

CITY OF IDAHO CITY, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2017

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Independent Auditor's Report

To the City Council
City of Idaho City, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **City of Idaho City, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, and each major fund of the **City of Idaho City, Idaho**, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in 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 schedule of employer's share of net pension liability, schedule of employer contributions, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States 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.

The City has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Idaho City, Idaho's** basic financial statements. The supplemental schedule of revenues by source – budget and actual and the supplemental schedule of expenditures by object of expenditure – budget and actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of revenues by source – budget and actual and the supplemental schedule of expenditures by object of expenditure – budget and actual have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2018, on our consideration of the **City of Idaho City, Idaho's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bailey & Co.

Nampa, Idaho
February 7, 2018

City of Idaho City, Idaho
Statement of Net Position
September 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 227,509	\$ 709,999	\$ 937,508
Property Taxes Receivable, Net	13,680	0	13,680
Accounts Receivable, Net	0	60,329	60,329
Due from Other Governments	13,911	9,676	23,587
Prepaid Items	1,311	794	2,105
Total Current Assets	256,411	780,798	1,037,209
Noncurrent Assets:			
Restricted Cash	0	27,063	27,063
Capital Assets:			
Land and Nondepreciable Assets	95,660	2,913,607	3,009,267
Buildings, Net	180,306	376,027	556,333
Equipment, Net	34,469	84,360	118,829
Improvements, Net	826,308	538,517	1,364,825
Total Noncurrent Assets	1,136,743	3,939,574	5,076,317
Total Assets	1,393,154	4,720,372	6,113,526
Deferred Outflows			
Pension	31,899	36,673	68,572
Liabilities			
Current Liabilities:			
Accounts Payable	2,878	37,638	40,516
Salaries and Benefits Payable	6,443	6,218	12,661
Accrued Interest	0	2,838	2,838
Long-term Liabilities:			
Due Within One Year:			
Compensated Absences	3,569	6,275	9,844
Bonds and Municipal Leases	961	20,913	21,874
Due in More than One Year:			
Bonds and Municipal Leases	7,305	2,012,668	2,019,973
Net Pension Liability	29,911	34,389	64,300
Total Liabilities	51,067	2,120,939	2,172,006
Deferred Inflows			
Pension	4,487	5,158	9,645
Net Position			
Net Investment in Capital Assets	1,128,477	1,878,930	3,007,407
Restricted	59,271	27,063	86,334
Unrestricted	181,751	724,955	906,706
Total Net Position	\$ 1,369,499	\$ 2,630,948	\$ 4,000,447

The accompanying notes are an integral
part of the financial statements.

City of Idaho City, Idaho
Statement of Activities
For the Year Ended September 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Administration	\$ 98,757	\$ 19,767	\$ 3,205	\$ 0	\$ (75,785)	\$ 0	\$ (75,785)
Public Safety	256,605	5,639	3,592	121,301	(126,073)	0	(126,073)
Roads and Streets	56,387	0	0	0	(56,387)	0	(56,387)
Culture and Recreation	48,978	2,673	0	13,807	(32,498)	0	(32,498)
Interest on Long-term Debt	1,752	0	0	0	(1,752)	0	(1,752)
Total Governmental Activities	462,479	28,079	6,797	135,108	(292,495)	0	(292,495)
Business-type Activities:							
Water	238,099	274,474	0	0	0	36,375	36,375
Sewer	155,226	160,703	0	36,545	0	42,022	42,022
Water Bond	0	0	0	39,619	0	39,619	39,619
Total Business-type Activities	393,325	435,177	0	76,164	0	118,016	118,016
Total Primary Government	\$ 855,804	\$ 463,256	\$ 6,797	\$ 211,272	(292,495)	118,016	(174,479)
General Revenues:							
Property Taxes					132,203	0	132,203
Intergovernmental					74,908	0	74,908
Other					27,900	941	28,841
Disposal of Capital Assets					2,200	0	2,200
Unrestricted Investment Earnings					85	669	754
Total General Revenues and Special Items					237,296	1,610	238,906
Change in Net Position					(55,199)	119,626	64,427
Net Position - Beginning					1,424,698	2,511,322	3,936,020
Net Position - Ending					\$ 1,369,499	\$ 2,630,948	\$ 4,000,447

The accompanying notes are an integral part of the financial statements.

