

CITY OF PAYETTE, IDAHO

FINANCIAL STATEMENTS

Year Ended September 30, 2016

CITY OF PAYETTE, IDAHO

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FINANCIAL SECTION

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016, 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 November 22, 2016, 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 22, 2016

BASIC FINANCIAL STATEMENTS

CITY OF PAYETTE, IDAHO

Statement of Net Position

September 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Assets			
Current Assets			
Cash & Investments	\$2,897,822	\$7,141,436	\$10,039,258
Receivables:			
Taxes	204,418		204,418
Intergovernmental	179,141		179,141
Accounts	437	335,039	335,476
Total Current Assets	<u>3,281,818</u>	<u>7,476,475</u>	<u>10,758,293</u>
Noncurrent Assets			
Restricted Cash & Investments	61,699	267,830	329,529
Nondepreciable Capital Assets	788,449	728,318	1,516,767
Depreciable Net Capital Assets	6,120,466	5,994,030	12,114,496
Net Pension Asset - FRF	160,257		160,257
Total Noncurrent Assets	<u>7,130,871</u>	<u>6,990,178</u>	<u>14,121,049</u>
Total Assets	<u>10,412,689</u>	<u>14,466,653</u>	<u>24,879,342</u>
Deferred Outflows of Resources			
Pension Sources - Base Plan	537,666	154,081	691,747
Pension Sources - FRF	76,595		76,595
Total Deferred Outflows of Resources	<u>614,261</u>	<u>154,081</u>	<u>768,342</u>
Total Assets and Deferred Outflows of Resources	<u>\$11,026,950</u>	<u>\$14,620,734</u>	<u>\$25,647,684</u>
Liabilities			
Current Liabilities			
Accounts Payable & Accrued Expenses		\$5,255	\$5,255
Deposits		100,115	100,115
Accrued Interest	\$28,059	30,568	58,627
Long-Term Debt & Obligations, Current	154,069	149,523	303,592
Total Current Liabilities	<u>182,128</u>	<u>285,461</u>	<u>467,589</u>
Noncurrent Liabilities			
Long-Term Debt & Obligations, Noncurrent	964,940	1,424,838	2,389,778
Net Pension Liability - Base Plan	965,068	278,218	1,243,286
Total Noncurrent Liabilities	<u>1,930,008</u>	<u>1,703,056</u>	<u>3,633,064</u>
Total Liabilities	<u>2,112,136</u>	<u>1,988,517</u>	<u>4,100,653</u>
Deferred Inflows of Resources			
Pension Sources - Base Plan	312,993	93,637	406,630
Pension Sources - FRF	35,032		35,032
Total Deferred Inflows of Resources	<u>348,025</u>	<u>93,637</u>	<u>441,662</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,460,161</u>	<u>2,082,154</u>	<u>4,542,315</u>
Net Position			
Net Investment in Capital Assets	5,891,324	5,150,070	11,041,394
Restricted - Special Programs	879,112		879,112
Restricted - Debt Service	68,998	167,715	236,713
Restricted - Capital Projects	353,291	1,854,601	2,207,892
Unrestricted	1,374,064	5,366,194	6,740,258
Total Net Position	<u>8,566,789</u>	<u>12,538,580</u>	<u>21,105,369</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$11,026,950</u>	<u>\$14,620,734</u>	<u>\$25,647,684</u>

See Accompanying Notes

CITY OF PAYETTE, IDAHO

Statement of Activities

Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges For Services	Operating Grants And Contributions	
Primary Government				
Governmental Activities				
Current Expenditures				
General Government	\$549,391	\$34,878		(\$514,513)
Public Safety	1,521,553	96,596	\$50,833	(1,374,124)
Highways & Streets	858,330	54,491		(803,839)
Airport	25,065	1,591		(23,474)
Culture & Recreation	732,869	46,526		(686,343)
Debt Service - Interest	37,435	2,377		(35,058)
Capital Assets	281,119	17,847		(263,272)
Total Governmental Activities	<u>4,005,762</u>	<u>254,306</u>	<u>50,833</u>	<u>(3,700,623)</u>
Business-Type Activities				
Water Services	781,033	882,463		101,430
Sewer Services	1,043,361	1,581,050		537,689
Sanitation Services	354,763	391,604		36,841
Total Business-Type Activities	<u>2,179,157</u>	<u>2,855,117</u>	<u>0</u>	<u>675,960</u>
Total Primary Government	<u>\$6,184,919</u>	<u>\$3,109,423</u>	<u>\$50,833</u>	<u>(\$3,024,663)</u>
Changes in Net Position		Governmental Activities	Business-Type Activities	Total Primary Government
Net (Expense) Revenue		(\$3,700,623)	\$675,960	(\$3,024,663)
General Revenues				
Taxes, Penalties, & Interest		2,352,103		2,352,103
Intergovernmental Revenue		1,038,068		1,038,068
Investment Interest		19,740	19,675	39,415
Miscellaneous		49,163	5,136	54,299
Transfers		83,900	(83,900)	0
Total		<u>3,542,974</u>	<u>(59,089)</u>	<u>3,483,885</u>
Change in Net Position		(157,649)	616,871	459,222
Net Position - Beginning		<u>8,724,438</u>	<u>11,921,709</u>	<u>20,646,147</u>
Net Position - Ending		<u>\$8,566,789</u>	<u>\$12,538,580</u>	<u>\$21,105,369</u>

