

CITY OF PAYETTE, IDAHO

FINANCIAL STATEMENTS

Year Ended September 30, 2015

CITY OF PAYETTE, IDAHO

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FINANCIAL SECTION

Audits
Taxes
Special Services



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Independent Auditor's Report

Honorable Mayor and City Council
City of Payette, Idaho

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedule of employer's share of net pension asset and liability, and schedule of employer contributions listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be 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, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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, and historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 November 17, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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's internal control over financial reporting and compliance.

Quest CPAs, P.C.

Payette, Idaho
November 17, 2015

BASIC FINANCIAL STATEMENTS

CITY OF PAYETTE, IDAHO

Statement of Net Position

September 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Assets			
Current Assets			
Cash & Investments	\$3,252,397	\$6,743,357	\$9,995,754
Receivables:			
Taxes	201,737		201,737
Intergovernmental	157,259		157,259
Accounts	437	342,149	342,586
Total Current Assets	<u>3,611,830</u>	<u>7,085,506</u>	<u>10,697,336</u>
Noncurrent Assets			
Restricted Cash & Investments	61,699	284,155	345,854
Note Receivable	12,569		12,569
Nondepreciable Capital Assets	788,449	728,318	1,516,767
Depreciable Net Capital Assets	6,157,266	5,920,281	12,077,547
Net Pension Asset - FRF	134,034		134,034
Total Noncurrent Assets	<u>7,154,017</u>	<u>6,932,754</u>	<u>14,086,771</u>
Total Assets	<u>10,765,847</u>	<u>14,018,260</u>	<u>24,784,107</u>
Deferred Outflows of Resources			
Pension Sources - Base Plan	306,191	89,896	396,087
Pension Sources - FRF	35,259		35,259
Total Deferred Outflows of Resources	<u>341,450</u>	<u>89,896</u>	<u>431,346</u>
Total Assets and Deferred Outflows of Resources	<u>\$11,107,297</u>	<u>\$14,108,156</u>	<u>\$25,215,453</u>
Liabilities			
Current Liabilities			
Accounts Payable & Accrued Expenses	\$86,568	\$26,292	\$112,860
Deposits		116,440	116,440
Accrued Interest	28,815	32,292	61,107
Long-Term Debt & Obligations, Current	150,767	155,309	306,076
Total Current Liabilities	<u>266,150</u>	<u>330,333</u>	<u>596,483</u>
Noncurrent Liabilities			
Long-Term Debt & Obligations, Noncurrent	1,002,100	1,541,711	2,543,811
Net Pension Liability - Base Plan	650,981	191,125	842,106
Total Noncurrent Liabilities	<u>1,653,081</u>	<u>1,732,836</u>	<u>3,385,917</u>
Total Liabilities	<u>1,919,231</u>	<u>2,063,169</u>	<u>3,982,400</u>
Deferred Inflows of Resources			
Pension Sources - Base Plan	419,892	123,278	543,170
Pension Sources - FRF	43,736		43,736
Total Deferred Inflows of Resources	<u>463,628</u>	<u>123,278</u>	<u>586,906</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,382,859</u>	<u>2,186,447</u>	<u>4,569,306</u>
Net Position			
Net Investment in Capital Assets	5,636,969	4,902,341	10,539,310
Restricted - Special Programs	877,743		877,743
Restricted - Debt Service	67,701	167,715	235,416
Restricted - Capital Projects	313,698	1,710,270	2,023,968
Unrestricted	1,828,327	5,141,383	6,969,710
Total Net Position	<u>8,724,438</u>	<u>11,921,709</u>	<u>20,646,147</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$11,107,297</u>	<u>\$14,108,156</u>	<u>\$25,215,453</u>

See Accompanying Notes

CITY OF PAYETTE, IDAHO

Statement of Activities

Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges For Services	Operating Grants And Contributions	
Primary Government				
Governmental Activities				
Current Expenditures				
General Government	\$592,980	\$40,946		(\$552,034)
Public Safety	1,658,789	114,542		(1,544,247)
Highways & Streets	768,113	53,040		(715,073)
Airport	37,964	2,621		(35,343)
Culture & Recreation	715,661	49,418		(666,243)
Debt Service - Interest	39,933	2,757		(37,176)
Capital Assets	315,655	21,797		(293,858)
Total Governmental Activities	<u>4,129,095</u>	<u>285,121</u>	<u>0</u>	<u>(3,843,974)</u>
Business-Type Activities				
Water Services	823,736	908,370		84,634
Sewer Services	1,145,986	1,397,457		251,471
Sanitation Services	349,412	377,832		28,420
Total Business-Type Activities	<u>2,319,134</u>	<u>2,683,659</u>	<u>0</u>	<u>364,525</u>
Total Primary Government	<u>\$6,448,229</u>	<u>\$2,968,780</u>	<u>\$0</u>	<u>(\$3,479,449)</u>
		Governmental Activities	Business-Type Activities	Total Primary Government
Changes in Net Position				
Net (Expense) Revenue		(\$3,843,974)	\$364,525	(\$3,479,449)
General Revenues				
Taxes, Penalties, & Interest		2,452,454		2,452,454
Intergovernmental Revenue		974,828		974,828
Investment Interest		15,849	15,705	31,554
Miscellaneous		325,180		325,180
Transfers		19,100	(19,100)	0
Total		<u>3,787,411</u>	<u>(3,395)</u>	<u>3,784,016</u>
Change in Net Position		(56,563)	361,130	304,567
Net Position - Beginning - As Previously Stated		9,510,423	11,784,369	21,294,792
Restatement - See Note I		<u>(729,422)</u>	<u>(223,790)</u>	<u>(953,212)</u>
Net Position - Beginning - As Restated		<u>8,781,001</u>	<u>11,560,579</u>	<u>20,341,580</u>
Net Position - Ending		<u>\$8,724,438</u>	<u>\$11,921,709</u>	<u>\$20,646,147</u>

