

City of Ammon, Idaho

Financial Statements and
Supplementary Information

Year ended September 30, 2017



WIPFLi^{LLP}
CPAs and Consultants

City of Ammon, Idaho

Contents
September 30, 2017

INDEPENDENT AUDITOR’S REPORT	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3-9
BASIC FINANCIAL STATEMENTS	
Government-wide Statement of Net Position	10
Statement of Activities.....	11-12
Balance Sheet	
Governmental Funds.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	15
Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	16
Statement of Net Position	
Proprietary Funds.....	17-18
Combined Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds.....	19-22
Statements of Cash Flows	
Proprietary Funds.....	23-26
Notes to Financial Statements.....	27-46
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual	
Governmental Funds.....	47-48
Schedule of Employer’s Share of Net Pension Liability and Schedule of Employer Contributions	49
OTHER FINANCIAL INFORMATION	
Nonmajor Governmental Funds	
Special Revenue Funds.....	50
All Nonmajor Funds	
Combining Balance Sheet.....	51
All Nonmajor Funds	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	52
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 <i>Government Auditing Standards</i>	53-54



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Ammon
Ammon, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ammon, Idaho, (the City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States; 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 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 of 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 preparations and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ammon, Idaho, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the Management's Discussion and Analysis, budgetary comparison information, and required supplementary information on pages 3 through 9 and pages 47 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining and individual nonmajor fund financial statements listed in the table of contents 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 6, 2018, on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ammon's internal control over financial reporting and compliance.



Wipfli LLP
CPAs and Consultants

Idaho Falls, Idaho
February 6, 2018

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2017

This discussion and analysis of the City of Ammon, Idaho's (the City's) financial performance provides an overall review of the City's financial activities for the fiscal year ended September 30, 2017. The intent of the discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City of Ammon exceeded its liabilities at the close of fiscal year 2017 by \$39,758,042 (net position). Of this amount, \$8,149,250 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$515,513 in comparison with the prior year mainly due to increases in water and wastewater revenues, and increases in property tax revenues through the county.
- As of the close of fiscal year 2017, the City of Ammon's governmental funds reported combined ending fund balances of \$8,959,005, a decrease of \$495,926 in comparison with the prior year. Approximately \$7,344,933 of this total amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of fiscal year 2017, unassigned fund balance for the General fund was \$8,041,705.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Ammon's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Ammon's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2017

Both of the government-wide financial statements distinguish functions of the City of Ammon that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities.)

The governmental activities of the City of Ammon include general government, public safety, streets, parks and recreation, buildings, and technology (an internal service fund). The business-type activities of the City of Ammon include water, wastewater, sanitation, and fiber optic services.

The government-wide financial statements include not only the City of Ammon itself (known as the primary government), but also the legally separate Ammon Urban Renewal Agency for which the City of Ammon is financially accountable. Financial information of this component unit is reported separately from the financial information presented for the primary government itself. The water, wastewater, and sanitation services function as departments of the City of Ammon, and have been included as an integral part of the primary government.

Fund Financial Statements

A *fund*, is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Ammon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Ammon can be divided into two categories: governmental funds and proprietary funds.

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

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

The City of Ammon maintains two major individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in balances for the General Fund, and the Street Fund which are major governmental funds. There is one internal service fund for technology.

The City of Ammon adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget for the major funds.

Proprietary Funds. The City of Ammon maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Ammon uses enterprise funds to account for its water, wastewater, sanitation, and fiber optic operations.

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2017

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, sanitation, and fiber optic operations, of which each but fiber optic operations are considered to be major funds of the City of Ammon.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$39,758,042 as of September 30, 2017.

By far, the largest portion of the City's net position is reflected in its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment.) The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, if any, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

The following table provides a summary of the City's net position for 2017 compared to 2016:

	<u>2017</u>	<u>2016</u>
Assets		
Current and other assets	27,769,874	26,943,315
Capital assets	46,618,889	47,122,494
Total assets	<u>74,388,763</u>	<u>74,065,809</u>
Deferred outflows of resources	<u>231,247</u>	713,073
Liabilities		
Current and other liabilities	2,467,988	1,111,994
Long-term liabilities	32,238,316	33,997,765
Total liabilities	<u>34,706,304</u>	<u>35,109,759</u>
Deferred inflows of resources	<u>155,664</u>	426,594
Net position		
Net investment in capital assets	29,348,849	29,012,372
Restricted	2,259,943	2,259,658
Unrestricted	8,149,250	7,970,499
Total net position	<u>39,758,042</u>	<u>39,242,529</u>

The restricted portion of the City's net position, \$2,259,943, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$8,149,250, may be used to meet the government's ongoing obligations to citizens and creditors.

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2017

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position, for the government as a whole and business-type activities.

In the prior year the City reported positive balances in all three categories for governmental but only for two categories for the business-type activities as most of the assets for the wastewater project were transferred to EIRWWA and the associated debt carried by the City outweighed the remaining value of assets in that fund.

The net position of the City, as a whole, increased \$515,514 from \$39,242,529 at September 30, 2016, to \$39,758,042 at September 30, 2017. Governmental activities decreased \$1,210,280 over the prior year while business-type activities increased \$1,725,794 over the same period.

Governmental Activities. Governmental activities decreased the City's net position by \$1,210,280. Key elements of this decrease are as follows:

- Increases in expenditures especially in highway and streets as the City completed several large projects. In addition, revenues in the highway and streets were less than last year because there were contributions from businesses to complete the Eagle intersection in the prior year.

The following table shows the changes in net position for fiscal years 2017 and 2016.

	2016 Governmental Activities	2017 Governmental Activities	2016 Business-type Activities	2017 Business-type Activities
Revenues				
Program revenues				
Fees, fines, and charges for services	690,772	855,089	6,596,717	6,697,342
Operating grants and contributions	686,099	699,763		
Capital grants and contributions	1,032,993	54,029	746,610	51,231
General revenues				
Property taxes	2,278,931	2,424,133		
Intergovernmental revenues	1,326,549	1,466,925		
Miscellaneous	883,373	529,412	296,117	97,632
Total revenues	<u>6,898,717</u>	<u>6,029,351</u>	<u>7,639,444</u>	<u>6,846,205</u>
Expenses				
General government	896,396	994,251		
Law enforcement	1,400,568	1,490,596		
Fire protection	740,763	628,264		
Planning and zoning	52,576	112,961		
Engineering	73,101	35,885		
Building	299,066	361,250		
Parks	233,406	271,157		
Recreation	29,439	25,293		
Pool	204,469	190,201		
Highway and streets	1,992,760	2,739,836		
Fiber optic LID	221,888	389,937		
Capital outlay				
Water			2,098,850	2,136,072
Wastewater			1,834,454	2,055,265
Sanitation			702,377	739,451
Fiber optic			266,236	189,623
Total expenses	<u>6,144,432</u>	<u>7,239,631</u>	<u>4,901,917</u>	<u>5,120,411</u>
Changes in net position	<u>754,285</u>	<u>(1,210,280)</u>	<u>2,737,527</u>	<u>1,725,794</u>

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2017

Business-type Activities. Business-type operating activities increased the City's net position by \$1,725,794. Key elements of this increase are as follows:

- Total revenues decreased by \$890,871 for the year ended September 30, 2017, due to several donated assets turned over to the City in the prior year.
- Total expenses increased by \$218,494 for the year ended September 30, 2017. This reflects an overall increase in expenses in all funds in the current year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds. The City uses governmental funds to provide information on near-term receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of September 30, 2017, the City's governmental funds reported combined ending fund balances of \$8,959,005, a decrease of \$495,926 in comparison with the prior year. Approximately 82% of this total amount, \$7,344,933, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been obligated for a variety of restricted purposes.

