

CITY OF PAYETTE, IDAHO

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2017

CITY OF PAYETTE, IDAHO

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FINANCIAL SECTION

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, 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 not included 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 information, although not 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 not including this 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 December 29, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Payette, Idaho
December 29, 2017

BASIC FINANCIAL STATEMENTS

CITY OF PAYETTE, IDAHO

Statement of Net Position

September 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Assets			
Current Assets			
Cash & Investments	\$2,043,595	\$7,714,143	\$9,757,738
Receivables:			
Taxes	201,873		201,873
Intergovernmental	179,577		179,577
Accounts		379,800	379,800
Total Current Assets	<u>2,425,045</u>	<u>8,093,943</u>	<u>10,518,988</u>
Noncurrent Assets			
Restricted Cash & Investments	61,699	266,730	328,429
Nondepreciable Capital Assets	788,449	728,318	1,516,767
Depreciable Net Capital Assets	6,649,500	5,763,723	12,413,223
Net Pension Asset - FRF	251,567		251,567
Total Noncurrent Assets	<u>7,751,215</u>	<u>6,758,771</u>	<u>14,509,986</u>
Total Assets	<u>10,176,260</u>	<u>14,852,714</u>	<u>25,028,974</u>
Deferred Outflows of Resources			
Pension Sources - Base Plan	150,175	57,684	207,859
Pension Sources - FRF	2,676		2,676
Total Deferred Outflows of Resources	<u>152,851</u>	<u>57,684</u>	<u>210,535</u>
Total Assets and Deferred Outflows of Resources	<u>\$10,329,111</u>	<u>\$14,910,398</u>	<u>\$25,239,509</u>
Liabilities			
Current Liabilities			
Accounts Payable & Accrued Expenses		\$5,673	\$5,673
Deposits		99,015	99,015
Accrued Interest	\$27,362	28,787	56,149
Long-Term Debt & Obligations, Current	206,145	174,704	380,849
Total Current Liabilities	<u>233,507</u>	<u>308,179</u>	<u>541,686</u>
Noncurrent Liabilities			
Long-Term Debt & Obligations, Noncurrent	939,426	1,303,726	2,243,152
Net Pension Liability - Base Plan	727,366	219,085	946,451
Total Noncurrent Liabilities	<u>1,666,792</u>	<u>1,522,811</u>	<u>3,189,603</u>
Total Liabilities	<u>1,900,299</u>	<u>1,830,990</u>	<u>3,731,289</u>
Deferred Inflows of Resources			
Pension Sources - Base Plan	101,060	40,913	141,973
Pension Sources - FRF	5,601		5,601
Total Deferred Inflows of Resources	<u>106,661</u>	<u>40,913</u>	<u>147,574</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,006,960</u>	<u>1,871,903</u>	<u>3,878,863</u>
Net Position			
Net Investment in Capital Assets	6,445,647	5,038,416	11,484,063
Restricted - Special Programs	466,185		466,185
Restricted - Debt Service	70,712	167,715	238,427
Restricted - Capital Projects	410,664	1,875,731	2,286,395
Unrestricted	928,943	5,956,633	6,885,576
Total Net Position	<u>8,322,151</u>	<u>13,038,495</u>	<u>21,360,646</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$10,329,111</u>	<u>\$14,910,398</u>	<u>\$25,239,509</u>

See Accompanying Notes

CITY OF PAYETTE, IDAHO

Statement of Activities

Year Ended September 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	
Primary Government				
Governmental Activities				
Current Expenditures				
General Government	\$611,597	\$53,735		(\$557,862)
Public Safety	1,500,165	131,804	\$65,496	(1,302,865)
Highways & Streets	837,421	73,575		(763,846)
Airport	48,309	4,060		(44,249)
Culture & Recreation	776,242	65,233	3,219	(707,790)
Debt Service - Interest	36,410			(36,410)
Capital Assets	308,736			28,764
Total Governmental Activities	<u>4,118,880</u>	<u>328,407</u>	<u>68,715</u>	<u>(3,384,258)</u>
Business-Type Activities				
Water Services	829,330	954,685		125,355
Sewer Services	995,378	1,497,567		502,189
Sanitation Services	361,395	399,466		38,071
Total Business-Type Activities	<u>2,186,103</u>	<u>2,851,718</u>	<u>0</u>	<u>665,615</u>
Total Primary Government	<u>\$6,304,983</u>	<u>\$3,180,125</u>	<u>\$68,715</u>	<u>(\$2,718,643)</u>
		Governmental Activities	Business-Type Activities	Total Primary Government
Changes in Net Position				
Net (Expense) Revenue		(\$3,384,258)	\$665,615	(\$2,718,643)
General Revenues				
Taxes, Penalties, & Interest		2,239,290		2,239,290
Intergovernmental Revenue		991,233		991,233
Investment Interest		14,064	17,146	31,210
Miscellaneous		22,393		22,393
Pension Revenue (Expense)		(76,327)	(27,974)	(104,301)
Transfers		154,872	(154,872)	0
Total		<u>3,345,525</u>	<u>(165,700)</u>	<u>3,179,825</u>
Change in Net Position		(38,733)	499,915	461,182
Net Position - Beginning -				
As Previously Stated		8,566,789	12,538,580	21,105,369
Restatement - See Note H		(205,905)		(205,905)
Net Position - Beginning -				
As Restated		<u>8,360,884</u>	<u>12,538,580</u>	<u>20,899,464</u>
Net Position - Ending		<u>\$8,322,151</u>	<u>\$13,038,495</u>	<u>\$21,360,646</u>