CITY OF PAYETTE, IDAHO
 Balance Sheet - Governmental Funds
 September 30, 2016

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>
Assets				
Cash & Investments	\$1,324,437	\$376,431	\$7,299	\$353,276
Receivables:				
Taxes	130,927	37,949		303
Intergovernmental	79,162	87,021		
Accounts	437			
Due From Other Funds				
Restricted Cash & Investments			61,699	
Total Assets	<u>\$1,534,963</u>	<u>\$501,401</u>	<u>\$68,998</u>	<u>\$353,579</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	124,911	36,259		288
Total Deferred Inflows of Resources	<u>124,911</u>	<u>36,259</u>	<u>0</u>	<u>288</u>
Fund Balances				
Restricted - Special Programs	28,325			
Restricted - Debt Service			68,998	
Restricted - Capital Projects				353,291
Unassigned	1,381,727	465,142		
Total Fund Balances	<u>1,410,052</u>	<u>465,142</u>	<u>68,998</u>	<u>353,291</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$1,534,963</u>	<u>\$501,401</u>	<u>\$68,998</u>	<u>\$353,579</u>

CITY OF PAYETTE, IDAHO
 Balance Sheet - Governmental Funds
 September 30, 2016

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$836,379	\$2,897,822
Receivables:		
Taxes	35,239	204,418
Intergovernmental	12,958	179,141
Accounts	0	437
Due From Other Funds	0	0
Restricted Cash & Investments	0	61,699
Total Assets	\$884,576	\$3,343,517
Liabilities		
Accounts Payable & Accrued Expenses	\$0	\$0
Due To Other Funds	0	0
Total Liabilities	0	0
Deferred Inflows of Resources		
Unavailable Tax Revenues	33,789	195,247
Total Deferred Inflows of Resources	33,789	195,247
Fund Balances		
Restricted - Special Programs	850,787	879,112
Restricted - Debt Service	0	68,998
Restricted - Capital Projects	0	353,291
Unassigned	0	1,846,869
Total Fund Balances	850,787	3,148,270
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$884,576	\$3,343,517

CITY OF PAYETTE, IDAHO
Balance Sheet - Governmental Funds
September 30, 2016

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

Total Governmental Fund Balances \$3,148,270

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. 6,908,915

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 195,247

Certain liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds. (1,147,068)

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. (538,575)

Net Position of Governmental Activities \$8,566,789

CITY OF PAYETTE, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended September 30, 2016

	<u>General Fund</u>	<u>Street Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>
Revenues				
Taxes, Penalties, & Interest	\$1,430,671	\$419,842	\$50,598	\$659
Licenses, Fees, & Charges	146,210	1,500		
Intergovernmental Revenue	446,370	448,678		
Investment Interest	2,820	1,783	12,398	518
Grants & Miscellaneous	96,841	5,963		
Total Revenues	<u>2,122,912</u>	<u>877,766</u>	<u>62,996</u>	<u>1,177</u>
Expenditures				
Current Expenditures				
General Government	487,263			1,584
Public Safety	1,521,553			
Highways & Streets		858,330		
Airport				
Culture & Recreation	246,833			
Debt Service			61,699	
Capital Outlay	80,674	127,529		
Total Expenditures	<u>2,336,323</u>	<u>985,859</u>	<u>61,699</u>	<u>1,584</u>
Excess (Deficiency) of Revenues Over Expenditures	(213,411)	(108,093)	1,297	(407)
Other Financing Sources (Uses)				
Transfers In	34,800	30,000		40,000
Transfers Out	(40,000)			
Total Other Financing Sources (Uses)	<u>(5,200)</u>	<u>30,000</u>	<u>0</u>	<u>40,000</u>
Net Change in Fund Balances	(218,611)	(78,093)	1,297	39,593
Fund Balances - Beginning	<u>1,628,663</u>	<u>543,235</u>	<u>67,701</u>	<u>313,698</u>
Fund Balances - Ending	<u>\$1,410,052</u>	<u>\$465,142</u>	<u>\$68,998</u>	<u>\$353,291</u>