CITY OF PAYETTE, IDAHO
 Balance Sheet - Governmental Funds
 September 30, 2015

	General Fund	Street Fund	Debt Service Fund	Capital Improvements Fund
Assets				
Cash & Investments	\$1,609,370	\$486,345	\$6,002	\$313,634
Receivables:				
Taxes	137,105	35,727		803
Intergovernmental	74,773	70,123		
Accounts	437			
Due From Other Funds				
Restricted Cash & Investments			61,699	
Total Assets	<u>\$1,821,685</u>	<u>\$592,195</u>	<u>\$67,701</u>	<u>\$314,437</u>
Liabilities				
Accounts Payable & Accrued Expenses	\$61,679	\$15,166		
Due To Other Funds				
Total Liabilities	<u>61,679</u>	<u>15,166</u>	<u>\$0</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	131,343	33,794		739
Total Deferred Inflows of Resources	<u>131,343</u>	<u>33,794</u>	<u>0</u>	<u>739</u>
Fund Balances				
Restricted - Special Programs	35,989			
Restricted - Debt Service			67,701	
Restricted - Capital Projects				313,698
Unassigned	1,592,674	543,235		
Total Fund Balances	<u>1,628,663</u>	<u>543,235</u>	<u>67,701</u>	<u>313,698</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$1,821,685</u>	<u>\$592,195</u>	<u>\$67,701</u>	<u>\$314,437</u>

CITY OF PAYETTE, IDAHO
 Balance Sheet - Governmental Funds
 September 30, 2015

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$837,046	\$3,252,397
Receivables:		
Taxes	28,102	201,737
Intergovernmental	12,363	157,259
Accounts	0	437
Due From Other Funds	0	0
Restricted Cash & Investments	0	61,699
Total Assets	\$877,511	\$3,673,529
Liabilities		
Accounts Payable & Accrued Expenses	\$9,723	\$86,568
Due To Other Funds	0	0
Total Liabilities	9,723	86,568
Deferred Inflows of Resources		
Unavailable Tax Revenues	26,034	191,910
Total Deferred Inflows of Resources	26,034	191,910
Fund Balances		
Restricted - Special Programs	841,754	877,743
Restricted - Debt Service	0	67,701
Restricted - Capital Projects	0	313,698
Unassigned	0	2,135,909
Total Fund Balances	841,754	3,395,051
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$877,511	\$3,673,529

CITY OF PAYETTE, IDAHO
Balance Sheet - Governmental Funds
September 30, 2015

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

Total Governmental Fund Balances \$3,395,051

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 6,945,715

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 191,910

The long-term note receivable is not available to pay for current period expenditures and therefore is deferred in the funds. 12,569

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (1,181,682)

Net pension asset and liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds. (639,125)

Net Position of Governmental Activities \$8,724,438

CITY OF PAYETTE, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds
 Year Ended September 30, 2015

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>
Revenues				
Taxes, Penalties, & Interest	\$1,574,579	\$430,268	\$50,821	\$10,177
Licenses, Fees, & Charges	136,132	1,925		
Intergovernmental Revenue	429,379	420,415		
Investment Interest	1,278	747	12,608	221
Grants & Miscellaneous	143,551	36,122		
Total Revenues	<u>2,284,919</u>	<u>889,477</u>	<u>63,429</u>	<u>10,398</u>
Expenditures				
Current Expenditures				
General Government	422,203			1,207
Public Safety	1,658,789			
Highways & Streets		768,113		
Airport				
Culture & Recreation	253,371			
Debt Service			61,699	
Capital Outlay	106,171	70,541		10,000
Total Expenditures	<u>2,440,534</u>	<u>838,654</u>	<u>61,699</u>	<u>11,207</u>
Excess (Deficiency) of Revenues Over Expenditures	(155,615)	50,823	1,730	(809)
Other Financing Sources (Uses)				
Transfers In				50,000
Transfers Out	(50,000)			
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>50,000</u>
Net Change in Fund Balances	(205,615)	50,823	1,730	49,191
Fund Balances - Beginning	<u>1,834,278</u>	<u>492,412</u>	<u>65,971</u>	<u>264,507</u>
Fund Balances - Ending	<u>\$1,628,663</u>	<u>\$543,235</u>	<u>\$67,701</u>	<u>\$313,698</u>

CITY OF PAYETTE, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds
 Year Ended September 30, 2015

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues		
Taxes, Penalties, & Interest	\$405,917	\$2,471,762
Licenses, Fees, & Charges	147,064	285,121
Intergovernmental Revenue	125,034	974,828
Investment Interest	995	15,849
Grants & Miscellaneous	118,900	298,573
Total Revenues	<u>797,910</u>	<u>4,046,133</u>
 Expenditures		
Current Expenditures		
General Government	156,266	579,676
Public Safety	0	1,658,789
Highways & Streets	0	768,113
Airport	37,964	37,964
Culture & Recreation	462,290	715,661
Debt Service	51,297	112,996
Capital Outlay	15,595	202,307
Total Expenditures	<u>723,412</u>	<u>4,075,506</u>
 Excess (Deficiency) of Revenues Over Expenditures	74,498	(29,373)
Other Financing Sources (Uses)		
Transfers In	19,100	69,100
Transfers Out	0	(50,000)
Total Other Financing Sources (Uses)	<u>19,100</u>	<u>19,100</u>
 Net Change in Fund Balances	93,598	(10,273)
 Fund Balances - Beginning	748,156	3,405,324
Fund Balances - Ending	<u>\$841,754</u>	<u>\$3,395,051</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds
 Year Ended September 30, 2015

**Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Governmental Funds to the
 Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds (\$10,273)

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. (127,822)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (19,308)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 71,625

