

**CITY OF DONNELLY, IDAHO**

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Report on Audited  
Basic  
Financial Statements  
and  
Supplemental Information

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For the Year Ended September 30, 2019

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CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Auditor's Report**

Honorable Mayor  
and City Council  
Donnelly, Idaho

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Donnelly, Idaho (the City) as of and for the year ended September 30, 2019, 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 Donnelly, Idaho, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of Net Pension Liability, and the schedule of City contributions on pages 30 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Donnelly, Idaho's basic financial statements. The supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is 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 combining and individual nonmajor fund financial statement 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 January 6, 2020, on our consideration of the City of Donnelly, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Donnelly, Idaho's internal control over financial reporting and compliance.

**Zwyzart John & Associates, CPAs PLLC**

Nampa, Idaho  
January 6, 2020

**City of Donnelly, Idaho**  
Statement of Net Position  
September 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 251,364	\$ 387,789	\$ 639,153
Receivables, Net:			
Property Taxes	7,958	-	7,958
Accounts Receivable	-	23,833	23,833
Intergovernmental	3,409	-	3,409
Noncurrent Assets:			
Restricted Cash	-	41,741	41,741
Capital Assets:			
Land and Nondepreciable Infrastructure	15,052	184,424	199,476
Buildings, Net	404,851	494,340	899,191
Improvements, Net	12,257	517,626	529,883
Equipment, Net	95,705	29,239	124,944
Total Capital Assets	<u>527,865</u>	<u>1,225,629</u>	<u>1,753,494</u>
Total Assets	<u>790,596</u>	<u>1,678,992</u>	<u>2,469,588</u>
<b>Deferred Outflows</b>			
Pension Related Items	10,218	7,634	17,852
Total Deferred Outflows	<u>10,218</u>	<u>7,634</u>	<u>17,852</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	112	120	232
Salaries and Benefits Payable	1,521	1,237	2,758
Security Deposits	2,800	-	2,800
Accrued Interest	-	9,299	9,299
Long-Term Liabilities:			
Due within One Year:			
Compensated Absences	1,392	928	2,320
Bonds and Notes Payable	13,224	28,317	41,541
Due in More than One Year:			
Bonds and Notes Payable	5,878	687,604	693,482
Net Pension Liability	30,383	22,023	52,406
Total Liabilities	<u>55,310</u>	<u>749,528</u>	<u>804,838</u>
<b>Deferred Inflows</b>			
Pension Related Items	13,734	10,296	24,030
Total Deferred Inflows	<u>13,734</u>	<u>10,296</u>	<u>24,030</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	508,763	509,708	1,018,471
Restricted	149,651	41,741	191,392
Unrestricted (Deficit) Surplus	73,356	375,353	448,709
Total Net Position	<u>\$ 731,770</u>	<u>\$ 926,802</u>	<u>\$ 1,658,572</u>

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

**City of Donnelly, Idaho**  
Statement of Activities  
For the Year Ended September 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General and Administrative	\$ 199,078	\$ 24,086	\$ 76,300	\$ -	\$ (98,692)	\$ -	\$ (98,692)
Public Safety	3,712	-	-	-	(3,712)	-	(3,712)
Highways and Streets	120,124	-	-	-	(120,124)	-	(120,124)
Parks and Recreation	47,038	-	-	-	(47,038)	-	(47,038)
Depot	5,357	-	-	-	(5,357)	-	(5,357)
<b>Total Governmental Activities</b>	<b>375,309</b>	<b>24,086</b>	<b>76,300</b>	<b>-</b>	<b>(274,923)</b>	<b>-</b>	<b>(274,923)</b>
Business-type Activities:							
Water	136,172	120,700	-	-	-	(15,472)	(15,472)
Sewer	102,068	104,331	-	-	-	2,263	2,263
Water Improvement	-	-	229,099	-	-	229,099	229,099
<b>Total Business-type Activities</b>	<b>238,240</b>	<b>225,031</b>	<b>229,099</b>	<b>-</b>	<b>-</b>	<b>215,890</b>	<b>215,890</b>
<b>Total Primary Government</b>	<b>\$ 613,549</b>	<b>\$ 249,117</b>	<b>\$ 305,399</b>	<b>\$ -</b>	<b>(274,923)</b>	<b>215,890</b>	<b>(59,033)</b>