CITY OF PAYETTE, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds
 Year Ended September 30, 2016

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues		
Taxes, Penalties, & Interest	\$453,670	\$2,355,440
Licenses, Fees, & Charges	106,596	254,306
Intergovernmental Revenue	143,020	1,038,068
Investment Interest	2,221	19,740
Grants & Miscellaneous	9,762	112,566
Total Revenues	<u>715,269</u>	<u>3,780,120</u>
 Expenditures		
Current Expenditures		
General Government	165,355	654,202
Public Safety	0	1,521,553
Highways & Streets	0	858,330
Airport	25,065	25,065
Culture & Recreation	486,036	732,869
Debt Service	12,764	74,463
Capital Outlay	36,116	244,319
Total Expenditures	<u>725,336</u>	<u>4,110,801</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (10,067)	 (330,681)
Other Financing Sources (Uses)		
Transfers In	19,100	123,900
Transfers Out	0	(40,000)
Total Other Financing Sources (Uses)	<u>19,100</u>	<u>83,900</u>
 Net Change in Fund Balances	 9,033	 (246,781)
 Fund Balances - Beginning	 <u>841,754</u>	 <u>3,395,051</u>
Fund Balances - Ending	<u><u>\$850,787</u></u>	<u><u>\$3,148,270</u></u>

CITY OF PAYETTE, IDAHO
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended September 30, 2016

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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 (\$246,781)

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. (36,800)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (3,337)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. 36,271

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. (12,569)

In the statement of activities, interest is accrued on long-term debt, but the expenditure is reported when due in the governmental funds. 756

In the statement of activities, compensated absences are accrued when earned, but the expenditure is reported when due in the governmental funds. (2,413)

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. 107,224

Change in Net Position of Governmental Activities (\$157,649)

CITY OF PAYETTE, IDAHO
Statement of Net Position - Proprietary Funds
September 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total Enterprise Funds</u>
Assets				
Current Assets				
Cash & Investments	\$2,515,646	\$4,543,463	\$82,327	\$7,141,436
Receivables:				
Accounts	88,001	207,640	39,398	335,039
Due From Other Funds				0
Total Current Assets	<u>2,603,647</u>	<u>4,751,103</u>	<u>121,725</u>	<u>7,476,475</u>
Noncurrent Assets				
Restricted Cash & Investments	100,115	167,715		267,830
Nondepreciable Capital Assets	239,550	488,768		728,318
Depreciable Net Capital Assets	2,341,357	3,652,673		5,994,030
Total Noncurrent Assets	<u>2,681,022</u>	<u>4,309,156</u>	<u>0</u>	<u>6,990,178</u>
Total Assets	<u>5,284,669</u>	<u>9,060,259</u>	<u>121,725</u>	<u>14,466,653</u>
Deferred Outflows of Resources				
Pension Sources - Base Plan	67,720	86,361		154,081
Total Deferred Outflows of Resources	<u>67,720</u>	<u>86,361</u>	<u>0</u>	<u>154,081</u>
Total Assets and Deferred Outflows of Resources	<u>\$5,352,389</u>	<u>\$9,146,620</u>	<u>\$121,725</u>	<u>\$14,620,734</u>
Liabilities				
Current Liabilities				
Accounts Payable & Accrued Expenses	\$4,718	\$469	\$68	\$5,255
Due To Other Funds				0
Deposits	100,115			100,115
Accrued Interest		30,568		30,568
Long-Term Debt & Obligations, Current	14,829	134,694		149,523
Total Current Liabilities	<u>119,662</u>	<u>165,731</u>	<u>68</u>	<u>285,461</u>
Noncurrent Liabilities				
Long-Term Debt & Obligations, Noncurrent		1,424,838		1,424,838
Net Pension Liability - Base Plan	122,875	155,343		278,218
Total Noncurrent Liabilities	<u>122,875</u>	<u>1,580,181</u>	<u>0</u>	<u>1,703,056</u>
Total Liabilities	<u>242,537</u>	<u>1,745,912</u>	<u>68</u>	<u>1,988,517</u>
Deferred Inflows of Resources				
Pension Sources - Base Plan	42,573	51,064		93,637
Total Deferred Inflows of Resources	<u>42,573</u>	<u>51,064</u>	<u>0</u>	<u>93,637</u>
Total Liabilities and Deferred Inflows of Resources	<u>285,110</u>	<u>1,796,976</u>	<u>68</u>	<u>2,082,154</u>
Net Position				
Net Investment in Capital Assets	2,580,907	2,569,163		5,150,070
Restricted - Debt Service		167,715		167,715
Restricted - Capital Projects	1,053,373	801,228		1,854,601
Unrestricted	1,432,999	3,811,538	121,657	5,366,194
Total Net Position	<u>5,067,279</u>	<u>7,349,644</u>	<u>121,657</u>	<u>12,538,580</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$5,352,389</u>	<u>\$9,146,620</u>	<u>\$121,725</u>	<u>\$14,620,734</u>

