

CITY OF BURLEY, IDAHO

**Basic Financial Statements
With Supplemental Information**

September 30, 2017



CITY OF BURLEY, IDAHO
BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Title Page	
Table of Contents	2 - 3
 FINANCIAL SECTION	
Independent Auditor's Report	4 - 5
Management's Discussion and Analysis	6-1 - 6-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	13
Statement of Net Position - Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds	16
Statement of Fiduciary Fund Net Position and Liabilities	17
Statement of Changes in Fiduciary Fund Net Position	18
Notes to the Financial Statements	19 - 37
Required Supplemental Information:	
Schedule of Employer's Share of Net Pension Liability & Schedule of Employer's Contributions	38

CITY OF BURLEY, IDAHO
BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017
TABLE OF CONTENTS

Combining Financial Statements and Schedules:

Combining Statement of Net Position - Internal Service Funds	39
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds	40
Combining Statement of Cash Flows - Internal Service Funds	41

Government Auditing Standards Report:

Independent Auditor's Report on Compliance and Internal Control	42 - 43
---	---------

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 of City of Burley (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Burley as of September 30, 2017, 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 6-1 through 6-6 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 internal service funds and fiduciary fund financial statements, as well as the combining and individual agency fund schedules of receipts, disbursements, and changes in net position are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual internal service fund financial statements, the combining and individual agency funds, schedules of receipts, disbursements, and changes in net position 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 February 9, 2018 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 the City's internal control over financial reporting and compliance.

Evans, Poulsen, & Catmull

Evans, Poulsen, & Catmull P.A

February 9, 2018

City of Burley
Management Discussion and Analysis
Fiscal Year Ending - September 30, 2017

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, 2017. 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.

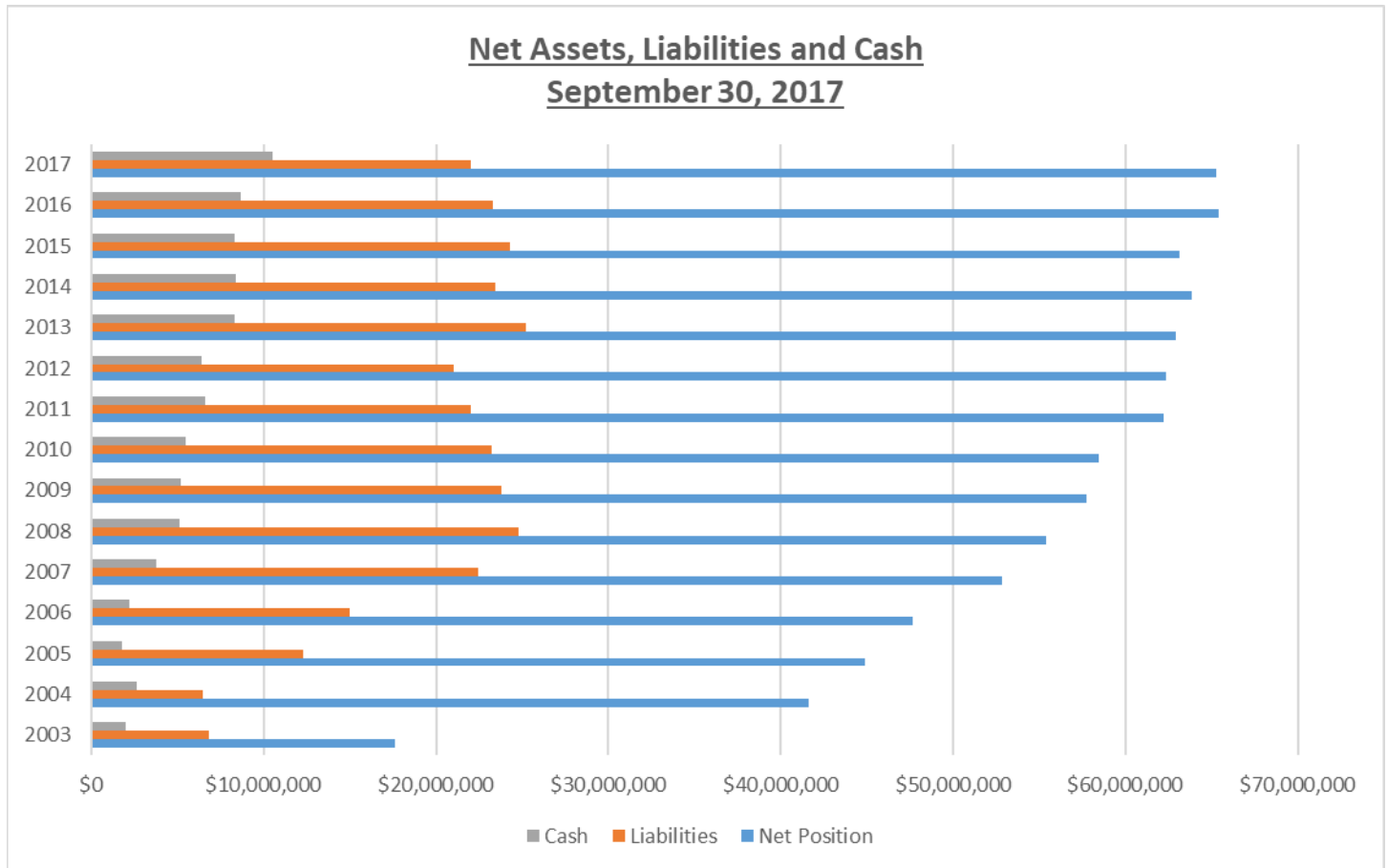
Analysis of Net Position

The City total net position for the fiscal year ended September 30, 2017, is \$67,283,521 compared to \$65,428,290 for September 30, 2016. This is an increase in net position of \$1,855,231. The increase due to changes in the net pension liability and other normal current year operations. The Governmental Funds Net Position increased by \$100,929. This increase was created due to an increase in revenue over what was budgeted in the General Fund of \$211,394 and being under budget in expenditures for the General Fund by \$146,167. The revenues and expenditures in the Library Fund were \$24,095 revenues over expenditures and the Grant Fund had expenditures over revenues by \$10,991. The PERSI retirement net pension liability for the governmental fund and enterprise funds were \$1,086,242 and \$902,045 for the 2016-2017 fiscal year.

The Enterprise funds increased in net position overall by \$1,754,302. The increase was due to cash increases in the Electric, Water, Wastewater and Sanitation Funds and asset increases in the Water and Wastewater Funds offset by 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 \$322,764 compared to \$239,861 for FY 2016 and \$359,996 for FY 2015. Cash and investments in the Enterprise funds increased by \$1,482,232. The increase was primarily due to increase in the water and Wastewater funds.

Liabilities for the City as a whole decreased from \$23,317,663 for the fiscal year ended 2016 to \$22,039,744 for the fiscal year ended 2017. 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.