General Revenues:			
Property Taxes	110,970	-	110,970
Local Option Tax	98,158	-	98,158
State Sources	67,218	-	67,218
Other	66,976	20	66,996
Unrestricted Investment Earnings	3,716	9,600	13,316
Gain(Loss) on Sale of Assets	(189,679)	-	(189,679)
<b>Total General Revenues and Special Items</b>	<b>157,359</b>	<b>9,620</b>	<b>166,979</b>
Change in Net Position	(117,564)	225,510	107,946
Net Position, Beginning of Year	849,334	701,292	1,550,626
Net Position, End of Year	<b>\$ 731,770</b>	<b>\$ 926,802</b>	<b>\$ 1,658,572</b>

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

**City of Donnelly, Idaho**  
 Balance Sheet -  
 Governmental Funds  
 September 30, 2019

	General	Local Option Tax	Total Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 101,713	\$ 149,651	\$ 251,364
Receivables, Net:			
Property Taxes	7,958	-	7,958
Intergovernmental	3,409	-	3,409
<b>Total Assets</b>	<b>\$ 113,080</b>	<b>\$ 149,651</b>	<b>\$ 262,731</b>
 <b>Liabilities</b>			
Accounts Payable	\$ 112	\$ -	\$ 112
Salaries and Benefits Payable	1,521	-	1,521
Security Deposits	2,800	-	2,800
<b>Total Liabilities</b>	<b>4,433</b>	<b>-</b>	<b>4,433</b>
 <b>Deferred Inflows</b>			
Unavailable Revenue - Property Taxes	6,874	-	6,874
<b>Total Deferred Inflows</b>	<b>6,874</b>	<b>-</b>	<b>6,874</b>
 <b>Fund Balances</b>			
Restricted for:			
Local Option Tax	-	149,651	149,651
Unassigned	101,773	-	101,773
<b>Total Fund Balances</b>	<b>101,773</b>	<b>149,651</b>	<b>251,424</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 113,080</b>	<b>\$ 149,651</b>	<b>\$ 262,731</b>

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



**City of Donnelly, Idaho**  
 Reconciliation of the Balance Sheet of the  
 Governmental Funds to the Statement of Net Position  
 September 30, 2019

Total Fund Balances - Governmental Funds \$ 251,424

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	\$ 15,052	
Buildings, net of \$378,506 accumulated depreciation	404,851	
Improvements, net of \$25,827 accumulated depreciation	12,257	
Equipment, net of \$41,663 accumulated depreciation	<u>95,705</u>	
		527,865

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and, therefore, are deferred in the funds. 6,874

Long-term liabilities, applicable to the City's governmental activities, are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Compensated Absences	\$ (1,392)	
Current Portion of Long Term Debt	(13,224)	
Municipal Lease Payable	<u>(5,878)</u>	
		(20,494)

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	\$ (30,383)	
Pension Related Deferred Inflows	(13,734)	
Pension Related Deferred Outflows	<u>10,218</u>	
		<u>(33,899)</u>

**Net Position of Governmental Activities \$ 731,770**

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

**City of Donnelly, Idaho**  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Governmental Funds  
For the Year Ended September 30, 2019

	General	Local Option Tax	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 110,375	\$ 98,158	\$ 208,533
Licenses and Permits	7,764	-	7,764
Intergovernmental	143,518	-	143,518
Charges for Services	16,322	-	16,322
Other	67,979	2,713	70,692
Total Revenues	<u>345,958</u>	<u>100,871</u>	<u>446,829</u>
<b>Expenditures</b>			
Current:			
General and Administrative	129,262	46,861	176,123
Public Safety	3,712	-	3,712
Roads and Streets	124,443	-	124,443
Parks and Recreation	39,386	-	39,386
Depot Expense	5,357	-	5,357
Total Expenditures	<u>302,160</u>	<u>46,861</u>	<u>349,021</u>
<b>Net Change in Fund Balances</b>	43,798	54,010	97,808
<b>Fund Balances - Beginning</b>	57,975	95,641	153,616
<b>Fund Balances - Ending</b>	<u>\$ 101,773</u>	<u>\$ 149,651</u>	<u>\$ 251,424</u>

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

**City of Donnelly, 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, 2019

Total Net Change in Fund Balance - Governmental Funds \$ 97,808

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. In the current period these amounts are:

Capital Outlay	\$	-	
Depreciation Expense		<u>(38,259)</u>	(38,259)

In the Statement of Activities, the net gain (loss) on the sale/disposal of capital assets is reported, whereas in the governmental funds, only the proceeds from the sale of capital assets is recorded as a financial resource. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold or disposed of.

(189,679)

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

Issuance of Municipal Lease	\$	-	
Municipal Lease Payment		<u>12,663</u>	12,663

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 deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.

595

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.

427

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.