City of Idaho City, Idaho
 Balance Sheet -
 Governmental Funds
 September 30, 2017

	General	Roads and Streets	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 175,843	\$ 51,666	\$ 227,509
Property Taxes Receivable, Net	10,070	3,610	13,680
Due from Other Governments	8,706	5,205	13,911
Prepaid Items	1,200	111	1,311
Total Assets	<u>195,819</u>	<u>60,592</u>	<u>256,411</u>
Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 195,819</u>	<u>\$ 60,592</u>	<u>\$ 256,411</u>
Liabilities			
Accounts Payable	\$ 2,819	\$ 59	\$ 2,878
Salaries and Benefits Payable	5,292	1,151	6,443
Total Liabilities	<u>8,111</u>	<u>1,210</u>	<u>9,321</u>
Deferred Inflows			
Unavailable Property Taxes	<u>8,810</u>	<u>3,137</u>	<u>11,947</u>
Fund Balances			
Nonspendable	1,200	111	1,311
Restricted	0	56,134	56,134
Unassigned	177,698	0	177,698
Total Fund Balances	<u>178,898</u>	<u>56,245</u>	<u>235,143</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 195,819</u>	<u>\$ 60,592</u>	<u>\$ 256,411</u>

The accompanying notes are an integral
 part of the financial statements.

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

Total Fund Balances - Governmental Funds \$ 235,143

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Capital assets consist of the following:

Land and Nondepreciable Infrastructure	\$ 95,660	
Buildings, Net of \$404,686 Accumulated Depreciation	180,306	
Improvements, Net of \$389,392 Accumulated Depreciation	826,308	
Equipment, Net of \$107,479 Accumulated Depreciation	<u>34,469</u>	
		1,136,743

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period expenditures, and therefore, are deferred in the fund statements. 11,947

In the government-wide statements, deferred inflows represent acquisitions of net position that are applicable to a future reporting period and deferred outflows represent the consumption of resources that are applicable to a future reporting period. These deferrals consist of:

Deferred Outflows related to net pension liability	31,899	
Deferred Inflows related to net pension liability	<u>(4,487)</u>	
		27,412

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Municipal Leases	(8,266)	
Compensated Absences	(3,569)	
Net Pension Liability	<u>(29,911)</u>	
		<u>(41,746)</u>

Net Position of Governmental Activities \$ 1,369,499

The accompanying notes are an integral
 part of the financial statements.

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

	General	Roads and Streets	Total Governmental Funds
Revenues			
Property Taxes	\$ 95,256	\$ 34,490	\$ 129,746
Licenses and Permits	9,539	0	9,539
Rent	4,023	0	4,023
Intergovernmental	53,223	21,685	74,908
Interest	85	0	85
Other	184,172	150	184,322
Total Revenues	346,298	56,325	402,623
Expenditures			
Current:			
General Administration	75,387	0	75,387
Public Safety	242,226	0	242,226
Roads and Streets	0	55,096	55,096
Culture and Recreation	7,934	0	7,934
Debt Service:			
Principal	21,969	522	22,491
Interest	2,002	756	2,758
Capital Outlay	9,435	6,784	16,219
Total Expenditures	358,953	63,158	422,111
Excess (Deficiency) of Revenues Over Expenditures	(12,655)	(6,833)	(19,488)
Other Financing Sources (Uses)			
Disposal of Capital Assets	2,200	0	2,200
Total Other Financing Sources (Uses)	2,200	0	2,200
Net Change in Fund Balances	(10,455)	(6,833)	(17,288)
Fund Balances - Beginning	189,353	63,078	252,431
Fund Balances - Ending	\$ 178,898	\$ 56,245	\$ 235,143

The accompanying notes are an integral
part of the financial statements.

City of Idaho City, Idaho
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2017

Total Net Change in Fund Balance - Governmental Funds	\$	(17,288)
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. The amounts in the current year consist of:

Depreciation		(59,090)
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Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as unavailable property taxes. They are, however, recorded as revenues in the Statement of Activities.		2,457
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Repayment of municipal leases is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position. Accrued interest is also not a current financial use and does not affect fund balance but is reported in the government-wide statements.

Principal Payments	22,491	
Change in Accrued Interest	<u>1,006</u>	
		23,497

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences Liability Changes	(2,276)	
Net Pension Liability and Related Deferral Changes	<u>(2,499)</u>	
		<u>(4,775)</u>

Change in Net Position of Governmental Activities	\$	<u><u>(55,199)</u></u>
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The accompanying notes are an integral
 part of the financial statements.