Funds Analysis

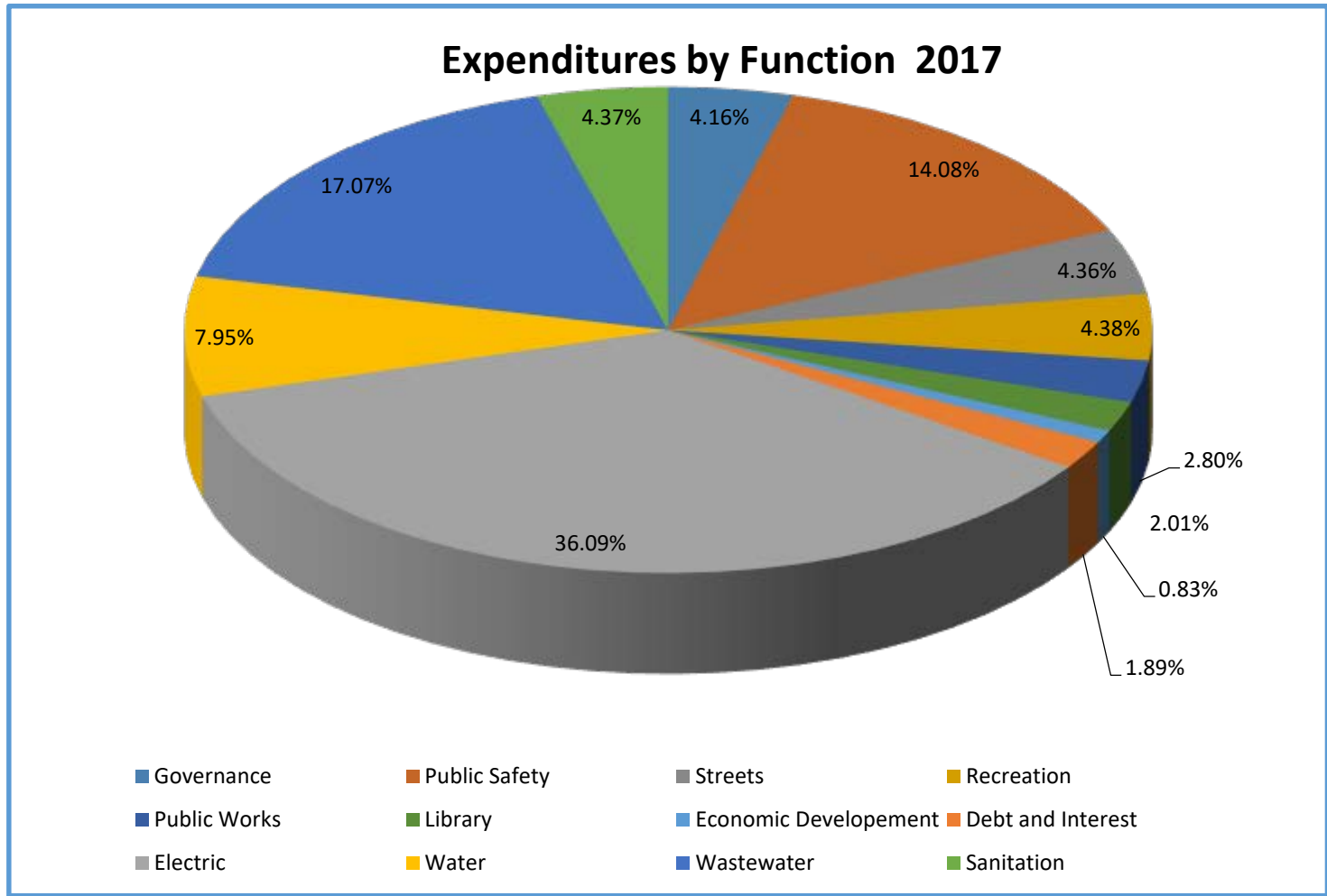
The following is an analysis of the differences in the Net Position of each of the City's major funds types for the Fiscal Year ending September 30, 2017.

Governmental Funds – Total property taxes collected for FY 2016-2017 for all functions including the General Fund, Street Override levy, Library base levy and the Library Override levy, and General Obligation Bond were \$2,930,995. Property taxes collected for the General Fund were \$2,191,131. Property taxes collected for the Library and the General Obligation Bond were \$413,680 and 326,184. Total revenues for the General Fund were \$6,921,089. State of Idaho collected local tax revenues (Sales Tax/Inventory Replacement Tax and shared Liquor Dispensary revenues) were \$985,163 compared to \$950,836 for fiscal year 2016. Highway user taxes (a portion of gas tax and vehicle registrations) totaled \$486,081 compared to \$463,619 for 2016. Another Street funding revenue is the local highway districts tax. This revenue comes from City residents taxed by the local highway districts passed back to the city at a **50% reduction** from the highway districts. The tax returned to City was \$279,632 for the fiscal year. The General Fund support for the Street Department over taxes received was \$62,757. This is over and above the temporary Street override funding of \$140,000.

Expenses for the Streets Department for the year were of \$968,470 compared to \$991,019 for the previous fiscal year. The Streets Department should be self-supporting from user fees and gas taxes.

Total public safety, Sheriff's contract, Fire Department, Animal Control, Building Inspection and prosecution costs were \$3,130,357 in 2017 compared to \$3,032,577 for fiscal year 2016 which represents over 46% of all General Fund expenditures. The City started providing all construction inspection services as of December 1, 2014. This created \$177,760 in revenue for FY 2017. The General Fund completed the year with 103.1% of expected revenue and 97.9% of budgeted expenditures.

State and Federal Grants Fund – Grant reimbursements were received from the Federal Aviation Administration and the State of Idaho-Aeronautics (Planning Grant) for \$65,872 and from other State and Federal Grants in the amount of \$77,750. Total grant funds reimbursed for all projects during the year was \$161,122. Grant projects completed during the year were the closeout of the Fabri-Kal grant.



Business Type Funds

Electric Fund – The Electric Fund Net Position increased by \$ 158,558 from October 1, 2016 to September 30, 2017. Cash & Investments increased by \$557,494 due to the very cold winter weather and the hot summer weather. This year represented the extremes of both winter and summer and added more revenue than expense to the Electric Department. BPA monthly rates being higher than what was projected in our excess months. The Department was very cautious in its expenditures which led to the positive change in cash. Currently, Electric Department rates are being reviewed by an outside consultant to determine a rate structure that will best coincide with BPA rates. Based on the outcome of the rate study rates will have to be increased to insure the department returns to long term profitability.

Water Fund – The Water Fund Net Position increased by \$1,044,484 as of September 30, 2017. There were also ongoing additional expenses for mitigation due to previous water calls. Cash for the Water Department increase by \$706,245. This was a result of the increased base fee and flow fee coupled with a warmer than average summer. Water Fund Revenue was \$2,679,244 which was an increase of \$137,213 higher than the previous year. Operating expenses were \$1,767,465. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditure.

Wastewater Fund – The Wastewater Fund Net Position for September 30, 2017, was \$24,139,819 compared to \$24,139,820 for the year end in 2016. This is an increase of \$470,764 from October 1, 2016. Cash in the fund increased by \$284,362. Wastewater fund revenue was 111% for the year and total expenses were 99.8% of the budget. The Industrial Plant budget is operated from the revenue derived from the industrial customers. Planning is currently underway to add additional capacity for the municipal plant. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

