

CITY OF DONNELLY, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2021

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Independent Auditor's Report

Honorable Mayor
and City Council
Donnelly, Idaho

Report on the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Donnelly and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Donnelly's 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; for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Donnelly's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Donnelly, Idaho's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Donnelly, Idaho's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 33 through 36 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.

Supplementary 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 November 30, 2021, 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.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
November 30, 2021

City of Donnelly, Idaho
Statement of Net Position
September 30, 2021

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 376,995	\$ 176,412	\$ 553,407
Receivables, Net:			
Property Taxes	7,286	-	7,286
Accounts Receivable	-	22,147	22,147
Intergovernmental	7,072	-	7,072
Noncurrent Assets:			
Restricted Cash	-	42,549	42,549
Net Pension Asset	1,442	961	2,403
Capital Assets:			
Land and Nondepreciable Infrastructure	115,595	1,609,455	1,725,050
Buildings, Net	363,612	461,381	824,993
Improvements, Net	7,245	396,815	404,060
Equipment, Net	80,968	21,018	101,986
Total Capital Assets	567,420	2,488,669	3,056,089
Total Assets	960,215	2,730,738	3,690,953
Deferred Outflows			
Pension Related Items	21,668	14,445	36,113
Total Deferred Outflows	21,668	14,445	36,113
Liabilities			
Current Liabilities:			
Accounts Payable	3,452	215,143	218,595
Salaries and Benefits Payable	2,648	1,780	4,428
Security Deposits and Refund Payable	2,150	-	2,150
Accrued Interest	-	6,283	6,283
Long-Term Liabilities:			
Due within One Year:			
Compensated Absences	3,382	2,255	5,637
Bonds and Notes Payable	-	30,432	30,432
Due in More than One Year:			
Bonds and Notes Payable	-	623,946	623,946
Total Liabilities	11,632	879,839	891,471
Deferred Inflows			
Pension Related Items	56,365	37,577	93,942
Total Deferred Inflows	56,365	37,577	93,942
Net Position			
Invested in Capital Assets, Net of Related Debt	567,420	1,834,291	2,401,711
Restricted	158,888	42,549	201,437
Unrestricted (Deficit) Surplus	187,578	(49,073)	138,505
Total Net Position	\$ 913,886	\$ 1,827,767	\$ 2,741,653

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

City of Donnelly, Idaho
Statement of Activities
For the Year Ended September 30, 2021

	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	
Primary Government:							
Governmental Activities:							
General and Administrative	\$ 210,166	\$ 22,922	\$ 83,029	\$ -	\$ (104,215)	\$ -	\$ (104,215)
Public Safety	219	-	-	-	(219)	-	(219)
Highways and Streets	73,950	-	-	-	(73,950)	-	(73,950)
Parks and Recreation	66,044	-	-	-	(66,044)	-	(66,044)
Depot	13,085	-	-	-	(13,085)	-	(13,085)
Total Governmental Activities	363,464	22,922	83,029	-	(257,513)	-	(257,513)
Business-type Activities:							
Water	235,501	148,150	23,445	-	-	(63,906)	(63,906)
Sewer	118,110	106,439	-	-	-	(11,671)	(11,671)
Water Improvement	1	-	290,929	-	-	290,928	290,928
Total Business-type Activities	353,612	254,589	314,374	-	-	215,351	215,351
Total Primary Government	\$ 717,076	\$ 277,511	\$ 397,403	\$ -	(257,513)	215,351	(42,162)
General Revenues:							
Property Taxes					134,232	-	134,232
Local Option Tax					183,552	-	183,552
State Sources					98,765	-	98,765
Other					76,638	-	76,638
Unrestricted Investment Earnings					220	563	783
Total General Revenues and Special Items					493,407	563	493,970
Change in Net Position					235,894	215,914	451,808
Net Position, Beginning of Year					677,992	1,611,853	2,289,845
Net Position, End of Year					\$ 913,886	\$ 1,827,767	\$ 2,741,653