Receipt of long-term note principal is a financing source in the governmental funds, but decreases the note receivable in the statement of net position. (48,779)

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 1,001

In the statement of activities, compensated absences are accrued when earned, but the expenditure is reported when due in the governmental funds. (13,304)

Changes in net pension asset and liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds. 90,297

Change in Net Position of Governmental Activities (\$56,563)

CITY OF PAYETTE, IDAHO
Statement of Net Position - Proprietary Funds
September 30, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total Enterprise Funds</u>
Assets				
Current Assets				
Cash & Investments	\$2,345,315	\$4,288,278	\$109,764	\$6,743,357
Receivables:				
Accounts	87,533	214,918	39,698	342,149
Due From Other Funds				0
Total Current Assets	<u>2,432,848</u>	<u>4,503,196</u>	<u>149,462</u>	<u>7,085,506</u>
Noncurrent Assets				
Restricted Cash & Investments	116,440	167,715		284,155
Nondepreciable Capital Assets	239,550	488,768		728,318
Depreciable Net Capital Assets	2,421,367	3,498,914	0	5,920,281
Total Noncurrent Assets	<u>2,777,357</u>	<u>4,155,397</u>	<u>0</u>	<u>6,932,754</u>
Total Assets	<u>5,210,205</u>	<u>8,658,593</u>	<u>149,462</u>	<u>14,018,260</u>
Deferred Outflows of Resources				
Pension Sources - Base Plan	40,284	49,612		89,896
Total Deferred Outflows of Resources	<u>40,284</u>	<u>49,612</u>	<u>0</u>	<u>89,896</u>
Total Assets and Deferred Outflows of Resources	<u>\$5,250,489</u>	<u>\$8,708,205</u>	<u>\$149,462</u>	<u>\$14,108,156</u>
Liabilities				
Current Liabilities				
Accounts Payable & Accrued Expenses	\$11,844	\$14,388	\$60	\$26,292
Due To Other Funds				0
Deposits	116,440			116,440
Accrued Interest		32,292		32,292
Long-Term Debt & Obligations, Current	12,789	142,520		155,309
Total Current Liabilities	<u>141,073</u>	<u>189,200</u>	<u>60</u>	<u>330,333</u>
Noncurrent Liabilities				
Long-Term Debt & Obligations, Noncurrent		1,541,711		1,541,711
Net Pension Liability - Base Plan	85,647	105,478		191,125
Total Noncurrent Liabilities	<u>85,647</u>	<u>1,647,189</u>	<u>0</u>	<u>1,732,836</u>
Total Liabilities	<u>226,720</u>	<u>1,836,389</u>	<u>60</u>	<u>2,063,169</u>
Deferred Inflows of Resources				
Pension Sources - Base Plan	55,243	68,035		123,278
Total Deferred Inflows of Resources	<u>55,243</u>	<u>68,035</u>	<u>0</u>	<u>123,278</u>
Total Liabilities and Deferred Inflows of Resources	<u>281,963</u>	<u>1,904,424</u>	<u>60</u>	<u>2,186,447</u>
Net Position				
Net Investment in Capital Assets	2,660,917	2,241,424		4,902,341
Restricted - Debt Service		167,715		167,715
Restricted - Capital Projects	986,540	723,730		1,710,270
Unrestricted	1,321,069	3,670,912	149,402	5,141,383
Total Net Position	<u>4,968,526</u>	<u>6,803,781</u>	<u>149,402</u>	<u>11,921,709</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$5,250,489</u>	<u>\$8,708,205</u>	<u>\$149,462</u>	<u>\$14,108,156</u>

CITY OF PAYETTE, IDAHO

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

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$905,186	\$1,389,006	\$377,832	\$2,672,024
Miscellaneous	3,184	8,451		11,635
Total Operating Revenues	<u>908,370</u>	<u>1,397,457</u>	<u>377,832</u>	<u>2,683,659</u>
Operating Expenses				
Personnel	321,871	374,090		695,961
Goods & Services	326,449	468,096	349,412	1,143,957
Depreciation	175,095	229,399		404,494
Total Operating Expenses	<u>823,415</u>	<u>1,071,585</u>	<u>349,412</u>	<u>2,244,412</u>
Operating Income (Loss)	<u>84,955</u>	<u>325,872</u>	<u>28,420</u>	<u>439,247</u>
Nonoperating Revenues (Expenses)				
Interest Income	1,595	14,019	91	15,705
Interest Expense		(57,205)		(57,205)
Other Income (Expense)	(321)	(17,196)		(17,517)
Total Nonoperating Revenue (Expenses)	<u>1,274</u>	<u>(60,382)</u>	<u>91</u>	<u>(59,017)</u>
Income (Loss) Before Contributions & Transfers	86,229	265,490	28,511	380,230
Capital Contributions				0
Transfers In				0
Transfers Out	(9,550)	(9,550)		(19,100)
Change in Net Position	76,679	255,940	28,511	361,130
Net Position - Beginning - As Previously Stated	4,992,132	6,671,346	120,891	11,784,369
Restatement - See Note I	(100,285)	(123,505)		(223,790)
Net Position - Beginning - As Restated	<u>4,891,847</u>	<u>6,547,841</u>	<u>120,891</u>	<u>11,560,579</u>
Net Position - Ending	<u>\$4,968,526</u>	<u>\$6,803,781</u>	<u>\$149,402</u>	<u>\$11,921,709</u>