(1,119)

**Change in Net Position of Governmental Activities \$ (117,564)**

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

**City of Donnelly, Idaho**  
Statement of Net Position -  
Proprietary Funds  
September 30, 2019

	Water	Sewer	Water Improvement	Total
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 89,849	\$ 95,598	\$ 202,342	\$ 387,789
Receivables, Net	13,994	9,839	-	23,833
Interfund Balances	1,000	-	-	1,000
Noncurrent Assets:				
Restricted Cash	23,317	18,424	-	41,741
Capital Assets:				
Land and Nondepreciable Infrastructure	3,503	-	180,921	184,424
Buildings, Net	494,340	-	-	494,340
Improvements, Net	289,128	228,498	-	517,626
Equipment, Net	19,203	10,036	-	29,239
<b>Total Assets</b>	<b>934,334</b>	<b>362,395</b>	<b>383,263</b>	<b>1,679,992</b>
<b>Deferred Outflows</b>				
Pension Related Items	4,125	3,509	-	7,634
<b>Total Deferred Outflows</b>	<b>4,125</b>	<b>3,509</b>	<b>-</b>	<b>7,634</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	120	-	-	120
Salaries and Benefits Payable	1,178	59	-	1,237
Accrued Interest	2,774	2,613	3,912	9,299
Compensated Absences	696	232	-	928
Interfund Payable	-	-	1,000	1,000
Current Portion Long-term Debt	15,339	12,978	-	28,317
<b>Total Current Liabilities</b>	<b>20,107</b>	<b>15,882</b>	<b>4,912</b>	<b>40,901</b>
Long-term Liabilities:				
Bonds and Notes Payable	68,892	69,712	549,000	687,604
Net Pension Liability	13,072	8,951	-	22,023
<b>Total Liabilities</b>	<b>102,071</b>	<b>94,545</b>	<b>553,912</b>	<b>750,528</b>
<b>Deferred Inflows</b>				
Pension Related Items	5,500	4,796	-	10,296
<b>Total Deferred Inflows</b>	<b>5,500</b>	<b>4,796</b>	<b>-</b>	<b>10,296</b>
<b>Net Position</b>				
Invested in Capital Assets, Net of Related Debt	721,943	155,844	(368,079)	509,708
Restricted for Debt Service	23,317	18,424	-	41,741
Unrestricted	85,628	92,295	197,430	375,353
<b>Total Net Position</b>	<b>\$ 830,888</b>	<b>\$ 266,563</b>	<b>\$ (170,649)</b>	<b>\$ 926,802</b>

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

**City of Donnelly, Idaho**  
Statement of Revenues, Expenses, and Changes  
in Fund Net Position - Proprietary Funds  
For the Year Ended September 30, 2019

	Water	Sewer	Water Improvement	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 120,700	\$ 104,331	\$ -	\$ 225,031
<b>Total Operating Revenues</b>	<u>120,700</u>	<u>104,331</u>	<u>-</u>	<u>225,031</u>
<b>Operating Expenses</b>				
Wages	38,607	4,394	-	43,001
Payroll Taxes and Benefits	12,209	1,412	-	13,621
Utilities	7,040	206	-	7,246
Professional Services	1,836	306	-	2,142
Maintenance and Operations	43,347	57,195	-	100,542
Depreciation	28,933	34,597	-	63,530
<b>Total Operating Expenses</b>	<u>131,972</u>	<u>98,110</u>	<u>-</u>	<u>230,082</u>
<b>Operating Income (Loss)</b>	<u>(11,272)</u>	<u>6,221</u>	<u>-</u>	<u>(5,051)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Grant Revenue	-	-	229,099	229,099
Interest Earned	1,963	2,138	5,499	9,600
Interest Expense	(4,200)	(3,958)	-	(8,158)
Miscellaneous	20	0	-	20
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(2,217)</u>	<u>(1,820)</u>	<u>234,598</u>	<u>230,561</u>
<b>Income (Loss) Before Transfers</b>	<u>(13,489)</u>	<u>4,401</u>	<u>234,598</u>	<u>225,510</u>
Transfers Out	623,443	-	(623,443)	-
<b>Total Transfers</b>	<u>623,443</u>	<u>-</u>	<u>(623,443)</u>	<u>-</u>
<b>Change in Net Position</b>	609,954	4,401	(388,845)	225,510
<b>Net Position - Beginning</b>	<u>220,934</u>	<u>262,162</u>	<u>218,196</u>	<u>701,292</u>
<b>Net Position - Ending</b>	<u>\$ 830,888</u>	<u>\$ 266,563</u>	<u>\$ (170,649)</u>	<u>\$ 926,802</u>