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

City of Donnelly, Idaho
 Balance Sheet -
 Governmental Funds
 September 30, 2021

	General	Local Option Tax	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 218,107	\$ 158,888	\$ 376,995
Receivables, Net:			
Property Taxes	7,286	-	7,286
Intergovernmental	7,072	-	7,072
Total Assets	\$ 232,465	\$ 158,888	\$ 391,353
Liabilities			
Accounts Payable	\$ 3,452	\$ -	\$ 3,452
Salaries and Benefits Payable	2,648	-	2,648
Security Deposits	2,150	-	2,150
Total Liabilities	8,250	-	8,250
Deferred Inflows			
Unavailable Revenue - Property Taxes	7,197	-	7,197
Total Deferred Inflows	7,197	-	7,197
Fund Balances			
Restricted for:			
Local Option Tax	-	158,888	158,888
Unassigned	217,018	-	217,018
Total Fund Balances	217,018	158,888	375,906
Total Liabilities, Deferred Inflows and Fund Balances	\$ 232,465	\$ 158,888	\$ 391,353

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, 2021

Total Fund Balances - Governmental Funds \$ 375,906

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	\$ 115,595	
Buildings, net of \$419,745 accumulated depreciation	363,612	
Improvements, net of \$30,839 accumulated depreciation	7,245	
Equipment, net of \$67,132 accumulated depreciation	<u>80,968</u>	
		567,420

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. 7,197

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	<u>\$ (3,382)</u>	
		(3,382)

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	\$ 1,442	
Pension Related Deferred Inflows	(56,365)	
Pension Related Deferred Outflows	<u>21,668</u>	
		<u>(33,255)</u>

Net Position of Governmental Activities \$ 913,886

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, 2021

	General	Local Option Tax	Total Governmental Funds
Revenues			
Taxes	\$ 130,120	\$ 183,552	\$ 313,672
Licenses and Permits	9,997	-	9,997
Intergovernmental	181,794	-	181,794
Charges for Services	12,925	-	12,925
Other	76,858	-	76,858
Total Revenues	<u>411,694</u>	<u>183,552</u>	<u>595,246</u>
Expenditures			
Current:			
General and Administrative	104,268	92,842	197,110
Public Safety	219	-	219
Roads and Streets	87,736	-	87,736
Parks and Recreation	58,172	-	58,172
Depot Expense	13,085	-	13,085
Total Expenditures	<u>263,480</u>	<u>92,842</u>	<u>356,322</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>148,214</u>	<u>90,710</u>	<u>238,924</u>
Net Change in Fund Balances	148,214	90,710	238,924
Fund Balances - Beginning	68,804	68,178	136,982
Fund Balances - Ending	<u>\$ 217,018</u>	<u>\$ 158,888</u>	<u>\$ 375,906</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, 2021

Total Net Change in Fund Balance - Governmental Funds \$ 238,924

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	\$ 18,158	
Depreciation Expense	<u>(39,358)</u>	(21,200)

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:

Municipal Lease Payment	<u>\$ 5,878</u>	5,878
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Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 4,112

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. (1,990)

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.