The General Fund is the chief operating fund of the City. At September 30, 2017, unassigned fund balance of the General Fund was \$8,041,705 while total fund balance is \$8,470,910. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The fund balance of the City's General Fund increased by \$716,527 during the current fiscal year. The key factors in this are:

- Revenues increased by \$122,275 which stems from increased property tax collections for the year.
- Although expenditures also increased, the operating transfers to the parks fund to cover their operations was less.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Water, Wastewater, Sanitation, and Fiber Optic Funds at September 30, 2017, amounted to \$12,742,101. The total increase in net position for the funds including the internal services fund was \$1,725,794. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2017

Budgetary Highlights. The City did not amend the 2016 - 2017 Governmental Fund budget.

	<u>Budgeted</u>	<u>Expended</u>
General Government	1,536,378	1,156,341
Enforcement	1,484,199	1,490,596
Fire	916,142	636,921
Building	366,405	361,148
Parks and Recreation	750,480	530,126
Sanitation	844,662	738,689
Wastewater	2,328,913	1,547,500
Street	1,993,632	1,949,777
Water	3,645,381	1,801,147
Technology	459,263	466,004
Fiber optic	2,729,934	189,623
Fiber optic LID		389,937
	<u>17,055,389</u>	<u>11,257,809</u>

The General Government category includes transfers, but excludes the budgetary expense category for interest transferred to the various funds based on the cash allocation of those funds as this is reflected in revenues. The budgeted amounts exclude capital items in the proprietary funds. The expended funds are less than the budgetary funds in the Fiber Optic Department because infrastructure and other expenditures related to the new Fiber Optic LIDs were initially budgeted to be spent, but were later moved into their own fund for better tracking. The expended funds in the Fire Department are lower than budget because of grants that were applied for, but not received. The Street Fund expended less funds than were budgeted because the street projects that were planned for 2017 were delayed to future years. The Parks Department did not expend a portion of what was budgeted to them, choosing instead to wait on certain expenditures, thus they underspent compared with their budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$46,618,889 (net of accumulated depreciation.) Capital assets include land, infrastructure, buildings, improvements other than buildings, machinery and equipment, and when applicable, construction in process.

Major capital transactions/events during the year were:

- Fiber Local Improvement District # 1 has 369 properties in it, 269 of those properties opted in to participate in getting fiber to their homes, for a total of 73%.
- Lighting District # 5 – 1st Street Community, Lighting District # 6 – Granite Creek, and Lighting District # 7 – Bridgewater Divisions 5 and 6 were created.
- The City of Ammon teamed up with the City of Idaho Falls to improve the intersection of 17th Street and 25th East (Hitt Road).
- We rebuilt Midway Avenue from Sunnyside to 17th Street. The water, wastewater, and storm drain infrastructure were all updated, and curb, gutter, and sidewalk were added.
- The Ammon Splash Zone in McCowin Park was extended with a large slab of concrete.

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2017

- The annual Pumpkin Walk in McCowin Park was added. This fun new tradition occurs near the end of October, the community participates by creating pumpkin displays. There were a total of eight displays the community was able to enjoy.
- The annual Santa's Christmas Village in McCowin Park was added, including a mailbox accepting letters to Santa, and ten buildings. The Gazebo Lighting occurred near the end of November with a nice community event. This was also the first Ammon Light Parade.

Additional information about the City's capital assets can be found in Note H of the financial statements.

Debt Administration. The City continued repaying the revenue bond on the water and paid \$764,092 of principle during the year. The City continued repaying the revenue bond on the wastewater and paid \$728,740 of principle during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Ammon is continuing to build and strengthen its tax base and economy not only by expanding existing businesses, but by attracting new businesses and residents with the new fiber utility. New home construction is increasing and the City is optimistic that new subdivisions will bring new businesses and residents. Because of sound financial planning, good judgment, and restraint, City leadership has positioned itself to be able to continue to provide quality services as well as continue to work on planned capital improvements. In short, we are optimistic in our economic outlook for 2018.

COMPONENT UNIT

The financial statements include the Ammon Urban Renewal Agency, a component unit of the City. The financial statements for the Agency are available at the City office. The City also has a Lighting District #1 in Hawkes Landing, with minimal activity that started in 2009. Lighting District #2, in the Bridgewater subdivision, started in 2014. Lighting District #3 – Woodland Hills Division 8, and successive divisions thereafter, and Lighting District #4 – Highland Springs subdivision were added in 2016. Lighting District # 5 – 1st Street Community, Lighting District # 6 – Granite Creek, and Lighting District # 7 – Bridgewater Divisions 5 and 6 were added in 2017. The Lighting Districts have minimal activity, each district pays for the lighting services for their individual neighborhoods and therefore the City has elected not to include them in the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jennifer Belfield, Treasurer, City of Ammon, 2135 South Ammon Road, Ammon, ID 83406.

City of Ammon, Idaho

Government-wide Statement of Net Position September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	10,428,694	16,221,082	26,649,776	90,971
Receivables				
Property taxes	75,765		75,765	
Intergovernmental	470,391		470,391	
Accounts receivable		490,326	490,326	
Other	71,640		71,640	
Internal balances	(177,421)	177,421	0	
Prepaid insurance	11,976		11,976	1,321
Capital assets				
Nondepreciable assets	919,156	435,371	1,354,527	
Depreciable assets, net	17,892,777	27,371,585	45,264,362	
Total assets	29,692,978	44,695,785	74,388,763	92,292
Deferred Outflows of Resources				
Related to pensions	118,924	112,323	231,247	
LIABILITIES				
Current liabilities				
Accounts payable	1,878,917		1,878,917	
Accrued salaries and benefits	71,523	39,540	111,063	
Accrued taxes payable	450		450	
Compensated absences	55,913		55,913	
Customer deposits		92,095	92,095	
Accrued interest		329,550	329,550	
Noncurrent liabilities				
Pension plan payable	701,368	336,350	1,037,718	
Due within one year		1,275,628	1,275,628	
Due in more than one year		29,924,970	29,924,970	6,029,962
Total liabilities	2,708,171	31,998,133	34,706,304	6,029,962
Deferred Inflows of Resources				
Related to pensions	87,790	67,874	155,664	
NET POSITION (DEFICIT)				
Net investment in capital assets	18,811,933	10,536,916	29,348,849	
Restricted				
East Hills	15,027		15,027	
Development commitments	221,091		221,091	
Debt services		2,023,825	2,023,825	2
Unrestricted	7,967,890	181,360	8,149,250	(5,937,672)
Total net position (deficit)	27,015,941	12,742,101	39,758,042	(5,937,670)

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Activities
For the Year Ended September 30, 2017

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	994,251	52,373		
Law enforcement	1,490,596	28,972		
Fire protection	628,264	58,286		
Planning and zoning	112,961	9,899		
Engineering	35,885			
Building	361,250	542,429		
Parks	271,157	3,500		54,029
Recreation	25,293	24,111		
Pool	190,201	135,519		
Highway and streets	2,739,836		699,763	
Fiber optic LID	389,937			
Total governmental activities	7,239,631	855,089	699,763	54,029
Business-type activities				
Water	2,136,072	2,722,584		
Wastewater	2,055,265	2,975,725		
Sanitation	739,451	847,728		
Fiber optic	189,623	151,305		51,231
Total business-type activities	5,120,411	6,697,342	0	51,231
Total primary government	12,360,042	7,552,431	699,763	105,260
Component unit	455,453	0	0	0

General revenues
Property taxes
Franchise fees
Intergovernmental revenues
Other revenue
Earnings on investments

