	1,085	-	28,317	-
Net cash provided by investing activities	131,820	1,736	(70,397)	1,085	-	64,244	-
Net increase (decrease) in cash	(374,712)	(62,439)	226,152	33,704	-	(177,295)	279,148
Cash at beginning of year (including restricted)	1,154,226	145,087	4,544,801	(127,509)	-	5,716,605	465,575
Cash at end of year (including restricted)	\$ 779,514	\$ 82,648	\$ 4,770,953	\$ (93,805)	\$ -	\$ 5,539,310	\$ 744,723
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (301,379)	\$ 782,337	\$ 798,775	\$ (29,147)	\$ (214,014)	\$ 1,036,572	\$ 218,781
Depreciation & amortization	337,176	370,969	1,117,422	121,967	113,637	2,061,171	-
(Increase) decrease in accounts receivable	(36,153)	(36,889)	(2,343)	(955)	(15)	(76,355)	60,742.00
(Increase) decrease in inventory	(110,348)	(24,938)	-	-	-	(135,286)	-
Increase (decrease) in payables	(246,803)	26,752	151,531	(6,686)	(10,033)	(85,239)	(375)
Net non-cash pension (revenue) expense	(26,358)	35,253	(4,323)	(12,281)	12,650	4,941	-
Net cash provided (used) by operating activities	\$ (383,865)	\$ 1,153,484	\$ 2,061,062	\$ 72,898	\$ (97,775)	\$ 2,805,804	\$ 279,148

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ASSETS			
Cash & Investments	\$ 222,989	\$ 28,166	\$ 251,155
Prepaid Expenses	-	-	-
Other Assets	-	-	-
Total assets	<u>222,989</u>	<u>28,166</u>	<u>251,155</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>222,989</u>	<u>28,166</u>	<u>251,155</u>
Total Net Position	<u>\$ 222,989</u>	<u>\$ 28,166</u>	<u>\$ 251,155</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, 2016

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ADDITIONS:			
Donations	\$ 935	\$ 7,000	\$ 7,935
Investment earnings (losses)	241	-	241
Total additions	<u>1,176</u>	<u>7,000</u>	<u>8,176</u>
DEDUCTIONS:			
Community projects	-	-	-
Library construction	-	-	-
Other expenses	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION:	1,176	7,000	8,176
Net position - beginning of year	221,813	21,166	242,979
Net position - end of year	<u>\$ 222,989</u>	<u>\$ 28,166</u>	<u>\$ 251,155</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2016

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. 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, 2016

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 governments 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, 2016

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, \$8,105,672 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	\$ 699,103	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.

CITY OF BURLEY, IDAHO

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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.

Fair Valur of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1:* Quoted prices for identical investments in active markets;
- Level 2:* Observable inputs other than quoted market prices; and,
- Level 3:* Unobservable inputs.

The investments held with the State of Idaho are stated at fair value as of year end.

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.

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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.
- 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 \$574,554.

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, 2016 was \$671,241, consisting of electrical system replacement parts. Water fund inventory was \$342,417 consisting of water supply parts. Sewer fund inventory is considered immaterial.

CITY OF BURLEY, IDAHO

Notes to Financial Statements
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NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

Primary Government

	Balance 9/30/15	Additions	Deletions	Balance 9/30/16
<u>Governmental Activities</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 10,654,919	\$ 68,825	\$ -	\$ 10,723,744
Buildings	8,267,634	-	-	8,267,634
Improvements other than buildings	10,447,336	-	-	10,447,336
Infrastructure assets	6,437,679	264,670	-	6,702,349
Equipment	2,955,747	-	-	2,955,747
Total	38,763,315	333,495	-	39,096,810
Accumulated Depreciation:				
Buildings	2,893,029	190,880	-	3,083,909
Improvements other than buildings	3,807,499	279,319	-	4,086,818
Infrastructure assets	1,381,089	217,343	-	1,598,432
Equipment	1,926,162	77,906	-	2,004,068
Total	10,007,779	765,448	-	10,773,227
Net Book Value:				
Land (non-depreciable)	10,654,919	68,825	-	10,723,744
Buildings	5,374,605	(190,880)	-	5,183,725
Improvements other than buildings	6,639,837	(279,319)	-	6,360,518
Infrastructure assets	5,056,590	47,327	-	5,103,917
Equipment	1,029,585	(77,906)	-	951,679
Total	\$ 28,755,536	\$ (431,953)	\$ -	\$ 28,323,583