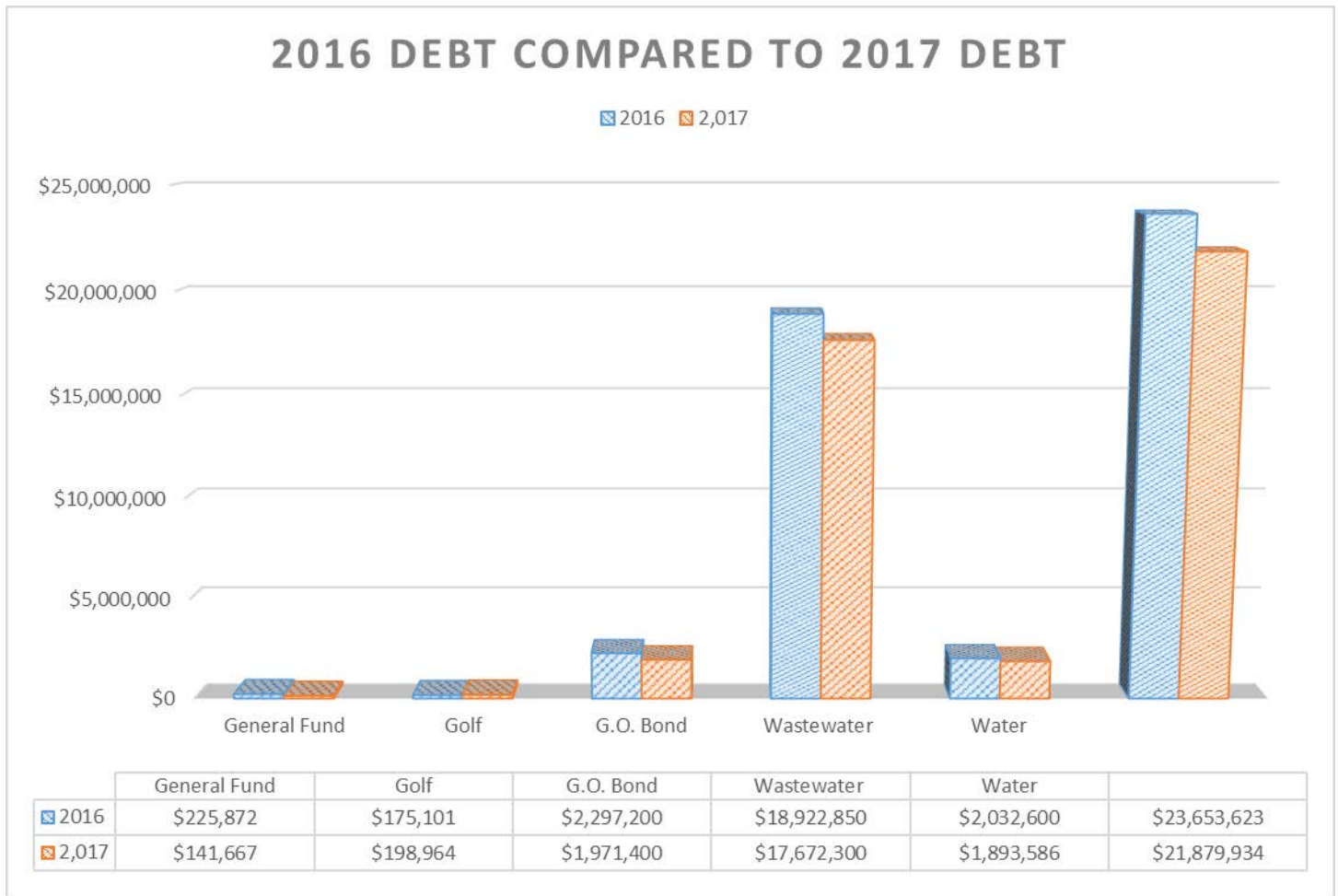
Golf Fund – The Golf Fund net position decreased by \$13,283 during the 2016-2017 fiscal year. The operating transfer to the Golf Fund was \$228,662 compared to \$190,098 for the previous fiscal year. The City Council continued a golf cart replacement plan during the fiscal year. The equipment replacement cost for the fiscal year (Mowers and Golf Carts) was \$97,725 of the total budget. Total operating revenues for the Golf Fund were \$293,851 compares to \$341,806 for fiscal year 2016 and \$360,860 for the fiscal year 2015. 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 on an annual basis.

Sanitation Fund – The Sanitation Fund had an increase in net position of \$93,779 from the previous fiscal year. The increase was due to new equipment being paid off and revenue for the year being 100.8% compared to expenditures at 89.9% for the fiscal year. The fund operating revenue increased \$64,801 compared to \$36,091 from the previous year increase. Total operating expenses were \$974,246 a decrease of \$54,176 from fiscal year 2016. The decrease was due to no major equipment purchases during the fiscal year. There were no significant deviations from budget.

Burley Development Authority – The Burley Development Authority (BDA) is listed as a component unit of the City of Burley. This is according to GASB and GAAP requirements. The information on the BDA is shown on pages six and seven of the financial statements. The Net Assets for the Burley Development Authority are deceiving in that the BDA builds infrastructure and then gives it to the City of Burley. Under Idaho law the BDA is a separate and distinct public entity with their own governing board. The BDA maintains a separate bank account and has their own annual audit performed and paid for separately.

OUTSTANDING DEBT

As of September 30, 2017, the City of Burley had \$ 21,879,934 in short and long-term debt and future interest payments compared to \$23,653,623 in debt and interest payments at the end of fiscal year 2016. General Fund debt is \$141,667 of the total amount or .65% of the total debt. Golf Fund debt is \$198,964 or 0.91%. Wastewater debt for the Industrial Plant and the Municipal plant is \$17,762,300 or 81% of the total debt. Water Department debt is \$1,879,934 and 8.65% 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 second phase of a wage study prepared by an internal committee of employees. 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 except for new utility services.

BPA wholesale electrical rates are being studied to determine the appropriate wholesale rate for the City of Burley. Projection of electrical rates by Bonneville Power for the City of Burley continue to prove to be inaccurate. The result of the study will be available in 2018 and will need to be implemented or the Electric Fund will suffer losses for the fiscal year. Electric Fund cash balances should be just over \$2,000,000 for appropriate replacement costs of substations.

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 slight increase in fees was approved by the City Council in 2016. There needs to be another increase to fund ongoing equipment purchases and maintenance.

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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Totals	Burley Development Authority
ASSETS				
Current assets:				
Cash & investments	\$ 3,494,476	\$ 7,021,542	\$ 10,516,018	\$ 4,160,528
Receivables (net of allowances):				
Taxes	128,210	-	128,210	15,612
Accounts - note 2	38,489	1,161,069	1,199,558	-
Notes	-	-	-	-
Prepaid expenses	-	-	-	-
Inventory - note 3	-	745,175	745,175	-
Due from other governments	278,060	-	278,060	100,000
Total current assets	<u>3,939,235</u>	<u>8,927,786</u>	<u>12,867,021</u>	<u>4,276,140</u>
Noncurrent assets:				
Notes receivable - other funds	-	503,512	503,512	-
Restricted assets:				
Cash -	-	-	-	690,219
Capital assets - note 4:				
Land	10,723,744	473,825	11,197,569	-
Other capital assets, net of depreciation	16,948,699	47,482,230	64,430,929	-
Total noncurrent assets	<u>27,672,443</u>	<u>47,956,055</u>	<u>75,628,498</u>	<u>690,219</u>
Total assets	<u>31,611,678</u>	<u>56,883,841</u>	<u>88,495,519</u>	<u>4,966,359</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension obligations	242,656	194,828	437,484	-
Total Deferred Outflows of Resources	<u>242,656</u>	<u>194,828</u>	<u>437,484</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	206,710	1,377,117	1,583,827	9,094
Customer deposits payable	170,524	-	170,524	-
Compensated absences payable	169,059	-	169,059	-
Interest payable	3,157	23,477	26,634	145,699
Bonds & notes payable - current maturity	250,000	894,971	1,144,971	588,593
Total current liabilities	<u>799,450</u>	<u>2,295,565</u>	<u>3,095,015</u>	<u>743,386</u>
Noncurrent liabilities:				
Notes payable - other funds	137,074	-	137,074	-
Premium on bonds payable	120,000	1,511,237	1,631,237	-
Bonds payable - long term	1,435,000	13,753,131	15,188,131	7,673,919
Net pension liability	1,086,242	902,045	1,988,287	-
Total noncurrent liabilities	<u>2,778,316</u>	<u>16,166,413</u>	<u>18,944,729</u>	<u>7,673,919</u>
Total liabilities	<u>3,577,766</u>	<u>18,461,978</u>	<u>22,039,744</u>	<u>8,417,305</u>
DEFERRED INFLOWS OF RESOURCES				
Employer pension assumption	67,176	46,074	113,250	-
Total Deferred Inflows of Resources	<u>67,176</u>	<u>46,074</u>	<u>113,250</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	25,987,443	33,307,953	59,295,396	-
Restricted for:				
Capital projects & debt service	-	-	-	690,219
Unrestricted	2,221,949	5,766,176	7,988,125	(4,141,165)
Total Net Assets	<u>\$ 28,209,392</u>	<u>\$ 39,074,129</u>	<u>\$ 67,283,521</u>	<u>\$ (3,450,946)</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,215,423	\$ 394,731	\$ -	\$ 101,283	\$ 2,711,437
Receivables (net of allowances):					
Taxes	128,210	-	-	-	128,210
Accounts	38,489	-	-	-	38,489
Notes	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	278,060	-	-	-	278,060
Total assets	\$ 2,660,182	\$ 394,731	\$ -	\$ 101,283	\$ 3,156,196
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Vouchers payable and accrued liabilities	\$ 187,921	\$ 18,789	\$ -	\$ -	\$ 206,710
Utility customer deposits	170,524	-	-	-	170,524
Due to other funds	-	-	-	-	-
Total liabilities	358,445	18,789	-	-	377,234
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue - property taxes	112,186	-	-	-	112,186
FUND BALANCE:					
Restricted for:					
Capital projects	-	-	-	-	-
Committed:					
General Obligation Bond Fund	-	-	-	-	-
Library Fund	-	375,942	-	-	375,942
Grant Fund	-	-	-	101,283	101,283
Unassigned: General Fund	2,189,551	-	-	-	2,189,551
Total fund balances	2,189,551	375,942	-	101,283	2,666,776
Total liabilities, deferred inflow of resources and fund balances	\$ 2,660,182	\$ 394,731	\$ -	\$ 101,283	\$ 3,156,196

