

CITY OF GRANGEVILLE, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2018

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Independent Auditor's Report

To the Honorable Mayor and
City Council
City of Grangeville, Idaho

Report on 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 Grangeville, Idaho (the City), as of and for the year ended September 30, 2018, 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, each major fund, and the aggregate remaining fund information of the City of Grangeville, Idaho, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I through viii, budgetary comparison information, schedule of the City's proportionate share of the net pension liability, and schedule of City contributions on pages 35 through 40 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grangeville, Idaho's basic financial statements. The schedules of revenues by source, expenditures by object, and the combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues by source, expenditures by object, and the combining 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 to 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 schedules of revenues by source, expenditures by object, and the combining 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 March 8, 2019, 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, 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.

Zwygart John & Associates, CPAs PLLC

Caldwell, Idaho
March 8, 2019

**City of Grangeville
Management's Discussion and Analysis
September 30, 2018**

This section of the City of Grangeville's annual financial report provides a narrative overview and analysis of the City's financial performance during the year ending September 30, 2018. The information presented here should be used in conjunction with additional information furnished in the City's financial statements.

Financial Highlights

- The assets of the City of Grangeville exceeded its liabilities at the close of the most recent fiscal year by \$18,300,689. Of this amount \$5,499,584 was unrestricted net position that may be used to meet the government's ongoing obligations to citizens and creditors.
- During the fiscal year, the City's total net position increased \$87,411. Net position of government activities increased \$214,368 and net position of business-type activities decreased \$(126,957).
- Fund balances of governmental funds at the end of the fiscal year totaled \$2,688,893 an increase of \$335,195 in comparison to the prior year. Of this amount, \$1,625,221 is nonspendable, restricted and committed while the remaining \$1,063,672 is unassigned.
- At the end of the fiscal year the unassigned governmental fund balance was \$1,063,672.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Grangeville's basic financial statements. The City of Grangeville's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: These statements are designed to provide readers with a broad overview of the City of Grangeville's finances using accounting methods similar to those by private sector companies. These statements are prepared using the accrual basis of accounting, in which current year revenues and expenses are recorded as transactions occur rather than when the cash is received or paid.

The government-wide financial statements are divided into two categories:

Statement of Net Position: Reports all of the City's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities: Reports how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety (police and fire), planning and development, public works and streets and culture and recreation. Business-type activities for the City include water, sewer, sanitation and Snowhaven.

The government-wide financial statements can be found on pages 3-4 of this report.

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

Governmental Funds: Most of the City's basic services are reported in governmental funds, which focus on short-term inflows and outflows of spendable resources and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. Information provided by these statements provides a short-term view of what resources will be available to meet needs.

The City maintains 5 individual governmental funds. The basic governmental fund financial statements can be found on pages 5-8 of this report.

Proprietary Funds: When fees are charged for services provided, these services are generally reported in proprietary funds. Of the two proprietary funds available, the City only has enterprise funds. The City maintains enterprise funds for water, sewer, sanitation and Snowhaven, with each fund supporting itself with user fees and other charges. The City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows.

The basic proprietary fund financial statements may be found on pages 9-13 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements: The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-34 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information can be found on pages 35-40 of this report.

The combining and individual fund statements and schedules can be found on pages 41-46 of this report.

Government-Wide Financial Analysis

Net Position: Net position measure the difference between what the City owns (assets) versus what the City owes (liabilities). At September 30, 2018, the City’s combined assets exceed liabilities by \$18,300,689. In comparison at September 30, 2017 combined assets exceeded liabilities by \$18,213,277.

The largest portion of the City’s net assets, 58%, is invested in capital assets net of related debt. This is consistent but slightly lower than the prior fiscal year. Capital assets include land, building, equipment and machinery, and infrastructure.

Assets restricted to a particular use are 12% of net assets, which is 1% more than the prior year. Slightly higher than the prior period, unrestricted net position equals 30% of net position.

City of Grangeville – Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current & Other Assets	\$ 2,803,819	\$ 3,209,456	\$ 4,998,664	\$ 5,283,761	\$ 7,802,483	\$ 8,493,217
Capital Assets	\$ 2,001,038	\$ 1,778,366	\$ 15,249,178	\$ 14,617,355	\$ 17,250,216	\$ 16,395,721
Total Assets	\$ 4,804,857	\$ 4,987,822	\$ 20,247,842	\$ 19,901,116	\$ 25,052,699	\$ 24,888,938
Long-term liabilities outstanding	\$ 289,308	\$ 253,394	\$ 6,036,961	\$ 5,772,426	\$ 6,326,269	\$ 6,025,820
Other Liabilities	\$ 128,493	\$ 127,796	\$ 409,291	\$ 451,425	\$ 537,784	\$ 579,221
Total Liabilities	\$ 417,801	\$ 381,190	\$ 6,446,252	\$ 6,223,851	\$ 6,864,053	\$ 6,605,041
Net Assets:						
Net Investment in Capital Assets						
Assets	\$ 2,001,038	\$ 1,778,366	\$ 9,133,443	\$ 8,746,254	\$ 11,134,481	\$ 10,524,620
Restricted	\$ 1,728,631	\$ 1,935,149	\$ 321,271	\$ 341,336	\$ 2,049,902	\$ 2,276,485
Unrestricted	\$ 673,757	\$ 904,278	\$ 4,355,137	\$ 4,595,306	\$ 5,028,894	\$ 5,499,584
Total Net Position	\$ 4,403,426	\$ 4,617,793	\$ 13,809,851	\$ 13,682,896	\$ 18,213,277	\$ 18,300,689

Changes in Net Position: During the year the City’s financial position increased by \$87,412. The following condensed financial information was derived from the government-wide Statement of Activities and shows how the City’s net assets changed during the year.

**Changes in Net Position
Fiscal Year Ending September 30, 2018**

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 151,908	\$ 151,767	\$ 2,513,643	\$ 2,521,793	\$ 2,665,551	\$ 2,673,560
Operating grants and contributions	\$ 15,636	\$ 29,809	\$ 500	\$ -	\$ 16,136	\$ 29,809
Capital grants and contributions	\$ -			\$ -	\$ -	\$ -
General revenues:					\$ -	\$ -
Property taxes	\$ 940,647	\$ 970,569			\$ 940,647	\$ 970,569
Sales tax and other governmental	\$ 567,167	\$ 575,089	\$ 10,352	\$ 9,409	\$ 577,519	\$ 584,498
Other	\$ 104,558	\$ 198,417	\$ 33,799	\$ 79,825	\$ 138,357	\$ 278,242
Total Revenues	\$ 1,779,916	\$ 1,925,651	\$ 2,558,294	\$ 2,611,027	\$ 4,338,210	\$ 4,536,678
Expenses:						
General government	\$ 209,774	\$ 226,158			\$ 209,774	\$ 226,158
Public Safety	\$ 676,348	\$ 695,843			\$ 676,348	\$ 695,843
Highways/streets	\$ 452,764	\$ 463,609			\$ 452,764	\$ 463,609
Culture and Recreation	\$ 326,731	\$ 325,673			\$ 326,731	\$ 325,673
Interest on long-term debt					\$ -	\$ -
Water			\$ 693,179	\$ 902,841	\$ 693,179	\$ 902,841
Sewer			\$ 1,085,285	\$ 1,116,161	\$ 1,085,285	\$ 1,116,161
Sanitation			\$ 553,844	\$ 577,793	\$ 553,844	\$ 577,793
Recreation-Snowhaven			\$ 125,028	\$ 141,189	\$ 125,028	\$ 141,189
Total Expenses	\$ 1,665,617	\$ 1,711,283	\$ 2,457,336	\$ 2,737,984	\$ 4,122,953	\$ 4,449,267
Increase in net position before transfers	\$ 114,299	\$ 214,368	\$ 100,958	\$ (126,957)	\$ 215,257	\$ 87,411
Transfers	\$ -		\$ -	\$ -	\$ -	\$ -
Change in net position	\$ 114,299	\$ 214,368	\$ 100,958	\$ (126,957)	\$ 215,257	\$ 87,411
Net Position beginning	\$ 4,190,235	\$ 4,403,425	\$ 13,708,893	\$ 13,809,853	\$ 17,899,128	\$ 18,213,278
Prior Period Adjustment	\$ 98,892			\$ -	\$ 98,892	\$ -
Net Position ending	\$ 4,403,426	\$ 4,617,793	\$ 13,809,851	\$ 13,682,896	\$ 18,213,277	\$ 18,300,689

Governmental Activities: Governmental activities increased the City's net position by \$214,368 compared to a \$114,299 increase the previous fiscal year. The majority of governmental expenses, 41%, are incurred by Public Safety. Overall, governmental expenses for 2018 increased by almost 3% over fiscal year 2017.