City of Idaho City, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 686,553	\$ 23,446	\$ 0	\$ 709,999
Accounts Receivable, Net	26,849	33,480	0	60,329
Due From Other Governments	0	9,676	0	9,676
Internal Balances	80,598	0	0	80,598
Prepaid Items	423	371	0	794
Total Current Assets	794,423	66,973	0	861,396
Noncurrent Assets:				
Restricted Cash	27,063	0	0	27,063
Land and Nondepreciable Assets	12,304	72,833	2,828,470	2,913,607
Depreciable Assets, Net	518,762	480,142	0	998,904
Total Noncurrent Assets	558,129	552,975	2,828,470	3,939,574
Total Assets	1,352,552	619,948	2,828,470	4,800,970
Deferred Outflows				
Pension	22,460	14,213	0	36,673
Liabilities				
Current Liabilities:				
Accounts Payable	1,519	33,743	2,376	37,638
Salaries and Benefits Payable	4,242	1,976	0	6,218
Internal Balances	0	0	80,598	80,598
Accrued Interest	2,838	0	0	2,838
Compensated Absences	4,392	1,883	0	6,275
Lease Payable	1,922	1,922	0	3,844
Bonds Payable	17,069	0	0	17,069
Total Current Liabilities	31,982	39,524	82,974	154,480
Noncurrent Liabilities:				
Lease Payable	14,612	14,611	0	29,223
Bonds Payable	198,783	0	1,784,662	1,983,445
Net Pension Liability	21,061	13,328	0	34,389
Total Liabilities	266,438	67,463	1,867,636	2,201,537
Deferred Inflows				
Pension	3,159	1,999	0	5,158
Net Position				
Net Investment in Capital Assets	298,680	536,442	1,043,808	1,878,930
Restricted for Debt Service	27,063	0	0	27,063
Unrestricted	779,672	28,257	(82,974)	724,955
Total Net Position	\$ 1,105,415	\$ 564,699	\$ 960,834	\$ 2,630,948

The accompanying notes are an integral
part of the financial statements.

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

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Operating Revenues				
Charges for Services	\$ 274,474	\$ 160,703	\$ 0	\$ 435,177
Other Revenue	526	415	0	941
Total Operating Revenues	<u>275,000</u>	<u>161,118</u>	<u>0</u>	<u>436,118</u>
Operating Expenses				
Personnel Services	61,471	37,787	0	99,258
Personnel Benefits	28,677	23,237	0	51,914
Legal and Professional	12,940	13,727	0	26,667
Supplies	6,993	5,670	0	12,663
Utilities	16,762	7,284	0	24,046
Insurance	4,480	4,480	0	8,960
Other Services and Charges	7,864	4,576	0	12,440
Repairs and Maintenance	29,704	24,512	0	54,216
Depreciation	56,725	33,555	0	90,280
Total Operating Expenses	<u>225,616</u>	<u>154,828</u>	<u>0</u>	<u>380,444</u>
Operating Income (Loss)	<u>49,384</u>	<u>6,290</u>	<u>0</u>	<u>55,674</u>
Nonoperating Revenues (Expenses)				
Investment Earnings	374	295	0	669
Interest Expense	(12,483)	(398)	0	(12,881)
Total Nonoperating Revenues (Expenses)	<u>(12,109)</u>	<u>(103)</u>	<u>0</u>	<u>(12,212)</u>
Income (Loss) Before Transfers	<u>37,275</u>	<u>6,187</u>	<u>0</u>	<u>43,462</u>
Transfers and Capital Contributions				
Capital Contributions	0	36,545	39,619	76,164
Net Transfers and Capital Contributions	<u>0</u>	<u>36,545</u>	<u>39,619</u>	<u>76,164</u>
Change in Net Position	37,275	42,732	39,619	119,626
Net Position - Beginning	1,068,140	521,967	921,215	2,511,322
Net Position - Ending	<u>\$ 1,105,415</u>	<u>\$ 564,699</u>	<u>\$ 960,834</u>	<u>\$ 2,630,948</u>

The accompanying notes are an integral
part of the financial statements.

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

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Cash Flows From Operating Activities				
Cash Receipts From Customers	\$ 279,425	\$ 155,018	\$ 0	\$ 434,443
Other Cash Receipts	526	415	0	941
Payments to Employees for Services	(95,046)	(71,334)	0	(166,380)
Payments to Suppliers for Goods or Services	(81,921)	(32,633)	0	(114,554)
Net Cash Provided (Used) by Operating Activities	<u>102,984</u>	<u>51,466</u>	<u>0</u>	<u>154,450</u>
Cash Flows From Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities				
Purchases and Construction of Capital Assets	0	(71,357)	(284,898)	(356,255)
Capital Contributions	0	37,478	181,163	218,641
Debt Proceeds	0	0	87,278	87,278
Principal Paid on Capital Debt	(17,706)	(1,392)	0	(19,098)
Interest Paid on Capital Debt	(12,681)	(398)	0	(13,079)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(30,387)</u>	<u>(35,669)</u>	<u>(16,457)</u>	<u>(82,513)</u>
Cash Flows From Investing Activities				
Interest and Dividends	<u>374</u>	<u>295</u>	<u>0</u>	<u>669</u>
Net Change in Cash and Cash Equivalents	72,971	16,092	(16,457)	72,606
Cash and Cash Equivalents - Beginning	721,243	7,354	(64,141)	664,456
Cash and Cash Equivalents - Ending	<u>\$ 794,214</u>	<u>\$ 23,446</u>	<u>\$ (80,598)</u>	<u>\$ 737,062</u>
Displayed As:				
Cash and Cash Equivalents	\$ 686,553	\$ 23,446	\$ 0	\$ 709,999
Restricted Cash	27,063	0	0	27,063
Internal Balances	80,598	0	(80,598)	0
	<u>\$ 794,214</u>	<u>\$ 23,446</u>	<u>\$ (80,598)</u>	<u>\$ 737,062</u>
Schedule of Noncash Transactions:				
Construction in progress incurred but not yet paid for	\$ 0	\$ 0	\$ 2,376	\$ 2,376

The accompanying notes are an integral part of the financial statements.