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, 2017

Total Governmental Fund Balances		\$	2,666,776
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.			27,672,443
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property Taxes			112,186
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.			783,039
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			(169,059)
General Obligation Bonds (GOB) payable			(1,805,000)
Notes Payable - other funds			(137,074)
Accrued interest payable			(3,157)
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.			(1,086,242)
Balances at September 30, 2017:			
Deferred outflows of resources pension expense		173,171	
Deferred outflow of 2017 employer contributions		<u>69,485</u>	
			242,656
Deferred inflows or resources related to pensions.			<u>(67,176)</u>
Net Position of Governmental Activities		\$	<u>28,209,392</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, 2017

	General Fund	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 2,191,131	\$ 413,680	\$ 326,184	\$ -	\$ 2,930,995
Licenses and permits	215,261	-	-	-	215,261
Intergovernmental	1,750,877	-	-	-	1,750,877
Charges for services	2,216,749	-	-	-	2,216,749
Fees and fines	105,457	19,440	-	-	124,897
Grants / Donations	-	7,695	-	161,122	168,817
Miscellaneous	441,614	8,226	-	-	449,840
Total revenues	6,921,089	449,041	326,184	161,122	7,857,436
Expenditures:					
Legislative	557,532	-	-	-	557,532
Executive	31,387	-	-	-	31,387
Administrative	905,195	-	-	-	905,195
Purchasing	9,676	-	-	-	9,676
Legal & Professional	188,654	-	-	-	188,654
Buildings	311,073	-	-	-	311,073
Police	1,528,800	-	-	-	1,528,800
Fire	1,115,962	-	-	-	1,115,962
Animal control	80,195	-	-	-	80,195
Streets	968,470	-	-	-	968,470
Equipment maintenance	282,111	-	-	-	282,111
Airport	55,729	-	-	-	55,729
Parks and recreation	291,667	-	-	-	291,667
Swimming	149,784	-	-	-	149,784
Cemetery	285,295	-	-	-	285,295
Library	-	447,946	-	-	447,946
Debt Service - Principal	-	-	240,000	-	240,000
Debt Service - Interest	-	-	86,184	-	86,184
Capital outlays	-	-	-	172,113	172,113
Total expenditures	6,761,530	447,946	326,184	172,113	7,707,773
Excess of revenues over (under) expenditures	159,559	1,095	-	(10,991)	149,663
Other financing sources (uses)					
Transfers in	-	23,000	-	-	23,000
Transfers out	-	-	-	-	-
Bond / loan proceeds	-	-	-	-	-
Proceeds from the sale of capital assets	198,000	-	-	-	198,000
Total other financing sources (uses)	198,000	23,000	-	-	221,000
Net change in fund balances	357,559	24,095	-	(10,991)	370,663
Fund balance - beginning	1,831,992	351,847	-	112,274	2,296,113
Fund balance - ending	\$ 2,189,551	\$ 375,942	\$ -	\$ 101,283	\$ 2,666,776

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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 370,663

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:

Fixed asset additions - purchased	\$	-	
Fixed asset additions - contributed		-	
Depreciation expense		(651,140)	
Excess of capital outlay over depreciation			(651,140)

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. (25,066)

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.

Repayment of loan principal - GOB		260,000	
Repayment (borrowing) of loan principal - Other Loans		78,853	

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include: Net change in compensated absences (172)

Decrease (inc) in accrued interest on long-term debt		690	
Basis in assets sold		-	

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 38,316

In the Governmental Funds, pension contributions are considered an expense, while on the statements of activities the contributions are considered a deferred outflow. 28,785

Change in Net Position of Governmental Activities \$ 100,929

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget: Favorable (Unfavorable)
Revenues:				
Taxes	\$ 2,139,251	\$ 2,139,251	\$ 2,191,131	\$ 51,880
Licenses and permits	154,600	154,600	215,261	60,661
Intergovernmental	1,733,000	1,733,000	1,750,877	17,877
Charges for services	2,615,245	2,615,245	2,216,749	(398,496)
Fines	88,000	88,000	105,457	17,457
Miscellaneous	13,100	13,100	441,614	428,514
Total revenues	6,743,196	6,743,196	6,921,089	177,893
Expenditures:				
Legislative	528,939	528,939	557,532	(28,593)
Executive	34,389	34,389	31,387	3,002
Administrative	987,591	987,591	905,195	82,396
Purchasing	-	-	9,676	(9,676)
Legal	182,228	182,228	188,654	(6,426)
Buildings	328,929	328,929	311,073	17,856
Police	1,543,423	1,543,423	1,528,800	14,623
Fire	1,074,740	1,074,740	1,115,962	(41,222)
Animal control	89,517	89,517	80,195	9,322
Streets	1,027,940	1,027,940	968,470	59,470
Equipment maintenance	282,686	282,686	282,111	575
Airport	52,750	52,750	55,729	(2,979)
Parks and recreation	337,853	337,853	291,667	46,186
Swimming	128,541	128,541	149,784	(21,243)
Cemetery	288,170	288,170	285,295	2,875
Construction	20,000	20,000	-	20,000
Total expenditures	6,907,696	6,907,696	6,761,530	146,166
Excess (deficiency) of revenues over expenditures	(164,500)	(164,500)	159,559	324,059
Other financing sources (uses)				
Transfers in	154,500	154,500	-	154,500
Transfers out	-	-	-	-
Bond / loan proceeds	-	-	-	-
Proceeds from the sale of capital assets	10,000	10,000	198,000	188,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	357,559	357,559
Fund balance - beginning	1,831,992	1,831,992	1,831,992	-
Fund balance - ending	\$ 1,831,992	\$ 1,831,992	\$ 2,189,551	\$ 357,559