Through the generosity of a long time Grangeville citizen, the City was named as a beneficiary for a memorial from Orrin and Eleanor Webb for the police, fire, pool and golf course funds. The City received the majority of the funds in FY13; however additional funds were still received during FY14 and FY15. The City issued the final payment for the golf course funds in February 2017. Police, Fire and pool still have remaining funds.

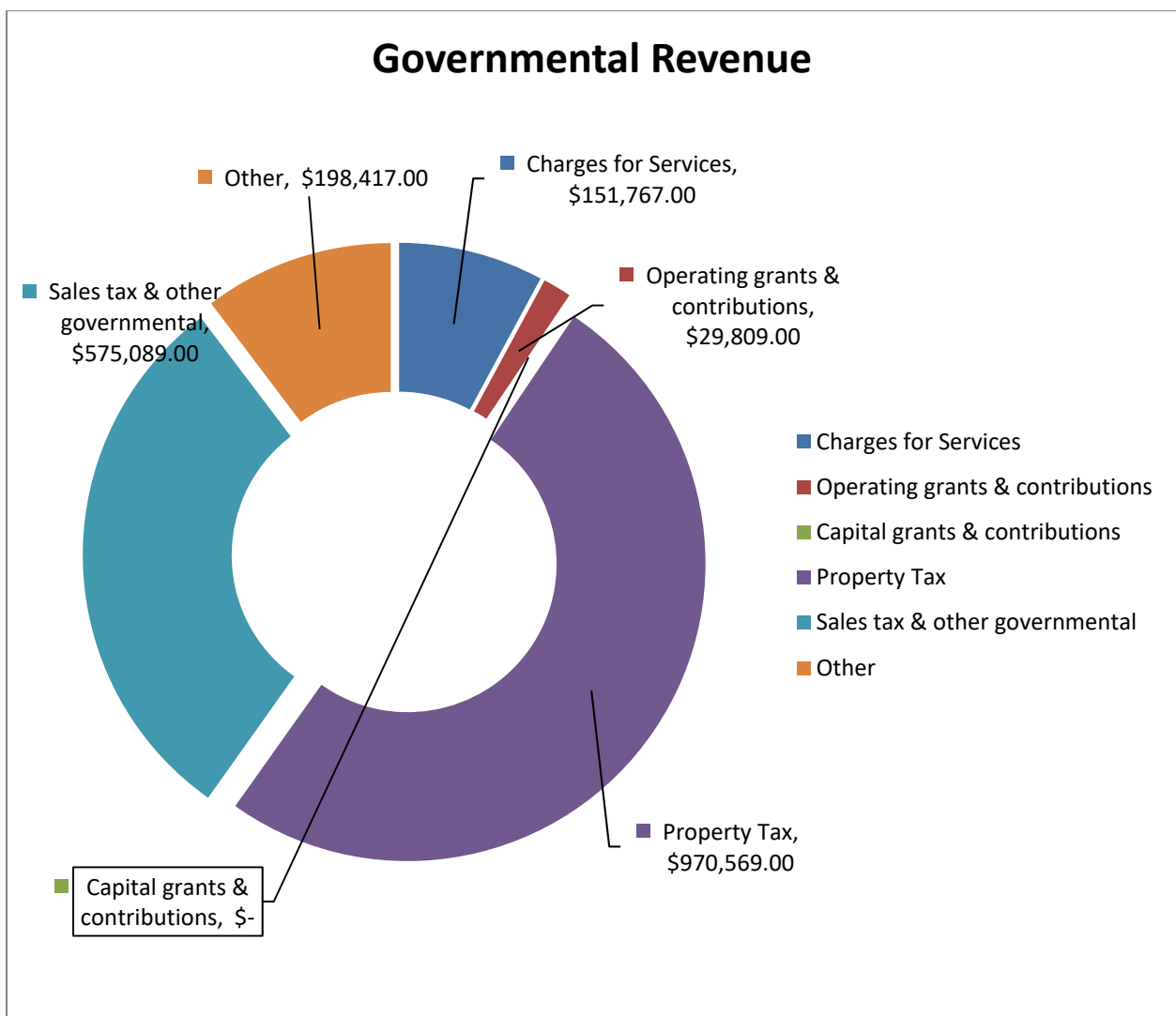
Business-Type Activities: Business-type activities decreased net position by \$(126,957) in fiscal year 2018. Expenses increased 2.7% from fiscal year 2017 to 2018 while revenues increased 2.1% in the same time period. The water department is working on a new Water Master Plan which will be completed in FY 19. Work on the new Sewer Master Plan will start in FY 19.

Financial Analysis of the City's Funds

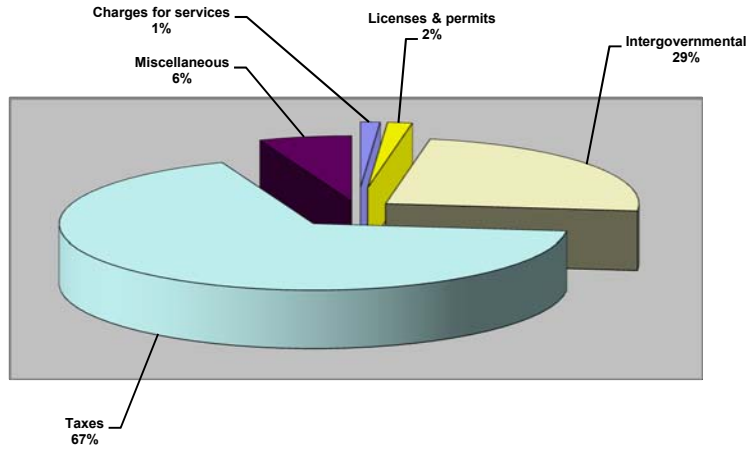
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The general fund is the principal fund used for the City of Grangeville's major operations. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,063,672 while the total fund balance reached \$2,688,893 an increase of \$133,911 compared to the prior year fund balance.

The following chart shows the breakdown of governmental revenue.

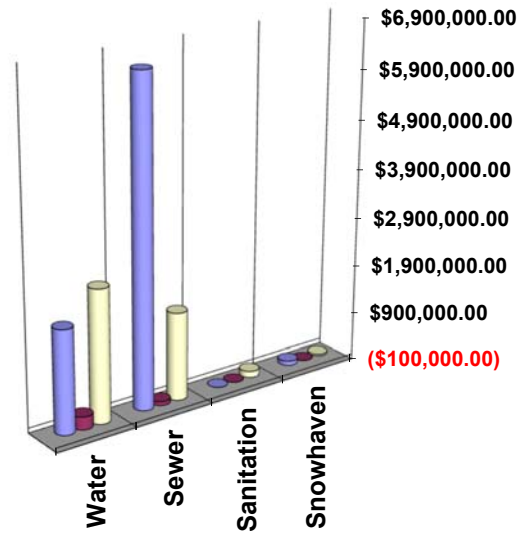


Revenue by Source-General Fund



Proprietary funds: The following chart has the net asset breakdown by proprietary (enterprise) fund as operated by the City and is shown in more detail than discussed in the Net Asset section.

Net Asset Breakdown Proprietary Funds



■ Invested in capital assets, net of related debt
 ■ Restricted for debt service
 ■ Unrestricted

General Fund Budgetary Highlights

The total revenue in the General Fund was \$967,085 which was more than the budgeted amount of \$919,359 by \$47,726. The total expenditures in the General Fund were \$833,173, which was under the budget of \$1,105,045 by \$271,872. The police department upgraded body cameras and tasers using a lease option. For FY19 the police department has budgeted to move to Spillman Record Management System and E-ticketing.

Capital Asset and Debt Administration

Capital Asset:

The City investment in capital assets includes land, buildings, sewer and water lines, automobiles, equipment, street lights, bridges and roads.

Major capital asset events in FY18 included:

- Purchased 7500JD Tractor with sickle mower
- Snowhaven T-bar shack rebuild
- Purchased 2007 Ford dump truck
- Purchased air lifts at WWTP
- The majority of the work has been completed on the Water Study – will finish in FY19
- Completed Sludge Management Plan
- Scada Project

Long-term Debt: The citizens of the City passed a water revenue bond in December 2003. The City Refunded the Water Bond in 2013, resulting in a net interest cost of 3.433% compared to 4.94% and a total savings of \$290,897.61 over the life of the bond. The long-term balance of the principle on the water bond as of September 30, 2018 was \$2,530,000.