CITY OF PAYETTE, IDAHO
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2015

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise Funds
Cash Flows From Operations				
Receipts from Customers	\$944,467	\$1,458,478	\$381,645	\$2,784,590
Payments for Personnel	(321,939)	(372,860)		(694,799)
Payments for Goods & Services	(326,449)	(468,096)	(349,385)	(1,143,930)
Cash Provided (Used) By Operations	<u>296,079</u>	<u>617,522</u>	<u>32,260</u>	<u>945,861</u>
Cash Flows From Noncapital Financing				
Receipts from Nonoperating Sources				0
Transfers (to) from Other Funds	(9,550)	(9,550)		(19,100)
Cash Provided (Used) By Noncapital Financing	<u>(9,550)</u>	<u>(9,550)</u>	<u>0</u>	<u>(19,100)</u>
Cash Flows From Capital & Related Financing				
Acquisition of Capital Assets	(20,104)	(88,200)		(108,304)
Proceeds from Sale of Capital Assets		35,000		35,000
Interest Paid on Debt		(58,874)		(58,874)
Principal Paid on Debt		(108,842)		(108,842)
Changes in Other Long-Term Obligations	(2,320)	105		(2,215)
Cash Provided (Used) By Capital & Related Financing	<u>(22,424)</u>	<u>(220,811)</u>	<u>0</u>	<u>(243,235)</u>
Cash Flows From Investments				
Investment Income	1,595	14,019	91	15,705
Cash Provided (Used) By Investments	<u>1,595</u>	<u>14,019</u>	<u>91</u>	<u>15,705</u>
Change in Cash & Investments	265,700	401,180	32,351	699,231
Cash & Investments - Beginning	<u>2,196,055</u>	<u>4,054,813</u>	<u>77,413</u>	<u>6,328,281</u>
Cash & Investments - Ending	<u>\$2,461,755</u>	<u>\$4,455,993</u>	<u>\$109,764</u>	<u>\$7,027,512</u>
Reconciliation of Operating Income (Loss) to Cash Provided (Used) By Operations				
Operating Income (Loss)	\$84,955	\$325,872	\$28,420	\$439,247
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operations:				
Depreciation	175,095	229,399		404,494
Changes in Assets & Liabilities:				
Receivables	19,022	61,021	3,813	83,856
Accounts Payable & Accrued Expenses	(68)	1,230	27	1,189
Deposits	17,075			17,075
Cash Provided (Used) By Operations	<u>\$296,079</u>	<u>\$617,522</u>	<u>\$32,260</u>	<u>\$945,861</u>

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The City of Payette, Idaho (the City) provides basic municipal services and operates under a mayor-council form of government. These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to cities. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

As required by GAAP, these financial statements present the City and its component unit, an entity for which the City is considered to be financial accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is the potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government and are reported as a special revenue fund. Blended component units include the Payette Urban Renewal Agency (PURA). The City's mayor appoints and the City council approves PURA's board of commissioners and the PURA provides benefits to the primary government. Separate financial statements for the PURA are issued and available from the City.

Basic Financial Statements - Government-Wide Statements – The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenues.

The City's sole activity is providing basic municipal services, and substantially all expenses are directly related to this activity. Accordingly, there is no allocation of indirect costs.

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities. Fiduciary funds, when present, are not included in the government-wide statements.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds. Major governmental funds of the City include:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the street fund, which accounts for maintenance and betterments of the City's streets and related infrastructure.

Debt Service Fund – The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on long term debt.

Capital Projects Funds – Capital projects funds are used to account for the acquisition of major capital assets. Major capital project funds include the capital improvements fund, used to account for the acquisition and betterment of major capital assets.

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in enterprise funds are reported as business-type activities in the government-wide financial statements. Major enterprise funds of the City include:

Water, Sewer, and Sanitation Fund – The water, sewer, and sanitation funds account for the revenues earned and expenses incurred in providing water, sewer, and sanitation services.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

Both governmental and business-type activities in the government-wide financial statements and proprietary and fiduciary fund financial statements are reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

Cash and Investments – Nearly all the cash and investment balances of the City's funds are pooled for investment purposes. The individual funds' portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is allocated to the various funds in proportion to each fund's respective investment balance. Investments include monies invested in the local government investment pool and are stated at fair value using either quoted market prices or best available estimate. The reported value of the local government investment pool is materially the same as the fair value of its shares.

For purposes of the statement of cash flows, the City considers all investments (including restricted investments) available for immediate withdrawal or with maturities of three months or less to be cash and cash equivalents (referred to as cash and investments).

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Significant capital asset acquisitions with an original cost of \$5,000 or more are recorded at cost if purchased or fair value if contributed. Minor repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight line method.

Compensated Absences – The City provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is recorded as a liability in the accompanying financial statements.

Pensions – For purposes of measuring the net pension liability and pension expense (revenue), information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (the 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. For purposes of measuring the net pension asset

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

and pension expense (revenue), information about the fiduciary net position of the Firefighters' Retirement Fund Plan (FRF) and additions to/deductions from FRF's fiduciary net position have been determined on the same basis as they are reported by the FRF. 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.

Deferred Inflows of Resources – The City's financial statements may report a separate section for deferred inflows of resources which reflects an increase in resources that applies to a future period. This situation occurs in instances where certain grant revenues or property tax revenues are not collected within thirty days after the end of the City's fiscal year (thus not meeting the criteria for revenue recognition under the modified accrual basis of accounting). When such grant revenues or property tax revenues are later collected, they are recognized in the governmental fund financial statements by increasing revenue and decreasing the related deferred inflow of resources account.

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are subject to constraints on their use by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the City first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the City first utilizes committed resources then assigned resources before using unassigned resources.

Property Taxes – The City is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

Contingent Liabilities – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Interfund Activity – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

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

Concentrations of Credit Risk – The City maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The City does not have a formal policy concerning concentrations of credit risk.