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-Type Activities Enterprise Funds					Totals	Governmental Activities-
	Electric Fund	Water Fund	Wastewater Fund	Sanitation Fund	Golf Fund		Internal Service Funds
ASSETS							
Current assets:							
Cash & investments	\$ 1,337,008	\$ 788,893	\$ 4,887,807	\$ 1,874	\$ 5,960	\$ 7,021,542	\$ 783,039
Receivables (net of allowances):							
Accounts	579,058	178,690	319,652	83,669	-	1,161,069	-
Claims	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
Inventory	511,757	233,418	-	-	-	745,175	-
Total current assets	2,427,823	1,201,001	5,207,459	85,543	5,960	8,927,786	783,039
Noncurrent assets:							
Notes receivable - other funds	271,315	-	232,197	-	-	503,512	-
Restricted assets	-	-	-	-	-	-	-
Capital Assets:							
Land	170,235	242,114	48,976	12,500	-	473,825	-
Other capital assets, net of depr	4,085,096	8,202,887	33,932,974	629,000	632,273	47,482,230	-
Total noncurrent assets	4,526,646	8,445,001	34,214,147	641,500	632,273	48,459,567	-
Total assets	6,954,469	9,646,002	39,421,606	727,043	638,233	57,387,353	783,039
DEFERED OUTFLOWS OF RESOURCES							
Pension Obligations	57,672	40,192	54,039	29,432	13,493	194,828	
Total deferred inflows of resources	57,672	40,192	54,039	29,432	13,493	194,828	
LIABILITIES							
Current liabilities:							
Accounts payable & accrued exp	993,491	99,340	194,759	54,951	34,576	1,377,117	-
Deferred revenue	-	-	-	-	-	-	-
Interest payable	-	2,342	21,135	-	-	23,477	-
Due to other funds	-	-	-	-	-	-	-
Bonds & notes payable - current	-	95,000	710,000	-	89,971	894,971	-
Total current liabilities	993,491	196,682	925,894	54,951	124,547	2,295,565	-
Noncurrent liabilities:							
Premium on bonds payable	-	160,046	1,351,191	-	-	1,511,237	-
Bonds & notes payable	-	1,325,000	12,325,000	-	103,131	13,753,131	-
Net pension liability	267,020	186,085	250,197	136,270	62,473	902,045	-
Total liabilities	267,020	1,671,131	13,926,388	136,270	165,604	16,166,413	-
DEFERED INFLOWS OF RESOURCES							
Employer Pension Assumption	13,638	9,505	12,779	6,960	3,192	46,074	
Total deferred inflows of resources	13,638	9,505	12,779	6,960	3,192	46,074	
NET POSITION							
Net Investment in capital assets	4,255,331	7,025,001	20,946,950	641,500	439,171	33,307,953	-
Restricted for:							
Capital projects	-	-	-	-	-	-	-
Unrestricted	1,482,661	783,875	3,663,634	(83,206)	(80,788)	5,766,176	783,039
Total net position	\$ 5,737,992	\$ 7,808,876	\$ 24,610,584	\$ 558,294	\$ 358,383	\$ 39,074,129	\$ 783,039

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, 2017

	Business-Type Activities Enterprise Funds					Totals	Governmental
	Electric Fund	Water Fund	Wastewater Fund	Sanitation Fund	Golf Fund		Internal Service Funds
Operating revenues:							
Charges for utilities	\$ 8,022,453	\$ 2,645,554	\$ 4,514,327	\$ 1,059,807	\$ 293,851	\$ 16,535,992	\$ 1,707,494
Less cost of utilities	(5,082,249)	-	-	-	-	(5,082,249)	-
Gross profit on utilities	2,940,204	2,645,554	4,514,327	1,059,807	293,851	11,453,743	1,707,494
Other service charges	3,776	33,690	29,061	3,184	-	69,711	-
Total operating revenues	2,943,980	2,679,244	4,543,388	1,062,991	293,851	11,523,454	1,707,494
Operating expenses:							
Salaries & temp services	513,762	369,358	520,323	305,956	226,318	1,935,717	-
F.I.C.A. taxes	40,554	28,129	37,683	20,445	10,984	137,795	-
State retirement	37,313	9,156	47,537	21,698	7,315	123,019	-
Workman's compensation	7,961	11,752	15,121	16,636	3,327	54,797	-
Health and accident insurance	142,392	106,654	198,752	123,279	57,634	628,711	1,669,178
Operating supplies	33,625	133,329	388,561	2,910	5,689	564,114	-
Motor fuels and lubricants	10,629	8,875	23,148	75,635	10,839	129,126	-
Professional services	6,025	90,658	186,972	30,383	971	315,009	-
Advertising and printing	2,031	1,609	3,900	837	106	8,483	-
Insurance	15,005	14,895	32,786	17,410	3,132	83,228	-
Memberships, travel and training	75,455	9,472	13,822	728	1,341	100,818	-
Utilities and telephone	73,325	276,717	456,236	2,969	18,264	827,511	-
Rent - buildings and equipment	45,600	26,400	16,144	-	-	88,144	-
Maintenance expense	482,944	89,867	500,827	189,388	55,313	1,318,339	-
Other purchased services	-	-	13,593	4,546	-	18,139	-
Miscellaneous expense	11,982	8,319	5,773	5,220	7,753	39,047	-
Bad debts	10,133	2,549	2,985	3,366	-	19,033	-
Tax equivalents paid to Gen. Fund	692,400	-	-	-	-	692,400	-
Depreciation expense	302,533	427,851	1,130,120	116,323	120,202	2,097,029	-
Administrative services	459,966	120,000	135,000	25,000	2,500	742,466	-
Legal services	27,500	31,875	64,000	9,000	-	132,375	-
Total operating expenses	2,991,135	1,767,465	3,793,283	971,729	531,688	10,055,300	1,669,178
Operating income (loss)	(47,155)	911,779	750,105	91,262	(237,837)	1,468,154	38,316
Non-operating revenues (expenses)							
Grant revenue	106,469	-	8,376	-	-	114,845	-
Capital Contributions	72,424	168,000	130,950	-	-	371,374	-
Sale of fixed assets	-	-	(43,476)	-	-	(43,476)	-
Interest income	26,820	4,027	20,574	2,517	-	53,938	-
Interest (expense)	-	(39,322)	(395,765)	-	(4,111)	(439,198)	-
Total non-operating revenues (exp)	205,713	132,705	(279,341)	2,517	(4,111)	57,483	-
Income(Loss) before transfers	158,558	1,044,484	470,764	93,779	(241,948)	1,525,637	38,316
Transfers In	-	-	-	-	228,662	228,662	-
Transfers Out	-	-	-	-	-	-	-
Change in Net Position	158,558	1,044,484	470,764	93,779	(13,286)	1,754,299	38,316
Net Position Beginning of Year	5,579,434	6,764,392	24,139,820	464,515	371,669	37,319,830	744,723
Net Position End of Year	\$ 5,737,992	\$ 7,808,876	\$24,610,584	\$ 558,294	\$ 358,383	\$ 39,074,129	\$ 783,039