CITY OF PAYETTE, IDAHO

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
Year Ended September 30, 2016

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise Funds
Operating Revenues				
Charges for Services	\$882,463	\$1,581,050	\$391,604	\$2,855,117
Miscellaneous	3,256	1,880		5,136
Total Operating Revenues	<u>885,719</u>	<u>1,582,930</u>	<u>391,604</u>	<u>2,860,253</u>
Operating Expenses				
Personnel	270,181	340,144		610,325
Goods & Services	352,630	379,445	354,763	1,086,838
Depreciation	139,209	245,098		384,307
Total Operating Expenses	<u>762,020</u>	<u>964,687</u>	<u>354,763</u>	<u>2,081,470</u>
Operating Income (Loss)	<u>123,699</u>	<u>618,243</u>	<u>36,841</u>	<u>778,783</u>
Nonoperating Revenues (Expenses)				
Interest Income	3,617	15,844	214	19,675
Interest Expense		(53,207)		(53,207)
Other Income (Expense)	(19,013)	(25,467)		(44,480)
Total Nonoperating Revenue (Expenses)	<u>(15,396)</u>	<u>(62,830)</u>	<u>214</u>	<u>(78,012)</u>
Income (Loss) Before Contributions & Transfers	108,303	555,413	37,055	700,771
Capital Contributions				0
Transfers In	75,600	75,600		151,200
Transfers Out	(85,150)	(85,150)	(64,800)	(235,100)
Change in Net Position	98,753	545,863	(27,745)	616,871
Net Position - Beginning	<u>4,968,526</u>	<u>6,803,781</u>	<u>149,402</u>	<u>11,921,709</u>
Net Position - Ending	<u>\$5,067,279</u>	<u>\$7,349,644</u>	<u>\$121,657</u>	<u>\$12,538,580</u>

CITY OF PAYETTE, IDAHO
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2016

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise Funds
Cash Flows From Operations				
Receipts from Customers	\$868,926	\$1,590,208	\$391,904	\$2,851,038
Payments for Personnel	(292,072)	(369,466)		(661,538)
Payments for Goods & Services	(359,757)	(393,364)	(354,755)	(1,107,876)
Cash Provided (Used) By Operations	<u>217,097</u>	<u>827,378</u>	<u>37,149</u>	<u>1,081,624</u>
Cash Flows From Noncapital Financing				
Receipts from Nonoperating Sources				0
Transfers (to) from Other Funds	(9,550)	(9,550)	(64,800)	(83,900)
Cash Provided (Used) By Noncapital Financing	<u>(9,550)</u>	<u>(9,550)</u>	<u>(64,800)</u>	<u>(83,900)</u>
Cash Flows From Capital & Related Financing				
Acquisition of Capital Assets	(59,198)	(398,858)		(458,056)
Interest Paid on Debt		(54,930)		(54,930)
Principal Paid on Debt		(112,786)		(112,786)
Changes in Other Long-Term Obligations	2,040	(11,913)		(9,873)
Cash Provided (Used) By Capital & Related Financing	<u>(57,158)</u>	<u>(578,487)</u>	<u>0</u>	<u>(635,645)</u>
Cash Flows From Investments				
Investment Income	3,617	15,844	214	19,675
Cash Provided (Used) By Investments	<u>3,617</u>	<u>15,844</u>	<u>214</u>	<u>19,675</u>
Change in Cash & Investments	154,006	255,185	(27,437)	381,754
Cash & Investments - Beginning	<u>2,461,755</u>	<u>4,455,993</u>	<u>109,764</u>	<u>7,027,512</u>
Cash & Investments - Ending	<u><u>\$2,615,761</u></u>	<u><u>\$4,711,178</u></u>	<u><u>\$82,327</u></u>	<u><u>\$7,409,266</u></u>
Cash & Investments Reconciliation				
Cash & Investments	\$2,515,646	\$4,543,463	\$82,327	\$7,141,436
Restricted Cash & Investments	100,115	167,715		267,830
Total Cash & Investments	<u><u>\$2,615,761</u></u>	<u><u>\$4,711,178</u></u>	<u><u>\$82,327</u></u>	<u><u>\$7,409,266</u></u>
Reconciliation of Operating Income (Loss) to Cash Provided (Used) By Operations				
Operating Income (Loss)	\$123,699	\$618,243	\$36,841	\$778,783
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operations:				
Depreciation	139,209	245,098		384,307
PERSI Contributions	(21,891)	(29,322)		(51,213)
Changes in Assets & Liabilities:				
Receivables	(468)	7,278	300	7,110
Accounts Payable & Accrued Expenses	(7,127)	(13,919)	8	(21,038)
Deposits	(16,325)			(16,325)
Cash Provided (Used) By Operations	<u><u>\$217,097</u></u>	<u><u>\$827,378</u></u>	<u><u>\$37,149</u></u>	<u><u>\$1,081,624</u></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. In addition, certain operational responsibilities rest with the City's management. 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.