Risk Management – The City is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

Subsequent Events – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$6,761,351
Investments - Local Government Investment Pool	3,580,257
Total	<u><u>\$10,341,608</u></u>

Deposits – At year end, the carrying amounts of the City's deposits were \$6,761,351 and the bank balances were \$7,053,621. Of the bank balances, \$468,666 was insured, \$5,094,659 was collateralized, and the balance was uninsured and uncollateralized.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The City's investment policy complies with state statutes.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. Government accounting standards board statement 40 requires government entities to disclose credit quality ratings, concentration of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements. The local government investment pool investments include insured or registered investments or investments for which the securities are held by the City or its agent in the City's name. Collateralized securities in the local government investment pool are held in trust by a safekeeping bank.

Restricted Cash & Investments – Restricted cash and investments at year end is cash and investments set aside because their use is limited by City ordinance and by the City council. In the water fund, the customer deposit account is used to report resources received from users of the utility system, to be returned to the customer when leaving the system provided that all utility bills are paid current. Per bond covenants, the City is required to restrict cash and investments within its sewer and debt service funds at a rate of one-tenth of an annual payment per year until one annual bond payment has been accumulated. Management is not aware of any violations of these covenants.

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

C. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$788,449			\$788,449
Total	<u>788,449</u>	<u>\$0</u>	<u>\$0</u>	<u>788,449</u>
Depreciable Capital Assets				
Buildings	4,552,020			4,552,020
Equipment	3,131,199	82,047	49,500	3,163,746
Improvements	3,194,389	120,260		3,314,649
Subtotal	<u>10,877,608</u>	<u>202,307</u>	<u>49,500</u>	<u>11,030,415</u>
Accumulated Depreciation				
Buildings	930,396	103,769		1,034,165
Equipment	2,591,601	98,144	35,026	2,654,719
Improvements	1,070,523	113,742		1,184,265
Subtotal	<u>4,592,520</u>	<u>315,655</u>	<u>35,026</u>	<u>4,873,149</u>
Total	<u>6,285,088</u>	<u>(113,348)</u>	<u>14,474</u>	<u>6,157,266</u>
Net Capital Assets	<u><u>\$7,073,537</u></u>	<u><u>(\$113,348)</u></u>	<u><u>\$14,474</u></u>	<u><u>\$6,945,715</u></u>

Depreciation expense of \$315,655 was charged to the capital assets program.

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Capital Assets				
Land	\$728,318			\$728,318
Total	<u>728,318</u>	<u>\$0</u>	<u>\$0</u>	<u>728,318</u>
Depreciable Capital Assets				
Buildings	413,326			413,326
Equipment	1,951,559	108,304	140,000	1,919,863
Improvements	11,338,324			11,338,324
Subtotal	<u>13,703,209</u>	<u>108,304</u>	<u>140,000</u>	<u>13,671,513</u>
Accumulated Depreciation				
Buildings	236,326	11,885		248,211
Equipment	1,186,135	92,360	88,200	1,190,295
Improvements	6,012,477	300,249		6,312,726
Subtotal	<u>7,434,938</u>	<u>404,494</u>	<u>88,200</u>	<u>7,751,232</u>
Total	<u>6,268,271</u>	<u>(296,190)</u>	<u>51,800</u>	<u>5,920,281</u>
Net Capital Assets	<u>\$6,996,589</u>	<u>(\$296,190)</u>	<u>\$51,800</u>	<u>\$6,648,599</u>

Depreciation expense of \$175,095 and \$229,399 was charged to the water and sewer services programs, respectively.

D. NOTE RECEIVABLE

The City has a note receivable from its component unit, Payette Urban Renewal Agency (the Agency) with a balance of \$12,569 at year end. The note calls for annual payments of no less than 90% of the property taxes received by the Agency with interest from 3.50%. The note is secured by future taxes and is due by 2021/22. As annual note payments are based on future tax revenues which are currently unknown, the entire note has been classified as noncurrent.

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

E. LONG-TERM DEBT AND OBLIGATIONS

Governmental Activities:

Note Payable – At year end, the City’s component unit, Payette Urban Renewal Agency (the Agency) had a note payable to the City as follows:

Note payable, due in annual payments of no less than 90% of the property taxes received by the Agency with interest at 3.50%, due by 2021/22, secured by future taxes, paid through the Payette Urban Renewal Agency fund	\$12,569
Total	<u>\$12,569</u>

Bonded Debt – At year end, the City’s bonded debt was as follows:

	<u>Outstanding</u>
2010 - \$1,100,000 - general obligation bonds for capital improvements due in annual installments with interest at 3.75% through 2040/41, secured by future taxes, paid through the debt service fund	\$1,013,234
Total	<u>\$1,013,234</u>

Maturities on the bonds – governmental activities – are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
9/30/16	\$23,703	\$37,996
9/30/17	24,592	37,107
9/30/18	25,514	36,185
9/30/19	26,471	35,228
9/30/20	27,463	34,236
9/30/21-25	153,558	154,937
9/30/26-30	184,591	123,904
9/30/31-35	221,899	86,596
9/30/36-40	266,744	41,751
9/30/41	58,699	2,201
Total	<u>\$1,013,234</u>	<u>\$590,141</u>

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

Business-Type Activities:

	<u>Outstanding</u>
2010 - \$1,335,000 - sewer revenue bonds for capital improvements due in annual installments with interest at 3.00% through 2033/34, secured by future sewer revenue fees, paid through the sewer fund	\$954,703
1999 - \$226,624 - special assessment bond for capital improvements due in annual installments with interest at 3.25% through 2029/30, secured by future local improvement district assessments, paid through the sewer fund	<u>139,944</u>
Total	<u><u>\$1,094,647</u></u>

Maturities on the bonds – business-type activities – are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
9/30/16	\$46,864	\$33,189
9/30/17	48,288	31,765
9/30/18	49,756	30,297
9/30/19	51,268	28,785
9/30/20	52,827	27,226
9/30/21-25	289,221	111,044
9/30/26-30	335,837	64,428
9/30/31-34	220,586	51,862
Total	<u><u>\$1,094,647</u></u>	<u><u>\$378,596</u></u>