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

**City of Donnelly, Idaho**  
Statement of Cash Flows -  
Proprietary Funds  
For the Year Ended September 30, 2019

	Water	Sewer	Water Improvement	Total
<b>Cash Flows From Operating Activities</b>				
Receipts from Customers	\$ 118,145	\$ 103,713	\$ -	\$ 221,858
Payments to Suppliers	(53,184)	(62,585)	(7,198)	(122,967)
Payments to Employees	(50,164)	(5,705)	-	(55,869)
Payments for Interfund Services	-	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>14,797</u>	<u>35,423</u>	<u>(7,198)</u>	<u>43,022</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Miscellaneous Income	20	-	-	20
Transfers In (Out)	623,443	-	(623,443)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>623,463</u>	<u>-</u>	<u>(623,443)</u>	<u>20</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(623,354)	-	141,690	(481,664)
Proceeds from Issuance of Capital Debt	-	-	6,000	6,000
Principal Paid on Capital Debt	(14,641)	(12,424)	-	(27,065)
Operating Grant Funds Received	-	-	229,099	229,099
Interest Paid on Capital Debt	(4,200)	(3,958)	3,912	(4,246)
Net Cash Used by Capital and Related Financing Activities	<u>(642,195)</u>	<u>(16,382)</u>	<u>380,701</u>	<u>(277,876)</u>
<b>Cash Flows From Investing Activities</b>				
Interest and Dividends	1,963	2,138	5,499	9,600
Net Cash Provided (Used) by Investing Activities	<u>1,963</u>	<u>2,138</u>	<u>5,499</u>	<u>9,600</u>
Net Change in Cash and Cash Equivalents	(1,972)	21,179	(244,441)	(225,234)
<b>Cash and Cash Equivalents - Beginning</b>	115,138	92,843	446,783	654,764
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 113,166</u>	<u>\$ 114,022</u>	<u>\$ 202,342</u>	<u>\$ 429,530</u>
<b>Displayed As:</b>				
Cash and Cash Equivalents	\$ 89,849	\$ 95,598	\$ 202,342	387,789
Restricted Cash	23,317	18,424	-	41,741
	<u>\$ 113,166</u>	<u>\$ 114,022</u>	<u>\$ 202,342</u>	<u>\$ 429,530</u>

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

**City of Donnelly, Idaho**  
Statement of Cash Flows -  
Proprietary Funds (continued)  
For the Year Ended September 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Water Improvement</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (11,272)	\$ 6,221	\$ -	\$ (5,051)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	28,933	34,597	-	63,530
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(2,555)	(618)	-	(3,173)
(Increase) Decrease in Deferred Outflows	2,145	715	-	2,860
Increase (Decrease) in Accounts Payable	(961)	(4,878)	(7,198)	(5,839)
Increase (Decrease) in Salaries and Benefits Payable	306	(15)	-	291
Increase (Decrease) in Compensated Absences	(213)	(71)	-	(284)
Increase (Decrease) in Net Pension Liability	(4,939)	(1,646)	-	(6,585)
Increase (Decrease) in Deferred Inflows	3,353	1,118	-	4,471
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,797</u>	<u>\$ 35,423</u>	<u>\$ (7,198)</u>	<u>\$ 50,220</u>

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

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the City of Donnelly, Idaho (the City), which has responsibility and control over all activities related to public safety, highways and streets, parks and recreation, planning and zoning, 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 in Governmental Accounting Standards.

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 nonexchange 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 identifiable 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 are 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) and 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.



**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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

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.
- *Local Option Tax fund.* This fund was established to account for the revenue and expenditures of the Local Option Tax.

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

The City has 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 activities of the City's sewage treatment plant and collection systems.
- *Water Improvement Fund.* This fund is to record all the items for the new water project.

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

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

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.

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balances 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.

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

C. Assets and Liabilities

Cash Equivalents

Cash received by the City is deposited into the various cash and investment accounts for each fund and is presented as "Cash and Cash Equivalents" on the Statement of Net Position and governmental fund Balance Sheet by activity or fund.

For presentation in the financial statements, investments in the investment pool and others with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents.

Property Tax Calendar

The City levies its real property taxes through the county on or before the 2<sup>nd</sup> Monday of September. One-half of the real property taxes are due on or before the 20<sup>th</sup> of December. The remaining one-half of the real property tax is due on or before June 20<sup>th</sup> the following year. Property taxes are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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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	15 – 47 Years
Equipment and Vehicles	\$5,000	Straight-Line	5 – 15 Years

General infrastructure assets acquired prior to October, 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003.

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

Accounts Receivable

The City has created an allowance for doubtful accounts for water and sewer balances deemed uncollectible. The amount in the allowance is currently \$0.

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are not over 60 days past due.

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.