City of Idaho City, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 49,384	\$ 6,290	\$ 0	\$ 55,674
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	56,725	33,555	0	90,280
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	4,951	(5,685)	0	(734)
(Increase) Decrease in Prepaid Items	(423)	(371)	0	(794)
(Increase) Decrease in Deferred Outflows - Pension	(22,460)	(14,213)	0	(36,673)
Increase (Decrease) in Accounts Payable	(2,755)	27,987	0	25,232
Increase (Decrease) in Salaries and Benefits Payable	(8,076)	(10,333)	0	(18,409)
Increase (Decrease) in Compensated Absences	1,418	(1,091)	0	327
Increase (Decrease) in Net Pension Liability	21,061	13,328	0	34,389
Increase (Decrease) in Deferred Inflows - Pension	3,159	1,999	0	5,158
Net Cash Provided (Used) by Operating Activities	<u>\$ 102,984</u>	<u>\$ 51,466</u>	<u>\$ 0</u>	<u>\$ 154,450</u>

The accompanying notes are an integral
part of the financial statements.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the **City of Idaho City, Idaho** (the City), which has responsibility and control over all activities related to public safety; roads, streets, and parks; and water and sewer services within the City. The City receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Council members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the City's reporting entity does not contain any component units as defined by the Governmental Accounting Standards Board.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the City. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each activity of the business-type activities of the City and for each function of the City's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses of the general government related to the administration and support of the City's programs, such as personnel and accounting (but not interest on long-term debt) are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following major governmental funds:

- *General fund.* This is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- *Roads and Streets fund.* This fund accounts for the activities related to the City's roads and streets.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary fund operating revenues and expenses are related to providing water and sewer services to the residents and businesses of the **City of Idaho City, Idaho** and providing services to other parts of the City government. Revenues and expenses arising from capital and non-capital financing activities and from investing activities are presented as non-operating revenues or expenses.

The City reports the following major enterprise funds:

- *Water fund.* This fund accounts for the activities of the City's water supply system, pumping stations, and collection systems.
- *Sewer fund.* This fund accounts for the operations and collections of the City's sewer system.
- *Water Bond Fund.* This fund accounts for the activities of the City's water improvement project.

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, intergovernmental revenues, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Intergovernmental revenues are recognized in the period of collection by other agencies.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The City uses the following fund balance categories in the governmental fund Balance Sheet:

- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The remaining fund balance classifications (nonspendable, committed, and assigned) were not in use. However, if there had been committed funds, these amounts would have been decided by the City Council, the City's highest level of decision making authority, through a formal action, such as a resolution. The City Council would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position/fund balance available for use. It is the City's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the City's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

C. Assets and Liabilities

Cash Equivalents

The City requires all cash belonging to the City to be placed in custody of the Clerk. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. Cash and cash equivalents are defined as investments with an original maturity of one year or less, and those funds in the local government investment pool. See Note 2.

Property Tax Calendar

The City levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are shown below:

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Buildings and Improvements	\$ 5,000	Straight-Line	15 - 40 Years
Equipment and Vehicles	\$ 5,000	Straight-Line	5 - 15 Years

General infrastructure assets acquired prior to October 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 2003.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2017, the carrying amount of the City's deposits was \$886,030 and the respective bank balances totaled \$893,048. \$268,565 of the total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the City.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2017, \$624,483 of the City's deposits were not covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus were exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk for deposits.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City does not have a formal policy limiting its custodial credit risk for investments.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

2. CASH AND INVESTMENTS (continued)

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The City voluntarily participates in the State of Idaho Investment Pool which has not been rated. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the City's investment in the pool is the same as the value of the pool shares. The City follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the City to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The City's investments at September 30, 2017, are summarized below:

Investment	Fair Value	Maturity (in Years)	
		Less than 1	1 - 5
External Investment Pool	\$ 78,541	\$ 78,541	\$ 0

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

As of September 30, 2017 the City had the following recurring fair value:

Investment	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
External Investment Pool	\$ 78,541	\$ 0	\$ 78,541	\$ 0

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs to measure an asset's fair value.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

2. CASH AND INVESTMENTS (continued)

At year-end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 225,084	\$ 660,946	\$ 886,030
Investments categorized as deposits	2,425	76,116	78,541
	\$ 227,509	\$ 737,062	\$ 964,571

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units (State of Idaho) consist of a DEQ Water Facility grant of \$9,676, highway revenue tax of \$5,205, liquor apportionment of \$3,451, and state revenue sharing of \$5,255 for a total of \$23,587.

4. RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) worker's compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

5. LEASE REVENUE

The City of Idaho City leases a building to an independent taxing district and political division of the State of Idaho. The lease agreement will expire in February 2019. The lease may be renewed pending a new lease agreement between the City and the lessee. Another lease exists between the City and Idaho Power for the lease of a storage shed. This is a year-to-year lease.

Lease payments to the City were \$1,500 for the year ended September 30, 2017. Future minimum lease revenues are:

Year Ending September 30,	Amount
2018	\$ 1,000
2019	333
	\$ 1,333

The cost and carrying amount of the leased building is shown below:

Cost	\$ 60,000
Accumulated Depreciation	(60,000)
Carrying Amount	\$ 0

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

6. PENSION PLAN

Plan Description

The City contributes to the Base Plan, which is a cost-sharing multiple-employer defined benefit pension plan administered by the 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 and are not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered 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 employer contributions were \$18,861 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

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

6. PENSION PLAN (continued)

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 .0040908%.

For the year ended September 30, 2017, the City recognized pension expense of \$24,234. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,908	\$ 5,793
Changes in assumptions or other inputs	1,189	0
Net difference between projected and actual earnings on pension plan investments	0	3,852
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	53,997	0
City's contributions subsequent to the measurement date	4,478	0
Total	\$ 68,572	\$ 9,645

\$4,478 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017 is 4.9 years and 5.5 years for the measurement period June 30, 2016.

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

Year Ended September 30,	
2018	\$ 10,349
2019	\$ 19,886
2020	\$ 15,559
2021	\$ 8,653

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.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

6. PENSION PLAN (continued)

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	1.00%

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

- Set back three years for teachers
- No offset for male police and firefighters
- Forward one year for female police and firefighters
- Set back one year for all general employees and 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) 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 the System's assets.

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

Capital Market Assumptions

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

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

6. PENSION PLAN (continued)

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

*Expected arithmetic return net of fees and expenses

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u>7.10%</u>

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 Employer'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%, 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% lower (6.10%) or 1% higher (8.10%) 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)	<u>\$ 149,447</u>	<u>\$ 64,300</u>	<u>\$ (6,459)</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.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

7. COMPENSATED ABSENCES

Vacation leave is granted to all regular City employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. Changes in compensated absences for the year ended September 30, 2017, are as follows:

	10/1/2016	Increase	Decrease	9/30/2017	Current Portion
Governmental Activities	\$ 1,293	\$ 4,631	\$ (2,355)	\$ 3,569	\$ 3,569
Business-type Activities	5,948	9,686	(9,359)	6,275	6,275
	<u>\$ 7,241</u>	<u>\$ 14,317</u>	<u>\$ (11,714)</u>	<u>\$ 9,844</u>	<u>\$ 9,844</u>

8. LONG-TERM OBLIGATIONS

The City leases buildings and improvements under long term lease agreements. Certain leases have been recorded as municipal leases and others as operating leases. The municipal leases consist of a loader that is split between the funds and a police vehicle. The cost and related depreciation are as follows:

Equipment	\$ 120,692
Less: accumulated amortization (included as depreciation on the accompanying financial statements)	<u>(38,590)</u>
	<u>\$ 82,102</u>

Notes payable have also been issued to provide funds for sewer projects. A new loan was entered into with DEQ during the 2012 fiscal year. As of September 30, 2017, \$2,416,144 had been drawn down with \$631,482 considered forgiven, leaving a net draw down of \$1,784,662. When the City is required to start making payments, they will be biannual installments over 30 years, at 0% interest.

A summary of long-term debt activity for the year ended September 30, 2017, are as follows:

Governmental Activities:	Maturity	Rate	Required Reserve	10/1/2016	Increase	Decrease	9/30/2017	Current Portion
Tahoe Lease	2019	5.94%	N/A	\$ 21,795	\$ 0	\$ (21,795)	\$ 0	\$ 0
Backhoe Lease - (20% split)	2020	4.00%	N/A	8,962	0	(696)	8,266	961
				<u>\$ 30,757</u>	<u>\$ 0</u>	<u>\$ (22,491)</u>	<u>\$ 8,266</u>	<u>\$ 961</u>
Business-type Activities:	Maturity	Rate	Required Reserve	10/1/2016	Increase	Decrease	9/30/2017	Current Portion
Backhoe Lease - (80% split)	2020	4.00%	N/A	\$ 35,851	\$ 0	\$ (2,784)	\$ 33,067	\$ 3,844
N/P Water - RD 06	2026	4.50%	\$17,272	136,627	0	(11,120)	125,507	11,620
N/P Water - RD 08	2023	5.25%	2,142	11,166	0	(1,555)	9,611	1,637
N/P Water - RD 09	2032	4.75%	7,649	84,373	0	(3,639)	80,734	3,812
N/P Water Improvement - DEQ	N/A	N/A	N/A	1,697,384	87,278	0	1,784,662	0
				<u>\$27,063</u>	<u>\$1,965,401</u>	<u>\$ 87,278</u>	<u>\$2,033,581</u>	<u>\$20,913</u>