10,170

Change in Net Position of Governmental Activities \$ 235,894

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

City of Donnelly, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2021

	Water	Sewer	Water Improvement	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 49,186	\$ 127,226	\$ -	\$ 176,412
Internal Balance	482	-	-	482
Receivables, Net	12,409	9,738	-	22,147
Noncurrent Assets:				
Restricted Cash	23,769	18,780	-	42,549
Net Pension Asset	721	240	-	961
Capital Assets:				
Land and Nondepreciable Infrastructure	3,503	-	1,605,952	1,609,455
Buildings, Net	461,381	-	-	461,381
Improvements, Net	232,511	164,304	-	396,815
Equipment, Net	13,855	7,163	-	21,018
Total Assets	<u>797,817</u>	<u>327,451</u>	<u>1,605,952</u>	<u>2,731,220</u>
Deferred Outflows				
Pension Related Items	10,834	3,611	-	14,445
Total Deferred Outflows	<u>10,834</u>	<u>3,611</u>	<u>-</u>	<u>14,445</u>
Liabilities				
Current Liabilities:				
Internal Balance	-	-	482	482
Accounts Payable	4,392	24	210,727	215,143
Salaries and Benefits Payable	1,676	104	-	1,780
Accrued Interest	4,546	1,737	-	6,283
Compensated Absences	1,691	564	-	2,255
Current Portion Long-term Debt	19,714	10,718	-	30,432
Total Current Liabilities	<u>32,019</u>	<u>13,147</u>	<u>211,209</u>	<u>256,375</u>
Long-term Liabilities:				
Bonds and Notes Payable	576,188	47,758	-	623,946
Net Pension Liability	-	-	-	-
Total Liabilities	<u>608,207</u>	<u>60,905</u>	<u>211,209</u>	<u>880,321</u>
Deferred Inflows				
Pension Related Items	28,183	9,394	-	37,577
Total Deferred Inflows	<u>28,183</u>	<u>9,394</u>	<u>-</u>	<u>37,577</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	115,348	112,991	1,605,952	1,834,291
Restricted for Debt Service	23,769	18,780	-	42,549
Unrestricted	33,144	128,992	(211,209)	(49,073)
Total Net Position	<u>\$ 172,261</u>	<u>\$ 260,763</u>	<u>\$ 1,394,743</u>	<u>\$ 1,827,767</u>

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, 2021

	Water	Sewer	Water Improvement	Total
Operating Revenues				
Charges for Services	\$ 148,150	\$ 106,439	\$ -	\$ 254,589
Total Operating Revenues	<u>148,150</u>	<u>106,439</u>	<u>-</u>	<u>254,589</u>
Operating Expenses				
Wages	47,535	4,208	-	51,743
Payroll Taxes and Benefits	10,750	(5,028)	-	5,722
Utilities	6,543	135	-	6,678
Professional Services	1,950	325	-	2,275
Maintenance and Operations	107,873	82,147	1	190,021
Depreciation	47,462	33,535	-	80,997
Total Operating Expenses	<u>222,113</u>	<u>115,322</u>	<u>1</u>	<u>337,436</u>
Operating Income (Loss)	<u>(73,963)</u>	<u>(8,883)</u>	<u>(1)</u>	<u>(82,847)</u>
Nonoperating Revenues (Expenses)				
Grant Revenue	23,445	-	290,929	314,374
Interest Earned	270	293	-	563
Interest Expense	(13,388)	(2,788)	-	(16,176)
Miscellaneous	0	0	-	-
Total Nonoperating Revenues (Expenses)	<u>10,327</u>	<u>(2,495)</u>	<u>290,929</u>	<u>298,761</u>
Income (Loss) Before Transfers	<u>(63,636)</u>	<u>(11,378)</u>	<u>290,928</u>	<u>215,914</u>
Transfers Out	(551,573)	-	551,573	-
Total Transfers	<u>(551,573)</u>	<u>-</u>	<u>551,573</u>	<u>-</u>
Change in Net Position	(615,209)	(11,378)	842,501	215,914
Net Position - Beginning	<u>787,470</u>	<u>272,141</u>	<u>552,242</u>	<u>1,611,853</u>
Net Position - Ending	<u>\$ 172,261</u>	<u>\$ 260,763</u>	<u>\$ 1,394,743</u>	<u>\$ 1,827,767</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, 2021