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of 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, 2019, the carrying amount of the City's deposits was \$357,669 and the respective bank balances totaled \$368,185 . The entire bank balance was insured or collateralized with pool securities held by the pledging institution in the name of the City.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2019, all of the City's deposits were covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus were not exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk for deposits. The City had \$250 of cash on hand at the end of the year.

Custodial Credit Risk – Investments

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

Interest Rate Risk

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

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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2. CASH AND INVESTMENTS (continued)

Investments

The City voluntarily participates in the State of Idaho Investment Pool which is 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.

The City's investments at September 30, 2019, are summarized below:

Investment	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
External Investment Pool	\$ 322,975	\$ 322,975	\$ -

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	\$ 111,030	\$ 246,889	\$357,919
Investments categorized as deposits	140,334	182,641	322,975
	\$ 251,364	\$ 429,530	\$680,894

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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3. COMPENSATED ABSENCES

The City presently accumulates unused vacation days and sick leave calculated on an individual basis according to an employee's total years worked and total hours-per-week worked. In the event of termination, an employee is reimbursed for accumulated leave. A summary of the current year activity and year-end liability for the government-wide financial statements is as follows:

	9/30/2018	Increase	Decrease	9/30/2019	Current Portion
Governmental Activities	\$ 1,819	\$ 2,956	\$ (3,383)	\$ 1,392	\$ 1,392
Business-type Activities	1,212	1,971	(2,255)	928	928
	<u>\$ 3,031</u>	<u>\$ 4,927</u>	<u>\$ (5,638)</u>	<u>\$ 2,320</u>	<u>\$ 2,320</u>

4. PROPERTY TAXES

The City receives property tax revenue from Valley 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, 2019, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2019, are not considered available for use by the City and are recorded as deferred revenue.

5. PENSION PLAN

*Plan Description*

The City of Donnelly, 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](http://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 Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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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. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2019 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 Donnelly, Idaho's contributions were for the year ended September 30, 2019.



**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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, 2019, the City of Donnelly, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 Donnelly, Idaho's proportion of the net pension liability was based on the City of Donnelly, 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, 2019, the City of Donnelly, Idaho's proportion was percent.

For the year ended September 30, 2019, the City of Donnelly, Idaho recognized pension expense/(revenue) of of w/p 809.0901. At September 30, 2019, the City of Donnelly, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,870	\$ 6,176
Changes in assumptions or other inputs	2,915	-
Net difference between projected and actual earnings on pension plan investments	-	17,853
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	6,093	-
City of Donnelly, Idaho's contributions subsequent to the measurement date	3,973	-
<b>Total</b>	<b>\$ 17,851</b>	<b>\$ 24,029</b>

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, 2019.

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, 2018, the beginning of the measurement period ended June 30, 2018, is 4.8 and 4.8 for measurement period June 30, 2019.

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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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:

<b>For the Year Ended September 30:</b>	<b>PERSI</b>
2020	\$ 4,523
2021	(5,648)
2022	(2,719)
2023	(2,334)

*Actuarial Assumptions*

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

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75
Salary inflation	3.75%
Investment rate of return	7.05%, 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, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2018.

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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, 2017.

<u>Asset Class</u>		<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return (Arithmetic)</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	Barclays Aggregate	30.00%	3.05%	0.80%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	8.30%	6.05%
Developed Foreign Equities	MSCI EAFE/World ex US	15.00%	8.45%	6.20%
Assumed Inflation - Mean			2.25%	2.25%
Assumed Inflation - Standard Deviation			1.50%	1.50%
Portfolio Arithmetic Mean Return			6.75%	4.50%
Portfolio Standard Deviation			12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return			6.13%	3.77%
Assumed Investment Expenses			0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses			5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses				4.19%
Portfolio Standard Deviation				14.16%
<b>Valuation Assumptions Chosen by PERSI Board</b>				
Long-Term Expected Real Rate of Return, Net of Investment Expenses				4.05%
Assumed Inflation				3.00%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>				<b>7.05%</b>

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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5. PENSION PLAN (continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.05%. 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 7.05 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	<b>1% Decrease (6.05%)</b>	<b>Current Discount Rate (7.05%)</b>	<b>1% Increase (8.05%)</b>
Employer's proportionate share of the net pension liability (asset)	\$ 158,283	\$ 52,405	\$ (35,153)

*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](http://www.persi.idaho.gov).

6. RESTRICTED ASSETS

As of September 30, 2019, \$41,741 was restricted for debt service.

7. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units (State of Idaho) consist of state revenue sharing of \$3,409.

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

8. 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.