Total general revenues

Change in net position

Net position (deficit) - beginning

Net position (deficit) - ending

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Activities For the Year Ended September 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Unit
(941,878)		(941,878)	
(1,461,624)		(1,461,624)	
(569,978)		(569,978)	
(103,062)		(103,062)	
(35,885)		(35,885)	
181,179		181,179	
(213,628)		(213,628)	
(1,182)		(1,182)	
(54,682)		(54,682)	
(2,040,073)		(2,040,073)	
(389,937)		(389,937)	
(5,630,750)	0	(5,630,750)	0
	586,512	586,512	
	920,460	920,460	
	108,277	108,277	
	12,913	12,913	
0	1,628,162	1,628,162	
(5,630,750)	1,628,162	(4,002,588)	
			(455,453)
2,424,133		2,424,133	197,491
435,971		435,971	
1,466,925		1,466,925	
32,568		32,568	
60,873	97,632	158,505	52
4,420,470	97,632	4,518,102	197,543
(1,210,280)	1,725,794	515,514	(257,910)
28,226,221	11,016,307	39,242,528	(5,679,760)
27,015,941	12,742,101	39,758,042	(5,937,670)

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Balance Sheet Governmental Funds September 30, 2017

	<u>General</u>	<u>Street</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	2,418,426		35,855	2,454,281
Investments	6,433,375	1,440,773		7,874,148
Receivables				
Property taxes	75,765			75,765
Intergovernmental	290,769	179,622		470,391
Interfund	724,483			724,483
Other	44,921	26,719		71,640
Prepaid expenses	11,976			11,976
Total assets	<u>9,999,715</u>	<u>1,647,114</u>	<u>35,855</u>	<u>11,682,684</u>
LIABILITIES				
Accounts payable	1,423,529	455,389		1,878,918
Accrued salaries and benefits	45,573	6,858	8,144	60,575
Deposits Payable	450			450
Due to other funds			724,483	724,483
Total liabilities	<u>1,469,552</u>	<u>462,247</u>	<u>732,627</u>	<u>2,664,426</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>59,253</u>			<u>59,253</u>
FUND BALANCE				
Nonspendable				
Prepaid expenses	11,735			11,735
Restricted for				
East Hill	15,027			15,027
Development commitments		221,091		221,091
Committed for				
Street projects		963,776		963,776
Assigned for				
Asset replacement	137,115			137,115
Fire department	255,625			255,625
Engineering	9,703			9,703
Unassigned	8,041,705		(696,772)	7,344,933
Total fund balances	<u>8,470,910</u>	<u>1,184,867</u>	<u>(696,772)</u>	<u>8,959,005</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>9,999,715</u>	<u>1,647,114</u>	<u>35,855</u>	<u>11,682,684</u>

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2017

Total fund balances - governmental funds	8,959,005
Amounts reported for governmental activities in the statement of net position are different due to the following items:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
The cost of the assets excluding the internal service fund is \$48,534,739 and the accumulated depreciation is \$29,911,182.	18,623,557
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are shown as unavailable in the funds.	
	59,253
Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year end consisted of:	
Compensated absences	(55,913)
The net pension liability and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position: Net pension liability is \$701,368, deferred inflows of resources related to pensions is \$87,790 and deferred outflows of resources related to pensions is \$118,924.	
	(670,234)
Internal service funds are used by management to charge the costs of information technology to individual funds. The governmental portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	
	<u>100,273</u>
Total net position - governmental activities	<u><u>27,015,941</u></u>

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General	Street	Non-Major Funds	Total Governmental Funds
REVENUES				
Property taxes	2,413,702			2,413,702
Franchise fees	158,647	277,324		435,971
Licenses and permits	87,098		540,526	627,624
Intergovernmental revenue	1,466,925	699,763	54,029	2,220,717
Planning	9,899			9,899
Recreation fees			159,630	159,630
Earnings on investments	49,059	11,814		60,873
Miscellaneous revenue	82,435	278	7,791	90,504
Total revenues	4,267,765	989,179	761,976	6,018,920
EXPENDITURES				
General government	988,254			988,254
Law enforcement	1,490,596			1,490,596
Fire protection	636,921			636,921
Planning and zoning	112,961			112,961
Engineering	35,885			35,885
Building			361,147	361,147
Parks			314,633	314,633
Recreation			25,293	25,293
Pool			190,201	190,201
Highway and streets		1,949,777		1,949,777
Fiber optic LID			389,937	389,937
Capital outlay	19,241			19,241
Total expenditures	3,283,858	1,949,777	1,281,211	6,514,846
Revenues over (under) expenditures	983,907	(960,598)	(519,235)	(495,926)
OTHER FINANCING SOURCES (USES)				
Operating transfers	(267,380)		267,380	0
Revenues and other financing sources over (under) expenditures	716,527	(960,598)	(251,855)	(495,926)
Fund balance at October 1, 2016	7,754,383	2,145,465	(444,917)	9,454,931
Fund balance at September 30, 2017	8,470,910	1,184,867	(696,772)	8,959,005

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities *September 30, 2017*

Total net change in fund balances - governmental funds	(495,926)
Amounts reported for governmental activities in the statement of activities are different due to the following:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$921,763 exceeded depreciation expense of \$1,573,041 in the current period.	(651,278)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues increased by this amount this year.	10,431
In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year vacation leave earned exceeded vacation leave used by this amount.	(12,927)
The net effect of various miscellaneous transaction involving capital assets (i.e., sales and donations) is to decrease net assets.	(94,069)
The pension benefits are reported in the governmental funds when paid but in the Statement of Activities when earned. The change in the pension liability is \$(310,202). The change in deferred outflows of resources related to pensions is \$218,686. The change in deferred inflows of resources related to pensions is \$84,371.	36,325
Internal service funds are used by management to charge the costs of information technology to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	<u>(2,836)</u>
Total change in net position - governmental activities	<u><u>(1,210,280)</u></u>

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Net Position Proprietary Funds September 30, 2017

	Business-type Activities Enterprise Funds	
	Water	Wastewater
ASSETS		
Current assets		
Investments	5,157,298	8,145,691
Accounts receivable	75,371	292,120
Total current assets	5,232,669	8,437,811
Non-current assets		
Nondepreciable capital assets	414,826	
Depreciable capital assets	19,967,069	6,217,564
Net of accumulated depreciation	20,381,895	6,217,564
Total assets	25,614,564	14,655,375
Deferred Outflows of Resources		
Related to pensions	39,273	35,704
LIABILITIES		
Current		
Accrued salaries and benefits	11,192	10,919
Accrued interest payable	151,094	178,456
Customer deposits	86,675	1,700
Bonds payable-current	647,345	628,283
Total current liabilities	896,306	819,358
Noncurrent		
Pension plan payable	115,295	97,492
Notes payable	10,166,273	19,758,697
Long-term debt	10,281,568	19,856,189
Total liabilities	11,177,874	20,675,547
Deferred Inflows of Resources		
Related to pensions	31,149	20,062
NET POSITION		
Net investment in capital assets	9,452,982	
Restricted	955,302	1,068,523
Unrestricted	4,036,530	(7,073,053)
Total net position	14,444,814	(6,004,530)

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net position of business-type activities

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Net Position Proprietary Funds September 30, 2017

	Business-type Activities Enterprise Funds			Governmental Activities
Sanitation	Nonmajor Fiber Optic	Total		Internal Service Funds
2,732,724	185,369	16,221,082		100,266
105,786	17,049	490,326		
2,838,510	202,418	16,711,408		100,266
	20,545	435,371		
230,776	956,176	27,371,585		188,376
230,776	976,721	27,806,956		188,376
3,069,286	1,179,139	44,518,364		288,642
37,346		112,323		
11,389	6,040	39,540		10,948
		329,550		
3,720		92,095		
		1,275,628		
15,109	6,040	1,736,813		10,948
111,464	12,099	336,350		
		29,924,970		
111,464	12,099	30,261,320		
126,573	18,139	31,998,133		10,948
16,663		67,874		
119,312	964,622	10,536,916		
		2,023,825		
2,844,084	196,378	3,939		277,694
2,963,396	1,161,000	12,564,680		277,694
		177,421		
		12,742,101		