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

8. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at September 30, 2017, are as follows:

Governmental Activities:

Year Ending September 30,	Municipal Leases		
	Principal	Interest	Total
2018	\$ 961	\$ 317	\$ 1,278
2019	1,000	278	1,278
2020	6,305	21	6,326
	\$ 8,266	\$ 616	\$ 8,882

Business-type Activities:

Year Ending September 30,	Bonds and Notes			Municipal Leases		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 17,069	\$ 9,994	\$ 27,063	\$ 3,844	\$ 1,270	\$ 5,114
2019	17,859	9,204	27,063	4,000	1,113	5,113
2020	18,663	8,400	27,063	25,223	85	25,308
2021	19,550	7,513	27,063			
2022	20,455	6,608	27,063			
2023-2027	83,103	17,167	100,270			
2028-2032	39,153	6,683	45,836			
	\$ 215,852	\$ 65,569	\$ 281,421	\$ 33,067	\$ 2,468	\$ 35,535

The amount of interest incurred on long term obligations for the year ending September 30, 2017, for business-type activities was \$12,881.

9. LEASE COMMITMENTS

The City began leasing a copier under an operating lease in September 2015. The lease is for 60 months at \$190/mo. Future minimum lease payments are as follows:

Year Ending September 30,	Amount
2018	\$ 2,280
2019	2,280
2020	2,090
	\$ 6,650

Lease expenditures for the year ended September 30, 2017, totaled \$2,666.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

10. CAPITAL ASSETS

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

	10/1/2016	Additions	Disposals	9/30/2017
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 95,660	\$ 0	\$ 0	\$ 95,660
Capital Assets Being Depreciated:				
Buildings	584,992	0	0	584,992
Improvements	1,215,700	0	0	1,215,700
Equipment	148,948	0	(7,000)	141,948
Total Historical Cost	<u>1,949,640</u>	<u>0</u>	<u>(7,000)</u>	<u>1,942,640</u>
Less: Accumulated Depreciation				
Buildings	393,207	11,479	0	404,686
Improvements	349,887	39,505	0	389,392
Equipment	106,373	8,106	(7,000)	107,479
Total Acc. Depr.	<u>849,467</u>	<u>59,090</u>	<u>(7,000)</u>	<u>901,557</u>
Net Depreciable Assets	<u>1,100,173</u>	<u>(59,090)</u>	<u>0</u>	<u>1,041,083</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 1,195,833</u>	<u>\$ (59,090)</u>	<u>\$ 0</u>	<u>\$ 1,136,743</u>

Depreciation expense was charged to the functions of the City as follows:

General Administration	\$ 2,999
Public Safety	14,379
Roads and Streets	740
Culture and Recreation	40,972
	<u>\$ 59,090</u>

	10/1/2016	Additions	Disposals	9/30/2017
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 71,741	\$ 0	\$ 0	\$ 71,741
Construction in Progress	2,664,288	177,578	0	2,841,866
	<u>2,736,029</u>	<u>177,578</u>	<u>0</u>	<u>2,913,607</u>
Capital Assets Being Depreciated:				
Buildings	1,817,673	0	0	1,817,673
Improvements	1,300,152	0	0	1,300,152
Equipment	129,997	33,387	0	163,384
Total Historical Cost	<u>3,247,822</u>	<u>33,387</u>	<u>0</u>	<u>3,281,209</u>

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2017

10. CAPITAL ASSETS (continued)

Less: Accumulated Depreciation

Buildings	1,397,369	44,277	0	1,441,646
Improvements	719,886	41,749	0	761,635
Equipment	74,770	4,254	0	79,024
Total Acc. Depr.	2,192,025	90,280	0	2,282,305
Net Depreciable Assets	1,055,797	(56,893)	0	998,904
 Business-type Activities - Net	 \$ 3,791,826	 \$ 120,685	 \$ 0	 \$ 3,912,511

Depreciation expense was charged to the business-type activities of the City as follows:

Water	\$ 56,725
Sewer	33,555
	\$ 90,280

11. INTERNAL BALANCES

Balances due to/from other funds at September 30, 2017, consist of the following:

\$ 80,598 Due to the Water fund from the Water Bond fund, representing cash overdrafts.