	Balance 9/30/15	Additions	Deletions	Balance 9/30/16
<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	8,703,826	231,690	-	8,935,516
Equipment	1,367,326	23,732	-	1,391,058
Total	10,509,018	255,422	-	10,764,440
Accumulated Depreciation:				
Buildings	230,409	5,892	-	236,301
Improvements other than buildings	5,023,831	227,476	-	5,251,307
Equipment	1,059,300	103,808	-	1,163,108
Total	6,313,540	337,176	-	6,650,716

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Notes to Financial Statements
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Net Book Value:

Land (non-depreciable)	85,735	-	-	85,735
Buildings	121,722	(5,892)	-	115,830
Improvements other than buildings	-	4,214	-	3,684,209
Equipment	308,026	(80,076)	-	227,950
Total	\$ 4,195,478	\$ (81,754)	\$ -	\$ 4,113,724

Water Fund

Cost / Historical Value

Land (non-depreciable)	\$ 242,114	\$ -	\$ -	\$ 242,114
Buildings	687,985	-	-	687,985
Improvements other than buildings	11,940,144	1,237,854	-	13,177,998
Equipment	529,381	75,067	-	604,448
Total	13,399,624	1,312,921	-	14,712,545

Accumulated Depreciation:

Buildings	436,659	15,270	-	451,929
Improvements other than buildings	5,198,555	348,804	-	5,547,359
Equipment	528,741	6,896	-	535,637
Total	6,163,955	370,970	-	6,534,925

Net Book Value:

Land (non-depreciable)	242,114	-	-	242,114
Buildings	251,326	(15,270)	-	236,056
Improvements other than buildings	6,741,589	889,050	-	7,630,639
Equipment	640	68,171	-	68,811
Total	\$ 7,235,669	\$ 941,951	\$ -	\$ 8,177,620

Balance			Balance
9/30/15	Additions	Deletions	9/30/16

Wastewater Fund

Cost / Historical Value

Land (non-depreciable)	\$ 92,452	\$ -	\$ -	\$ 92,452
Buildings	1,590,416	-	-	1,590,416
Improvements other than buildings	42,651,035	1,188,783	-	43,839,818
Equipment	1,245,930	38,556	-	1,284,486
Total	45,579,833	1,227,339	-	46,807,172

Accumulated Depreciation:

Buildings	428,850	36,580	-	465,430
Improvements other than buildings	9,755,659	993,644	-	10,749,303
Equipment	799,030	87,198	-	886,228
Total	10,983,539	1,117,422	-	12,100,961

Net Book Value:

Land (non-depreciable)	92,452	-	-	92,452
Buildings	1,161,566	(36,580)	-	1,124,986
Improvements other than buildings	32,895,376	195,139	-	33,090,515
Equipment	446,900	(48,642)	-	398,258
Total	\$ 34,596,294	\$ 109,917	\$ -	\$ 34,706,211

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Sanitation Fund

Cost / Historical Value

Land (non-depreciable)	\$ 12,500	\$ -	\$ -	\$ 12,500
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Equipment	2,640,859	40,277	-	2,681,136
Total	2,653,359	40,277	-	2,693,636

Accumulated Depreciation:

Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Equipment	1,903,912	121,967	-	2,025,879
Total	1,903,912	121,967	-	2,025,879

Net Book Value:

Land (non-depreciable)	12,500	-	-	12,500
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Equipment	736,947	(81,690)	-	655,257
Total	\$ 749,447	\$ (81,690)	\$ -	\$ 667,757

Balance				Balance
9/30/15	Additions	Deletions		9/30/16

Golf Fund

Cost / Historical Value

Land (non-depreciable)	\$ -	\$ -	\$ -	\$ -
Buildings	483,556	-	-	483,556
Improvements other than buildings	609,042	-	-	609,042
Equipment	856,527	6,590	-	863,117
Total	1,949,125	6,590	-	1,955,715