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended September 30, 2017

	Business-type Activities Enterprise Funds	
	Water	Wastewater
	OPERATING REVENUES	
Charges for services	2,453,016	2,843,925
Connection fees	235,207	130,529
Penalties	13,320	
Miscellaneous	21,041	1,271
Total operating revenues	2,722,584	2,975,725
 OPERATING EXPENSES		
Power	303,114	5,867
Treatment		652,183
Operation and maintenance	545,186	357,869
Salaries and benefits	338,775	256,165
Depreciation	614,072	275,416
Total operating expenses	1,801,147	1,547,500
Income (loss) from operations	921,437	1,428,225
 NON-OPERATING REVENUES (EXPENSES)		
Grants		
Earnings on investments	33,136	48,480
Interest expense	(333,752)	(506,548)
Total non-operating revenues (expenses)	(300,616)	(458,068)
OTHER FINANCING SOURCES (USES)	0	0

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended September 30, 2017

Business-type Activities Enterprise Funds			Governmental Activities
Sanitation	Nonmajor Fiber Optic	Total	Internal Service Funds
847,670	142,915	6,287,526	457,909
	6,800	372,536	
		13,320	
58	1,590	23,960	
847,728	151,305	6,697,342	457,909
		308,981	
		652,183	
383,559	63,063	1,349,677	198,156
279,360	82,310	956,610	239,885
75,770	44,250	1,009,508	27,963
738,689	189,623	4,276,959	466,004
109,039	(38,318)	2,420,383	(8,095)
	51,231	51,231	
16,016		97,632	2,107
		(840,300)	
16,016	51,231	(691,437)	2,107
0	0	0	0

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended September 30, 2017

	Business-type Activities Enterprise Funds	
	Water	Wastewater
Change in net position	620,821	970,157
Net position at October 1, 2016	13,823,993	(6,974,687)
Net position at September 30, 2017	14,444,814	(6,004,530)
Change in net position - enterprise funds		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		
Change in net position of business-type activities		

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended September 30, 2017

Business-type Activities Enterprise Funds			Governmental Activities
Sanitation	Nonmajor Fiber Optic	Total	Internal Service Funds
125,055	12,913	1,728,946	(5,988)
2,838,341	1,148,087	10,835,734	283,682
2,963,396	1,161,000	12,564,680	277,694
		1,728,946	
		(3,152)	
		1,725,794	

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

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

	Business-type Activities Enterprise Funds	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	2,702,610	2,969,110
Cash payments to suppliers for goods and services	(848,300)	(1,015,919)
Cash payments to employees for services provided	(341,176)	(254,813)
Net cash flows provided (used) by operating activities	1,513,134	1,698,378
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant, and equipment	(926,455)	(251,292)
Interest paid on long-term debt	(191,222)	(339,807)
Payments on long-term debt	(764,093)	(728,739)
Net cash flows provided (used) by capital and related financing activities	(1,881,770)	(1,319,838)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	335,500	(427,020)
Interest income	33,136	48,480
Net cash flows provided (used) by investing activities	368,636	(378,540)
Net increase (decrease) in cash and cash equivalents	0	0
Cash and cash equivalents at beginning of year	0	0
Cash and cash equivalents at end of year	0	0

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

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

Business-type Activities Enterprise Funds			Governmental Activities
Sanitation	Fiber Optic	Total	Internal Service Funds
851,660	194,196	6,717,576	457,909
(383,559)	(63,063)	(2,310,841)	(198,156)
(282,837)	(89,356)	(968,182)	(239,692)
185,264	41,777	3,438,553	20,061
(12,500)	(70,832)	(1,261,079)	(18,131)
(12,500)	(70,832)	(1,492,832)	(18,131)
(188,780)	29,055	(251,245)	(4,037)
16,016	29,055	97,632	2,107
(172,764)	29,055	(153,613)	(1,930)
0	0	0	0
0	0	0	0
0	0	0	0

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

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

	Business-type Activities Enterprise Funds	
	Water	Wastewater
	RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Income (loss) from operations	921,437	1,428,225
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Grants reported as non-operating revenue		
Depreciation	614,072	275,416
Decrease (increase) in accounts receivable	(21,252)	(8,316)
Increase (decrease) in customer deposits	1,275	1,700
Change in deferred outflows, inflows and liability due to GASB 68	(3,690)	(3,001)
Net cash flows provided (used) by operating activities	1,513,134	1,698,378

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

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

Business-type Activities Enterprise Funds			Governmental Activities
Sanitation	Fiber Optic	Total	Internal Service Funds
109,039	(38,318)	2,420,383	(8,095)
75,770	51,231 44,250	1,009,508	27,963
4,078	(8,341)	(33,831)	
(140)		2,835	
(4,181)	(8,526)	(19,398)	
185,264	41,777	3,387,322	20,061

The accompanying notes are an integral part of this statement.

This page intentionally left blank.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

1. General. The City of Ammon (the City) is a municipal corporation governed by an elected mayor and a six-member council.

The financial statements listed in the table of contents have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial position.

2. Discretely Presented Component Unit. In conformity with generally accepted accounting principles, the basic financial statements of Ammon Urban Renewal Agency have been included in the financial reporting entity as a discretely presented component unit, emphasizing their nature as a legally separate entity from the City. It is presented as a separate column within the basic financial statements.
3. Ammon Urban Renewal Agency (the Agency). This component unit has a board, which is appointed by the Mayor of the City with the advice and consent of the Ammon City Council. The Ammon Urban Renewal Agency rehabilitates deteriorating or deteriorated areas. It has a fiscal year end of September 30.

For financial reporting purposes, the City of Ammon, Idaho, combines the general maintenance and operating accounts of the Agency with all other funds which the management of the City has oversight responsibility and the governing authority to significantly influence operations.

A copy of the Ammon Urban Renewal Agency audit may be obtained at the City office.

4. Government-wide and Fund Financial Statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

The Statement of Net Position presents the reporting entity's assets and liabilities, with the difference reported as net position (net investment in capital assets; restricted net position; or unrestricted net position). Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt. Restricted net position results when constraints placed on net position use are imposed by third parties through constitutional provisions, or enabling legislation.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net position are available. Restricted net position balance will fluctuate as related accounting transactions occur. Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position may have constraints or designations placed upon them by management, but they can be unilaterally removed.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

5. Fund Financial Statements. The City's fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Types

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds focus is on the sources, uses, and balance of current financial resources.

The City has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Fund - The Street Fund is used to account for funds received and expended for the construction and renovation of thoroughfares, arterial streets, and other improvements in the City.

The City has four nonmajor governmental funds.

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position.

The City has presented the following major proprietary funds:

Water Fund - The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water system, and billing and collection activities.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Wastewater Fund - The Wastewater Fund is used to account for the provision of wastewater services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the wastewater system, administration of the debt related to providing wastewater services, and billing and collection activities.

Sanitation Fund - The Sanitation Fund is used to account for operations of solid waste collection and disposal services. All costs are financed through charges to sanitation customers.

The City has one nonmajor proprietary fund:

Fiber Optic Fund - The Fiber Optic Fund is used to account for operations of the City's fiber optic system. All costs will be financed through charges to fiber optic customers, or as an inter-entity service provided to the Water and General Funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports the following fund type:

Internal service funds account for data processing provided to other departments of the City on a cost reimbursement basis.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financials statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

6. Measurement Focus / Basis of Accounting. The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded 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 eligibility requirements imposed by the provider have been met.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The 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 revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

7. Budgetary Control. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, and Proprietary Funds. All annual appropriations lapse at fiscal year end. The department heads submit the budget to the City Council and a public hearing is held prior to adoption of the budget. Prior to October 1, the budget is enacted through passage of an appropriation ordinance. The budget includes the General, Special Revenue, and Enterprise Funds. The level of control (level at which expenditures should not exceed budget) is the fund. The legal level of control is the appropriation ordinance.