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:

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

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 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.

CITY OF PAYETTE, IDAHO
Notes to 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 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

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

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 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	\$6,906,538
Investments - Local Government Investment Pool	<u>3,462,249</u>
Total	<u>\$10,368,787</u>

Deposits – At year end, the carrying amounts of the City's deposits were \$6,906,538 and the bank balances were \$7,186,895. Of the bank balances, \$515,736 was insured and \$6,671,159 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

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. 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 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	3,163,746	80,674		3,244,420
Improvements	3,314,649	163,645		3,478,294
Subtotal	<u>11,030,415</u>	<u>244,319</u>	<u>0</u>	<u>11,274,734</u>
Accumulated Depreciation				
Buildings	1,034,165	103,769		1,137,934
Equipment	2,654,719	87,735		2,742,454
Improvements	1,184,265	89,615		1,273,880
Subtotal	<u>4,873,149</u>	<u>281,119</u>	<u>0</u>	<u>5,154,268</u>
Total	<u>6,157,266</u>	<u>(36,800)</u>	<u>0</u>	<u>6,120,466</u>
Net Capital Assets	<u>\$6,945,715</u>	<u>(\$36,800)</u>	<u>\$0</u>	<u>\$6,908,915</u>

Depreciation expense of \$281,119 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	1,919,863	458,056	1,100	2,376,819
Improvements	11,338,324			11,338,324
Subtotal	<u>13,671,513</u>	<u>458,056</u>	<u>1,100</u>	<u>14,128,469</u>
Accumulated Depreciation				
Buildings	248,211	11,082		259,293
Equipment	1,190,295	136,549	1,100	1,325,744
Improvements	6,312,726	236,676		6,549,402
Subtotal	<u>7,751,232</u>	<u>384,307</u>	<u>1,100</u>	<u>8,134,439</u>
Total	<u>5,920,281</u>	<u>73,749</u>	<u>0</u>	<u>5,994,030</u>
Net Capital Assets	<u>\$6,648,599</u>	<u>\$73,749</u>	<u>\$0</u>	<u>\$6,722,348</u>

Depreciation expense of \$139,209 and \$245,098 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:

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	<u>Outstanding</u>
	\$989,532
Total	<u><u>\$989,532</u></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>
9/30/17	\$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	28,493	33,206
9/30/22-26	159,316	149,179
9/30/27-31	191,513	116,982
9/30/32-36	230,221	78,274
9/30/37-41	275,949	31,748
Total	<u><u>\$989,532</u></u>	<u><u>\$552,145</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	\$915,232
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	132,551
Total	<u><u>\$1,047,783</u></u>

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
9/30/17	\$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	54,433	25,620
9/30/22-26	298,013	102,252
9/30/27-31	334,106	54,218
9/30/32-34	159,092	45,244
Total	<u><u>\$1,047,783</u></u>	<u><u>\$345,407</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	<u>\$493,927</u>
Total	<u><u>\$493,927</u></u>

Maturities on the sewer revenue loan are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
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	80,357	7,305
9/30/22-23	<u>122,155</u>	<u>4,829</u>
Total	<u><u>\$493,927</u></u>	<u><u>\$71,367</u></u>