Sewer Revenue Loan - At year end, the City’s sewer revenue loan was as follows:

Sewer revenue loan - DEQ, due in semiannual payments of \$43,831 with interest at 4.00% through 2022/23, secured by future user fees, paid through the sewer fund	<u>\$559,849</u>
Total	<u><u>\$559,849</u></u>

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

Maturities on the sewer revenue loan are estimated as follows:

Year Ended	Principal	Interest
9/30/16	\$65,921	\$21,741
9/30/17	68,584	19,078
9/30/18	71,356	16,306
9/30/19	74,238	13,424
9/30/20	77,237	10,425
9/30/21-23	202,513	12,134
Total	\$559,849	\$93,108

Changes in long-term debt and obligations are as follows:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government					
<i>Governmental Act.</i>					
2010 GO Bonds	\$1,036,080		\$22,846	\$1,013,234	\$23,703
Note Payable	61,348		48,779	12,569	*
Comp. Absences	113,760	\$13,304		127,064	127,064
Subtotal	1,211,188	13,304	71,625	1,152,867	150,767
<i>Business-Type Act.</i>					
2010 SR Bond	993,024		38,321	954,703	39,471
1999 SA Bond	147,104		7,160	139,944	7,393
Sewer Revenue Loan	623,210		63,361	559,849	65,921
Comp. Absences	44,739		2,215	42,524	42,524
Subtotal	1,808,077	0	111,057	1,697,020	155,309
Total	\$3,019,265	\$13,304	\$182,682	\$2,849,887	\$306,076

*As annual note payments on this note payable are based on future tax revenues which are currently unknown, the entire note has been classified as noncurrent and future annual maturities on the note are likewise unknown at this time.

Interest and related costs during the year amounted to \$39,933 and \$57,205 and were charged to the debt service – interest and sewer services programs, respectively. Compensated absences are normally paid through the general, water, or sewer funds.

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

F. PENSION PLAN – BASE 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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Active participants	67,008
Terminated and vested	42,657
Retirees and beneficiaries	11,859
Total	<u><u>121,524</u></u>

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.

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 8.36% for police and firefighters. The City's contributions were \$222,004 for the year ended September 30, 2015.

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

At September 30, 2015, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the City's proportion was 0.0639491 percent.

For the year ended September 30, 2015, the City recognized pension expense (revenue) of \$3,157. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Base Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$100,950
Changes in assumptions or other inputs	\$30,668	
Net difference between projected and actual earnings on pension plan investments	309,918	442,220
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions		0
Employer contributions subsequent to the measurement date	55,501	
Total	\$396,087	\$543,170

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

\$55,501 reported as deferred outflows of resources related to pensions resulting from City contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending September 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 years.

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

Year Ended	
9/30/16	(\$86,382)
9/30/17	(86,382)
9/30/18	(86,382)
9/30/19	62,698
9/30/20	(6,135)
Total	<u><u>(\$202,583)</u></u>

Actuarial Assumptions

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

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

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

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 in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The total pension liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

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

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

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

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%
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%

*Arithmetic Return

Discount Rate

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the City'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%)
City's proportionate share of the net pension liability (asset)	\$2,051,063	\$842,106	(\$162,982)

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

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.

G. PENSION PLAN – FIREFIGHTERS’ RETIREMENT FUND PLAN

Plan Description

The City contributes to the FRF which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers a closed group of firefighters who were hired before October 1, 1980, and who received benefits in addition to those provided under the PERSI System. The cost to administer the plan is financed through the contributions and investment earnings of the FRF. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. 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 FRF 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 System members with at least ten years of service and three members who are Idaho citizens not members of the System except by reason of having served on the Board.

Employee membership data related to the System, as of June 30, 2015 was as follows:

Active participants	2
Terminated and vested	0
Retirees and beneficiaries	<u>535</u>
Total	<u><u>537</u></u>

Pension Benefits

The FRF provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members’ years of service as well as the final average salary. A firefighter must have 5 years of service to be eligible for a lifetime retirement allowance at age 60. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance is based on Idaho Code Title 72 Chapter 14.

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

The benefit payments for the FRF are calculated using a benefit formula adopted by the Idaho Legislature. The FRF cost of living increase is based on the increase in the statewide average firefighter's wage.

Member and Employer Contributions

Member and employer contributions paid to the FRF 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 total FRF employer contribution rate through December 31, 2014 was 37.55%. This includes the employer excess rate of 25.89% plus the PERSI class 2 firefighters rate of 11.66%. As of January 1, 2015 the total employer rate was reduced to 25.31% which includes the lower employer excess rate of 13.65% plus the PERSI class 2 firefighters rate of 11.66%. The FRF member rate for the year for class B is 11.45% which is 3.09% above the class 2 rate of 8.36%. The City's contributions were \$19,201 for the year ended September 30, 2015.

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

At September 30, 2015, the City reported an asset for its proportionate share of the net pension asset. The net pension asset was measured as of July 1, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on the City's share of contributions in the FRF pension plan relative to the total contributions of all participating FRF employers. At July 1, 2015, the City's proportion was 0.2481620 percent.

For the year ended September 30, 2015, the City recognized pension expense (revenue) of (\$92,737). At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Firefighters Retirement Fund (FRF)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$30,459	\$43,736
Employer contributions subsequent to the measurement date	4,800	
Total	\$35,259	\$43,736

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

\$4,800 reported as deferred outflows of resources related to pensions resulting from City contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending September 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 1.0 year.

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

Year Ended	
9/30/16	(\$6,964)
9/30/17	(6,964)
9/30/18	(6,964)
9/30/19	7,615
Total	<u><u>(\$13,277)</u></u>

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. Unfunded actuarial accrued liability for FRF is the difference between the actuarial present value of the FRF benefits not provided by the Base Plan and the FRF assets. Currently FRF assets exceed this actuarial present value; therefore there is not an unfunded liability to amortize at this time. The maximum amortization period for the FRF permitted under Section 59-1394, Idaho Code, is 50 years.