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	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	\$ 7,934,965	\$ 2,651,915	\$ 4,498,646	\$ 1,043,661	\$ 294,261	\$ 16,423,448	\$ 1,707,494
Payments to suppliers	(5,512,292)	(818,381)	(2,047,283)	(511,285)	(181,309)	(9,070,550)	\$ (1,669,178)
Payments to employees	(536,628)	(398,404)	(529,497)	(315,150)	(235,430)	(2,015,109)	-
Payments for interfund services used	(487,466)	(50,675)	(199,000)	(34,000)	(2,500)	(773,641)	-
Other receipts/(payments)	(692,400)	-	-	-	-	(692,400)	-
Net cash provided (used) by operating activities	706,179	1,384,455	1,722,866	183,226	(124,978)	3,871,748	38,316
Cash flows from noncapital and related financing activities:							
Grants received	106,469	-	8,376	-	-	114,845	-
Transfers from (to) other funds	-	-	-	-	228,662	228,662	-
Net cash provided (used) by noncapital and related financing activities	106,469	-	8,376	-	228,662	343,507	-
Cash flows from capital and related financing activities:							
Proceeds from long-term debt	-	-	-	-	-	-	-
Capital contributions	72,424	168,000	130,950	-	-	371,374	-
Principal and interest paid on long-term debt	-	(155,006)	(1,250,764)	-	(97,724)	(1,503,494)	-
Transfer to restricted assets	-	-	-	-	-	-	-
Acquisition of capital assets	(444,140)	(695,231)	(449,337)	(90,064)	(116,760)	(1,795,532)	-
Net cash used by capital and related financing activities	(371,716)	(682,237)	(1,569,151)	(90,064)	(214,484)	(2,927,652)	-
Cash flows from investing activities:							
Loans to other funds	-	-	(116,760)	-	-	(116,760)	-
Principal received on loans to other funds	89,742	-	50,949	-	116,760	257,451	-
Interest received on Investments	26,820	4,027	20,574	2,517	-	53,938	-
Net cash provided by investing activities	116,562	4,027	(45,237)	2,517	116,760	194,629	-
Net increase (decrease) in cash	557,494	706,245	116,854	95,679	5,960	1,482,232	38,316
Cash at beginning of year (including restricted)	779,514	82,648	4,770,953	(93,805)	-	5,539,310	744,723
Cash at end of year (including restricted)	\$ 1,337,008	\$ 788,893	\$ 4,887,807	\$ 1,874	\$ 5,960	\$ 7,021,542	\$ 783,039
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (47,155)	\$ 911,779	\$ 750,105	\$ 91,262	\$ (237,837)	\$ 1,468,154	\$ 38,316
Depreciation & amortization	302,533	427,851	1,130,120	116,323	120,202	2,097,029	-
(Increase) decrease in accounts receivable	(91,264)	(27,329)	(44,742)	(19,330)	410	(182,255)	-
(Increase) decrease in inventory	159,484	108,999	-	-	-	268,483	-
Increase (decrease) in payables	405,447	(7,799)	(103,443)	4,165	1,359	299,729	-
Net non-cash pension (revenue) expense	(22,866)	(29,046)	(9,174)	(9,194)	(9,112)	(79,392)	-
Net cash provided (used) by operating activities	\$ 706,179	\$ 1,384,455	\$ 1,722,866	\$ 183,226	\$ (124,978)	\$ 3,871,748	\$ 38,316

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2017

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ASSETS			
Cash & Investments	\$ 224,574	\$ 28,269	\$ 252,843
Prepaid Expenses	-	-	-
Other Assets	-	-	-
Total assets	<u>224,574</u>	<u>28,269</u>	<u>252,843</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>224,574</u>	<u>28,269</u>	<u>252,843</u>
Total Net Position	<u>\$ 224,574</u>	<u>\$ 28,269</u>	<u>\$ 252,843</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, 2017

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ADDITIONS:			
Donations	\$ 580	\$ 4,620	\$ 5,200
Investment earnings (losses)	1,005	-	1,005
Total additions	<u>1,585</u>	<u>4,620</u>	<u>6,205</u>
DEDUCTIONS:			
Community projects	-	4,517	4,517
Library construction	-	-	-
Other expenses	-	-	-
Total deductions	<u>-</u>	<u>4,517</u>	<u>4,517</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION:	1,585	103	1,688
Net position - beginning of year	222,989	28,166	251,155
Net position - end of year	<u>\$ 224,574</u>	<u>\$ 28,269</u>	<u>\$ 252,843</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

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, 2017

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and other revenues if they are collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Fund Balance Classifications

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

The City reports the following classifications as applicable:

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

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

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	\$ 719,444	153 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

Notes to Financial Statements

September 30, 2017

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 Value 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

- 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 position. 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 position.

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.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

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

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

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

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

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

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 position.

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

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 position is 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 \$587,992.

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, 2017 was \$511,757, consisting of electrical system replacement parts. Water fund inventory was \$233,417 consisting of water supply parts. Sewer fund inventory is considered immaterial.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

Primary Government	Balance			Balance
	9/30/16	Additions	Deletions	9/30/17
<u>Governmental Activities</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 10,723,744	\$ -	\$ -	\$ 10,723,744
Buildings	8,267,634	-	-	8,267,634
Improvements other than buildings	10,447,336	-	-	10,447,336
Infrastructure assets	6,702,349	-	-	6,702,349
Equipment	2,955,747	-	-	2,955,747
Total	39,096,810	-	-	39,096,810
Accumulated Depreciation:				
Buildings	3,083,909	190,881	-	3,274,790
Improvements other than buildings	4,086,818	233,765	-	4,320,583
Infrastructure assets	1,598,432	154,973	-	1,753,405
Equipment	2,004,068	71,521	-	2,075,589
Total	10,773,227	651,140	-	11,424,367
Net Book Value:				
Land (non-depreciable)	10,723,744	-	-	10,723,744
Buildings	5,183,725	(190,881)	-	4,992,844
Improvements other than buildings	6,360,518	(233,765)	-	6,126,753
Infrastructure assets	5,103,917	(154,973)	-	4,948,944
Equipment	951,679	(71,521)	-	880,158
Total	\$ 28,323,583	\$ (651,140)	\$ -	\$ 27,672,443
<u>Business-type Activities</u>				
<u>Electric Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 85,735	\$ 84,500	\$ -	\$ 170,235
Buildings	352,131	-	-	352,131
Improvements other than buildings	8,935,516	330,871	-	9,266,387
Equipment	1,391,058	28,768	-	1,419,826
Total	10,764,440	444,139	-	11,208,579
Accumulated Depreciation:				
Buildings	236,301	5,363	-	241,664
Improvements other than buildings	5,251,307	226,166	-	5,477,473
Equipment	1,163,107	71,004	-	1,234,111
Total	6,650,715	302,533	-	6,953,248
Net Book Value:				
Land (non-depreciable)	85,735	84,500	-	170,235
Buildings	115,830	(5,363)	-	110,467
Improvements other than buildings	3,684,209	104,705	-	3,788,914
Equipment	227,951	(42,236)	-	185,715
Total	\$ 4,113,725	\$ 141,606	\$ -	\$ 4,255,331

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

	Balance 9/30/16	Additions	Deletions	Balance 9/30/17
<u>Water Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 242,114	\$ -	\$ -	\$ 242,114
Buildings	687,985		-	687,985
Improvements other than buildings	13,177,998	602,886	-	13,780,884
Equipment	604,448	92,345	-	696,793
Total	14,712,545	695,231	-	15,407,776
Accumulated Depreciation:				
Buildings	451,929	13,828	-	465,757
Improvements other than buildings	5,547,359	401,759	-	5,949,118
Equipment	535,637	12,263	-	547,900
Total	6,534,925	427,850	-	6,962,775
Net Book Value:				
Land (non-depreciable)	242,114	-	-	242,114
Buildings	236,056	(13,828)	-	222,228
Improvements other than buildings	7,630,639	201,127	-	7,831,766
Equipment	68,811	80,082	-	148,893
Total	\$ 8,177,620	\$ 267,381	\$ -	\$ 8,445,001

<u>Wastewater Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 92,452	\$ -	\$ (43,476)	\$ 48,976
Buildings	1,590,416	-	-	1,590,416
Improvements other than buildings	43,839,818	373,257	-	44,213,075
Equipment	1,284,486	76,080	-	1,360,566
Total	46,807,172	449,337	(43,476)	47,213,033
Accumulated Depreciation:				
Buildings	465,430	36,579	-	502,009
Improvements other than buildings	10,749,303	1,004,574	-	11,753,877
Equipment	886,230	88,967	-	975,197
Total	12,100,963	1,130,120	-	13,231,083
Net Book Value:				
Land (non-depreciable)	92,452	-	(43,476)	48,976
Buildings	1,124,986	(36,579)	-	1,088,407
Improvements other than buildings	33,090,515	(631,317)	-	32,459,198
Equipment	398,256	(12,887)	-	385,369
Total	\$ 34,706,209	\$ (680,783)	\$ (43,476)	\$ 33,981,950