Accumulated Depreciation:

Buildings	211,541	11,454	-	222,995
Improvements other than buildings	509,029	24,570	-	533,599
Equipment	485,793	77,614	-	563,407
Total	1,206,363	113,638	-	1,320,001

Net Book Value:

Land (non-depreciable)	-	-	-	-
Buildings	272,015	(11,454)	-	260,561
Improvements other than buildings	100,013	(24,570)	-	75,443
Equipment	370,734	(71,024)	-	299,710
Total	\$ 742,762	\$ (107,048)	\$ -	\$ 635,714

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

General Government	\$ 398,335
Public Safety	35,436
Highways & Streets	229,641
Parks & Recreation	49,407
Public Works	8,201
Airport	40,573
Library	3,856
Total Governmental Activities Depreciation	<u>\$ 765,449</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 9/30/15	Additions	Deletions	Balance 9/30/16
<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>

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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.

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

Member and Employer Contributions - Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. of covered compensation. The City's contributions were \$325,235 for the year ended September 30, 2016.

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

At year end, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the City's proportion was .0915374 percent.

For the year ended September 30, 2016, the City recognized pension expense (revenue) of \$535. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 223,428
Changes in assumptions or other inputs	49,845	
Net difference between projected and actual earnings on pension plan investments	1,091,369	509,939
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions		59,058
City contributions subsequent to the measurement date	119,654	
Total	\$ 1,260,868	\$ 792,425

The \$93,539 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2015 the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 for the measurement period June 30, 2015.

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

Year ended Sept 30	
2017	\$ 2,279
2018	2,279
2019	260,143
2020	143,146

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

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An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

Capital Market Assumptions

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

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.

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

	1% Decrease (6.1%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset) - PERSI	\$ 3,640,036	\$ 1,855,604	\$ 371,651
Employer's net pension (asset) - Firefighter	\$ (20,210)	\$ (49,200)	\$ (73,708)

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	\$ 136,484	\$ 23,634	\$ 160,118
Library Fund	7,670	1,099	8,769
Electric Fund	31,599	2,007	33,606
Water Fund	19,110	1,405	20,515
Sewer Fund	20,777	8,109	28,886
Sanitation Fund	13,618	2,504	16,122
Golf Fund	10,288	2,709	12,997
Totals	\$ 239,546	\$ 41,467	\$ 281,013

Operating Leases:

The City leases equipment under a noncancelable operating lease. Total cost of the lease was \$4,009.20 for the year ended September 30, 2016. The future minimum lease payments for the lease are as follows:

Due Year Ending 9/30	Amount
2017	\$ 4,009
2018	4,009
2019	4,009
2020	4,009
2021	4,009
	<u>\$ 20,045</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2016

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%	2017	47,701	3,035	50,736
		2018	49,546	1,190	50,736
		2019	4,214	27	4,241
Total - Fire Truck			<u>\$ 101,461</u>	<u>\$ 4,252</u>	<u>\$ 105,713</u>

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Dump Truck	2.00%	2017	17,699	1,698	19,397
		2018	19,682	1,478	21,160
		2019	20,079	1,081	21,160
		2020	20,484	676	21,160
		2021	20,898	262	21,160
		2022	1,760	3	1,763
Total - Street			<u>\$ 100,602</u>	<u>\$ 5,198</u>	<u>\$ 105,800</u>

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Cemet. Mower	5.67%	2017	11,827	481	12,308
		2018	2,037	14	2,051
Total - Street			<u>\$ 13,864</u>	<u>\$ 495</u>	<u>\$ 14,359</u>

Total General Fund			<u>\$ 215,927</u>	<u>\$ 9,945</u>	<u>\$ 225,872</u>
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Golf Fund

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Mowers	0.34%	2017	42,029	138	42,167
		2018	17,555	15	17,570
Total - Mowers			<u>\$ 59,584</u>	<u>\$ 153</u>	<u>\$ 59,737</u>

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Golf Carts	2.00%	2017	21,491	1,120	22,611
		2018	21,925	686	22,611
		2019	22,368	243	22,611
Total - Mowers			<u>\$ 65,784</u>	<u>\$ 2,049</u>	<u>\$ 67,833</u>