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

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

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

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 in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The total pension asset as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

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

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

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

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%

*Arithmetic Return

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	<u>7.10%</u>

Discount Rate

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

Sensitivity of the City's proportionate share of the net pension asset to changes in the discount rate.

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

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
City's proportionate share of the net pension liability (asset)	(\$51,845)	(\$134,034)	(\$203,312)

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.

H. INTERFUND TRANSFERS

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General		\$50,000	Reimbursements, Improvements
Capital Improvements	\$50,000		Improvements
Nonmajor Governmental	19,100		Reimbursements
Water		9,550	Reimbursements
Sewer		9,550	Reimbursements
Total	<u>\$69,100</u>	<u>\$69,100</u>	

I. PRIOR PERIOD ADJUSTMENT

During the year, the City implemented GASB No. 68 *Accounting and Financial Reporting for Pensions*. As required by GASB 68, the City's net position was restated by to reflect the prior year net pension asset and liability and related deferred outflows from pension contributions made subsequent to the measurement date.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PAYETTE, IDAHO
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended September 30, 2015

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes, Penalties, & Interest	\$1,539,880	\$1,539,880	\$1,574,579	\$34,699
Licenses, Fees, & Charges	146,650	146,650	136,132	(10,518)
Intergovernmental Revenue	431,740	431,740	429,379	(2,361)
Investment Interest	1,500	1,500	1,278	(222)
Grants & Miscellaneous	256,795	256,795	143,551	(113,244)
Total Revenues	<u>2,376,565</u>	<u>2,376,565</u>	<u>2,284,919</u>	<u>(91,646)</u>
Expenditures				
Current Expenditures				
General Government	559,129	559,129	422,203	136,926
Public Safety	1,693,226	1,693,226	1,658,789	34,437
Highways & Streets	0	0	0	0
Airport	0	0	0	0
Culture & Recreation	246,622	246,622	253,371	(6,749)
Capital Outlay	137,000	137,000	106,171	30,829
Total Expenditures	<u>2,635,977</u>	<u>2,635,977</u>	<u>2,440,534</u>	<u>195,443</u> *
Excess (Deficiency) of Revenues Over Expenditures				
	(259,412)	(259,412)	(155,615)	103,797
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(50,000)	(50,000)	(50,000)	0
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>
Net Change in Fund Balances	(309,412)	(309,412)	(205,615)	103,797
Fund Balances - Beginning	309,412	309,412	1,834,278	1,524,866
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$1,628,663</u>	<u>\$1,628,663</u>
<i>*Total expenditures (over) under appropriations are:</i>				<u>\$195,443</u>

CITY OF PAYETTE, IDAHO
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended September 30, 2015

Street Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes, Penalties, & Interest	\$430,561	\$430,561	\$430,268	(\$293)
Licenses, Fees, & Charges	1,500	1,500	1,925	425
Intergovernmental Revenue	353,183	353,183	420,415	67,232
Investment Interest	700	700	747	47
Grants & Miscellaneous	37,000	37,000	36,122	(878)
Total Revenues	822,944	822,944	889,477	66,533
Expenditures				
Current Expenditures				
General Government	0	0	0	0
Public Safety	0	0	0	0
Highways & Streets	817,944	817,944	768,113	49,831
Airport	0	0	0	0
Culture & Recreation	0	0	0	0
Capital Outlay	185,000	185,000	70,541	114,459
Total Expenditures	1,002,944	1,002,944	838,654	164,290 *
Excess (Deficiency) of Revenues Over Expenditures				
	(180,000)	(180,000)	50,823	230,823
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	(180,000)	(180,000)	50,823	230,823
Fund Balances - Beginning	180,000	180,000	492,412	312,412
Fund Balances - Ending	\$0	\$0	\$543,235	\$543,235
<i>*Total expenditures (over) under appropriations are:</i>				\$164,290

CITY OF PAYETTE, IDAHO

Schedule of Employer's Share of Net Pension Asset and Liability

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2015</u>
City's portion of the net pension liability	0.0639491%
City's proportionate share of the net pension liability	\$842,106
City's covered-employee payroll	\$1,961,166
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	42.94%
Plan fiduciary net position as a percentage of the total pension liability	91.38%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of July 1.

CITY OF PAYETTE, IDAHO

Schedule of Employer's Share of Net Pension Asset and Liability
PERSI - Firefighters' Retirement Fund Plan
Last 10 - Fiscal Years*

	<u>2015</u>
City's portion of the net pension asset	0.2481620%
City's proportionate share of the net pension asset	\$134,034
City's covered-employee payroll	\$61,091
City's proportional share of the net pension asset as a percentage of its covered-employee payroll	219.40%
Plan fiduciary net position as a percentage of the total pension asset	118.08%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of July 1.

CITY OF PAYETTE, IDAHO
 Schedule of Employer Contributions
 PERSI - Base Plan
 Last 10 - Fiscal Years*

	2015
Statutorily required contribution	\$209,179
Contributions in relation to the statutorily required contribution	\$205,430
Contribution deficiency (excess)	\$3,749
City's covered-employee payroll	\$1,961,166
Contributions as a percentage of covered-employee payroll	10.47%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of each year's fiscal year end.

CITY OF PAYETTE, IDAHO
 Schedule of Employer Contributions
 PERSI - Firefighters' Retirement Fund Plan
 Last 10 - Fiscal Years*

	2015
Statutorily required contribution	\$0
Contributions in relation to the statutorily required contribution	\$28,056
Contribution deficiency (excess)	(\$28,056)
City's covered-employee payroll	\$61,091
Contributions as a percentage of covered-employee payroll	45.92%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of each year's fiscal year end.