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

	Balance 9/30/16	Additions	Deletions	Balance 9/30/17
<u>Sanitation Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 12,500	\$ -	\$ -	\$ 12,500
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Equipment	2,681,136	90,066	-	2,771,202
Total	2,693,636	90,066	-	2,783,702
Accumulated Depreciation:				
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Equipment	2,025,879	116,323	-	2,142,202
Total	2,025,879	116,323	-	2,142,202
Net Book Value:				
Land (non-depreciable)	12,500	-	-	12,500
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Equipment	655,257	(26,257)	-	629,000
Total	\$ 667,757	\$ (26,257)	\$ -	\$ 641,500

<u>Golf Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ -	\$ -	\$ -	\$ -
Buildings	483,556	-	-	483,556
Improvements other than buildings	609,042	-	-	609,042
Equipment	863,117	116,760	-	979,877
Total	1,955,715	116,760	-	2,072,475
Accumulated Depreciation:				
Buildings	222,995	11,453	-	234,448
Improvements other than buildings	533,599	24,569	-	558,168
Equipment	563,407	84,179	-	647,586
Total	1,320,001	120,201	-	1,440,202
Net Book Value:				
Land (non-depreciable)	-	-	-	-
Buildings	260,561	(11,453)	-	249,108
Improvements other than buildings	75,443	(24,569)	-	50,874
Equipment	299,710	32,581	-	332,291
Total	\$ 635,714	\$ (3,441)	\$ -	\$ 632,273

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

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

General Government	\$ 398,335
Public Safety	35,436
Highways & Streets	167,271
Parks & Recreation	36,481
Public Works	8,201
Airport	3,217
Library	2,199
Total Governmental Activities Depreciation	<u>\$ 651,140</u>

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

Discretely presented component unit - Burley Development Authority

A summary of changes in capital assets follows:

	Balance				Balance
	9/30/16	Additions	Deletions		9/30/17
<u>Governmental Activities</u>					
Cost / Historical Value					
Land (non-depreciable)	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Infrastructure assets	-	-	-	-	-
Equipment	-	-	-	-	-
Total	-	-	-	-	-
Accumulated Depreciation:					
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Infrastructure assets	-	-	-	-	-
Equipment	-	-	-	-	-
Total	-	-	-	-	-
Net Book Value:					
Land (non-depreciable)	-	-	-	-	-
Buildings	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-
Infrastructure assets	-	-	-	-	-
Equipment	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2017

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

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, 2017 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 \$444,746 for the year ended September 30, 2017.

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

At 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City'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, 2017, the City's proportion was 0.1264952 percent.

For the year ended September 30, 2017, the City recognized pension expense (revenue) of \$53,848. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 275,441	\$ 179,128
Changes in assumptions or other inputs	36,768	-
Net difference between projected and actual earnings on pension plan investments	-	119,127
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	(185,005)
City contributions subsequent to the measurement date	125,275	
Total	\$ 437,484	\$ 113,250

The \$125,275 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017.

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, 2016 the beginning of the measurement period ended June 30, 2017 is 4.9 and 5.5 for the measurement period June 30, 2016.

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	
2018	\$ (108,090)
2019	186,800
2020	53,003
2021	(117,759)

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

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2017

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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

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

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

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%
			Expected	
Total Fund	Expected Return	Expected Inflation	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.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

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	\$ 3,690,084	\$ 1,587,675	\$ (159,482)
Employer's net pension (asset) - Firefighter	\$ (11,209)	\$ (17,418)	\$ (2,385)
Employer's net pension (asset) - Library	\$ 189,443	\$ 81,509	\$ (8,188)

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	\$ 160,118	\$ 2,123	\$ 162,241
Library Fund	8,769	(1,951)	6,818
Electric Fund	33,606	7,667	41,273
Water Fund	20,515	(3,566)	16,949
Sewer Fund	28,886	4,107	32,993
Sanitation Fund	16,122	526	16,648
Golf Fund	12,997	(4,190)	8,807
Totals	\$ 281,013	\$ 4,716	\$ 285,729

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, 2017. The future minimum lease payments for the lease are as follows:

Due Year Ending 9/30	Amount
2018	4,009
2019	4,009
2020	4,009
2021	4,009
	<u>\$ 16,036</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

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%	2018	49,542	1,190	50,732
		2019	4,218	27	4,245
Total - Fire Truck			<u>\$ 53,760</u>	<u>\$ 1,217</u>	<u>\$ 54,977</u>

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Dump Truck	2.00%	2018	19,715	1,445	21,160
		2019	20,112	1,048	21,160
		2020	20,518	642	21,160
		2021	20,932	227	21,159
Total - Street			<u>\$ 81,277</u>	<u>\$ 3,362</u>	<u>\$ 84,639</u>

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Cemet. Mower	5.67%	2018	2,037	14	2,051
Total - Street			<u>\$ 2,037</u>	<u>\$ 14</u>	<u>\$ 2,051</u>

Total General Fund			<u>\$ 137,074</u>	<u>\$ 4,593</u>	<u>\$ 141,667</u>
--------------------	--	--	-------------------	-----------------	-------------------

Golf Fund

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Mowers	0.34%	2018	17,555	15	17,570
Total - Mowers			<u>\$ 17,555</u>	<u>\$ 15</u>	<u>\$ 17,570</u>

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Golf Carts	2.00%	2018	21,925	686	22,611
		2019	22,368	243	22,611
Total - Mowers			<u>\$ 44,293</u>	<u>\$ 929</u>	<u>\$ 45,222</u>

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Golf Carts	6.00%	2018	21,981	834	22,815
		2019	1,891	9	1,900
Total - Mowers			<u>\$ 23,872</u>	<u>\$ 843</u>	<u>\$ 24,715</u>

Item	Int. Rate	Due Year Ending 9/30	Principal	Interest	Total
Golf Carts	2.00%	2018	28,510	1,887	30,397
		2019	29,086	1,312	30,398
		2020	29,673	725	30,398
		2021	20,113	151	20,264
Total - Mowers			<u>\$ 107,382</u>	<u>\$ 4,075</u>	<u>\$ 111,457</u>

Total Golf Fund			<u>\$ 193,102</u>	<u>\$ 5,862</u>	<u>\$ 198,964</u>
-----------------	--	--	-------------------	-----------------	-------------------

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

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
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	300,000	30,500	330,500
2023	310,000	15,500	325,500
Totals	<u>\$ 1,685,000</u>	<u>\$ 286,400</u>	<u>\$ 1,971,400</u>

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
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	110,000	47,550	157,550
2023 - 2027	620,000	162,250	782,250
2028 - 2029	295,000	19,250	314,250
Totals	<u>\$ 1,420,000</u>	<u>\$ 457,550</u>	<u>\$ 1,877,550</u>

Sewer Revenue Refunding Bonds, Series 2012

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

Year Ending Sept. 30	Principal	Interest	Total
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	810,000	439,150	1,249,150
2023 - 2027	4,620,000	1,634,750	6,254,750
2028 - 2032	4,645,000	520,200	5,165,200
Totals	<u>\$ 13,035,000</u>	<u>\$ 4,637,300</u>	<u>\$ 17,672,300</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