CITY OF PAYETTE, IDAHO
 Balance Sheet - Governmental Funds
 September 30, 2017

	General Fund	Street Fund	Debt Service Fund	Capital Improvements Fund
Assets				
Cash & Investments	\$1,152,269	\$22,492	\$8,692	\$410,644
Receivables:				
Taxes	125,347	42,140	2,204	216
Intergovernmental Accounts	79,599	87,020		
Due From Other Funds				
Restricted Cash & Investments			61,699	
Total Assets	<u>\$1,357,215</u>	<u>\$151,652</u>	<u>\$72,595</u>	<u>\$410,860</u>
Liabilities				
Accounts Payable & Accrued Expenses				
Due To Other Funds				
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	110,716	37,075	1,883	196
Total Deferred Inflows of Resources	<u>110,716</u>	<u>37,075</u>	<u>1,883</u>	<u>196</u>
Fund Balances				
Restricted - Special Programs				
Restricted - Debt Service			70,712	
Restricted - Capital Projects				410,664
Unassigned	1,246,499	114,577		
Total Fund Balances	<u>1,246,499</u>	<u>114,577</u>	<u>70,712</u>	<u>410,664</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$1,357,215</u>	<u>\$151,652</u>	<u>\$72,595</u>	<u>\$410,860</u>

CITY OF PAYETTE, IDAHO
 Balance Sheet - Governmental Funds
 September 30, 2017

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$449,498	\$2,043,595
Receivables:		
Taxes	31,966	201,873
Intergovernmental	12,958	179,577
Accounts	0	0
Due From Other Funds	0	0
Restricted Cash & Investments	0	61,699
Total Assets	\$494,422	\$2,486,744
Liabilities		
Accounts Payable & Accrued Expenses	\$0	\$0
Due To Other Funds	0	0
Total Liabilities	0	0
Deferred Inflows of Resources		
Unavailable Tax Revenues	28,237	178,107
Total Deferred Inflows of Resources	28,237	178,107
Fund Balances		
Restricted - Special Programs	466,185	466,185
Restricted - Debt Service	0	70,712
Restricted - Capital Projects	0	410,664
Unassigned	0	1,361,076
Total Fund Balances	466,185	2,308,637
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$494,422	\$2,486,744

CITY OF PAYETTE, IDAHO
Balance Sheet - Governmental Funds
September 30, 2017

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

Total Governmental Fund Balances \$2,308,637

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. 7,437,949

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 178,107

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (1,172,933)

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. (429,609)

Net Position of Governmental Activities \$8,322,151

CITY OF PAYETTE, IDAHO

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>
Revenues				
Taxes, Penalties, & Interest	\$1,434,595	\$398,806	\$51,819	\$9,930
Licenses, Fees, & Charges	187,865	1,600		
Intergovernmental Revenue	435,569	414,085		
Investment Interest	5,858	2,710		1,070
Grants & Miscellaneous	115,326	823	11,594	
Total Revenues	<u>2,179,213</u>	<u>818,024</u>	<u>63,413</u>	<u>11,000</u>
Expenditures				
Current Expenditures				
General Government	473,849			3,627
Public Safety	1,568,398			
Highways & Streets		875,510		
Airport				
Culture & Recreation	186,224			
Debt Service			61,699	
Capital Outlay	140,067	353,079		
Total Expenditures	<u>2,368,538</u>	<u>1,228,589</u>	<u>61,699</u>	<u>3,627</u>
Excess (Deficiency) of Revenues Over Expenditures	(189,325)	(410,565)	1,714	7,373
Other Financing Sources (Uses)				
Transfers In	75,772	60,000		50,000
Transfers Out	(50,000)			
Total Other Financing Sources (Uses)	<u>25,772</u>	<u>60,000</u>	<u>0</u>	<u>50,000</u>
Net Change in Fund Balances	(163,553)	(350,565)	1,714	57,373
Fund Balances - Beginning - As Previously Stated				
	1,410,052	465,142	68,998	353,291
Restatement - See Note H				
Fund Balances - Beginning - As Restated				
	<u>1,410,052</u>	<u>465,142</u>	<u>68,998</u>	<u>353,291</u>
Fund Balances - Ending	<u><u>\$1,246,499</u></u>	<u><u>\$114,577</u></u>	<u><u>\$70,712</u></u>	<u><u>\$410,664</u></u>