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019, was as follows:

	Balance 9/30/2018	Additions	Disposals	Balance 9/30/2019
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 15,052	\$ -	\$ -	\$ 15,052
Capital Assets Being Depreciated:				
Buildings	1,028,115	-	244,759	783,356
Improvements	38,084	-	-	38,084
Equipment	137,368	-	-	137,368
Total Depreciable Assets	<u>1,203,567</u>	<u>-</u>	<u>244,759</u>	<u>958,808</u>
Less: Accumulated Depreciation				
Buildings	411,544	22,041	55,079	378,506
Improvements	23,289	2,538	-	25,827
Equipment	27,983	13,680	-	41,663
Total Acc. Depr.	<u>462,816</u>	<u>38,259</u>	<u>55,079</u>	<u>445,996</u>
Net Depreciable Assets	<u>740,751</u>	<u>(38,259)</u>	<u>189,680</u>	<u>512,812</u>
Governmental Activities				
Capital Assets – Net	<u>\$ 755,803</u>	<u>\$ (38,259)</u>	<u>\$ 189,680</u>	<u>\$ 527,864</u>

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

9. CAPITAL ASSETS (continued)

	Balance 9/30/2018	Additions	Disposals	Balance 9/30/2019
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,503	\$ -	\$ -	\$ 3,503
Construction in Progress	<u>322,611</u>	<u>-</u>	<u>151,602</u>	<u>171,009</u>
Total Non Deprec. Asset	<u>326,114</u>	<u>-</u>	<u>151,602</u>	<u>174,512</u>
Capital Assets Being Depreciated:				
Buildings	160,125	494,340	76,125	578,340
Improvements	2,145,314	129,014	-	2,274,328
Equipment	<u>101,205</u>	<u>-</u>	<u>-</u>	<u>101,205</u>
Total Depreciable Assets	<u>2,406,644</u>	<u>623,354</u>	<u>76,125</u>	<u>2,953,873</u>
Less: Accumulated Depreciation				
Buildings	158,099	2,026	76,125	84,000
Improvements	1,699,309	57,393	-	1,756,702
Equipment	<u>67,855</u>	<u>4,111</u>	<u>-</u>	<u>71,966</u>
Total Acc. Depr.	<u>1,925,263</u>	<u>63,530</u>	<u>76,125</u>	<u>1,912,668</u>
Net Depreciable Assets	<u>481,381</u>	<u>559,824</u>	<u>-</u>	<u>1,041,205</u>
Business-type Activities				
Capital Assets – Net	<u>\$ 807,495</u>	<u>\$ 559,824</u>	<u>\$ 151,602</u>	<u>\$ 1,215,717</u>

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

Governmental Activities:	
General and Administrative	\$ 22,955
Highways and Streets	7,652
Parks and Recreation	<u>7,652</u>
	<u>\$ 38,259</u>

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

10. LONG-TERM OBLIGATIONS

Business-type Activities:

Bonds and notes payable have been issued to provide funds for water and sewer improvement projects.

In 2016 the City leased a John Deere backhoe under a long-term lease agreement. This lease has been recorded as a municipal lease and has been split between the Water, Sewer, and General funds. The municipal lease consists of:

Equipment	\$ 99,625
Less: accumulated amortization (listed as depreciation on the accompanying financial statements)	<u>(28,623)</u>
	<u>\$ 71,002</u>

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

Description	Maturity	Rate	Required Reserve	9/30/2018	Increase	Decrease	9/30/2019	Current Portion
<u>Governmental Activities:</u>								
John Deer 310L Loader	2020	4.25%	N/A	\$ 14,888	\$ -	\$ 7,286	\$ 7,602	\$ 7,602
DLL Finance LLC	2025	4.55%	N/A	16,887	-	5,377	11,510	5,622
				<u>\$ 31,775</u>	<u>\$ -</u>	<u>\$ 12,663</u>	<u>\$ 19,112</u>	<u>\$ 13,224</u>
<u>Business-Type Activities</u>								
1998 Revenue Bonds	2026	5.00%	\$ 13,012	\$ 84,017	\$ -	\$ 8,811	\$ 75,206	\$ 9,252
1998 Revenue Bonds	2026	4.50%	13,349	87,938	-	9,392	78,546	9,814
Zions Bank	2020	2.85%	N/A	543,000	6,000	-	549,000	549,000
John Deer 310L Loader - Water	2020	4.25%	N/A	6,417	-	3,141	3,276	3,276
John Deer 310L Loader - Sewer	2020	4.25%	N/A	4,363	-	2,136	2,227	2,227
DLL Finance LLC - Water	2025	4.55%	N/A	8,438	-	2,689	5,749	2,811
DLL Finance LLC - Sewer	2025	4.55%	N/A	2,813	-	896	1,917	937
				<u>\$ 26,361</u>	<u>\$ 736,986</u>	<u>\$ 6,000</u>	<u>\$ 27,065</u>	<u>\$ 715,921</u>
							<u>\$ 715,921</u>	<u>\$ 577,317</u>