Encumbrances represent commitments related to unperformed contracts for goods or services. The City did not have any encumbrances at September 30, 2017.

The General, Street, and Parks and Recreation Fund statements of revenues, expenditures, and changes in fund balance present a comparison of budgetary data to actual results. These reports utilize the same basis of accounting for both budgetary purposes and actual results.

8. Transactions Between Funds. Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds. The City generally has eliminated the interfund activity from the government-wide financial statements.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

9. Cash and Investments. Cash includes amounts in demand deposits as well as short-term investments with original maturities of three months or less. Cash also includes amounts held in the local government investment pool and money market accounts. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. Investments of the primary government consist of certificates of deposits with original maturities of greater than three months, government agency bonds, corporate bonds, amounts held in the state's diversified bond fund. Investments in the component unit consist of obligations of the United States Government and are stated at amortized cost, which approximates market value.
10. Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical information is not available. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater.

Donated capital assets are recorded at estimated fair value at the date of donation. Renewals and betterments are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. The City did not receive any donated assets from developers during the year ended September 30, 2017 but did receive a donated water tank semi-trailer.

Land and construction in progress are not depreciated.

Buildings and improvements and equipment assets are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Equipment	3-15
Vehicles	5-7
Infrastructure	15-60

11. Compensated Absences. Government Accounting Standards Board codification specifies that a liability should be accrued for leave benefits that meet the following conditions:
- The employer's obligation relative to employee rights to receive compensation for future absences is attributable to employee services already rendered
 - The obligation related to rights that vest or accumulate
 - Payment of the obligation is probable
 - The amount can be reasonably estimated

The City records a liability for accrued vacation and sick time when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City uses the vesting method to calculate the compensated absence liability.

In proprietary funds, compensated absences are expended when earned. The entire amount of compensated absences is reported as a liability.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

12. 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.
13. Deferred Outflows / Inflows of Resources. In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category and it occurs on the government-wide statement of net position. The City reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and City contributions to pension plans subsequent to the measurement date of the collective net pension liability (asset).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions in the government-wide statement of net position.

14. Net Position Flow Assumption. Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.
15. Fund Balance Flow Assumptions. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance.

Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

16. Fund Balance. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributions, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for the specific purposes determined by formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by council action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized management to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

17. Program revenues. Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.
18. Property Taxes. Property taxes attach as an enforceable lien on property as of the second Monday in January. Taxes are levied on the second Monday in September and are payable in two installments on December 20, and June 20, of the following year. The City receives remittances from the county on a monthly basis. The City's property tax revenues are recognized when they become available.
19. Proprietary Fund Operating and Nonoperating Revenues and Expenses. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Water Fund, Wastewater Fund, Sanitation Fund, Fiber Optic Fund, and Internal Service Funds are charges to customers for sales and services. The Water and Wastewater Funds also recognize as operating revenue the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

20. Risk Management. The City is exposed to a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) employee torts; (c) professional liability, i.e. errors and omissions; (d) environmental damage; (e) workers' compensation, i.e. employee injuries; and (f) medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.
21. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B DEPOSITS AND INVESTMENTS

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has reduced its concentration of credit risk by using several financial institutions. The formal policy as of September 30, 2017, was to limit deposits with any one bank or credit union to the maximum FDIC/NCUA insurable amount. As of September 30, 2017, \$1,202,189 of the City's deposits including the money market was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The carrying value of the City's investments at year end was \$24,195,496 and the fair value was \$24,195,496. The amount not covered by insurance was \$15,642,690.

The City invests in the Local Government Investment Pool (LGIP) through the Idaho State Treasurer. All funds are invested by the Idaho State Treasurer's office in accordance with Sections 67-1210 and 67-1210A of the Idaho Code. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). The investments are subject to risk from market and interest rate fluctuations. The City had \$1,022,044 invested in the LGIP at September 30, 2017.

The City invests in the Diversified Bond Fund (DBF) through the Idaho State Treasurer. Amounts held by the DBF were held in the following investments: corporate securities, mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, U.S. Government agency securities, U.S. Treasury securities money market funds, and accrued interest. The City had \$102,775 invested in the DBF at September 30, 2017.

The investments held by the DBF are carried at fair value (determined by the Idaho State Treasurer's office). These investments are subject to risk from market and rate fluctuations. The weighted average duration was 4.18 years at September 30, 2017.

At year end, the City had the following investments held with Moreton Asset Management at September 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>< 1 year</u>	<u>1 – 5 years</u>	<u>> 5 years</u>	<u>Rating</u>
Corporate Bonds	8,078,233	3,701,482	4,376,751		AA+/A/A-/BBB+
Agency Bonds	5,398,582		5,398,582		AA+
US Gov't Bonds	1,006,661		1,006,661		AA+
Certificates of Deposit	9,609,245	1,173,875	8,435,370		N/A
Total Investments	<u>24,092,721</u>	<u>4,875,357</u>	<u>19,217,364</u>	<u>0</u>	

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE B DEPOSITS AND INVESTMENTS, continued

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the City's investments that are measured or disclosed at fair value fall within Level 2.

Interest rate risk: The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk: The City's investment policy requires investments to be in conformity with Idaho Statue Title 50 Chapter 10 section 13.

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a deposit policy to minimize custodial credit risk. Of the deposits and investments, \$1,022,044 and \$102,775 were held in the State Treasurer's Investment Pool (LGIP) and Diversified Bond Fund (DBF), respectively, which are not insured or guaranteed by the FDIC.

Concentration of credit risk: The City's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the City's total investments with the exception of U.S. Treasury Securities and authorized pools.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

The City's investment accounts, including government agencies, commercial paper, corporate bonds, certificates of deposit, and money market funds, are held with Moreton Asset Management. The money market funds are included as cash in the financial statements. The balance with Moreton Asset Management was \$24,218,180 at September 30, 2017, including cash of \$125,459 and the weighted average duration was 2.0 years. The City follows the investment policy when investing that was adopted in accordance with Idaho state law.

NOTE C PENSION PLAN

Plan Description

The City contributes to the Base Plan which is a cost sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE C **PENSION PLAN**, continued

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 September 30, 2017, it was 6.79% 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. The City's contributions were \$240,568 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 September 30, 2017, 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 .0660198 percent.

For the year ended September 30, 2017, the City recognized pension expense of \$167,657. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	143,757	93,490
Changes in assumptions or other inputs	19,190	
Net difference between projected and actual earnings on pension plan investments		62,174
City contributions subsequent to the measurement date	68,300	
Total	231,247	155,664

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE C PENSION PLAN, continued

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$68,300 will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. 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 years and 5.5 years 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 as follows:

<u>Year ended September 30:</u>	
2018	(56,414)
2019	97,494
2020	27,663
2021	(61,460)
2022	0

Actuarial Assumptions

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

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

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment 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

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.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE C PENSION PLAN, continued

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 rates or 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.

<u>Asset Class</u>	<u>Expected Return*</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income	3.05%	3.75%	30%	23%-33%
Cash	2.25%	.9%	0%	0%-5%
Total Fund	Expected Return*	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

*Expected arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of return, Net of Investment Expenses	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 period 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 Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE C PENSION PLAN, continued

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	2,411,870	1,037,718	(104,239)

Pension plan fiduciary net position

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

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

Payables to the pension plan

At September 30, 2017, the City reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE D CHANGES IN LONG-TERM LIABILITIES

Following is a summary of the changes in long-term debt for the year ended September 30, 2017, for the governmental activities:

	Balance at October 1, 2016	Additions	Payments	Balance at September 30, Error!
Compensated absences	42,986	12,927		55,913

The liability for compensated absences is liquidated by the fund in which the employee is paid from.