The City passed a sewer revenue bond in 2010 for improvements at the Wastewater Treatment Plant. Construction began in 2013 and the bond closed with USDA Rural Development in March of 2014. The long-term balance of the principle on the sewer bond as of September 30, 2018 was \$3,043,239.

Economic Factors and Next Year's Budgets and Rates

The business-type activities continue to monitor their rates to ensure adequate funding for payment of outstanding debt and future required expansion. The water and sewer rates will increase by 3% each for fiscal year 2019. Walco Inc. did not request an increase in Sanitation.

Wastewater treatment plant upgrades began in 2012 with Phase I and 2013 was Phase II; the project was completed by September 30, 2014. The City will continue to work with J-U-B Engineers on wastewater plant and collection system requirements in the NPDES permit. In addition, the City will work toward completing the Emergency Response Plan at the Wastewater Plant. The City is budgeting for aeration diffusers and 2 blowers at the plant and work will begin on a new Sewer Master Plan. The Water Master Plan will be completed early in 2019.

Requests for Information

This report is designed to provide our customers and other interested parties a general overview of the City of Grangeville's finances. Questions concerning any of the information provided in this report or for additional information, please contact Tonya Kennedy, City Administrator, City of Grangeville, 225 West North Street, Grangeville, Idaho 83530, (208) 983-2851.

City of Grangeville, Idaho
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,683,936	\$ 3,210,689	\$ 4,894,625
Short-term Investments	237,626	418,262	655,888
Accounts Receivable, Net	33,679	274,333	308,012
Taxes Receivable, Net	44,353	-	44,353
Interest Receivable	3,783	6,659	10,442
Due from Other Governments	147,215	2,547	149,762
Prepaid Items	8,403	3,809	12,212
Total Current Assets	<u>2,158,995</u>	<u>3,916,299</u>	<u>6,075,294</u>
Noncurrent Assets:			
Long-term Investments	732,130	1,026,126	1,758,256
Restricted Cash	318,331	341,336	659,667
Capital Assets:			
Land and Construction in Progress	211,759	86,256	298,015
Improvements, Net	1,127,465	7,094,149	8,221,614
Buildings, Net	79,178	5,636,162	5,715,340
Equipment, Net	359,964	1,800,788	2,160,752
Total Noncurrent Assets	<u>2,828,827</u>	<u>15,984,817</u>	<u>18,813,644</u>
Total Assets	<u>4,987,822</u>	<u>19,901,116</u>	<u>24,888,938</u>
Deferred Outflows			
Pension Related Items	58,451	29,498	87,949
Total Deferred Outflows	<u>58,451</u>	<u>29,498</u>	<u>87,949</u>
Liabilities			
Current Liabilities:			
Accounts Payable	53,606	143,986	197,592
Wages Payable	37,217	16,491	53,708
Deposits from Others	3,430	3,536	6,966
Accrued Interest	-	35,964	35,964
Long-term Liabilities:			
Due Within One Year:			
Bonds and Notes Payable	-	226,554	226,554
Compensated Absences	33,543	24,894	58,437
Due in More than One Year:			
Bonds and Notes Payable	-	5,644,547	5,644,547
Net Pension Liability	253,394	127,879	381,273
Total Liabilities	<u>381,190</u>	<u>6,223,851</u>	<u>6,605,041</u>
Deferred Inflows			
Pension Related Items	47,290	23,867	71,157
Total Deferred Inflows	<u>47,290</u>	<u>23,867</u>	<u>71,157</u>
Net Position			
Net Investment in Capital Assets	1,778,366	8,746,254	10,524,620
Restricted for:			
Debt Service	318,331	341,336	659,667
Other Purposes	1,616,818	-	1,616,818
Unrestricted Surplus	904,278	4,595,306	5,499,584
Total Net Position	<u>\$ 4,617,793</u>	<u>\$ 13,682,896</u>	<u>\$ 18,300,689</u>

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

City of Grangeville, Idaho
Statement of Activities
For the Year Ended September 30, 2018

	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 Government	\$ 226,158	\$ 29,852	\$ 22,862	\$ -	\$ (173,444)	\$ -	\$ (173,444)
Public Safety	695,843	-	-	-	(695,843)	-	(695,843)
Highways and Streets	463,609	82,402	-	-	(381,207)	-	(381,207)
Culture and Recreation	325,673	39,513	6,947	-	(279,213)	-	(279,213)
Total Governmental Activities	1,711,283	151,767	29,809	-	(1,529,707)	-	(1,529,707)
Business-type Activities:							
Water	902,841	888,930	-	-	-	(13,911)	(13,911)
Sewer	1,116,161	923,302	-	-	-	(192,859)	(192,859)
Sanitation	577,793	594,603	-	-	-	16,810	16,810
Recreation-Snowhaven	141,189	114,958	-	-	-	(26,231)	(26,231)
Total Business-type Activities	2,737,984	2,521,793	-	-	-	(216,191)	(216,191)
Total Primary Government	\$ 4,449,267	\$ 2,673,560	\$ 29,809	\$ -	(1,529,707)	(216,191)	(1,745,898)
General Revenues:							
Property Taxes					970,569	-	970,569
Intergovernmental					575,089	9,409	584,498
Interest					45,789	79,825	125,614
Other					135,960	-	135,960
Disposal of Capital Assets					16,668	-	16,668
Total General Revenues and Special Items					1,744,075	89,234	1,833,309
Change in Net Position					214,368	(126,957)	87,411
Net Position, Beginning of Year					4,403,425	13,809,853	18,213,278
Net Position, End of Year					\$ 4,617,793	\$ 13,682,896	\$ 18,300,689

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

City of Grangeville, Idaho

Balance Sheet -
Governmental Funds
September 30, 2018

	General	Street	Recreation	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 1,041,677	\$ 933,601	\$ 504,077	\$ 118,568	\$ 2,597,923
Receivables, Net:					
Accounts	24,482	9,197	-	-	33,679
Property Taxes	27,242	10,163	3,281	3,667	44,353
Interest	2,161	1,314	308	-	3,783
Due from Other Governments	53,786	55,483	28,504	9,442	147,215
Prepaid Items	4,470	3,282	626	25	8,403
Total Assets	\$ 1,153,818	\$ 1,013,040	\$ 536,796	\$ 131,702	\$ 2,835,356
Liabilities					
Accounts Payable	\$ 24,854	\$ 9,026	\$ 13,642	\$ 5,189	\$ 52,711
Wages Payable	28,658	3,934	2,411	2,214	37,217
Customer Deposits	-	3,430	-	-	3,430
Compensated Absences	6,801	2,170	2,862	-	11,833
Total Liabilities	60,313	18,560	18,915	7,403	105,191
Deferred Inflows					
Unearned Revenue - Property Tax	25,363	9,446	3,053	3,410	41,272
Total Deferred Inflows	25,363	9,446	3,053	3,410	41,272
Fund Balances					
Nonspendable	4,470	3,282	626	25	8,403
Restricted	-	981,752	514,202	120,864	1,616,818
Unassigned	1,063,672	-	-	-	1,063,672
Total Fund Balances	1,068,142	985,034	514,828	120,889	2,688,893
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,153,818	\$ 1,013,040	\$ 536,796	\$ 131,702	\$ 2,835,356

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

City of Grangeville, Idaho
 Reconciliation of the Balance Sheet of the
 Governmental Funds to the Statement of Net Position
 September 30, 2018

Total Fund Balances - Governmental Funds \$ 2,688,893

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. The cost of assets consist of:

Land and Construction in Progress	\$ 211,759	
Improvements, Net of \$1,209,719 Accumulated Depreciation	1,127,465	
Buildings, Net of \$658,349 Accumulated Depreciation	79,178	
Equipment, Net of \$1,207,879 Accumulated Depreciation	<u>359,964</u>	
		1,778,366

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and, therefore, are unearned in the funds. 41,272

Compensated absences that are applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position. (21,710)

Internal service funds are used by management to charge medical costs to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. Internal service fund net assets are: 373,205

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$ (253,394)	
Pension Related Deferred Inflows	(47,290)	
Pension Related Deferred Outflows	<u>58,451</u>	
		<u>(242,233)</u>

Net Position of Governmental Activities \$ 4,617,793

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

City of Grangeville, Idaho
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2018