12. SUBSEQUENT EVENTS

The City's fire department became its own taxing district in fiscal year 2018 and will no longer be a part of the City. Assets and liabilities of the fire department will be transferred at that time.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2017
Employer's portion of the net pension liability	0.0040908%
Employer's proportionate share of the net pension liability	\$ 64,300
Employer's covered-employee payroll	\$ 165,549
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	38.84%
Plan fiduciary net position as a percentage of the total pension liability	90.68%

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

Data reported is measured as of Julne 30, 2017.

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

	2017
Statutorily required contribution	\$ 18,861
Contributions in relation to the statutorily required contribution	(18,861)
Contribution (deficiency) excess	\$ 0
Employer's covered-employee payroll	\$ 165,549
Contributions as a percentage of covered-employee payroll	11.39%

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

Data is reported as of September 30, 2017.

City of Idaho City, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 92,325	\$ 92,325	\$ 95,256	\$ 2,931
Licenses and Permits	8,375	8,475	9,539	1,064
Rents	4,000	4,000	4,023	23
Intergovernmental	39,174	52,447	53,223	776
Interest	250	75	85	10
Other	39,625	83,892	184,022	100,130
Total Revenues	<u>183,749</u>	<u>241,214</u>	<u>346,148</u>	<u>104,934</u>
Expenditures				
Current:				
General Administration	66,098	91,142	75,387	15,755
Public Safety	105,951	120,372	113,866	6,506
Debt Service:				
Principal	7,043	7,043	21,969	(14,926)
Interest	1,397	1,397	2,002	(605)
Capital Outlay	33,260	47,760	137,795	(90,035)
Total Expenditures	<u>213,749</u>	<u>267,714</u>	<u>351,019</u>	<u>(83,305)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,000)</u>	<u>(26,500)</u>	<u>(4,871)</u>	<u>21,629</u>
Other Financing Sources (Uses)				
Disposal of Capital Assets	0	2,500	2,200	(300)
Total Other Financing Sources (Uses)	<u>0</u>	<u>2,500</u>	<u>2,200</u>	<u>(300)</u>
Net Change in Fund Balances	<u>(30,000)</u>	<u>(24,000)</u>	<u>(2,671)</u>	<u>21,329</u>
Fund Balances - Beginning	30,000	24,000	189,973	165,973
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 187,302</u>	<u>\$ 187,302</u>

City of Idaho City, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Roads and Streets
 For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 32,438	\$ 32,438	\$ 34,490	\$ 2,052
Intergovernmental	20,168	44,000	21,685	(22,315)
Grants and Contributions	0	13,300	0	(13,300)
Other	0	500	150	(350)
Total Revenues	<u>52,606</u>	<u>90,238</u>	<u>56,325</u>	<u>(33,913)</u>
Expenditures				
Current:				
Personnel Services	14,516	28,752	26,054	2,698
Supplies and Other Charges	20,603	21,954	29,042	(7,088)
Debt Service:				
Principal	522	522	522	0
Interest	465	794	756	38
Capital Outlay	16,500	29,800	6,784	23,016
Contingency	0	8,416	0	8,416
Total Expenditures	<u>52,606</u>	<u>90,238</u>	<u>63,158</u>	<u>27,080</u>
Net Change in Fund Balances	0	0	(6,833)	(6,833)
Fund Balances - Beginning	0	0	63,078	63,078
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 56,245</u>	<u>\$ 56,245</u>

City of Idaho City, Idaho
 Reconciliation of the Budgetary (GAAP Basis) Comparison Schedule to the
 Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund
 For the Year Ended September 30, 2017

	General	Culture and Recreation	Total
Revenues			
Property Taxes	\$ 95,256	\$ 0	\$ 95,256
Licenses and Permits	9,539	0	9,539
Rents	4,023	0	4,023
Intergovernmental	53,223	0	53,223
Interest	85	0	85
Other	184,022	150	184,172
Total Revenues	346,148	150	346,298
Expenditures			
Current:			
General Administration	75,387	0	75,387
Public Safety	242,226	0	242,226
Culture and Recreation	0	7,934	7,934
Debt Service:			
Principal	21,969	0	21,969
Interest	2,002	0	2,002
Capital Outlay	9,435	0	9,435
Total Expenditures	351,019	7,934	358,953
Excess (Deficiency) of Revenues Over Expenditures	(4,871)	(7,784)	(12,655)
Other Financing Sources (Uses)			
Disposal of Capital Assets	2,200	0	2,200
Total Other Financing Sources (Uses)	2,200	0	2,200
Net Change in Fund Balances	(2,671)	(7,784)	(10,455)
Fund Balances - Beginning	189,973	(620)	189,353
Fund Balances - Ending	\$ 187,302	\$ (8,404)	\$ 178,898

City of Idaho City, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2017

1. **BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to September 1, the City Clerk, Mayor, and City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- D. The City is authorized to transfer budgeted amounts between departments within any fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for Enterprise funds may also be revised in the same manner as those situations involving federal and state grants.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue funds.