Following is a summary of the changes in long-term debt for the year ended September 30, 2017, for the business-type activities:

	Balance at October 1, 2016	Additions	Payments	Balance at September 30, 2017
Revenue Bond –Water	11,577,711		764,092	10,813,618
Revenue Bond –Sewer	21,115,719		728,740	20,386,980
Total	32,693,430	0	1,492,832	31,200,598

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE E CONSTRUCTION COMMITMENTS

During the year ended September 30, 2017, the City contracted with various contractors to do certain projects, revisions, and additions. The following construction contracts were in progress at year end:

Project	Original bid plus changes	Average percent complete	Expenditures Recorded Currently	Remaining construction obligation
Midway Project – Segment 2	146,098	0%		146,098
Total	146,098		0	146,098

NOTE F NET POSITION

Enterprise Funds. Total net position was \$12,742,101 at September 30, 2017. The net position includes \$10,536,916 net investment in capital assets. The City is repaying the debt and has established the reserve accounts for the bond repayments. At September 30, 2017, the City has accumulated \$955,302 in the Water Fund and \$1,068,523 in the Wastewater Fund. The City has also committed \$955,302 from the Water Fund, and \$1,068,523 in the Wastewater Fund for emergencies.

NOTE G AMMON URBAN RENEWAL AGENCY

- Reporting Entity. The component unit in the government-wide financial statements includes the financial data of the Ammon Urban Renewal Agency (Agency), the City's only discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the City in accordance with state urban renewal law.
- Summary of Significant Accounting Policies. The basis of accounting for the government-wide financial statements is the accrual basis of accounting.
- Cash and Investments. At September 30, 2017, the carrying amount and bank balance of the Agency's deposits was \$90,971. The entire balance was covered by federal depository insurance.
- Bonds Payable. The Agency issued \$2,935,000 of Multi-mode Variable Rate Revenue Allocation (Tax Increment) Bonds, Series 1999A in July 1999. The payment on these bonds is interest only, until maturity at August 1, 2024. The interest rate on these bonds is variable. The Agency exercised their optional redemption rights and redeemed \$2,050,000 of these bonds since original issue bringing the principal remaining balance to \$885,000.
- Restricted Fund Balance. A portion of the fund balance of the Debt Service Reserve Fund was created to segregate a portion of fund balance for debt service, including both principal and interest payments.
- Notes Payable. On January 28, 1998, the Agency entered into a Limited Recourse Promissory Note (Phase I Note, Series 1997A Project Note) payable in the amount of \$917,150 to CPI / Ammon Limited Partnership. The note bears interest at 9.0%. The principal balance on the note at September 30, 2017, is \$917,150. Future debt service payments on the note are not specified.

On January 28, 1998, the Agency entered into a Limited Recourse Promissory Note (Phase I Note, Bond Project Series 1997B Project) payable in the amount of \$46,915 to CPI / Ammon Limited Partnership. The note bears interest at 5.88%. The principal balance on the note at September 30, 2017, is \$46,915. Future debt service payments on the note are not specified.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE G AMMON URBAN RENEWAL AGENCY, continued

The recourse of CPI / Ammon Limited Partnership for payment on these notes is limited solely to the funds in the Revenue Allocation Fund, after payment of interest and principal on the bonds and payments to fund the Administrative Fund. The Agency's obligation to make revenue allocation payments to CPI / Ammon Limited Partnership terminates with taxes collected and paid to the Agency for the calendar year beginning January 1, 2024.

Interest accrued on these notes through September 30, 2017, was approximately \$4,181,000.

7. Changes in General Long-Term Debt. A summary of the changes in the General Long-term Debt is as follows:

	Series 1999A Bonds	Notes Payable
Balance at October 1, 2016	945,000	964,065
Net principal payment	60,000	
Balance at September 30, 2017	885,000	964,065

8. Letter-of-Credit. The Agency entered into an irrevocable direct-pay letter-of-credit dated July 21, 1999, with Wells Fargo Bank in order to secure and facilitate payment of principal and interest on the Series 1999 Bonds (the Bonds). The agreement amount is not to exceed the outstanding principal amount of the Bonds and 45 days' interest calculated at 12% per annum. The letter-of-credit has been extended until August 1, 2018. The letter-of-credit fee is due in advance on August 1 of each year and is equal to 1.125% of the outstanding principal of the Bonds plus 45 days' interest. The letter-of-credit fees incurred for the year ended September 30, 2017, was \$15,988.
9. Economic Dependency. The Agency receives approximately 90% of its tax revenue from three entities.
10. Property Tax Revenue. Current property tax revenue is not meeting original expectations. When the Series 1999 Bonds and other notes payable were entered into, property tax revenue was expected to have increased significantly enough to make the principal payments as well as the interest. The required interest payments are being made on the bonds as well as principal payments as cash flows permit, the Agency currently expects to pay the Bonds in full, however, will not be able to make the entire principal balance on the Note Payable in 2024 if property tax revenues do not increase significantly. The Agency does not expect to be able to pay any interest accrued on the Note Payable.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE H CAPITAL ASSETS

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

	Balance 10/01/16	Increases	Decreases	Balance 09/30/17
Governmental Activities				
Capital assets not being depreciated				
Land	918,686			918,686
Construction in progress	97,477	470	(97,477)	470
Total capital assets not being depreciated	<u>1,016,163</u>	<u>470</u>	<u>(97,477)</u>	<u>919,156</u>
Capital assets being depreciated				
Buildings and improvements	2,515,500	116,135		2,631,635
Infrastructure	41,206,723	505,586		41,712,309
Machinery and equipment	3,300,609	321,113		3,621,722
Total capital assets being depreciated	<u>47,022,832</u>	<u>942,834</u>	<u>0</u>	<u>47,965,666</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,012,940)	(100,635)		(1,113,575)
Infrastructure	(25,629,139)	(1,270,528)		(26,899,667)
Machinery and equipment	(1,829,806)	(229,841)		(2,059,647)
Total accumulated depreciation	<u>(28,471,885)</u>	<u>(1,601,004)</u>		<u>(30,072,889)</u>
Total capital assets being depreciated, net	<u>18,550,947</u>	<u>(658,170)</u>	<u>0</u>	<u>17,892,777</u>
Business-type activities				
Capital assets not being depreciated				
Land and water rights	414,826			414,826
Construction in progress		20,545		20,545
Total capital assets not being depreciated	<u>414,826</u>	<u>20,545</u>	<u>0</u>	<u>435,371</u>
Capital assets being depreciated				
Buildings and improvements	7,706,180	10,826		7,717,006
Infrastructure	25,408,924	657,531		26,066,455
Machinery and equipment	4,097,504	572,177		4,669,681
Total capital assets being depreciated	<u>37,212,608</u>	<u>1,240,534</u>	<u>0</u>	<u>38,453,142</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,907,494)	(224,750)		(2,132,244)
Infrastructure	(5,725,322)	(480,608)		(6,205,930)
Machinery and equipment	(2,439,242)	(304,141)		(2,743,383)
Accumulated depreciation	<u>(10,072,058)</u>	<u>(1,009,499)</u>	<u>0</u>	<u>(11,081,566)</u>
Total capital assets being depreciated, net	<u>27,140,550</u>	<u>231,035</u>	<u>0</u>	<u>27,371,585</u>

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE H CAPITAL ASSETS, continued

Depreciation expense was charged to current function of the primary government as follows:

Governmental activities	
General government	15,662
Fire protection	96,838
Building	444
Parks and recreation	74,003
Highways and streets	1,386,094
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	27,963
Total governmental activities	<u>1,601,004</u>
Business-type activities	
Water	614,072
Wastewater	275,416
Sanitation	75,770
Fiber Optic	44,250
Total business-type activities	<u>1,009,508</u>

NOTE I NOTES PAYABLE

The City entered into a \$15,000,000 loan with the Department of Environmental Quality (DEQ) for improvements to the water system on March 8, 2008. This loan was closed for \$14,287,000 on January 5, 2012, and the City began repaying the loan. The loan is secured by a revenue bond in the amount of \$14,287,000. Within five years of project completion, the City is required to establish a reserve account in an amount equal to 1 year's payment of principal and interest and the City has established this reserve as of the year ended September 30, 2014, for \$955,302. The loan requires biannual payments of principal and interest at 3.00% to be amortized over 20 years from the completion of the project. The required payments are \$477,651 due July 5 and January 5 but during 2017, the City elected to make monthly payments of \$79,609 until March of 2017 and then paid \$477,656 in April of 2017. Beginning October 1, 2017, the City has elected to return to the biannual payments in October and April.