	General	Roads and Streets	Recreation	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 650,429	\$ 177,726	\$ 71,270	\$ 79,673	\$ 979,098
Licenses and Permits	15,080	-	-	2,772	17,852
Intergovernmental	231,395	198,317	107,127	38,250	575,089
Charges for Services	12,000	82,402	36,503	3,010	133,915
Grants & Contributions	22,862	-	-	6,947	29,809
Interest Income	15,764	14,633	8,573	1,989	40,959
Other	18,055	29,077	8,671	3,193	58,996
Total Revenues	<u>965,585</u>	<u>502,155</u>	<u>232,144</u>	<u>135,834</u>	<u>1,835,718</u>
Expenditures					
Current:					
General Government	191,139	-	-	28,141	219,280
Public Safety	603,681	-	-	-	603,681
Highway and Streets	-	354,680	-	-	354,680
Culture and Recreation	-	-	178,112	86,579	264,691
Capital Outlay	38,353	10,509	14,026	11,971	74,859
Total Expenditures	<u>833,173</u>	<u>365,189</u>	<u>192,138</u>	<u>126,691</u>	<u>1,517,191</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>132,412</u>	<u>136,966</u>	<u>40,006</u>	<u>9,143</u>	<u>318,527</u>
Other Financing Resources (Uses)					
Gain/(Loss) on Sale of Assets	1,500	10,500	4,652	16	16,668
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>10,500</u>	<u>4,652</u>	<u>16</u>	<u>16,668</u>
Net Change in Fund Balances	133,912	147,466	44,658	9,159	335,195
Fund Balances - Beginning	934,230	837,568	470,170	111,730	2,353,698
Fund Balances - Ending	<u>\$ 1,068,142</u>	<u>\$ 985,034</u>	<u>\$ 514,828</u>	<u>\$ 120,889</u>	<u>\$ 2,688,893</u>

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

City of Grangeville, 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, 2018

Total Net Change in Fund Balance - Governmental Funds \$ 335,195

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. Because of this, gains or losses on disposals only appear in the Statement of Activities as well. In the current period these amounts are:

Capital Outlay	\$ 7,400	
Depreciation Expense	(237,018)	
Loss on Disposal of Assets	<u>-</u>	
Net		(229,618)

Loss on Disposal of Assets

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 unearned tax revenues. They are, however, recorded as revenues in the Statement of Activities. (8,529)

The net revenue of certain activities of internal service funds are reported with governmental activities. 81,794

Compensated absences 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. This amount represents the net change in compensated absences. 4,821

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities. 30,705

Change in Net Position of Governmental Activities \$ 214,368

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

City of Grangeville, Idaho
Statement of Net Position - Proprietary Funds
September 30, 2018

	Enterprise Funds		
	Water	Sewer	Sanitation
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,292,571	\$ 1,777,810	\$ 103,405
Short-term Investments	404,895	13,367	-
Accounts Receivable, Net	96,424	110,096	67,813
Interest Receivable	6,446	213	-
Prepaid Items	2,288	673	141
Total Current Assets	<u>1,802,624</u>	<u>1,902,159</u>	<u>171,359</u>
Noncurrent Assets:			
Long-term Investments	984,943	41,183	-
Restricted Cash and Investments	262,545	78,791	-
Capital Assets:			
Land and Construction in Progress	20,946	33,750	-
Improvements, Net	4,468,071	2,583,316	-
Buildings, Net	46,949	5,581,984	-
Equipment, Net	368,919	1,426,107	-
Total Noncurrent Assets	<u>6,152,373</u>	<u>9,745,131</u>	<u>-</u>
Total Assets	<u>7,954,997</u>	<u>11,647,290</u>	<u>171,359</u>
Deferred Outflows			
Pension Related Items	13,069	13,861	414
Total Deferred Outflows	<u>13,069</u>	<u>13,861</u>	<u>414</u>
Liabilities			
Current Liabilities:			
Accounts Payable	37,597	62,963	42,980
Wages Payable	7,004	9,218	269
Customer Deposits	3,536	-	-
Accrued Interest	4,542	31,422	-
Compensated Absences	12,139	12,486	269
Current Portion - Debt	130,000	96,554	-
Total Current Liabilities	<u>194,818</u>	<u>212,643</u>	<u>43,518</u>
Long-term Liabilities:			
Bonds and Notes Payable	2,697,862	2,946,685	-
Net Pension Liability	56,657	60,089	1,792
Total Long-term Liabilities	<u>2,754,519</u>	<u>3,006,774</u>	<u>1,792</u>
Total Liabilities	<u>2,949,337</u>	<u>3,219,417</u>	<u>45,310</u>
Deferred Inflows			
Pension Related Items	10,574	11,214	335
Total Deferred Inflows	<u>10,574</u>	<u>11,214</u>	<u>335</u>
Net Position			
Net Investment in Capital Assets	2,077,023	6,581,918	-
Restricted for Debt Service	262,545	78,791	-
Unrestricted	2,668,587	1,769,811	126,128
Total Net Position	<u>\$ 5,008,155</u>	<u>\$ 8,430,520</u>	<u>\$ 126,128</u>

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

City of Grangeville, Idaho
Statement of Net Position - Proprietary Funds (continued)
September 30, 2018

	Enterprise Funds		Governmental
	Snowhaven	Total	Activities - Internal Services
Assets			
Current Assets:			
Cash and Investments	\$ 36,903	\$ 3,210,689	\$ 374,100
Short-term Investments	-	418,262	-
Accounts Receivable, Net	-	274,333	-
Interest Receivable	-	6,659	-
Due from Other Governments	2,547	2,547	-
Prepaid Items	707	3,809	-
Total Current Assets	<u>40,157</u>	<u>3,916,299</u>	<u>374,100</u>
Noncurrent Assets:			
Long-term Investments	-	1,026,126	-
Restricted Cash	-	341,336	-
Capital Assets:			
Land and Construction in Progress	31,560	86,256	-
Improvements, Net	42,762	7,094,149	-
Buildings, Net	7,229	5,636,162	-
Equipment, Net	5,762	1,800,788	-
Total Noncurrent Assets	<u>87,313</u>	<u>15,984,817</u>	<u>-</u>
Total Assets	<u>127,470</u>	<u>19,901,116</u>	<u>374,100</u>
Deferred Outflows			
Pension Related Items	2,154	29,498	-
Total Deferred Outflows	<u>2,154</u>	<u>29,498</u>	<u>-</u>
Liabilities			
Current Liabilities:			
Accounts Payable	446	143,986	895
Wages Payable	-	16,491	-
Customer Deposits	-	3,536	-
Accrued Interest	-	35,964	-
Compensated Absences	-	24,894	-
Current Portion - Debt	-	226,554	-
Total Current Liabilities	<u>446</u>	<u>451,425</u>	<u>895</u>
Long-term Liabilities:			
Bonds and Notes Payable	-	5,644,547	-
Net Pension Liability	9,341	127,879	-
Total Long-term Liabilities	<u>9,341</u>	<u>5,772,426</u>	<u>-</u>
Total Liabilities	<u>9,787</u>	<u>6,223,851</u>	<u>895</u>
Deferred Inflows			
Pension Related Items	1,744	23,867	-
Total Deferred Inflows	<u>1,744</u>	<u>23,867</u>	<u>-</u>
Net Position			
Net Investment in Capital Assets	87,313	8,746,254	-
Restricted for Debt Service	-	341,336	-
Unrestricted	30,780	4,595,306	373,205
Total Net Position	<u>\$ 118,093</u>	<u>\$ 13,682,896</u>	<u>\$ 373,205</u>

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

City of Grangeville, Idaho
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2018

	Enterprise Funds		
	Water	Sewer	Sanitation
Operating Revenues			
Charges for Services	\$ 871,032	\$ 918,054	\$ 594,603
Penalties	9,255	-	-
Other	8,643	5,248	-
Total Operating Revenues	<u>888,930</u>	<u>923,302</u>	<u>594,603</u>
Operating Expenses			
Salaries and Benefits	190,541	259,836	7,393
Contractor Services	-	-	560,988
Supplies	17,046	35,229	5,063
Heat, Light, and Power	66,162	93,887	-
Other Services and Charges	250,568	245,249	3,128
Depreciation	287,014	424,101	1,221
Total Operating Expenses	<u>811,331</u>	<u>1,058,302</u>	<u>577,793</u>
Operating Income (Loss)	<u>77,599</u>	<u>(135,000)</u>	<u>16,810</u>
Nonoperating Revenues (Expenses)			
Interest Earned	49,706	29,320	-
Interest Expense	(91,510)	(57,859)	-
Total Nonoperating Revenues (Expenses)	<u>(41,804)</u>	<u>(28,539)</u>	<u>-</u>
Change in Net Position	35,795	(163,539)	16,810
Net Position - Beginning	4,972,360	8,594,059	109,318
Net Position - Ending	<u>\$ 5,008,155</u>	<u>\$ 8,430,520</u>	<u>\$ 126,128</u>