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Golf Carts	6.00%	2017	20,703	2,112	22,815
		2018	21,981	834	22,815
		2019	1,892	9	1,901
Total - Mowers			<u>\$ 44,576</u>	<u>\$ 2,955</u>	<u>\$ 47,531</u>

Total Golf Fund			<u>\$ 169,944</u>	<u>\$ 5,157</u>	<u>\$ 175,101</u>
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CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2016

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
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
2021	285,000	44,750	329,750
2022 - 2023	610,000	46,000	656,000
Totals	\$ 1,925,000	\$ 372,200	\$ 2,297,200

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
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	105,000	51,750	156,750
2022 - 2026	595,000	189,800	784,800
2027 - 2029	430,000	39,250	469,250
Totals	\$ 1,510,000	\$ 522,600	\$ 2,032,600

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
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	780,000	470,350	1,250,350
2022 - 2026	4,415,000	1,839,300	6,254,300
2027 - 2031	3,685,000	724,800	4,409,800
2032	1,975,000	30,000	2,005,000
Totals	\$ 13,715,000	\$ 5,207,850	\$ 18,922,850

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2016

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

	Balance at 9/30/2015	Additions	Reductions	Balance at 9/30/2016
Compensated Absences	\$ 239,546	\$ 41,467	\$ -	\$ 281,013
Capital Leases - Gen Fund	201,270	100,602	(85,945)	215,927
Capital Leases - Golf Fund	101,471	-	(41,887)	59,584
Capital Leases - Golf Fund	86,850	-	(21,066)	65,784
Capital Leases - Golf Fund	64,077	-	(19,501)	44,576
General Oblig. Bonds-S2012B	2,160,000	-	(235,000)	1,925,000
Water Rev. Refunding S2012	1,600,000	-	(90,000)	1,510,000
Sewer Rev. Refunding S2012	14,370,000	-	(655,000)	13,715,000
Totals	\$ 18,823,214	\$ 142,069	\$ (1,148,399)	\$ 17,816,884

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. LID #1 was paid off during the year and the amount of debt is \$200,000 for LID #2 which was loaned by the Electric Fund and \$53,161 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
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	110,801	12,813	123,614
2022-2023	121,477	7,008	128,485
Totals	\$ 620,653	\$ 125,902	\$ 746,555

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:

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2016

Year Ending Sept. 30	Principal	Interest	Total
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	537,740	148,706	686,446
2022 - 2025	2,151,324	257,395	2,408,719
Totals	\$ 4,555,655	\$ 1,285,294	\$ 5,840,949

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
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	49,701	189,951	239,652
2021 - 2025	297,766	900,492	1,198,258
2026 - 2030	400,173	798,085	1,198,258
2031 - 2035	537,799	660,459	1,198,258
2036 - 2037	1,892,799	111,667	2,004,466
Totals	\$ 3,350,102	\$ 3,447,395	\$ 6,797,497

BDA Urban Renewal Bond - Series 2016

The Burley Development Authority issued an urban renewal bond on February 19, 2016 in the amount of \$300,000, bearing an interest rate of 6.5%. The bond was issued to Rivergate Properties for infrastructure and paving 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
2017	\$ -	\$ 19,771	\$ 19,771
2018	-	19,771	19,771
2019	5,000	19,771	24,771
2020	10,278	19,330	29,608
2021	11,019	18,589	29,608
2022 - 2026	273,703	73,879	347,582
Totals	\$ 300,000	\$ 171,111	\$ 471,111

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2016

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

	Balance at 9/30/2015	Additions	Reductions	Balance at 9/30/2016
Urban Renewal Bond 2007	\$ 702,756	\$ -	\$ (82,103)	\$ 620,653
Urban Renewal Bond 2008A	3,387,076	-	(36,974)	3,350,102
Urban Revenue Bond 2013	4,959,389	-	(403,734)	4,555,655
Urban Renewal Bond 2016	-	300,000	-	300,000
Totals	\$ 9,049,221	\$ 300,000	\$ (522,811)	\$ 8,826,410

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 other than is being handled by the City's insurer. 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.

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: \$770,414.