The City entered into a \$15,000,000 loan with the Department of Environmental Quality (DEQ) to fund the City's portion of the regionalization project (Eastern Idaho Regional Wastewater Authority) on April 24, 2008. This loan will be secured by a revenue bond in the amount of \$15,000,000. The loan has been increased to \$25,000,000 as confirmed by judicial review.

The City is required to establish at the time of the issuance of the bond a reserve fund in an amount equal to 1 year's payment of principal and interest and the City has \$1,068,523 in reserve as of the year ended September 30, 2017. The loan requires biannual payments of principal and interest at 2.25% to be amortized over 30 years from the completion of the project. The required payments are \$534,261 due October 24 and April 24 but the City has elected to make monthly payments of \$89,044 through February of 2017, a payment of \$178,090 in March of 2017 and a payment of \$443,230 in May of 2017. Beginning October 1, 2017, the City has elected to return to biannual payments in October and April.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE I NOTES PAYABLE, continued

Future debt service requirements are as follows on the water and wastewater revenue bonds:

<u>FY Ended September 30,</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>
2018	2,023,836	748,208	1,275,628
2019	2,023,836	727,311	1,296,525
2020	2,023,836	692,594	1,331,242
2021	2,023,836	663,967	1,359,869
2022	2,023,836	635,493	1,388,343
2023-2027	10,119,180	2,607,237	7,511,943
2028-2032	9,085,430	1,560,694	7,524,736
2033-2037	5,342,610	847,702	4,494,908
2038-2042	5,332,808	315,404	5,017,404
Total	<u>39,999,208</u>	<u>8,798,610</u>	<u>31,200,598</u>

NOTE J LEASE AGREEMENTS

The City has a lease agreement with Cat Financial to lease a Caterpillar 305E2CR for 5 years beginning June 20, 2016, through June 20, 2020. The lease calls for annual payments of \$7,701 with a \$40,000 payment on June 20, 2020, if the City elects to retain the equipment. The lease is subject to non-appropriation.

The City has a lease agreement with Cat Financial to lease a Caterpillar 924K for 5 years beginning June 20, 2016, through June 20, 2020. The lease calls for annual payments of \$13,398 with a \$75,000 payment on June 20, 2020, if the City elects to retain the equipment. The lease is subject to non-appropriation.

NOTE K INTERFUND TRANSFERS

In 2017, the City transferred \$267,380 to Parks and Recreation from the General Fund to cover costs in excess of revenues. The City has elected to reflect Parks and Recreation in a separate fund and transfer up to the budgeted deficit from the General Fund.

NOTE L INTERFUND RECEIVABLE/PAYABLE

The City loaned \$612,051 to Fiber Optic Improvement District #1 from the General Fund to cover initial start-up costs and infrastructure. The City has elected to treat this as a long-term loan and will accrue interest at a 1.5% short term financing rate. The rate will increase to 3% and repayment terms will be finalized upon completion of the project. These amounts have been eliminated in preparing the government-wide financial statements.

The City loaned \$1,144 to Fiber Optic Improvement District #2 from the General Fund to cover initial start-up costs and infrastructure. The City has elected to treat this as a long-term loan and will accrue interest at a 1.5% short term financing rate. The rate will increase to 3% and repayment terms will be finalized upon completion of the project. These amounts have been eliminated in preparing the government-wide financial statements.

The Building Fund has an interfund payable to the General Fund of \$104,061 at September 30, 2017.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE M DEFICIT FUND BALANCE

The Building Fund balance is in a deficit of \$108,091 at September 30, 2017. This amount is expected to be collected from the Building Fund's future surpluses. The Fiber Optic Improvement District #1 is in a deficit of \$610,681 at September 30, 2017. This amount is expected to be repaid through the collections in the LID over time. The Fiber Optic Improvement District #2 is in a deficit of \$1,144 at September 30, 2017. This amount is expected to be repaid through the collections in the LID over time. The Wastewater fund is in a deficit of \$6,004,530 at September 30, 2017. This amount is due to the City transferring the interceptor lines to EIRWWA and IBSD while retaining the debt obligation. The deficit will be eliminated as the City repays the bond.

NOTE N COMMITMENT TO REGIONAL WASTEWATER PROJECT

The City is involved in the Eastern Idaho Regional Wastewater Authority (EIRWWA) with the City of Shelley, Bonneville County, and Bingham County that provides wastewater services for residents and businesses in the service area.

NOTE O JOINT VENTURE – EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY

The City is participating in a joint venture with the City of Shelley, Bingham County, and Bonneville County for a treatment plant for wastewater. The City entered into a joint powers agreement to provide joint financing, design, acquisition, construction, management, and operation of a regional wastewater treatment and disposal facility.

A separate legal entity, Eastern Idaho Regional Wastewater Authority (EIRWWA), was created. It is governed by a board made up of representatives from each of the members of the joint powers agreement. Capitalized assets acquired by the members of the joint powers agreement for EIRWWA during the construction phase are donated to the Authority as that phase becomes operational.

The Board of the EIRWWA assesses and collects from each participating member discharge/hookup fees, operation and maintenance fees, and fees to pay for costs in excess of defined equivalent residential unit (ERU) allocations each year.

Each member must collect, as a minimum, discharge/hookup fees, and operation and maintenance fees established by the board and remit them to the Authority. Each member may also establish its own operation and maintenance fees and discharge/hookup fees in addition to those determined by the board as well as debt service fees.

In the event of federal, state, or local court action concerning the facility, each member will assume responsibility for such litigation in a direct proportion to the percentage of use of the system. If the facility needs to expand in the future and the EIRWWA does not have adequate funds in their reserve fund accumulated from the discharge/hookup fees, each member of the joint powers agreement will pay additional funds necessary to construct the complete next phase of the development of the facility.

During the fiscal year ended September 30, 2010, the facility began accepting flow from the City of Shelley, Bonneville County, and Bingham County. As per the joint powers agreement, the City of Ammon distributed the capitalized assets acquired during the construction of the treatment plant to the Authority (\$9,564,999). The initial capitalization of the EIRWWA as of September 30, 2010, was \$27,863,728. During the fiscal year ended September 30, 2012, the City connected to the treatment plant and distributed the capitalized assets acquired during the construction of the Eastern Interceptor line of \$17,480,587 and contributed an additional \$809,659 during the year ended September 30, 2013.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2017

NOTE O JOINT VENTURE – EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY

The costs of the operations of the EIRWWA are being allocated based on the users of the system. Currently, this results in 67% being allocated to the City of Ammon. The City of Ammon paid \$620,892 to the EIRWWA during the 2016-2017 fiscal year.

The Eastern Idaho Regional Wastewater Authority has a fiscal year end of September 30. Financial statements are available at:

EIRWWA
618 E 1250 N
Shelley, ID 83274

NOTE P RESTRICTED NET POSITION

As of September 30, 2017, the City had restricted net position for commitments to spend \$15,027 for East Hills. The City also has commitments of \$90,000 for the traffic signal at Ammon and Sunnyside, \$28,402 for First Street road improvements, \$75,810 for 17th Street improvements, \$4,214 for a fence on a commercial lot, and \$22,665 for a bridge on Tildy.