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

City of Grangeville, Idaho
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds (continued)
For the Year Ended September 30, 2018

	Enterprise Funds		Governmental Activities - Internal Services
	Snowhaven	Total	
Operating Revenues			
Charges for Services	\$ 113,296	\$ 2,496,985	\$ -
Penalties	-	9,255	-
Other	1,662	15,553	252,597
Total Operating Revenues	<u>114,958</u>	<u>2,521,793</u>	<u>252,597</u>
Operating Expenses			
Salaries and Benefits	36,623	494,393	175,633
Contractor Services	-	560,988	-
Supplies	10,378	67,716	-
Heat, Light, and Power	5,671	165,720	-
Other Services and Charges	82,320	581,265	-
Depreciation	6,197	718,533	-
Total Operating Expenses	<u>141,189</u>	<u>2,588,615</u>	<u>175,633</u>
Operating Income (Loss)	<u>(26,231)</u>	<u>(66,822)</u>	<u>76,964</u>
Nonoperating Revenues (Expenses)			
Intergovernmental Revenue	9,409	9,409	-
Interest Earned	799	79,825	4,830
Interest Expense	-	(149,369)	-
Total Nonoperating Revenues (Expenses)	<u>10,208</u>	<u>(60,135)</u>	<u>4,830</u>
Change in Net Position	(16,023)	(126,957)	81,794
Net Position - Beginning	134,116	13,809,853	291,411
Net Position - Ending	<u>\$ 118,093</u>	<u>\$ 13,682,896</u>	<u>\$ 373,205</u>

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

City of Grangeville, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2018

	Enterprise Funds		
	Water	Sewer	Sanitation
Cash Flows From Operating Activities			
Receipts from Customers	\$ 901,356	\$ 919,242	\$ 586,971
Payments to Suppliers for Goods or Services	(315,561)	(346,248)	(572,975)
Payments to Employees for Services	(196,165)	(265,948)	(7,523)
Net Cash Provided (Used) by Operating Activities	<u>389,630</u>	<u>307,046</u>	<u>6,473</u>
Cash Flows From Noncapital Financing Activities			
Intergovernmental Revenue	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities			
Purchases and Construction of Capital Assets	(32,250)	(54,460)	-
Principal Paid on Capital Debt	(149,857)	(94,777)	-
Interest Paid on Capital Debt	(91,618)	(58,838)	-
Net Cash Used by Capital and Related Financing Activities	<u>(273,725)</u>	<u>(208,075)</u>	<u>-</u>
Cash Flows From Investing Activities			
Sale (Purchase) of Investments	(1,053,485)	(34,894)	-
Interest and Dividends	47,849	29,258	-
Net Cash Used by Investing Activities	<u>(1,005,636)</u>	<u>(5,636)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	(889,731)	93,335	6,473
Cash and Cash Equivalents, Beginning	<u>2,444,847</u>	<u>1,763,266</u>	<u>96,932</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,555,116</u>	<u>\$ 1,856,601</u>	<u>\$ 103,405</u>
Displayed As:			
Cash and Cash Equivalents	\$ 1,292,571	\$ 1,777,810	\$ 103,405
Restricted Cash and Investments	262,545	78,791	-
	<u>\$ 1,555,116</u>	<u>\$ 1,856,601</u>	<u>\$ 103,405</u>

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

City of Grangeville, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2018

	Enterprise Funds		Governmental Activities -
	Snowhaven	Total	Internal Services
Cash Flows From Operating Activities			
Receipts from Customers	\$ 115,547	\$ 2,523,116	\$ 252,597
Payments to Suppliers for Goods or Services	(99,855)	(1,334,639)	(177,298)
Payments to Employees for Services	(37,754)	(507,390)	-
Net Cash Provided (Used) by Operating Activities	<u>(22,062)</u>	<u>681,087</u>	<u>75,299</u>
Cash Flows From Noncapital Financing Activities			
Intergovernmental Revenue	9,409	9,409	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>9,409</u>	<u>9,409</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities			
Purchases and Construction of Capital Assets	-	(86,710)	-
Principal Paid on Capital Debt	-	(244,634)	-
Interest Paid on Capital Debt	-	(150,456)	-
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(481,800)</u>	<u>-</u>
Cash Flows From Investing Activities			
Sale (Purchase) of Investments	-	(1,088,379)	-
Interest and Dividends	799	77,906	4,830
Net Cash Used by Investing Activities	<u>799</u>	<u>(1,010,473)</u>	<u>4,830</u>
Net Increase in Cash and Cash Equivalents	(11,854)	(801,777)	80,129
Cash and Cash Equivalents, Beginning	48,757	4,353,802	293,971
Cash and Cash Equivalents, Ending	<u>\$ 36,903</u>	<u>\$ 3,552,025</u>	<u>\$ 374,100</u>
Displayed As:			
Cash and Cash Equivalents	\$ 36,903	\$ 3,210,689	\$ 374,100
Restricted Cash	-	341,336	-
	<u>\$ 36,903</u>	<u>\$ 3,552,025</u>	<u>\$ 374,100</u>

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

City of Grangeville, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2018

	Enterprise Funds		
	Water	Sewer	Sanitation
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 77,599	\$ (135,000)	\$ 16,810
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	287,014	424,101	1,221
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	13,026	(4,060)	(7,632)
(Increase) Decrease in Prepaid Items	-	1,503	-
(Increase) Decrease in Deferred Outflows	294	312	9
Increase (Decrease) in Accrued Payroll and Benefits	371	(347)	2
Increase (Decrease) in Accounts Payable	18,215	26,614	(3,796)
Increase (Decrease) in Customer Deposits	(600)	-	-
Increase (Decrease) in Compensated Absences	870	1,516	85
Increase (Decrease) in Net Pension Liability	(8,030)	(8,516)	(254)
Increase (Decrease) in Deferred Inflows	871	923	28
Net Cash Provided by Operating Activities	<u>\$ 389,630</u>	<u>\$ 307,046</u>	<u>\$ 6,473</u>

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

City of Grangeville, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2018

	Enterprise Funds		Governmental Activities - Internal Services
	Snowhaven	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (26,231.00)	\$ (66,822.00)	\$ 76,964.00
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	6,197	718,533	-
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	589	1,923	-
(Increase) Decrease in Prepaid Items	-	1,503	-
(Increase) Decrease in Deferred Outflows	49	664	-
Increase (Decrease) in Accrued Payroll and Benefits	-	26	-
Increase (Decrease) in Accounts Payable	(1,486)	39,547	(1,665)
Increase (Decrease) in Customer Deposits	-	(600)	-
Increase (Decrease) in Compensated Absences	-	2,471	-
Increase (Decrease) in Net Pension Liability	(1,324)	(18,124)	-
Increase (Decrease) in Deferred Inflows	144	1,966	-
Net Cash Provided by Operating Activities	<u>\$ (22,062)</u>	<u>\$ 681,087</u>	<u>\$ 75,299</u>

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

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the City of Grangeville, Idaho (the City), which has responsibility and control over all activities related to public safety, roads and streets, library, 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. Board 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, except for fiduciary activities. 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—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 for business-type activities.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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, including fiduciary funds. Separate statements for each fund category—*governmental, proprietary, and fiduciary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, use, and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

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.
- *Street fund.* This fund accounts for repairs and maintenance of roads and construction of new roads. Restricted revenue received in this fund is to be used for this purpose.
- *Recreation fund.* This fund accounts for the operation and maintenance of the City's swimming pool and parks. Restricted revenue received in this fund is to be used for this purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Enterprise Funds

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. 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.
- *Sanitation fund.* The City acts as an intermediary in billing and collecting revenue from the local citizens for the sanitation company.
- *Snowhaven.* This fund accounts for the operations and collections related to Snowhaven

Internal Service Funds

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City reports the following internal service fund:

- *Insurance Pool fund.* This fund accounts for the employee health insurance plan.

Basis of Accounting

The government-wide, proprietary, and fiduciary 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.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, 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.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 financial statements:

- *Nonspendable*. Prepaid items that are permanently precluded from conversion to cash.
- *Restricted*. Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned*. Balances available for any purpose.