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
<i>Governmental Act.</i>					
2010 GO Bond #97-05	\$1,013,234		\$23,702	\$989,532	\$24,592
Note Payable - COP	12,569		12,569	0	-
Comp. Absences	<u>127,064</u>	<u>\$2,413</u>		<u>129,477</u>	<u>129,477</u>
Subtotal	<u>1,152,867</u>	<u>2,413</u>	<u>36,271</u>	<u>1,119,009</u>	<u>154,069</u>
<i>Business-Type Act.</i>					
2010 SR Bond #92-04	954,703		39,471	915,232	40,655
1999 SA Bond #93-01	139,944		7,393	132,551	7,633
Sewer Revenue Loan	559,849		65,922	493,927	68,584
Comp. Absences	<u>42,524</u>		<u>9,873</u>	<u>32,651</u>	<u>32,651</u>
Subtotal	<u>1,697,020</u>	<u>0</u>	<u>122,659</u>	<u>1,574,361</u>	<u>149,523</u>
Total	<u><u>\$2,849,887</u></u>	<u><u>\$2,413</u></u>	<u><u>\$158,930</u></u>	<u><u>\$2,693,370</u></u>	<u><u>\$303,592</u></u>

Interest and related costs during the year amounted to \$37,435 and \$53,207 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, 2016 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 8.36% for police and firefighters. The City's contributions were \$235,906 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the City's proportion was 0.0613316 percent.

For the year ended September 30, 2016, the City recognized pension expense (revenue) of \$204,888. At September 30, 2016, 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		\$123,884
Changes in assumptions or other inputs	\$27,637	
Net difference between projected and actual earnings on pension plan investments	605,133	282,746
Employer contributions subsequent to the measurement date	58,977	
Total	\$691,747	\$406,630

\$58,977 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, 2017.

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

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

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

Year Ended	
9/30/17	\$1,264
9/30/18	1,264
9/30/19	144,242
9/30/20	79,370
Total	<u><u>\$226,140</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, 2016 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, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

Capital Market Assumptions

Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic 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	Expected	Real	Expected
Total Fund	Return*	Inflation	Return	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	<u>7.10%</u>

CITY OF PAYETTE, IDAHO

Notes to Financial Statements

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)	\$2,438,885	\$1,243,286	\$249,013

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

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

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.

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, 2016, the total employer contribution 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 \$10,193 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported an asset for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset 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 June 30, 2016, the City's proportion was 0.2981617 percent.

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

For the year ended September 30, 2016, the City recognized pension expense (revenue) of (\$66,070). At September 30, 2016, 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	\$74,047	\$35,032
Employer contributions subsequent to the measurement date	2,548	
Total	<u>\$76,595</u>	<u>\$35,032</u>

\$2,548 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, 2015 the beginning of the measurement period ended June 30, 2016 is 1.0 year and 1.0 year for the measurement period June 30, 2015.

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

Year Ended	
9/30/17	\$3,283
9/30/18	3,283
9/30/19	20,799
9/30/20	<u>11,650</u>
Total	<u>\$39,015</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

CITY OF PAYETTE, IDAHO
Notes to Financial Statements

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%

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 liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

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

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

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

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 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	Current	1% Increase
	(6.10%)	Discount Rate	(8.10%)
	<u>(6.10%)</u>	<u>(7.10%)</u>	<u>(8.10%)</u>
City's proportionate share of the net pension liability (asset)	<u>(\$65,831)</u>	<u>(\$160,257)</u>	<u>(\$240,088)</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.

G. 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	\$34,800	\$40,000	Support, Capital Outlay
Street	30,000		Support
Capital Improvements	40,000		Capital Outlay
Nonmajor Governmental	19,100		Support
Water	75,600	85,150	Support
Sewer	75,600	85,150	Support
Sanitation		64,800	Support
Total	<u>\$275,100</u>	<u>\$275,100</u>	

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PAYETTE, IDAHO
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended September 30, 2016