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

	Balance at <u>9/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>9/30/2017</u>
Compensated Absences	\$ 281,013	\$ 4,716	\$ -	\$ 285,729
Capital Leases - Gen Fund	215,927	-	(78,853)	137,074
Capital Leases - Golf Fund	59,584	-	(42,029)	17,555
Capital Leases - Golf Fund	65,784	-	(21,491)	44,293
Capital Leases - Golf Fund	44,576	-	(20,704)	23,872
Capital Leases - Golf Fund	-	116,760	(9,378)	107,382
General Oblig. Bonds-S2012B	1,925,000	-	(240,000)	1,685,000
Water Rev. Refunding S2012	1,510,000	-	(90,000)	1,420,000
Sewer Rev. Refunding S2012	13,715,000	-	(680,000)	13,035,000
Totals	\$ 17,816,884	\$ 121,476	\$ (1,182,455)	\$ 16,755,905

Information on other debt (Local Improvement Districts):

The city has assisted in the creation of LIDs (Local Improvement Districts) for street improvements for Stevens Place LID #1, North Burley LID #2 & Burley Sidewalk LID #3 located within the City. The assessments to home owners and the bond payments on the bonds issued for the cost of these improvements are being handled by the City acting as an agent for the LID. The City is not liable for payments or potential defaults on the bonds. The amount of debt is \$200,000 for LID #2 which was loaned by the Electric Fund and \$51,445 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 <u>Sept. 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	116,895	6,718	123,613
2023	2,300	289	2,589
Totals	\$ 528,931	\$ 91,727	\$ 620,658

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

BDA Revenue Allocation Refunding Bond - Series 2013

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

Year Ending Sept. 30	Principal	Interest	Total
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	569,546	116,899	686,445
2023 - 2025	1,576,378	140,697	1,717,075
Totals	<u>\$ 4,122,921</u>	<u>\$ 1,026,382</u>	<u>\$ 5,149,303</u>

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
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
2022	52,728	186,924	239,652
2023 - 2027	315,900	882,358	1,198,258
2028 - 2032	424,543	773,714	1,198,257
2033 - 2037	2,335,375	627,707	2,963,082
Totals	<u>\$ 3,310,877</u>	<u>\$ 3,246,978</u>	<u>\$ 6,557,855</u>

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:

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

Year Ending Sept. 30	Principal	Interest	Total
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	11,757	17,851	29,608
2023 - 2026	261,729	56,028	317,757
Totals	<u>\$ 299,783</u>	<u>\$ 151,340</u>	<u>\$ 451,123</u>

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

	Balance at 9/30/2016	Additions	Reductions	Balance at 9/30/2017
Urban Renewal Bond 2007	\$ 620,653	\$ -	\$ (91,722)	\$ 528,931
Urban Renewal Bond 2008A	3,350,102	-	(39,225)	3,310,877
Urban Revenue Bond 2013	4,555,655	-	(432,734)	4,122,921
Urban Renewal Bond 2016	300,000	-	(217)	299,783
Totals	<u>\$ 8,826,410</u>	<u>\$ -</u>	<u>\$ (563,898)</u>	<u>\$ 8,262,512</u>

NOTE 7: RISK MANAGEMENT/INSURANCE COVERAGE

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

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

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

NOTE 8: LITIGATION AND CONTINGENT LIABILITIES

The City is not currently involved in any litigation and is not aware of any pending or threatened litigation against the City 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

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: \$731,808..

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2017

NOTE 11: INTERFUND RECEIVABLES, PAYABLES & TRANSFERS

Interfund balances at September 30, 2017, consisted of the following individual fund receivables and payables which are presented in the financial statements as negative cash balances (pooled cash). Amounts due to and due from other funds do not include loans formalized by a note and specific repayment terms. These notes between funds are disclosed in Note 6 above.

Fund	Receivable	Payable
Combined City Pooled Cash:		
None	\$ -	\$ -
None	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

The following transfers were made during the year:

<u>From:</u>	<u>To:</u>	<u>Amount:</u>	<u>Purpose:</u>
General Fund	Golf Fund	\$ 228,662	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, February 9, 2018, which is the date the financial statements were available to be issued.

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, 2017

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

	2015	2016	2017
Employer's portion of the net pension liability	0.1142279%	0.1106128%	0.1264952%
Employer's proportionate share of the net pension liability	\$ 1,504,195	\$ 2,242,292	\$ 1,988,287
Employer's covered-employee payroll	\$ 3,368,857	\$ 3,623,740	\$ 3,880,874
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	44.65%	61.88%	51.23%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	87.26%	90.68%

Data reported is measured as of June 30, 2017 (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	2017
Statutorily required contribution	\$ 373,642	\$ 410,207	\$ 444,746
Contributions in relation to the statutorily required contribution	\$ 380,481	\$ 410,448	\$ 444,746
Contribution (deficiency) excess	6,839	241	-
Employer's covered-employee payroll	\$ 3,368,857	\$ 3,623,740	\$ 3,880,874
Contributions as a percentage of covered-employee payroll	11.29%	11.33%	11.46%

Data reported is measured as of September 30, 2017

**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, 2017

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	
ASSETS				
Cash & Investments	\$ 454,942	\$ 113,844	\$ 214,253	\$ 783,039
Receivables (Net of Allowances):				
Claims	-	-	-	-
Prepaid Expenses	-	-	-	-
Due from other fund	-	-	-	-
Capital Assets:				
Land	-	-	-	-
Other Capital Assets, Net of Depreciation	-	-	-	-
Total assets	454,942	113,844	214,253	783,039
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	454,942	113,844	214,253	783,039
Total Net Assets	\$ 454,942	\$ 113,844	\$ 214,253	\$ 783,039

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, 2017

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	
Operating revenues:				
Insurance charges to other funds	\$ 1,436,165	\$ 146,273	\$ 125,056	\$ 1,707,494
Premium dividend (refunds)	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total operating revenues	1,436,165	146,273	125,056	1,707,494
Operating expenses:				
Administrative services	-	-	-	-
Claims and premium costs	1,410,621	139,231	119,326	1,669,178
Other Insurance premiums	-	-	-	-
Wellness benefit program	-	-	-	-
Other expenses	-	-	-	-
Total operating expenses	1,410,621	139,231	119,326	1,669,178
Operating income (loss)	25,544	7,042	5,730	38,316
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	25,544	7,042	5,730	38,316
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Position	25,544	7,042	5,730	38,316
Net Position Beginning of Year	429,398	106,802	208,523	744,723
Net Position End of Year	\$ 454,942	\$ 113,844	\$ 214,253	\$ 783,039

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, 2017

	Internal Service Funds			
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	Total Internal Service Funds
Cash flows provided by operating activities:				
Receipts from customers and users	\$ 1,436,165	\$ 146,273	\$ 125,056	\$ 1,707,494
Payments to suppliers	(1,410,621)	(139,231)	(119,326)	(1,669,178)
Payments to employees	-	-	-	-
Payments for interfund services used	-	-	-	-
Other receipts/(payments)	-	-	-	-
Net cash provided (used) by operating activities	<u>25,544</u>	<u>7,042</u>	<u>5,730</u>	<u>38,316</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Principal received on loan to other fund	-	-	-	-
Interest received on Investments	-	-	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	25,544	7,042	5,730	38,316
Cash at beginning of year	<u>429,398</u>	<u>106,802</u>	<u>208,523</u>	<u>744,723</u>
Cash at end of year	<u>\$ 454,942</u>	<u>\$ 113,844</u>	<u>\$ 214,253</u>	<u>\$ 783,039</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 25,544	\$ 7,042	\$ 5,730	\$ 38,316
Depreciation & amortization	-	-	-	-
(Increase) decrease in accounts receivable	-	-	-	-
Increase (decrease) in accounts payable	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 25,544</u>	<u>\$ 7,042</u>	<u>\$ 5,730</u>	<u>\$ 38,316</u>

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 9, 2018.

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

February 9, 2018