NOTE 11: INTERFUND RECEIVABLES, PAYABLES & TRANSFERS

Interfund balances at September 30, 2016, 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:	\$ 93,805	\$ -
Sanitation Fund	-	93,805
Total	<u>\$ 93,805</u>	<u>\$ 93,805</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2016

The following transfers were made during the year:

<u>From:</u>	<u>To:</u>	<u>Amount:</u>	<u>Purpose:</u>
General Fund	Golf Fund	\$ 190,098	Operating transfer
General Fund	Library Fund	\$ 23,000	Operating transfer

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 17, 2017.

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, 2016

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

	2015	2016
Employer's portion of the net pension liability	0.1142279%	0.1106128%
Employer's proportionate share of the net pension liability	\$ 1,504,195	\$ 2,242,292
Employer's covered-employee payroll	\$ 3,368,857	\$ 3,623,740
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	44.65%	61.88%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	87.26%

Data reported is measured as of July 1, 2016 (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	2016
Statutorily required contribution	\$ 373,642	\$ 410,207
Contributions in relation to the statutorily required contribution	\$ (380,481)	\$ (410,448)
Contribution (deficiency) excess	6,839	241
Employer's covered-employee payroll	\$ 3,368,857	\$ 3,623,740
Contributions as a percentage of covered-employee payroll	11.29%	11.33%

Data reported is measured as of September 30, 2016

**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, 2016

	Internal Service Funds			
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	Total Internal Service Funds
ASSETS				
Cash & Investments	\$ 429,398	\$ 106,802	\$ 208,523	\$ 744,723
Receivables (Net of Allowances):				
Claims	-	-	-	-
Prepaid Expenses	-	-	-	-
Due from other fund	-	-	-	-
Capital Assets:				
Land	-	-	-	-
Other Capital Assets, Net of Depreciation	-	-	-	-
Total assets	429,398	106,802	208,523	744,723
LIABILITIES				
Accounts Payable and Accrued Expenses	-	-	-	-
Customer Deposits Payable	-	-	-	-
Interest Payable	-	-	-	-
Due to other fund	-	-	-	-
Long-Term Liabilities:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Total liabilities	-	-	-	-
NET POSITION				
Net Investment in Capital Assets	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Unrestricted	429,398	106,802	208,523	744,723
Total Net Assets	\$ 429,398	\$ 106,802	\$ 208,523	\$ 744,723

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, 2016

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	
Operating revenues:				
Insurance charges to other funds	\$ 1,466,741	\$ 139,206	\$ 123,236	\$ 1,729,183
Premium dividend (refunds)	-	-	6,480	6,480
Miscellaneous revenue	-	-	-	-
Total operating revenues	1,466,741	139,206	129,716	1,735,663
Operating expenses:				
Administrative services	-	-	-	-
Claims and premium costs	1,287,562	115,981	113,339	1,516,882
Other Insurance premiums	-	-	-	-
Wellness benefit program	-	-	-	-
Other expenses	-	-	-	-
Total operating expenses	1,287,562	115,981	113,339	1,516,882
Operating income (loss)	179,179	23,225	16,377	218,781
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	179,179	23,225	16,377	218,781
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Position	179,179	23,225	16,377	218,781
Net Position Beginning of Year	250,219	83,577	192,146	525,942
Net Position End of Year	\$ 429,398	\$ 106,802	\$ 208,523	\$ 744,723

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, 2016

	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	\$ 1,466,741	\$ 139,206	\$ 129,716	\$ 1,735,663
Payments to suppliers	(1,287,562)	(55,614)	(113,339)	(1,456,515)
Payments to employees	-	-	-	-
Payments for interfund services used	-	-	-	-
Other receipts/(payments)	-	-	-	-
Net cash provided (used) by operating activities	179,179	83,592	16,377	279,148
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	179,179	83,592	16,377	279,148
Cash at beginning of year	250,219	23,210	192,146	465,575
Cash at end of year	\$ 429,398	\$ 106,802	\$ 208,523	\$ 744,723
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 179,179	\$ 23,225	\$ 16,377	\$ 218,781
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	\$ 179,179	\$ 83,592	\$ 16,377	\$ 279,148

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, 2016, 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 17, 2017.

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 17, 2017