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes, Penalties, & Interest	\$1,403,796	\$1,403,796	\$1,430,671	\$26,875
Licenses, Fees, & Charges	125,100	125,100	146,210	21,110
Intergovernmental Revenue	438,515	438,515	446,370	7,855
Investment Interest	2,820	2,820	2,820	0
Grants & Miscellaneous	111,180	111,180	96,841	(14,339)
Total Revenues	<u>2,081,411</u>	<u>2,081,411</u>	<u>2,122,912</u>	<u>41,501</u>
Expenditures				
Current Expenditures				
General Government	591,863	591,863	487,263	104,600
Public Safety	1,625,716	1,625,716	1,521,553	104,163
Highways & Streets	0	0	0	0
Airport	0	0	0	0
Culture & Recreation	235,122	235,122	246,833	(11,711)
Capital Outlay	100,000	100,000	80,674	19,326
Total Expenditures	<u>2,552,701</u>	<u>2,552,701</u>	<u>2,336,323</u>	<u>216,378</u> *
Excess (Deficiency) of Revenues Over Expenditures				
	(471,290)	(471,290)	(213,411)	257,879
Other Financing Sources (Uses)				
Transfers In	34,850	34,850	34,800	(50)
Transfers Out	(40,000)	(40,000)	(40,000)	0
Total Other Financing Sources (Uses)	<u>(5,150)</u>	<u>(5,150)</u>	<u>(5,200)</u>	<u>(50)</u>
Net Change in Fund Balances	(476,440)	(476,440)	(218,611)	257,829
Fund Balances - Beginning	<u>476,440</u>	<u>476,440</u>	<u>1,628,663</u>	<u>1,152,223</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$1,410,052</u>	<u>\$1,410,052</u>
<i>*Total expenditures (over) under appropriations are:</i>				<u>\$216,378</u>

CITY OF PAYETTE, IDAHO
 Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended September 30, 2016

Street Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes, Penalties, & Interest	\$415,861	\$415,861	\$419,842	\$3,981
Licenses, Fees, & Charges	1,600	1,600	1,500	(100)
Intergovernmental Revenue	441,000	441,000	448,678	7,678
Investment Interest	700	700	1,783	1,083
Grants & Miscellaneous	3,000	3,000	5,963	2,963
Total Revenues	<u>862,161</u>	<u>862,161</u>	<u>877,766</u>	<u>15,605</u>
Expenditures				
Current Expenditures				
General Government	0	0	0	0
Public Safety	0	0	0	0
Highways & Streets	922,193	922,193	858,330	63,863
Airport	0	0	0	0
Culture & Recreation	0	0	0	0
Capital Outlay	150,000	150,000	127,529	22,471
Total Expenditures	<u>1,072,193</u>	<u>1,072,193</u>	<u>985,859</u>	<u>86,334</u> *
Excess (Deficiency) of Revenues Over Expenditures				
	(210,032)	(210,032)	(108,093)	101,939
Other Financing Sources (Uses)				
Transfers In	30,000	30,000	30,000	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Net Change in Fund Balances	(180,032)	(180,032)	(78,093)	101,939
Fund Balances - Beginning	<u>180,032</u>	<u>180,032</u>	<u>543,235</u>	<u>363,203</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$465,142</u>	<u>\$465,142</u>
<i>*Total expenditures (over) under appropriations are:</i>				<u>\$86,334</u>

CITY OF PAYETTE, IDAHO

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

	<u>2016</u>	<u>2015</u>
City's portion of the net pension liability	0.0613316%	0.0639491%
City's proportionate share of the net pension liability	\$1,243,286	\$842,106
City's covered-employee payroll	\$2,083,975	\$1,961,166
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	59.66%	42.94%
Plan fiduciary net position as a percentage of the total pension liability	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.

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>2016</u>	<u>2015</u>
City's portion of the net pension asset	0.2981617%	0.2481620%
City's proportionate share of the net pension asset	\$160,257	\$134,034
City's covered-employee payroll	\$40,273	\$61,091
City's proportional share of the net pension asset as a percentage of its covered-employee payroll	397.93%	219.40%
Plan fiduciary net position as a percentage of the total pension asset	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*

	2016	2015
Statutorily required contribution	\$235,906	\$222,004
Contributions in relation to the statutorily required contribution	\$235,906	\$222,004
Contribution deficiency (excess)	\$0	\$0
City's covered-employee payroll	\$2,083,975	\$1,961,166
Contributions as a percentage of covered-employee payroll	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>2016</u>	<u>2015</u>
Statutorily required contribution	\$10,193	\$19,201
Contributions in relation to the statutorily required contribution	\$10,193	\$19,201
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$40,273	\$61,091
Contributions as a percentage of covered-employee payroll	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, 2016