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. 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. 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 to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The fund balance in the nonmajor governmental funds are restricted by outside donors and grants for enrichment of the City's art and other funds have been restricted for use towards the City's health insurance.

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, cash is pooled for investment purposes and each fund has equity in the pooled amount. All cash and investment accounts with an original maturity of three months or less and all monies invested in the local government investment pool are considered to be cash and cash equivalents. See Note 2.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts.

Property Tax Calendar

The City receives property tax revenue from Idaho County. The county is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the City by the county as of September 30, 2018, are considered by the City as a receivable.

Taxes not collected within 60 days after September 30, 2018, are not considered available for use by the City and are recorded as unearned revenue in the fund financial statements.

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 1. 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.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$5,000	Straight-Line	7 – 50 Years
Equipment and Vehicles	\$5,000	Straight-Line	5 – 20 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 1, 2003.

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

Bond Issuance Costs, Premiums/Discounts, Deferred Losses on Refunding

In the government-wide financial statements and in the proprietary funds in the fund financial statements, long-term debt, and other long-term obligations are reported as assets or liabilities. Bond premiums and discounts, deferred losses on refunding, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred loss on refunding. Unamortized bond issuance costs are reported as intangible assets and amortized over the term of the related debt.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets – Proprietary Funds

Certain proceeds and resources are set aside and classified as restricted assets on the balance sheet because their use is limited by city ordinance and by the City Council. In the Water fund, the bond and interest redemption accounts are used to report resources set aside to be used for payment of bond principal and interest. It also includes the bond reserve account, which is used to report resources set aside to be used for payment of bond principal and interest, if amounts are not sufficient for such purposes in the bond and interest redemption account. Also, in the Water fund, the customer deposit account is used to report resources received from users of the utility system. These deposits are to be returned to the customer when leaving the system, provided all utility bills are paid current.

Pensions

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

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.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2018, the carrying amount of the City's deposits were \$511,465 and the respective bank balances totaled \$496,671. All of the total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the City.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

2. CASH AND INVESTMENTS (continued)

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, 2018, all of the City's deposits were covered by 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 not exposed to custodial credit risk. The City also keeps \$2,910 of cash on hand. The City does not have a formal policy limiting its exposure to custodial credit risk.

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's policy is to have no more than 10% of the value of the investment portfolio with any single issues at the time of purchase, with the exception of U.S. Treasury and U.S. Agency securities.

Interest Rate Risk

The City has a policy to not purchase securities with a maturity more than five (5) from the date of purchase, unless it is matched to a specific cash flow. This policy is to help mitigate the interest rate risk of investments.

Investments

The City voluntarily participates in the State of Idaho Investment Pool, which was not 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.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

2. CASH AND INVESTMENTS (continued)

The City's investments at September 30, 2018, are summarized below:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)		
			Less than 1	1-5	More than 5
External Investment Pool	N/A	\$ 4,763,898	\$ 4,763,898	\$ -	\$ -
Money Market	N/A	13,476	13,476	-	-
CD	N/A	2,333,332	408,563	1,924,769	-
US Treasury/Agency Bon	AAA	343,356	247,325	96,031	-
		<u>\$ 7,454,062</u>	<u>\$ 5,433,262</u>	<u>\$ 2,020,800</u>	<u>\$ -</u>

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	\$ 1,683,936	\$ 4,438,121	\$ 6,122,057
Investments	969,756	216,956	1,186,712
Restricted Investments	318,331	341,336	659,667
	<u>\$ 2,972,023</u>	<u>\$ 4,996,413</u>	<u>\$ 7,968,436</u>

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units include state revenue sharing of \$36,380, liquor apportionment of \$10,123, highway user revenue of \$37,649 from the State Department of Highways, inventory phase out of \$58,190 from Idaho County, and \$7,420 due from Rural Fire. The total due from other governments is \$149,762.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2018, was as follows:

	Balance 9/30/2017	Adjustments	Additions	Disposals	Balance 9/30/2018
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 211,759	\$ -	\$ -	\$ -	\$ 211,759
Capital Assets Being Depreciated:					
Improvements	2,342,217	-	-	(5,033)	2,337,184
Buildings	737,527	-	-	-	737,527
Equipment	2,223,826	-	14,346	(670,329)	1,567,843
Total Historical Cost	<u>5,303,570</u>	<u>-</u>	<u>14,346</u>	<u>(675,362)</u>	<u>4,642,554</u>
Less: Accumulated Depreciation					
Improvements	1,099,877	-	114,875	(5,033)	1,209,719
Buildings	646,601	-	11,747	-	658,348
Equipment	1,767,813	-	110,396	(670,329)	1,207,880
Total Acc. Depr.	<u>3,514,291</u>	<u>-</u>	<u>237,018</u>	<u>(675,362)</u>	<u>3,075,947</u>
Net Depreciable Assets	<u>1,789,279</u>	<u>-</u>	<u>(222,672)</u>	<u>-</u>	<u>1,566,607</u>
Governmental Activities					
Capital Assets - Net	<u>\$ 2,001,038</u>	<u>\$ -</u>	<u>\$ (222,672)</u>	<u>\$ -</u>	<u>\$ 1,778,366</u>
Business-type Activities:					
Capital Assets Not Being Depreciated:					
Land and Easements	\$ 86,256	\$ -	\$ -	\$ -	\$ 86,256
Capital Assets Being Depreciated:					
Improvements	13,011,460	-	-	-	13,011,460
Buildings	8,078,178	-	-	(1,705)	8,076,473
Equipment	4,230,368	-	86,710	(226,566)	4,090,512
Total Depreciable Assets	<u>25,320,006</u>	<u>-</u>	<u>86,710</u>	<u>(228,271)</u>	<u>25,178,445</u>
Less: Accumulated Depreciation					
Improvements	5,570,364	-	346,947	-	5,917,311
Buildings	2,258,540	-	183,476	(1,705)	2,440,311
Equipment	2,328,180	-	188,110	(226,566)	2,289,724
Total Acc. Depr.	<u>10,157,084</u>	<u>-</u>	<u>718,533</u>	<u>(228,271)</u>	<u>10,647,346</u>
Net Depreciable Assets	<u>15,162,922</u>	<u>-</u>	<u>(631,823)</u>	<u>-</u>	<u>14,531,099</u>
Business-type Activities - Net	<u>\$ 15,249,178</u>	<u>\$ -</u>	<u>\$ (631,823)</u>	<u>\$ -</u>	<u>\$ 14,617,355</u>

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

4. CAPITAL ASSETS (continued)

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

Governmental Activities:

General Government	\$ 9,477
Public Safety	67,233
Highway and Streets	116,959
Culture and Recreation	43,349
	<u>\$237,018</u>

Business-type Activities:

Water	\$287,014
Sewer	424,101
Sanitation	1,221
Snowhaven	6,197
	<u>\$718,533</u>

5. PENSION PLAN

Plan Description

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

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

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2018 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% (for general employees and 11.66% for police and firefighters. The City of Grangeville, Idaho's contributions were \$93,856 the year ended September 30, 2018.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

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

At September 30, 2018, the City of Grangeville, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Grangeville, Idaho's proportion of the net pension liability was based the City of Grangeville, Idaho'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, 2018, the City of Grangeville, Idaho's proportion was 0.0258488 percent.

For the year ended September 30, 2018, the City of Grangeville, Idaho recognized pension expense/(revenue) of \$47,655. At September 30, 2018, the City of Grangeville, Idaho 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	\$ 41,853	\$ 28,795
Changes in assumptions or other inputs	24,809	-
Net difference between projected and actual earnings on pension plan investments	-	42,362
City of Grangeville, Idaho's contributions subsequent to the measurement date	21,287	-
Total	\$ 87,949	\$ 71,157

\$21,287 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, 2017, the beginning of the measurement period ended June 30, 2018, is 4.9 years and 5.5 for the measurement period June 30, 2017.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

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:

For the Year Ended	
September 30:	PERSI
2019	\$ 52,280
2020	3,652
2021	(31,243)
2022	(7,897)

Actuarial Assumptions

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

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expense
Cost-of-living	1%

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

1. Set back 3 years for teachers
2. No offset for male fire and police
3. Forward one year for female fire and police
4. 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, 2018, is based on the results of an actuarial valuation date of July 1, 2018.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate 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, 2018.

<u>Asset Class</u>	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55.00%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30.00%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
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

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 954,416	\$ 381,273	\$ (93,310)

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 Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

6. 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.