CITY OF PAYETTE, IDAHO

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

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues		
Taxes, Penalties, & Interest	\$358,391	\$2,253,541
Licenses, Fees, & Charges	138,942	328,407
Intergovernmental Revenue	141,579	991,233
Investment Interest	4,426	14,064
Grants & Miscellaneous	353,692	481,435
Total Revenues	<u>997,030</u>	<u>4,068,680</u>
 Expenditures		
Current Expenditures		
General Government	161,939	639,415
Public Safety	0	1,568,398
Highways & Streets	0	875,510
Airport	48,309	48,309
Culture & Recreation	590,018	776,242
Debt Service	0	61,699
Capital Outlay	397,451	890,597
Total Expenditures	<u>1,197,717</u>	<u>4,860,170</u>
 Excess (Deficiency) of Revenues Over Expenditures	(200,687)	(791,490)
Other Financing Sources (Uses)		
Transfers In	19,100	204,872
Transfers Out	0	(50,000)
Total Other Financing Sources (Uses)	<u>19,100</u>	<u>154,872</u>
 Net Change in Fund Balances	(181,587)	(636,618)
 Fund Balances - Beginning - As Previously Stated	850,787	3,148,270
Restatement - See Note H	(203,015)	(203,015)
Fund Balances - Beginning - As Restated	<u>647,772</u>	<u>2,945,255</u>
Fund Balances - Ending	<u>\$466,185</u>	<u>\$2,308,637</u>

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

**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 (\$636,618)

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. 529,034

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (14,251)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 24,592

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 697

In the statement of activities, compensated absences are accrued when earned, but the expenditure is reported when due in the governmental funds. (51,154)

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. 108,967

Change in Net Position of Governmental Activities (\$38,733)

CITY OF PAYETTE, IDAHO
Statement of Net Position - Proprietary Funds
September 30, 2017

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total Enterprise Funds</u>
Assets				
Current Assets				
Cash & Investments	\$2,588,043	\$5,126,100		\$7,714,143
Receivables:				
Accounts	104,879	233,787	\$41,134	379,800
Due From Other Funds	16,670			16,670
Total Current Assets	<u>2,709,592</u>	<u>5,359,887</u>	<u>41,134</u>	<u>8,110,613</u>
Noncurrent Assets				
Restricted Cash & Investments	99,015	167,715		266,730
Nondepreciable Capital Assets	239,550	488,768		728,318
Depreciable Net Capital Assets	2,345,987	3,417,736		5,763,723
Total Noncurrent Assets	<u>2,684,552</u>	<u>4,074,219</u>	<u>0</u>	<u>6,758,771</u>
Total Assets	<u>5,394,144</u>	<u>9,434,106</u>	<u>41,134</u>	<u>14,869,384</u>
Deferred Outflows of Resources				
Pension Sources - Base Plan	20,807	36,877		57,684
Total Deferred Outflows of Resources	<u>20,807</u>	<u>36,877</u>	<u>0</u>	<u>57,684</u>
Total Assets and Deferred Outflows of Resources	<u>\$5,414,951</u>	<u>\$9,470,983</u>	<u>\$41,134</u>	<u>\$14,927,068</u>
Liabilities				
Current Liabilities				
Accounts Payable & Accrued Expenses	\$5,139	\$466	\$68	\$5,673
Due To Other Funds			16,670	16,670
Deposits	99,015			99,015
Accrued Interest		28,787		28,787
Long-Term Debt & Obligations, Current	22,531	152,173		174,704
Total Current Liabilities	<u>126,685</u>	<u>181,426</u>	<u>16,738</u>	<u>324,849</u>
Noncurrent Liabilities				
Long-Term Debt & Obligations, Noncurrent		1,303,726		1,303,726
Net Pension Liability - Base Plan	94,097	124,988		219,085
Total Noncurrent Liabilities	<u>94,097</u>	<u>1,428,714</u>	<u>0</u>	<u>1,522,811</u>
Total Liabilities	<u>220,782</u>	<u>1,610,140</u>	<u>16,738</u>	<u>1,847,660</u>
Deferred Inflows of Resources				
Pension Sources - Base Plan	16,914	23,999		40,913
Total Deferred Inflows of Resources	<u>16,914</u>	<u>23,999</u>	<u>0</u>	<u>40,913</u>
Total Liabilities and Deferred Inflows of Resources	<u>237,696</u>	<u>1,634,139</u>	<u>16,738</u>	<u>1,888,573</u>
Net Position				
Net Investment in Capital Assets	2,585,537	2,452,879		5,038,416
Restricted - Debt Service		167,715		167,715
Restricted - Capital Projects	994,937	880,794		1,875,731
Unrestricted	1,596,781	4,335,456	24,396	5,956,633
Total Net Position	<u>5,177,255</u>	<u>7,836,844</u>	<u>24,396</u>	<u>13,038,495</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$5,414,951</u>	<u>\$9,470,983</u>	<u>\$41,134</u>	<u>\$14,927,068</u>