	Special Revenue Funds			
	Library	Tort	Recreation	Airport
Assets				
Cash & Investments	\$29,705	\$9,989	\$254,560	\$51,706
Receivables:				
Taxes	19,358	6,416	4,498	2,077
Intergovernmental Accounts	5,089		7,023	846
Due From Other Funds				
Restricted Cash & Investments				
Total Assets	<u>\$54,152</u>	<u>\$16,405</u>	<u>\$266,081</u>	<u>\$54,629</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	18,495	6,121	4,287	1,996
Total Deferred Inflows of Resources	<u>18,495</u>	<u>6,121</u>	<u>4,287</u>	<u>1,996</u>
Fund Balances				
Restricted - Special Programs	35,657	10,284	261,794	52,633
Restricted - Debt Service				
Restricted - Capital Projects				
Unassigned				
Total Fund Balances	<u>35,657</u>	<u>10,284</u>	<u>261,794</u>	<u>52,633</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$54,152</u>	<u>\$16,405</u>	<u>\$266,081</u>	<u>\$54,629</u>

CITY OF PAYETTE, IDAHO
 Combining Balance Sheet - Nonmajor Governmental Funds
 September 30, 2016

	Special Revenue Funds			Total
	Revolving Loan	Health Insurance	Payette Urban Renewal Agency	
Assets				
Cash & Investments	\$135,615	\$151,789	\$203,015	\$836,379
Receivables:				
Taxes			2,890	35,239
Intergovernmental Accounts				12,958 0
Due From Other Funds				0
Restricted Cash & Investments				0
Total Assets	<u>\$135,615</u>	<u>\$151,789</u>	<u>\$205,905</u>	<u>\$884,576</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			2,890	33,789
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>2,890</u>	<u>33,789</u>
Fund Balances				
Restricted - Special Programs	135,615	151,789	203,015	850,787
Restricted - Debt Service				0
Restricted - Capital Projects				0
Unassigned				0
Total Fund Balances	<u>135,615</u>	<u>151,789</u>	<u>203,015</u>	<u>850,787</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$135,615</u>	<u>\$151,789</u>	<u>\$205,905</u>	<u>\$884,576</u>

CITY OF PAYETTE, IDAHO

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended September 30, 2016

	Special Revenue Funds			
	Library	Tort	Recreation	Airport
Revenues				
Taxes, Penalties, & Interest	\$214,593	\$63,063	\$50,418	\$46,042
Licenses, Fees, & Charges	10,075		66,665	29,856
Intergovernmental Revenue	38,980		100,839	3,201
Investment Interest	55	53	813	81
Grants & Miscellaneous	3,663		3,075	
Total Revenues	<u>267,366</u>	<u>63,116</u>	<u>221,810</u>	<u>79,180</u>
Expenditures				
Current Expenditures				
General Government		87,111		
Public Safety				
Highways & Streets				
Airport				25,065
Culture & Recreation	256,093		229,943	
Debt Service				
Capital Outlay				36,116
Total Expenditures	<u>256,093</u>	<u>87,111</u>	<u>229,943</u>	<u>61,181</u>
Excess (Deficiency) of Revenues Over Expenditures	11,273	(23,995)	(8,133)	17,999
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	11,273	(4,895)	(8,133)	17,999
Fund Balances - Beginning	<u>24,384</u>	<u>15,179</u>	<u>269,927</u>	<u>34,634</u>
Fund Balances - Ending	<u>\$35,657</u>	<u>\$10,284</u>	<u>\$261,794</u>	<u>\$52,633</u>

CITY OF PAYETTE, IDAHO

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended September 30, 2016

	Special Revenue Funds			Total
	Revolving Loan	Health Insurance	Payette Urban Renewal Agency	
Revenues				
Taxes, Penalties, & Interest			\$79,554	\$453,670
Licenses, Fees, & Charges				106,596
Intergovernmental Revenue				143,020
Investment Interest	\$521	\$698		2,221
Grants & Miscellaneous	3,024			9,762
Total Revenues	<u>3,545</u>	<u>698</u>	<u>79,554</u>	<u>715,269</u>
Expenditures				
Current Expenditures				
General Government	13,359	47,995	16,890	165,355
Public Safety				0
Highways & Streets				0
Airport				25,065
Culture & Recreation				486,036
Debt Service			12,764	12,764
Capital Outlay				36,116
Total Expenditures	<u>13,359</u>	<u>47,995</u>	<u>29,654</u>	<u>725,336</u>
Excess (Deficiency) of Revenues Over Expenditures	(9,814)	(47,297)	49,900	(10,067)
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	(9,814)	(47,297)	49,900	9,033
Fund Balances - Beginning	145,429	199,086	153,115	841,754
Fund Balances - Ending	<u>\$135,615</u>	<u>\$151,789</u>	<u>\$203,015</u>	<u>\$850,787</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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 22, 2016.

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 22, 2016