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. Employees accrue vacation time on every paycheck at a rate depending on their tenure with the City. Compensated time is also awarded for overtime worked. This time can be accumulated and carried over to subsequent years. Changes in compensated absences for the year ended September 30, 2018, are as follows:

	<u>9/30/2017</u>	<u>Earned</u>	<u>Used</u>	<u>9/30/2018</u>	<u>Current</u>
Governmental Activities	\$ 29,850	\$ 25,831	\$ 22,138	\$ 33,543	\$ 33,543
Business-type Activities	22,423	14,406	11,935	24,894	24,894
Total	<u>\$ 52,273</u>	<u>\$ 40,237</u>	<u>\$ 34,073</u>	<u>\$ 58,437</u>	<u>\$ 58,437</u>

8. LEASE COMMITMENTS

The City leases three copy machines, one located at City Hall, one at the Library, and one at the Police Station. It is anticipated that the copiers will be returned at the end of the lease periods. The Police Department also leases body cameras and tasers, both of which are expected to be returned at the completion of the lease. Future minimum lease payments are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2019	\$ 10,245
2020	9,729
2021	9,729
2022	9,729
2023	356
	<u>\$ 39,788</u>

Rent expenditures for the year ended September 30, 2018, were \$19,461.

City of Grangeville, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

9. OTHER COMMITMENTS

The City has credit cards with a total credit limit of \$28,500. As of September 30, 2018, \$2,619 of the available credit was in use.

10. LONG-TERM OBLIGATIONS

Revenue Bond:

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The Water Revenue Bond Series 2003 was issued in December of 2003 in the amount of \$3,900,000 to finance improvements to the domestic water system. This bond was partially refinanced from bonds issued in 2014 through the Idaho Bond Bank Authority in the amount of \$3,060,000. The sewer bond was issued March 2014 in the amount of \$3,500,000 to finance improvements to the sewer plant. Long-term obligation activity for the year ending September 30, 2018 was as follows:

Description	Maturity	Rate	Reserve	9/30/2017	Increase	Decrease	9/30/2018	Portion
<u>Business-type Activities:</u>								
USDA Sewer Bond	2043	1.875%	\$ 62,207	\$ 3,138,016	\$ -	\$ (94,777)	\$ 3,043,239	\$ 96,554
Water Refunding Bond	2033	2.00% - 5.00%	\$ 259,064	<u>2,660,000</u>	-	<u>(130,000)</u>	<u>2,530,000</u>	<u>130,000</u>
				5,798,016	-	(224,777)	5,573,239	226,554
Unamort. Water Bond Premium				<u>317,718</u>	-	<u>(19,857)</u>	<u>297,861</u>	-
				<u>\$ 6,115,734</u>	<u>\$ -</u>	<u>\$ (244,634)</u>	<u>\$ 5,871,100</u>	<u>\$ 226,554</u>

Debt service requirements on long-term debt as of September 30, 2018, are as follows:

Year Ending September 30,	Business-type Activities	
	Bonds and Notes	
	Principal	Interest
2019	\$ 226,554	\$ 166,061
2020	233,365	161,650
2021	235,209	155,081
2022	242,088	150,502
2023	249,002	145,438
2024-2028	1,370,002	599,323
2029-2033	1,628,535	323,290
2034-2038	662,279	115,796
2039-2043	<u>726,204</u>	<u>41,335</u>
	<u>\$ 5,573,239</u>	<u>\$ 1,858,476</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Grangeville, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 647,030	\$ 647,030	\$ 650,429	\$ 3,399
Licenses and Permits	10,000	10,000	15,080	5,080
Intergovernmental	235,329	235,329	231,395	(3,934)
Charges for Services	12,000	12,000	12,000	-
Grants & Contributions	3,300	3,300	22,862	19,562
Interest Income	-	-	15,764	15,764
Other	11,700	11,700	18,055	6,355
Total Revenues	<u>919,359</u>	<u>919,359</u>	<u>965,585</u>	<u>46,226</u>
Expenditures				
Current:				
General Government	225,728	225,728	191,139	34,589
Public Safety	744,850	744,850	603,681	141,169
Capital Outlay	134,467	134,467	38,353	96,114
Total Expenditures	<u>1,105,045</u>	<u>1,105,045</u>	<u>833,173</u>	<u>271,872</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(185,686)</u>	<u>(185,686)</u>	<u>132,412</u>	<u>318,098</u>
Other Financing Sources (Uses)				
Gain/(Loss) on Sale of Assets	-	-	1,500	1,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Net Change in Fund Balances	(185,686)	(185,686)	133,912	319,598
Fund Balances - Beginning	185,686	185,686	934,230	748,544
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,068,142</u>	<u>\$ 1,068,142</u>

City of Grangeville, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Street Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 170,706	\$ 170,706	\$ 177,726	\$ 7,020
Intergovernmental	184,697	184,697	198,317	13,620
Charges for Services	87,100	87,100	82,402	(4,698)
Interest Income	-	-	14,633	14,633
Other	10,300	10,300	29,077	18,777
Total Revenues	<u>452,803</u>	<u>452,803</u>	<u>502,155</u>	<u>49,352</u>
Expenditures				
Current:				
Salaries and Benefits	150,100	150,100	117,362	32,738
Maintenance and Operations	510,950	510,950	237,318	273,632
Capital Outlay	10,000	10,000	10,509	(509)
Total Expenditures	<u>671,050</u>	<u>671,050</u>	<u>365,189</u>	<u>305,861</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(218,247)</u>	<u>(218,247)</u>	<u>136,966</u>	<u>355,213</u>
Other Financing Sources (Uses)				
Gain/(Loss) on Sale of Assets	-	-	10,500	10,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>10,500</u>	<u>10,500</u>
Net Change in Fund Balances	(218,247)	(218,247)	147,466	365,713
Fund Balances - Beginning	218,247	218,247	837,568	619,321
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 985,034</u>	<u>\$ 985,034</u>

City of Grangeville, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Recreation Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 70,291	\$ 70,291	\$ 71,270	\$ 979
Licenses and Permits	-	-	-	-
Intergovernmental	102,287	102,287	107,127	4,840
Charges for Services	31,200	31,200	36,503	5,303
Interest Income	-	-	8,573	8,573
Other	8,700	8,700	8,671	(29)
Total Revenues	<u>212,478</u>	<u>212,478</u>	<u>232,144</u>	<u>19,666</u>
Expenditures				
Current:				
Salaries and Benefits	110,900	110,900	102,805	8,095
Maintenance and Operations	95,942	95,942	75,307	20,635
Capital Outlay	12,500	12,500	14,026	(1,526)
Total Expenditures	<u>219,342</u>	<u>219,342</u>	<u>192,138</u>	<u>27,204</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,864)</u>	<u>(6,864)</u>	<u>40,006</u>	<u>46,870</u>
Other Financing Sources (Uses)				
Gain/(Loss) on Sale of Assets	-	-	4,652	4,652
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>4,652</u>	<u>4,652</u>
Net Change in Fund Balances	<u>(6,864)</u>	<u>(6,864)</u>	<u>44,658</u>	<u>51,522</u>
Fund Balances - Beginning	6,864	6,864	470,170	463,306
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514,828</u>	<u>\$ 514,828</u>

City of Grangeville, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2018

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.

City of Grangeville, Idaho
 Schedule of the City's Proportionate Share of the
 Net Pension Liability

Public Employees Retirement System of Idaho

	Last 10 - Fiscal Years*			
	2018	2017	2016	2015
City proportion of the net pension liability (asset)	0.0258488%	0.0276946%	0.0273786%	0.0270404%
City's proportionate share of the net pension liability (asset)	\$ 381,274	\$ 435,312	\$ 555,006	\$ 356,078
City's covered-employee payroll	\$ 820,986	\$ 821,952	\$ 797,072	\$ 758,865
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.44%	52.96%	69.63%	46.92%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	87.26%	82.26%	91.38%

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

Data reported is measured as of June 30, 2018

City of Grangeville, Idaho
Schedule of City Contributions

Public Employees Retirement System of Idaho

	Last 10 - Fiscal Years*			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 93,856	\$ 94,005	\$ 91,184	\$ 86,753
Contributions in relation to the contractually required contribution	<u>93,856</u>	<u>94,005</u>	<u>91,184</u>	<u>86,753</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 820,986	\$ 821,952	\$ 797,072	\$ 758,865
Contributions as a percentage of covered-employee payroll	11.43%	11.44%	11.44%	11.43%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, City of Grangeville, Idaho will present information for those years for which information is available.
 Data reported is measured as of September 30, 2018