**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

10. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at September 30, 2019, are as follows:

Year Ending September 30,	<u>Business-type Activities</u>				<u>Governmental Activities</u>	
	<u>Bonds and Notes</u>		<u>Municipal Lease</u>		<u>Municipal Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 568,066	\$ 7,295	\$ 9,253	\$ 587	\$ 13,224	\$ 852
2021	19,970	6,391	3,918	178	5,878	267
2022	20,917	5,444	-	-	-	-
2023	21,910	4,451	-	-	-	-
2024	22,949	3,412	-	-	-	-
2025-2026	48,940	3,781	-	-	-	-
	<u>\$ 702,752</u>	<u>\$ 30,774</u>	<u>\$ 13,171</u>	<u>\$ 765</u>	<u>\$ 19,102</u>	<u>\$ 1,119</u>

Interest incurred on long-term obligations totaled \$11,741 , all of which was expensed. No interest was capitalized during the year.

11. LESSOR AGREEMENTS

The City leases business space known as the Donnelly Depot Center to various business owners. All leases at the Donnelly Depot Center are month to month. The city entered in to a lease with Horizon Tower, LLC for a parcel of land for their communication tower beginning in 2019. This lease is for 5 years and will automatically renew for 6 additional 5 year terms, unless agreed upon by tenant and the city per the terms of the contract.

Lease income for the year ended September 30, 2019 was \$44,436 .

Future lease payments expected to be received for years ending

<u>September 30,</u>	<u>Amount</u>
2020	\$9,760
2021	9000
2022	9000
2023	9000
2024	5250
	<u>\$42,010</u>



**City of Donnelly, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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12. INTERFUND TRANSFERS

Amounts transferred between funds consisted of:

Transfers

<u>\$ 623,443</u>	Transferred from the Water Improvement fund to the Water Fund to move finished assets.
<u>\$ 623,443</u>	

13. DUE TO/DUE FROM

The city opened a new Water Improvement fund. This amount is to be repaid when the projects are done.

Transfers

<u>\$ 1,000</u>	Due to the Water fund by the Water Improvement fund.
<u>\$ 1,000</u>	

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Donnelly, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 General Fund  
 For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 121,636	\$ 121,636	\$ 110,375	\$ (11,261)
Licenses and Permits	8,935	8,935	7,764	(1,171)
Intergovernmental	111,255	111,255	143,518	32,263
Charges for Services	8,950	8,950	16,322	7,372
Other	68,010	68,010	67,979	(31)
Total Revenues	<u>318,786</u>	<u>318,786</u>	<u>345,958</u>	<u>27,172</u>
<b>Expenditures</b>				
Current:				
General and Administrative	134,050	134,050	129,262	4,788
Public Safety	3,500	3,500	3,712	(212)
Roads and Streets	168,746	168,746	124,443	44,303
Parks and Recreation	67,840	67,840	39,386	28,454
Depot Expense	8,400	8,400	5,357	3,043
Total Expenditures	<u>382,536</u>	<u>382,536</u>	<u>302,160</u>	<u>80,376</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(63,750)</u>	<u>(63,750)</u>	<u>43,798</u>	<u>107,548</u>
<b>Net Change in Fund Balances</b>	(63,750)	(63,750)	43,798	107,548
<b>Fund Balances - Beginning</b>	63,750	63,750	57,975	(5,775)
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,773</u>	<u>\$ 101,773</u>

**City of Donnelly, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Local Option Tax  
 For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 69,890	\$ 69,890	\$ 98,158	\$ 28,268
Other	460	460	2,713	2,253
Total Revenues	<u>70,350</u>	<u>70,350</u>	<u>100,871</u>	<u>30,521</u>
<b>Expenditures</b>				
Current:				
General and Administrative	70,350	70,350	46,861	23,489
Total Expenditures	<u>70,350</u>	<u>70,350</u>	<u>46,861</u>	<u>23,489</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>54,010</u>	<u>54,010</u>
<b>Net Change in Fund Balances</b>	-	-	54,010	54,010
<b>Fund Balances - Beginning</b>	-	-	95,641	95,641
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,651</u>	<u>\$ 149,651</u>

**City of Donnelly, Idaho**  
Notes to Required Supplementary Information  
For the Year Ended September 30, 2019

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

Public Employees Retirement System of Idaho

	Last 10 - Fiscal Years*				
	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0045910%	0.0046689%	0.0051699%	0.0048457%	0.0040252%
City's proportionate share of the net pension liability (asset)	\$ 52,405	\$ 68,867	\$ 81,264	\$ 98,230	\$ 53,006
City's covered-employee payroll	\$ 150,501	\$ 147,629	\$ 157,940	\$ 157,573	\$ 111,406
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.82%	46.65%	51.45%	62.34%	47.58%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	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, the City of Donnelly will present information for those years for which information is available.