2. **RECONCILIATION TO FUND STATEMENT**

The City accounts for Culture and Recreation as a separate fund. According to the Governmental Accounting Standards Board, Culture and Recreation does not meet the requirements to be considered a special revenue fund. Therefore, in the fund statements, Culture and Recreation is included in the General fund. The City has provided a reconciliation on page 33 to show how these funds were combined.

3. **EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Expenditures were in excess of appropriations in the General fund by \$83,305. This was a result of not amending the budget for additional revenues and the corresponding expenses.

SUPPLEMENTAL INFORMATION

City of Idaho City, Idaho
Supplemental Schedule of Revenues by Source -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2017

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 92,325	\$ 93,644	\$ 1,319
Penalties and Interest	0	1,612	1,612
Total Taxes	92,325	95,256	2,931
Licenses and Permits			
Beer Licenses	890	0	(890)
Liquor Licenses	675	2,140	1,465
Wine Licenses	600	0	(600)
Business Licenses	2,800	2,780	(20)
Building Permits	1,500	2,855	1,355
Vendor Permits	700	769	69
Catering Permits	160	240	80
Animal Licenses	1,150	755	(395)
Total Licenses and Permits	8,475	9,539	1,064
Rents			
	4,000	4,023	23
Intergovernmental			
State Liquor Apportionment	14,364	18,267	3,903
Court Revenue	10,000	8,464	(1,536)
State Sales Tax	9,719	7,602	(2,117)
State Revenue Sharing	18,364	18,890	526
Total Intergovernmental	52,447	53,223	776
Interest Earned			
	75	85	10
Other			
Cemetery Lots	1,500	1,400	(100)
Copy Fees	25	0	(25)
Franchise Fees	5,000	7,328	2,328
Donations	4,600	6,797	2,197
Grants	18,600	135,108	116,508
Law Contract	35,200	25,664	(9,536)
Fire Department Revenue	0	5,639	5,639
Other	18,967	2,086	(16,881)
Total Other	83,892	184,022	100,130
Other Financing Sources			
Debt Proceeds	0	0	0
Disposal of Capital Assets	2,500	2,200	(300)
Total Other Financing Sources	2,500	2,200	(300)
Total Revenue	\$ 243,714	\$ 348,348	\$ 104,634

City of Idaho City, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2017

	Budget	Actual	Variance
General Administration			
Personnel Services	\$ 32,572	\$ 24,362	\$ 8,210
Personnel Benefits	10,462	9,770	692
Legal and Professional	17,916	14,330	3,586
Supplies	2,620	1,535	1,085
Utilities	9,038	8,846	192
Insurance	640	640	0
Other Services and Charges	11,871	7,038	4,833
Repairs and Maintenance	5,873	8,855	(2,982)
Election	150	11	139
Capital Outlay	2,760	1,858	902
Total General Administration	<u>93,902</u>	<u>77,245</u>	<u>16,657</u>
Public Safety			
Law Enforcement			
Personnel Services	66,955	56,358	10,597
Personnel Benefits	17,861	15,938	1,923
Supplies	1,100	704	396
Insurance	3,040	3,040	0
Other Services and Charges	5,700	6,650	(950)
Repairs and Maintenance	200	177	23
Capital Outlay	45,000	7,577	37,423
Total Law Enforcement	<u>139,856</u>	<u>90,444</u>	<u>49,412</u>
Fire Department			
Personnel Services	816	763	53
Personnel Benefits	133	220	(87)
Supplies	500	0	500
Utilities	1,300	2,010	(710)
Other Services and Charges	7,400	15,396	(7,996)
Repairs and Maintenance	15,367	12,610	2,757
Capital Outlay	0	128,360	(128,360)
Total Fire Department	<u>25,516</u>	<u>159,359</u>	<u>(133,843)</u>
Building Inspection	0	0	0
Total Public Safety	<u>165,372</u>	<u>249,803</u>	<u>(84,431)</u>
Debt Service			
Principal	7,043	21,969	(14,926)
Interest	1,397	2,002	(605)
Total Debt Service	<u>8,440</u>	<u>23,971</u>	<u>(15,531)</u>
Other Financing Uses			
Transfers Out	0	0	0
Total Expenditures	<u>\$ 267,714</u>	<u>\$ 351,019</u>	<u>\$ (83,305)</u>

FEDERAL REPORT



Certified Public Accountants

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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***

To the City Council
City of Idaho City, 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, and each major fund of the **City of Idaho City, Idaho**, 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 statement and have issued our report thereon dated February 7, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **City of Idaho City, Idaho’s** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bailey & Co.

Nampa, Idaho
February 7, 2018