CITY OF PAYETTE, IDAHO

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
Year Ended September 30, 2017

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$929,578	\$1,481,111	\$399,466	\$2,810,155
Miscellaneous	25,107	16,456		41,563
Total Operating Revenues	<u>954,685</u>	<u>1,497,567</u>	<u>399,466</u>	<u>2,851,718</u>
Operating Expenses				
Personnel	285,770	305,765		591,535
Goods & Services	351,520	351,828	361,395	1,064,743
Depreciation	192,040	288,723		480,763
Total Operating Expenses	<u>829,330</u>	<u>946,316</u>	<u>361,395</u>	<u>2,137,041</u>
Operating Income (Loss)	<u>125,355</u>	<u>551,251</u>	<u>38,071</u>	<u>714,677</u>
Nonoperating Revenues (Expenses)				
Interest Income	7,785	8,921	440	17,146
Interest Expense		(49,062)		(49,062)
Pension Revenue (Expense)	(13,614)	(14,360)		(27,974)
Total Nonoperating Revenue (Expenses)	<u>(5,829)</u>	<u>(54,501)</u>	<u>440</u>	<u>(59,890)</u>
Income (Loss) Before Contributions & Transfers	119,526	496,750	38,511	654,787
Capital Contributions				0
Transfers In				0
Transfers Out	(9,550)	(9,550)	(135,772)	(154,872)
Change in Net Position	109,976	487,200	(97,261)	499,915
Net Position - Beginning	<u>5,067,279</u>	<u>7,349,644</u>	<u>121,657</u>	<u>12,538,580</u>
Net Position - Ending	<u><u>\$5,177,255</u></u>	<u><u>\$7,836,844</u></u>	<u><u>\$24,396</u></u>	<u><u>\$13,038,495</u></u>

CITY OF PAYETTE, IDAHO
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2017

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise Funds
Cash Flows From Operations				
Receipts from Customers	\$936,707	\$1,471,420	\$397,730	\$2,805,857
Payments for Personnel	(306,907)	(328,061)		(634,968)
Payments for Goods & Services	(351,100)	(351,831)	(361,395)	(1,064,326)
Cash Provided (Used) By Operations	<u>278,700</u>	<u>791,528</u>	<u>36,335</u>	<u>1,106,563</u>
Cash Flows From Noncapital Financing				
Receipts from Nonoperating Sources				0
Transfers (to) from Other Funds	(9,550)	(9,550)	(135,772)	(154,872)
Cash Provided (Used) By Noncapital Financing	<u>(9,550)</u>	<u>(9,550)</u>	<u>(135,772)</u>	<u>(154,872)</u>
Cash Flows From Capital & Related Financing				
Acquisition of Capital Assets	(196,670)	(53,786)		(250,456)
Interest Paid on Debt		(50,843)		(50,843)
Principal Paid on Debt		(116,872)		(116,872)
Changes in Other Long-Term Obligations	7,702	13,239		20,941
Cash Provided (Used) By Capital & Related Financing	<u>(188,968)</u>	<u>(208,262)</u>	<u>0</u>	<u>(397,230)</u>
Cash Flows From Investments				
Investment Income	7,785	8,921	440	17,146
Cash Provided (Used) By Investments	<u>7,785</u>	<u>8,921</u>	<u>440</u>	<u>17,146</u>
Change in Cash & Investments	87,967	582,637	(98,997)	571,607
Cash & Investments - Beginning	<u>2,615,761</u>	<u>4,711,178</u>	<u>82,327</u>	<u>7,409,266</u>
Cash & Investments - Ending	<u>\$2,703,728</u>	<u>\$5,293,815</u>	<u>(\$16,670)</u>	<u>\$7,980,873</u>
Cash & Investments Reconciliation				
Cash & Investments	\$2,588,043	\$5,126,100		\$7,714,143
Restricted Cash & Investments	99,015	167,715		266,730
Due from Other Funds / (Due to Other Funds)	16,670		(\$16,670)	0
Total Cash & Investments	<u>\$2,703,728</u>	<u>\$5,293,815</u>	<u>(\$16,670)</u>	<u>\$7,980,873</u>
Reconciliation of Operating Income (Loss) to Cash Provided (Used) By Operations				
Operating Income (Loss)	\$125,355	\$551,251	\$38,071	\$714,677
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operations:				
Depreciation	192,040	288,723		480,763
PERSI Contributions	(21,137)	(22,296)		(43,433)
Changes in Assets & Liabilities:				
Receivables	(16,878)	(26,147)	(1,736)	(44,761)
Accounts Payable & Accrued Expenses	420	(3)		417
Deposits	(1,100)			(1,100)
Cash Provided (Used) By Operations	<u>\$278,700</u>	<u>\$791,528</u>	<u>\$36,335</u>	<u>\$1,106,563</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.