Data reported is measured as of June 30, 2019

**City of Donnelly, Idaho**  
**Schedule of City Contributions**

Public Employees Retirement System of Idaho

	Last 10 - Fiscal Years*				
	2019	2018	2017	2016	2015
Contractually required contributions	\$ 17,194	\$ 16,728	\$ 17,895	\$ 17,852	\$ 12,623
Contributions in relation to the contractually required contribution	17,194	16,728	17,895	17,852	12,623
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 150,501	\$ 147,629	\$ 157,940	\$ 157,573	\$ 111,406
Contributions as a percentage of covered-employee payroll	11.42%	11.33%	11.33%	11.33%	11.33%

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

Data reported is measured as of September 30, 2019

**SUPPLEMENTAL INFORMATION**



**City of Donnelly, Idaho**  
Supplemental Schedule of Revenues by Source -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended September 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Taxes</b>			
Property Taxes	\$ 114,161	\$ 104,134	\$ (10,027)
Franchise Fees	7,475	6,241	(1,234)
<b>Total Taxes</b>	<u>121,636</u>	<u>110,375</u>	<u>(11,261)</u>
<b>Licenses &amp; Permits</b>			
Licenses & Permits	500	1,655	1,155
Business License	1,350	2,019	669
Alcohol Permits	1,100	1,025	(75)
Catering Permits	60	60	-
Community Center Rental	800	580	(220)
Building Permits	4,675	1,985	(2,690)
Dog Licenses	120	60	(60)
Sign Permits	330	380	50
<b>Total Licenses and Permits</b>	<u>8,935</u>	<u>7,764</u>	<u>(1,171)</u>
<b>Intergovernmental</b>			
Grant Revenue	50,000	76,300	26,300
State Revenue Sharing	9,200	12,250	3,050
County Revenue Sharing	4,269	4,619	350
State Highway Users	6,956	7,301	345
State Liquor Fees	39,730	42,145	2,415
Airport Revenue	1,100	903	(197)
<b>Total Intergovernmental</b>	<u>111,255</u>	<u>143,518</u>	<u>32,263</u>
<b>Charges for Services</b>			
Development Fees	200	-	(200)
Parks and Rec Fees	8,750	16,322	7,572
<b>Total Other</b>	<u>8,950</u>	<u>16,322</u>	<u>7,372</u>
<b>Other</b>			
Interest Income	1,000	1,023	23
Depot Rental	39,300	39,200	(100)
Land Lease	12,670	5,225	(7,445)
Miscellaneous	15,040	22,531	7,491
<b>Total Other</b>	<u>68,010</u>	<u>67,979</u>	<u>(31)</u>
<b>Total Revenue</b>	<u>\$ 318,786</u>	<u>\$ 345,958</u>	<u>\$ 27,172</u>

**City of Donnelly, Idaho**

Supplemental Schedule of Expenditures by Object of Expenditure -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended September 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General and Administrative</b>			
Personnel	\$ 57,826	\$ 66,195	\$ (8,369)
Administration	76,224	63,067	13,157
Total General and Administrative	<u>134,050</u>	<u>129,262</u>	<u>4,788</u>
<b>Public Safety</b>	<u>3,500</u>	<u>3,712</u>	<u>(212)</u>
<b>Roads and Streets</b>	<u>168,746</u>	<u>124,443</u>	<u>44,303</u>
<b>Parks and Recreation</b>	<u>67,840</u>	<u>39,386</u>	<u>28,454</u>
<b>Depot Expenses</b>	<u>8,400</u>	<u>5,357</u>	<u>3,043</u>
Total Expenditures	<u><u>\$ 382,536</u></u>	<u><u>\$ 302,160</u></u>	<u><u>\$ 80,376</u></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**

Honorable Mayor  
and City Council  
Donnelly, 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 the City of Donnelly, Idaho, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Donnelly, Idaho's basic financial statements and have issued our report thereon dated January 6, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Donnelly, 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 of Donnelly, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Donnelly, Idaho'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Donnelly, 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.

*Zwygart John & Associates, CPAs PLLC*

Nampa, Idaho  
January 6, 2020