SUPPLEMENTARY INFORMATION

CITY OF PAYETTE, IDAHO
 Combining Balance Sheet - Nonmajor Governmental Funds
 September 30, 2015

	Special Revenue Funds			
	Library	Tort	Recreation	Airport
Assets				
Cash & Investments	\$24,445	\$14,040	\$267,107	\$33,824
Receivables:				
Taxes	15,463	7,481	5,151	7
Intergovernmental Accounts	4,832		6,721	810
Due From Other Funds				
Restricted Cash & Investments				
Total Assets	<u>\$44,740</u>	<u>\$21,521</u>	<u>\$278,979</u>	<u>\$34,641</u>
Liabilities				
Accounts Payable & Accrued Expenses	\$5,537		\$4,186	
Due To Other Funds				
Total Liabilities	<u>5,537</u>	<u>\$0</u>	<u>4,186</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	14,819	6,342	4,866	7
Total Deferred Inflows of Resources	<u>14,819</u>	<u>6,342</u>	<u>4,866</u>	<u>7</u>
Fund Balances				
Restricted - Special Programs	24,384	15,179	269,927	34,634
Restricted - Debt Service				
Restricted - Capital Projects				
Unassigned				
Total Fund Balances	<u>24,384</u>	<u>15,179</u>	<u>269,927</u>	<u>34,634</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$44,740</u>	<u>\$21,521</u>	<u>\$278,979</u>	<u>\$34,641</u>

CITY OF PAYETTE, IDAHO
 Combining Balance Sheet - Nonmajor Governmental Funds
 September 30, 2015

	Special Revenue Funds			Total
	Revolving Loan	Health Insurance	Payette Urban Renewal Agency	
Assets				
Cash & Investments	\$145,429	\$199,086	\$153,115	\$837,046
Receivables:				
Taxes				28,102
Intergovernmental				12,363
Accounts				0
Due From Other Funds				0
Restricted Cash & Investments				0
Total Assets	<u>\$145,429</u>	<u>\$199,086</u>	<u>\$153,115</u>	<u>\$877,511</u>
Liabilities				
Accounts Payable & Accrued Expenses				\$9,723
Due To Other Funds				0
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>9,723</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				26,034
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,034</u>
Fund Balances				
Restricted - Special Programs	145,429	199,086	153,115	841,754
Restricted - Debt Service				0
Restricted - Capital Projects				0
Unassigned				0
Total Fund Balances	<u>145,429</u>	<u>199,086</u>	<u>153,115</u>	<u>841,754</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$145,429</u>	<u>\$199,086</u>	<u>\$153,115</u>	<u>\$877,511</u>

CITY OF PAYETTE, IDAHO

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended September 30, 2015

	Special Revenue Funds			
	Library	Tort	Recreation	Airport
Revenues				
Taxes, Penalties, & Interest	\$166,757	\$73,388	\$53,977	\$180
Licenses, Fees, & Charges	10,839		98,504	37,721
Intergovernmental Revenue	28,181		93,884	2,969
Investment Interest	79	22	344	36
Grants & Miscellaneous	3,539		2,289	
Total Revenues	<u>209,395</u>	<u>73,410</u>	<u>248,998</u>	<u>40,906</u>
Expenditures				
Current Expenditures				
General Government		90,450		
Public Safety				
Highways & Streets				
Airport				37,964
Culture & Recreation	237,687		224,603	
Debt Service				
Capital Outlay				15,595
Total Expenditures	<u>237,687</u>	<u>90,450</u>	<u>224,603</u>	<u>53,559</u>
Excess (Deficiency) of Revenues Over Expenditures	(28,292)	(17,040)	24,395	(12,653)
Other Financing Sources (Uses)				
Transfers In		19,100		
Transfers Out				
Total Other Financing Sources (Uses)	<u>0</u>	<u>19,100</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(28,292)	2,060	24,395	(12,653)
Fund Balances - Beginning	<u>52,676</u>	<u>13,119</u>	<u>245,532</u>	<u>47,287</u>
Fund Balances - Ending	<u><u>\$24,384</u></u>	<u><u>\$15,179</u></u>	<u><u>\$269,927</u></u>	<u><u>\$34,634</u></u>

CITY OF PAYETTE, IDAHO

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended September 30, 2015

	Special Revenue Funds			Total
	Revolving Loan	Health Insurance	Payette Urban Renewal Agency	
Revenues				
Taxes, Penalties, & Interest			\$111,615	\$405,917
Licenses, Fees, & Charges				147,064
Intergovernmental Revenue				125,034
Investment Interest	\$220	\$294		995
Grants & Miscellaneous	3,264	109,808		118,900
Total Revenues	<u>3,484</u>	<u>110,102</u>	<u>111,615</u>	<u>797,910</u>
Expenditures				
Current Expenditures				
General Government	975	58,048	6,793	156,266
Public Safety				0
Highways & Streets				0
Airport				37,964
Culture & Recreation				462,290
Debt Service			51,297	51,297
Capital Outlay				15,595
Total Expenditures	<u>975</u>	<u>58,048</u>	<u>58,090</u>	<u>723,412</u>
Excess (Deficiency) of Revenues Over Expenditures	2,509	52,054	53,525	74,498
Other Financing Sources (Uses)				
Transfers In				19,100
Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>19,100</u>
Net Change in Fund Balances	2,509	52,054	53,525	93,598
Fund Balances - Beginning	<u>142,920</u>	<u>147,032</u>	<u>99,590</u>	<u>748,156</u>
Fund Balances - Ending	<u>\$145,429</u>	<u>\$199,086</u>	<u>\$153,115</u>	<u>\$841,754</u>

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**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***

Honorable Mayor and City Council
City of Payette, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Payette, Idaho (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 17, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 the City'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 City's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Quest CPAs, P.C.

Payette, Idaho
November 17, 2015