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.

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

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

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.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. 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 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. 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

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

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 based on each fund’s respective investment balance. Investments are measured using the market approach and include the local government investment pool, reported and measured at amortized cost following the provisions of GASB 79 which provide for consistent measurement of investment value amongst pool participants.

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 – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for 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 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 Outflows/Inflows of Resources – The City’s financial statements may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

assets that apply to a future period. Deferred inflows of resources represent an acquisition of net assets that apply to a future period. Deferred outflows/inflows of resources generally represent amounts that are not available in the current period.

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 restricted 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 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

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

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	\$7,103,389
Investments - Local Government Investment Pool	<u>2,982,778</u>
Total	<u><u>\$10,086,167</u></u>

Deposits – At year end, the carrying amounts of the City's deposits were \$7,103,389 and the bank balances were \$7,349,535. Of the bank balances, \$250,647 was insured and \$7,098,888 was collateralized.

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 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. More information on the local governmental investment pool including regulatory information, restriction on withdrawals, and rating and risk information can be found at sto.idaho.gov. Government accounting standards board statements 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.

Restricted Cash & Investments – Restricted cash and investments at year end is cash and investments set aside because their use is limited by City ordinance. In the water fund, the customer deposit account is used to report resources received from users of the utility system, to be returned

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

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.

C. CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
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	47,912		4,599,932
Equipment	3,244,420	258,553	176,091	3,326,882
Improvements	3,478,294	584,132		4,062,426
Subtotal	<u>11,274,734</u>	<u>890,597</u>	<u>176,091</u>	<u>11,989,240</u>
Accumulated Depreciation				
Buildings	1,137,934	83,974		1,221,908
Equipment	2,742,454	106,455	123,264	2,725,645
Improvements	1,273,880	118,307		1,392,187
Subtotal	<u>5,154,268</u>	<u>308,736</u>	<u>123,264</u>	<u>5,339,740</u>
Total	<u>6,120,466</u>	<u>581,861</u>	<u>52,827</u>	<u>6,649,500</u>
Net Capital Assets	<u><u>\$6,908,915</u></u>	<u><u>\$581,861</u></u>	<u><u>\$52,827</u></u>	<u><u>\$7,437,949</u></u>

Depreciation expense of \$308,736 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	13,306		426,632
Equipment	2,376,819	40,480		2,417,299
Improvements	11,338,324	196,670		11,534,994
Subtotal	<u>14,128,469</u>	<u>250,456</u>	<u>0</u>	<u>14,378,925</u>
Accumulated Depreciation				
Buildings	259,293	6,633		265,926
Equipment	1,325,744	192,735		1,518,479
Improvements	6,549,402	281,395		6,830,797
Subtotal	<u>8,134,439</u>	<u>480,763</u>	<u>0</u>	<u>8,615,202</u>
Total	<u>5,994,030</u>	<u>(230,307)</u>	<u>0</u>	<u>5,763,723</u>
Net Capital Assets	<u>\$6,722,348</u>	<u>(\$230,307)</u>	<u>\$0</u>	<u>\$6,492,041</u>

Depreciation expense of \$192,040 and \$288,723 was charged to the water and sewer services programs, respectively.

D. LONG-TERM DEBT AND OBLIGATIONS

Governmental Activities:

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

	<u>Outstanding</u>
2010 - \$1,100,000 - general obligation bonds #97-05 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	\$964,940
Total	<u>\$964,940</u>

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
9/30/18	\$25,514	\$36,185
9/30/19	26,471	35,228
9/30/20	27,463	34,236
9/30/21	28,493	33,206
9/30/22	29,562	32,137
9/30/23-27	165,290	143,205
9/30/28-32	198,695	109,800
9/30/33-37	238,854	69,641
9/30/38-41	224,598	21,400
Total	<u><u>\$964,940</u></u>	<u><u>\$515,038</u></u>

Business-Type Activities:

	<u>Outstanding</u>
2010 - \$1,335,000 - sewer revenue bonds #92-04 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	\$874,577
1999 - \$226,624 - special assessment bond #93-01 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	124,918
Total	<u><u>\$999,495</u></u>

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
9/30/18	\$49,756	\$30,297
9/30/19	51,268	28,785
9/30/20	52,827	27,226
9/30/21	54,433	25,620
9/30/22	56,087	23,966
9/30/23-27	307,073	93,192
9/30/28-32	332,298	44,085
9/30/33-34	95,753	3,788
Total	<u><u>\$999,495</u></u>	<u><u>\$276,959</u></u>

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

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	\$425,343
Total	\$425,343

Maturities on the sewer revenue loan are estimated as follows:

Year Ended	Principal	Interest
9/30/18	\$71,356	\$16,306
9/30/19	74,238	13,424
9/30/20	77,237	10,425
9/30/21	80,357	7,305
9/30/22	83,604	4,058
9/30/23	38,551	771
Total	\$425,343	\$52,289

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 Bond #97-05	\$989,532		\$24,592	\$964,940	\$25,514
Comp. Absences	129,477	\$51,154		180,631	180,631
Subtotal	1,119,009	51,154	24,592	1,145,571	206,145
<i>Business-Type Act.</i>					
2010 SR Bond #92-04	915,232		40,655	874,577	41,875
1999 SA Bond #93-01	132,551		7,633	124,918	7,881
Sewer Revenue Loan	493,927		68,584	425,343	71,356
Comp. Absences	32,651	20,941		53,592	53,592
Subtotal	1,574,361	20,941	116,872	1,478,430	174,704
Total	\$2,693,370	\$72,095	\$141,464	\$2,624,001	\$380,849

Interest and related costs during the year amounted to \$36,410 and \$49,062 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

E. 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.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017 it was 6.79% for general

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City's contributions were \$236,977 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 0.0602134 percent.

For the year ended September 30, 2017, the City recognized pension expense (revenue) of \$140,418. At September 30, 2017, 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	\$131,113	\$85,267
Changes in assumptions or other inputs	17,502	
Net difference between projected and actual earnings on pension plan investments		56,706
Employer contributions subsequent to the measurement date	59,244	
Total	\$207,859	\$141,973

\$59,244 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, 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 and 5.5 for the measurement period June 30, 2016.

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

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

Year Ended	
9/30/18	(\$51,452)
9/30/19	88,919
9/30/20	25,230
9/30/21	<u>(56,055)</u>
Total	<u><u>\$6,642</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 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.

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)

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

Capital Market Assumptions

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

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

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	Current	1% Increase
	(6.10%)	Discount Rate	(8.10%)
	<u> </u>	<u> </u>	<u> </u>
City's proportionate share of the net pension liability (asset)	\$2,199,747	\$946,451	(\$95,071)
	<u> </u>	<u> </u>	<u> </u>

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.

E. 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

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

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.

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.

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.

As of June 30, 2017, the total employer rate was 25.31% which includes the 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 \$10,704 for the year ended September 30, 2017.

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

At September 30, 2017, the City reported an asset for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2017. 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 June 30, 2017, the City's proportion was 0.2932171 percent.

For the year ended September 30, 2017, the City recognized pension expense (revenue) of (\$36,118). At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

	Firefighters Retirement Fund (FRF)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$5,601
Employer contributions subsequent to the measurement date	\$2,676	
Total	\$2,676	\$5,601

\$2,676 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, 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 1.0 year and 1.0 year for the measurement period June 30, 2016.

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

Year Ended	
9/30/18	(\$6,957)
9/30/19	10,269
9/30/20	1,272
9/30/21	(10,185)
Total	(\$5,601)

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.

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

The total pension asset in the July 1, 2017 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%

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, 2011 through June 30, 2015 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, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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

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

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

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

Capital Market Assumptions				
Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equities	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
			Expected	
Total Fund	Expected Return*	Expected Inflation	Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

*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 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 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)	\$161,897	\$251,567	\$327,659

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. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	
	<u>Sanitation</u>	<u>Total</u>
Water	\$16,670	\$16,670
Total	\$16,670	\$16,670

This interfund balance resulted from sanitation fund expenditures / transfers in excess of cash balances. It is anticipated to be reimbursed in future years from sanitation fund surpluses.

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General	\$75,772	\$50,000	Support, Capital Outlay
Street	60,000		Support
Capital Improvements	50,000		Capital Outlay
Nonmajor Governmental	19,100		Support
Water		9,550	Support
Sewer		9,550	Support
Sanitation		135,772	Support
Total	\$204,872	\$204,872	

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

H. PRIOR PERIOD ADJUSTMENT

Due to changes made in Idaho Code during the 2016/17 year affecting urban renewal agency board composition and other related matters, the Payette Urban Renewal Agency (previously reported as a blended component unit of the City) no longer qualifies as a component unit of the City. In accordance with generally accepted accounting principles, the City has restated the fund balance by (\$203,015) and net position by (\$205,905) to remove the inclusion of this previously reported component unit from the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PAYETTE, IDAHO
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended September 30, 2017

General Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final		Positive
				(Negative)
Revenues				
Taxes, Penalties, & Interest	\$1,382,623	\$1,382,623	\$1,434,595	\$51,972
Licenses, Fees, & Charges	180,000	180,000	187,865	7,865
Intergovernmental Revenue	428,291	428,291	435,569	7,278
Investment Interest	2,000	2,000	5,858	3,858
Grants & Miscellaneous	111,600	111,600	115,326	3,726
Total Revenues	<u>2,104,514</u>	<u>2,104,514</u>	<u>2,179,213</u>	<u>74,699</u>
Expenditures				
Current Expenditures				
General Government	600,696	600,696	473,849	126,847
Public Safety	1,570,408	1,570,408	1,568,398	2,010
Highways & Streets	0	0	0	0
Airport	0	0	0	0
Culture & Recreation	230,132	230,132	186,224	43,908
Capital Outlay	188,912	188,912	140,067	48,845
Total Expenditures	<u>2,590,148</u>	<u>2,590,148</u>	<u>2,368,538</u>	<u>221,610</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	(485,634)	(485,634)	(189,325)	296,309
Other Financing Sources (Uses)				
Transfers In	109,155	109,155	75,772	(33,383)
Transfers Out	(50,000)	(50,000)	(50,000)	0
Total Other Financing Sources (Uses)	<u>59,155</u>	<u>59,155</u>	<u>25,772</u>	<u>(33,383)</u>
Net Change in Fund Balances	(426,479)	(426,479)	(163,553)	262,926
Fund Balances - Beginning	<u>426,479</u>	<u>426,479</u>	<u>1,410,052</u>	<u>983,573</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$1,246,499</u>	<u>\$1,246,499</u>
<i>*Total expenditures (over) under appropriations are:</i>				<u>\$221,610</u>

CITY OF PAYETTE, IDAHO
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended September 30, 2017

Street Fund	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final		Positive
				(Negative)
Revenues				
Taxes, Penalties, & Interest	\$379,628	\$379,628	\$398,806	\$19,178
Licenses, Fees, & Charges	1,600	1,600	1,600	0
Intergovernmental Revenue	488,488	488,488	414,085	(74,403)
Investment Interest	1,200	1,200	2,710	1,510
Grants & Miscellaneous	83,000	83,000	823	(82,177)
Total Revenues	953,916	953,916	818,024	(135,892)
Expenditures				
Current Expenditures				
General Government	0	0	0	0
Public Safety	0	0	0	0
Highways & Streets	861,415	861,415	875,510	(14,095)
Airport	0	0	0	0
Culture & Recreation	0	0	0	0
Capital Outlay	538,834	538,834	353,079	185,755
Total Expenditures	1,400,249	1,400,249	1,228,589	171,660 *
Excess (Deficiency) of Revenues				
Over Expenditures	(446,333)	(446,333)	(410,565)	35,768
Other Financing Sources (Uses)				
Transfers In	60,000	60,000	60,000	0
Transfers Out	0	0	0	0 *
Total Other Financing Sources (Uses)	60,000	60,000	60,000	0
Net Change in Fund Balances	(386,333)	(386,333)	(350,565)	35,768
Fund Balances - Beginning	386,333	386,333	465,142	78,809
Fund Balances - Ending	\$0	\$0	\$114,577	\$114,577
<i>*Total expenditures (over) under appropriations are:</i>				<u><u>\$171,660</u></u>

CITY OF PAYETTE, IDAHO

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

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's portion of the net pension liability	0.0602134%	0.0613316%	0.0639491%
City's proportionate share of the net pension liability	\$946,451	\$1,243,286	\$842,106
City's covered payroll	\$1,870,186	\$2,083,975	\$1,961,166
City's proportional share of the net pension liability as a percentage of its covered	50.61%	59.66%	42.94%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	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 June 30.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's portion of the net pension asset	0.2932171%	0.2981617%	0.2481620%
City's proportionate share of the net pension asset	\$251,567	\$160,257	\$134,034
City's covered payroll	\$42,292	\$40,273	\$61,091
City's proportional share of the net pension asset as a percentage of its covered payroll	594.83%	397.93%	219.40%
Plan fiduciary net position as a percentage of the total pension asset	129.65%	118.42%	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 June 30.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$236,977	\$235,906	\$222,004
Contributions in relation to the statutorily required contribution	\$236,977	\$235,906	\$222,004
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	<u>\$2,093,436</u>	<u>\$2,083,975</u>	<u>\$1,961,166</u>
Contributions as a percentage of covered payroll	11.32%	11.32%	11.32%

*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*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$10,704	\$10,193	\$19,201
Contributions in relation to the statutorily required contribution	\$10,704	\$10,193	\$19,201
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	<u>\$42,292</u>	<u>\$40,273</u>	<u>\$61,091</u>
Contributions as a percentage of covered payroll	25.31%	25.31%	31.43%