SUPPLEMENTAL INFORMATION

City of Grangeville, Idaho
Supplemental Schedule of Revenues by Source
- Budget and Actual - General Fund
For the Year Ended September 30, 2018

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 644,352	\$ 645,707	\$ 1,355
Penalties and Interest	2,678	4,722	2,044
	<u>647,030</u>	<u>650,429</u>	<u>3,399</u>
Licenses and Permits			
Alcoholic Beverages	4,700	5,045	345
Building and Inspection	2,800	4,555	1,755
Animal Licenses and Impound Fees	2,500	2,155	(345)
Franchise Fees	-	3,325	3,325
	<u>10,000</u>	<u>15,080</u>	<u>5,080</u>
Intergovernmental			
State Liquor Apportionment	52,000	52,677	677
Personal Property Tax Replacement	15,460	15,460	-
State Revenue Sharing	159,869	157,789	(2,080)
Court Revenue	8,000	5,469	(2,531)
	<u>235,329</u>	<u>231,395</u>	<u>(3,934)</u>
Charges for Services			
Reimbursement of Services	12,000	12,000	-
	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Other			
Grants and Contributions	3,300	22,862	19,562
Interest Income	-	15,764	15,764
Other Income	11,700	18,055	6,355
Gain/(Loss) on Sale of Assets	-	1,500	1,500
	<u>15,000</u>	<u>58,181</u>	<u>43,181</u>
Total Revenue	<u>\$ 919,359</u>	<u>\$ 967,085</u>	<u>\$ 47,726</u>

City of Grangeville, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure
- Budget and Actual - General Fund
For the Year Ended September 30, 2018

	Budget	Actual	Variance
Council			
Salaries	\$ 18,360	\$ 16,960	\$ 1,400
Benefits	3,550	2,898	652
Travel and Meetings	3,000	290	2,710
	<u>24,910</u>	<u>20,148</u>	<u>4,762</u>
Executive			
Mayor Salary	5,460	5,331	129
Benefits	1,200	1,011	189
Travel and Meetings	1,500	10	1,490
	<u>8,160</u>	<u>6,352</u>	<u>1,808</u>
City Clerk			
Salaries	34,800	34,416	384
Benefits	21,000	21,538	(538)
Travel and Meetings	2,400	993	1,407
Maintenance and Repairs	200	-	200
	<u>58,400</u>	<u>56,947</u>	<u>1,453</u>
Administrative Assistant			
Salaries	15,600	14,988	612
Benefits	11,500	11,537	(37)
Travel and Meetings	150	-	150
Supplies	150	-	150
	<u>27,400</u>	<u>26,525</u>	<u>875</u>
Legal			
Professional Services	34,608	35,127	(519)
	<u>34,608</u>	<u>35,127</u>	<u>(519)</u>
Planning and Zoning			
Travel and Meetings	200	-	200
Publication	400	90	310
Professional Services	5,500	2,000	3,500
Supplies	100	-	100
Other Expenses	150	-	150
	<u>6,350</u>	<u>2,090</u>	<u>4,260</u>

City of Grangeville, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure
- Budget and Actual - General Fund (continued)
For The Year Ended September 30, 2018

	Budget	Actual	Variance
General Government			
Maintenance and Repairs	\$ 14,500	\$ 12,107	\$ 2,393
Publication	3,500	1,363	2,137
Professional Services	5,000	2,925	2,075
Supplies	6,800	3,775	3,025
Utilities	8,000	6,573	1,427
Dues and Subscriptions	3,100	2,714	386
Printing and Binding	4,500	672	3,828
Insurance	1,500	1,048	452
Janitorial Services	3,300	2,749	551
Other Expenses	10,500	6,913	3,587
Economic Development	4,000	2,000	2,000
	<u>64,700</u>	<u>43,733</u>	<u>20,967</u>
Law Enforcement			
Salaries	327,800	282,716	45,084
Benefits	157,300	131,367	25,933
Travel and Meetings	4,500	2,446	2,054
Maintenance and Repairs	22,200	31,871	(9,671)
Professional Services	50,000	34,917	15,083
Supplies	21,000	15,319	5,681
Utilities	8,600	9,154	(554)
Dues and Subscriptions	500	325	175
Insurance	16,000	10,563	5,437
Gas and Oil	20,000	8,654	11,346
Training	12,500	7,041	5,459
Other Expenses	10,000	4,330	5,670
Capital Outlay	68,000	21,505	46,495
	<u>718,400</u>	<u>560,208</u>	<u>158,192</u>

City of Grangeville, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure
- Budget and Actual - General Fund (continued)
For the Year Ended September 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire Department			
Salaries	\$ 28,550	\$ 25,440	\$ 3,110
Benefits	4,000	2,900	1,100
Travel and Meetings	700	45	655
Maintenance and Repairs	11,000	5,599	5,401
Supplies	3,300	2,558	742
Utilities	6,400	4,021	2,379
Dues and Subscriptions	200	-	200
Insurance	3,400	2,560	840
Janitorial Services	750	540	210
Gas and Oil	900	570	330
Training	2,800	567	2,233
Other Expenses	3,700	1,874	1,826
Capital Outlay	66,467	15,954	50,513
	<u>132,167</u>	<u>62,628</u>	<u>69,539</u>
Animal Control			
Salaries	13,900	11,292	2,608
Benefits	2,900	2,257	643
Travel and Meetings	3,200	-	3,200
Professional Services	1,500	1,200	300
Supplies	2,000	696	1,304
Utilities	1,400	1,136	264
Insurance	450	343	107
Gas and Oil	2,400	1,355	1,045
Other Expenses	1,000	25	975
	<u>28,750</u>	<u>18,304</u>	<u>10,446</u>
Building Maintenance			
Salaries	1,000	931	69
Benefits	200	180	20
	<u>1,200</u>	<u>1,111</u>	<u>89</u>
Total Expenditures	<u>\$ 1,105,045</u>	<u>\$ 833,173</u>	<u>\$ 271,872</u>

City of Grangeville, Idaho
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2018

	Library	Tort Insurance	Total
Assets			
Cash and Investments	\$ 103,183	\$ 15,385	\$ 118,568
Receivables, Net:			
Property Taxes	2,345	1,322	3,667
Due from Other Governments	9,442	-	9,442
Prepaid Items	25	-	25
Total Assets	\$ 114,995	\$ 16,707	\$ 131,702
Liabilities			
Accounts Payable	\$ 5,189	\$ -	\$ 5,189
Wages Payable	2,214	-	2,214
Total Liabilities	7,403	-	7,403
Deferred Inflows			
Unearned Revenue - Property Tax	2,180	1,230	3,410
Total Deferred Inflows	2,180	1,230	3,410
Fund Balances			
Nonspendable	25	-	25
Restricted	105,387	15,477	120,864
Total Fund Balances	105,412	15,477	120,889
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 114,995	\$ 16,707	\$ 131,702

City of Grangeville, Idaho
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances – Nonmajor Governmental Funds
For the Year Ended September 30, 2018

	Library	Tort Insurance	Total
Revenues			
Property Taxes	\$ 50,926	\$ 28,747	\$ 79,673
Licenses and Permits	2,772	-	2,772
Intergovernmental	37,573	677	38,250
Charges for Services	3,010	-	3,010
Grants & Contributions	6,947	-	6,947
Interest Income	1,764	225	1,989
Other	3,193	-	3,193
Total Revenues	<u>106,185</u>	<u>29,649</u>	<u>135,834</u>
Expenditures			
Current:			
Salaries and Benefits	55,421	-	55,421
Maintenance and Operations	31,158	28,141	59,299
Capital Outlay	11,971	-	11,971
Total Expenditures	<u>98,550</u>	<u>28,141</u>	<u>126,691</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,635</u>	<u>1,508</u>	<u>9,143</u>
Other Financing Sources (Uses)			
Gain/(Loss) on Sale of Assets	16	-	16
Total Other Financing Sources (Uses)	<u>16</u>	<u>-</u>	<u>16</u>
Net Change in Fund Balances	7,651	1,508	9,159
Fund Balances - Beginning	97,761	13,969	111,730
Fund Balances - Ending	<u>\$ 105,412</u>	<u>\$ 15,477</u>	<u>\$ 120,889</u>

FEDERAL REPORTS

**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 Honorable Mayor and
City Council
City of Grangeville, 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 Grangeville, Idaho, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Grangeville, Idaho'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 City of Grangeville, 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.

Zwyzart John & Associates, CPAs PLLC

Caldwell, Idaho

March 8, 2019