NOTE Q SUBSEQUENT EVENTS

Management of the City evaluated subsequent events through February 6, 2018, which was the date the financial statements were available to be issued. There were no subsequent type events, identified by management of the City, that are required to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ammon, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget and Actual-
Governmental Funds
For the Year Ended September 30, 2017

	General		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	2,374,988	2,413,702	38,714
Franchise fees	150,000	158,647	8,647
Licenses and permits	92,300	87,098	(5,202)
Intergovernmental revenue	1,510,129	1,466,925	(43,204)
Planning	2,000	9,899	7,899
Grants and awards	95,582	49,059	(46,523)
Miscellaneous revenues	398,175	82,435	(315,740)
Total revenues	<u>4,623,174</u>	<u>4,267,765</u>	<u>(355,409)</u>
EXPENDITURES			
General government	1,168,408	988,254	180,154
Law enforcement	1,484,199	1,490,596	(6,397)
Fire protection	916,142	636,921	279,221
Planning and zoning	82,153	112,961	(30,808)
Engineering	160,817	35,885	124,932
Capital outlay	125,000	19,241	105,759
Total expenditures	<u>3,936,719</u>	<u>3,283,858</u>	<u>652,861</u>
Revenues over (under) expenditures	686,455	983,907	297,452
OTHER FINANCING SOURCES (USES)			
Operating transfers	(286,230)	(267,380)	18,850
Revenues and other financing sources over (under) expenditures and other uses	<u>400,225</u>	716,527	<u>316,302</u>
Fund balance at October 1, 2016		<u>7,754,383</u>	
Fund balance at September 30, 2017		<u>8,470,910</u>	

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balance
 -Budget and Actual-
 Governmental Funds
 For the Year Ended September 30, 2017

		Street		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
Franchise fees	240,000	277,324	37,324	
Intergovernmental revenue	642,454	699,763	57,309	
Earnings on investments	35,764	11,814	(23,950)	
Miscellaneous revenue	11,800	278	(11,522)	
Total revenues	930,018	989,179	59,161	
EXPENDITURES				
Highway and streets	1,993,632	1,949,777	43,855	
Total expenditures	1,993,632	1,949,777	43,855	
Revenues over (under) expenditures	(1,063,614)	(960,598)	103,016	
Revenues and other financing sources over (under) expenditures and other uses	(1,063,614)	(960,598)	103,016	
Fund balance at October 1, 2016		2,145,465		
Fund balance at September 30, 2017		1,184,867		

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Required Supplementary Information
Fiscal Year Ended September 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of net pension liability	0.06602%	0.06434%	0.06471%
Employers proportionate share of the net pension liability	1,037,718	1,304,338	852,082
Employer's covered-employee payroll	2,050,530	1,881,846	1,812,412
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	50.61%	69.31%	47.01%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%

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

Data reported is measured as of June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	240,568	215,743	206,496
Contributions in relation to the statutorily required contribution	240,568	215,743	206,496
Contribution (deficiency) excess	0	0	0
Employer's covered-employee payroll	2,117,587	1,898,349	1,816,643
Contributions as a percentage of covered-employee payroll	11.36%	11.36%	11.63%

* 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 those years for which information is available.

Data reported is measured as of September 30, 2017

This page intentionally left blank.

OTHER FINANCIAL INFORMATION

This page intentionally left blank.

City of Ammon, Idaho

Nonmajor Governmental Funds

Special Revenue Funds

September 30, 2017

Special Revenue Funds

Special Revenue Funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Building Fund

The Building Fund is used to account for the operation and maintenance of the building department, the applications for licenses and permits, and payments for building permits in the City.

Parks and Recreation Fund

The Parks and Recreation Fund is used to account for the City pool and various grants received from federal, state, and local governments, and private contributions for youth programs that are designed to build skills and competencies among the City's youth. This fund is also used to account for the acquisition and/or development of recreational facilities and open space.

Fiber Optic Improvement District #1

A newly created Fiber Optic LID is used to account for the City's installation of fiber optic in the area selected to be the initial users of City fiber optic. The installation was completed during the year ended September 30, 2017.

Fiber Optic Improvement District #2

A newly created Fiber Optic LID is used to account for the City's installation of fiber optic in the area selected to be the initial users of City fiber optic. The installation started during the year ended September 30, 2017, but has not been completed.

City of Ammon, Idaho

All Nonmajor Funds
Combining Balance Sheet
September 30, 2017

	<u>Building</u>	<u>Fiber Optic Improvement District #1</u>	<u>Fiber Optic Improvement District #2</u>	<u>Parks & Recreation</u>	<u>All Nonmajor Funds</u>
ASSETS					
Cash	<u>0</u>	<u>10,243</u>	<u>5</u>	<u>25,607</u>	<u>35,855</u>
Total assets	<u><u>0</u></u>	<u><u>10,243</u></u>	<u><u>5</u></u>	<u><u>25,607</u></u>	<u><u>35,855</u></u>
LIABILITIES					
Accrued salaries and benefits	4,030	1,651		2,463	8,144
Due to other funds	<u>104,061</u>	<u>619,273</u>	<u>1,149</u>		<u>724,483</u>
Total liabilities	<u>108,091</u>	<u>620,924</u>	<u>1,149</u>	<u>2,463</u>	<u>732,627</u>
FUND BALANCES					
Unassigned	<u>(108,091)</u>	<u>(610,681)</u>	<u>(1,144)</u>	<u>23,144</u>	<u>(696,772)</u>
Total fund balances	<u>(108,091)</u>	<u>(610,681)</u>	<u>(1,144)</u>	<u>23,144</u>	<u>(696,772)</u>
Total liabilities and fund balances	<u><u>0</u></u>	<u><u>10,243</u></u>	<u><u>5</u></u>	<u><u>25,607</u></u>	<u><u>35,855</u></u>

City of Ammon, Idaho

All Nonmajor Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended September 30, 2017

	<u>Building</u>	<u>Fiber Optic Improvement District #1</u>	<u>Fiber Optic Improvement District #2</u>	<u>Parks & Recreation</u>	<u>All Nonmajor Funds</u>
REVENUES					
Licenses and permits	540,526				540,526
Intergovernmental revenue				54,029	54,029
Recreation fees				159,630	159,630
Miscellaneous revenue	1,903			5,888	7,791
Total revenues	<u>542,429</u>	<u>0</u>	<u>0</u>	<u>219,547</u>	<u>761,976</u>
EXPENDITURES					
Building	361,147				361,147
Parks				314,633	314,633
Recreation				25,293	25,293
Pool				190,201	190,201
Fiber Optic LID		388,793	1,144		389,937
Total expenditures	<u>361,147</u>	<u>388,793</u>	<u>1,144</u>	<u>530,127</u>	<u>1,281,211</u>
Revenues over (under) expenditures	<u>181,282</u>	<u>(388,793)</u>	<u>(1,144)</u>	<u>(310,580)</u>	<u>(519,235)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>267,380</u>	<u>267,380</u>
Revenues and other financing sources over (under) expenditures	181,282	(388,793)	(1,144)	(43,200)	(251,855)
Fund balance at October 1, 2016	<u>(289,373)</u>	<u>(221,888)</u>		<u>66,344</u>	<u>(444,917)</u>
Fund balance (deficit) at September 30, 2017	<u><u>(108,091)</u></u>	<u><u>(610,681)</u></u>	<u><u>(1,144)</u></u>	<u><u>23,144</u></u>	<u><u>(696,772)</u></u>

This page intentionally left blank.



**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***

Mayor and City Council
City of Ammon
Ammon, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ammon as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Ammon's basic financial statements, and have issued our report thereon dated February 6, 2018.

Internal Control over Financial Reporting

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

Wipfli LLP

Wipfli LLP
CPAs and Consultants

Idaho Falls, Idaho
February 6, 2018