*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, 2017

	Special Revenue Funds			
	Library	Tort	Recreation	Airport
Assets				
Cash & Investments	\$62,328	\$11,948	\$142,306	\$13,854
Receivables:				
Taxes	19,577	6,421	4,610	1,358
Intergovernmental Accounts	5,089		7,023	846
Due From Other Funds				
Restricted Cash & Investments				
Total Assets	<u>\$86,994</u>	<u>\$18,369</u>	<u>\$153,939</u>	<u>\$16,058</u>
Liabilities				
Accounts Payable & Accrued Expenses				
Due To Other Funds				
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	17,280	5,663	4,064	1,230
Total Deferred Inflows of Resources	<u>17,280</u>	<u>5,663</u>	<u>4,064</u>	<u>1,230</u>
Fund Balances				
Restricted - Special Programs	69,714	12,706	149,875	14,828
Restricted - Debt Service				
Restricted - Capital Projects				
Unassigned				
Total Fund Balances	<u>69,714</u>	<u>12,706</u>	<u>149,875</u>	<u>14,828</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$86,994</u>	<u>\$18,369</u>	<u>\$153,939</u>	<u>\$16,058</u>

CITY OF PAYETTE, IDAHO
 Combining Balance Sheet - Nonmajor Governmental Funds
 September 30, 2017

	Special Revenue Funds			Total
	Revolving Loan	Health Insurance	Payette Urban Renewal Agency	
Assets				
Cash & Investments	\$135,457	\$83,605		\$449,498
Receivables:				
Taxes				31,966
Intergovernmental Accounts				12,958
Due From Other Funds				0
Restricted Cash & Investments				0
Total Assets	<u>\$135,457</u>	<u>\$83,605</u>	<u>\$0</u>	<u>\$494,422</u>
Liabilities				
Accounts Payable & Accrued Expenses				\$0
Due To Other Funds				0
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues				28,237
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>28,237</u>
Fund Balances				
Restricted - Special Programs	135,457	83,605		466,185
Restricted - Debt Service				0
Restricted - Capital Projects				0
Unassigned				0
Total Fund Balances	<u>135,457</u>	<u>83,605</u>	<u>0</u>	<u>466,185</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$135,457</u>	<u>\$83,605</u>	<u>\$0</u>	<u>\$494,422</u>

CITY OF PAYETTE, IDAHO

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended September 30, 2017

	Special Revenue Funds			
	Library	Tort	Recreation	Airport
Revenues				
Taxes, Penalties, & Interest	\$221,213	\$71,330	\$37,830	\$28,018
Licenses, Fees, & Charges	9,904		93,754	35,284
Intergovernmental Revenue	38,202		96,399	6,978
Investment Interest	117	72	1,569	175
Grants & Miscellaneous	10,459		2,709	337,500
Total Revenues	<u>279,895</u>	<u>71,402</u>	<u>232,261</u>	<u>407,955</u>
Expenditures				
Current Expenditures				
General Government		88,080		
Public Safety				
Highways & Streets				
Airport				48,309
Culture & Recreation	245,838		344,180	
Debt Service				
Capital Outlay				397,451
Total Expenditures	<u>245,838</u>	<u>88,080</u>	<u>344,180</u>	<u>445,760</u>
Excess (Deficiency) of Revenues Over Expenditures	34,057	(16,678)	(111,919)	(37,805)
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	34,057	2,422	(111,919)	(37,805)
Fund Balances - Beginning - As Previously Stated	35,657	10,284	261,794	52,633
Restatement - See Note H				
Fund Balances - Beginning - As Restated	<u>35,657</u>	<u>10,284</u>	<u>261,794</u>	<u>52,633</u>
Fund Balances - Ending	<u><u>\$69,714</u></u>	<u><u>\$12,706</u></u>	<u><u>\$149,875</u></u>	<u><u>\$14,828</u></u>

CITY OF PAYETTE, IDAHO

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended September 30, 2017

	Special Revenue Funds			Total
	Revolving Loan	Health Insurance	Payette Urban Renewal Agency	
Revenues				
Taxes, Penalties, & Interest				\$358,391
Licenses, Fees, & Charges				138,942
Intergovernmental Revenue				141,579
Investment Interest	\$1,062	\$1,431		4,426
Grants & Miscellaneous	3,024			353,692
Total Revenues	<u>4,086</u>	<u>1,431</u>	<u>0</u>	<u>997,030</u>
Expenditures				
Current Expenditures				
General Government	4,244	69,615		161,939
Public Safety				0
Highways & Streets				0
Airport				48,309
Culture & Recreation				590,018
Debt Service				0
Capital Outlay				397,451
Total Expenditures	<u>4,244</u>	<u>69,615</u>	<u>0</u>	<u>1,197,717</u>
Excess (Deficiency) of Revenues Over Expenditures	(158)	(68,184)	0	(200,687)
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	(158)	(68,184)	0	(181,587)
Fund Balances - Beginning -				
As Previously Stated	135,615	151,789	203,015	850,787
Restatement - See Note H			(203,015)	(203,015)
Fund Balances - Beginning - As Restated	<u>135,615</u>	<u>151,789</u>	<u>0</u>	<u>647,772</u>
Fund Balances - Ending	<u><u>\$135,457</u></u>	<u><u>\$83,605</u></u>	<u><u>\$0</u></u>	<u><u>\$466,185</u></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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Payette, Idaho
December 29, 2017