	Water	Sewer	Water Improvement	Total
Cash Flows From Operating Activities				
Receipts from Customers	\$ 149,815	\$ 106,994	\$ -	\$ 256,809
Payments to Suppliers	(115,095)	(82,583)	210,726	13,048
Payments to Employees	(59,874)	(5,132)	-	(65,006)
Net Cash Provided (Used) by Operating Activities	<u>(25,154)</u>	<u>19,279</u>	<u>210,726</u>	<u>204,851</u>
Cash Flows From Noncapital Financing Activities				
Miscellaneous Income	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities				
Purchase of Capital Assets	-	-	(517,594)	(517,594)
Principal Paid on Capital Debt	(21,992)	(11,236)	-	(33,228)
Operating Grant Funds Received	23,445	-	290,929	314,374
Interest Paid on Capital Debt	(13,592)	(3,093)	-	(16,685)
Net Cash Used by Capital and Related Financing Activities	<u>(12,139)</u>	<u>(14,329)</u>	<u>(226,665)</u>	<u>(253,133)</u>
Cash Flows From Investing Activities				
Interest and Dividends	270	293	-	563
Net Cash Provided (Used) by Investing Activities	<u>270</u>	<u>293</u>	<u>-</u>	<u>563</u>
Net Change in Cash and Cash Equivalents	(37,023)	5,243	(15,939)	(47,719)
Cash and Cash Equivalents - Beginning	110,460	140,763	15,457	266,680
Cash and Cash Equivalents - Ending	<u>\$ 73,437</u>	<u>\$ 146,006</u>	<u>\$ (482)</u>	<u>\$ 218,961</u>
Displayed As:				
Cash and Cash Equivalents	\$ 49,186	\$ 127,226	\$ -	176,412
Interenal Balance	482	-	(482)	-
Restricted Cash	23,769	18,780	-	42,549
	<u>\$ 73,437</u>	<u>\$ 146,006</u>	<u>\$ (482)</u>	<u>\$ 218,961</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, 2021

	<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)	\$ (73,963)	\$ (8,883)	\$ (1)	\$ (82,846)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	47,462	33,535	-	80,997
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	1,665	555	-	2,220
(Increase) Decrease in Deferred Outflows	(5,295)	369	-	(4,926)
Increase (Decrease) in Accounts Payable	1,271	24	210,727	1,295
Increase (Decrease) in Compensated Absences	995	332	-	1,327
Increase (Decrease) in Net Pension Liability	(19,972)	(11,251)	-	(31,223)
Increase (Decrease) in Deferred Inflows	22,683	4,598	-	27,281
Net Cash Provided (Used) by Operating Activities	<u>\$ (25,154)</u>	<u>\$ 19,279</u>	<u>\$ 210,726</u>	<u>\$ (5,875)</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, 2021

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, 2021

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, 2021

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, 2021

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 2nd Monday of September. One-half of the real property taxes are due on or before the 20th of December. The remaining one-half of the real property tax is due on or before June 20th 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, 2021

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, 2021

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, 2021, the carrying amount of the City's deposits was \$366,745 and the respective bank balances totaled \$381,188 . 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, 2021, 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, 2021

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, 2021, are summarized below:

Investment	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
External Investment Pool	\$ 228,961	\$ 228,961	\$ -

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	\$ 334,210	\$ 32,785	\$ 366,995
Restricted Cash	-	42,549	42,549
Investments categorized as deposits	42,785	143,627	186,412
	\$ 376,995	\$ 218,961	\$ 595,956

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

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:

	9/30/2020	Increase	Decrease	9/30/2021	Current Portion
Governmental Activities	\$ 2,537	\$ 2,682	\$ (1,837)	\$ 3,382	\$ 3,382
Business-type Activities	1,691	1,788	(1,224)	2,255	2,255
	\$ 4,228	\$ 4,470	\$ (3,061)	\$ 5,637	\$ 5,637

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, 2021, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2021, 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.

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, 2021

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 74% for police and firefighters. As of June 30, 2021 it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The City of Donnelly, Idaho's contributions were \$13,721 for the year ended September 30, 2021.

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

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, 2021, the City of Donnelly, Idaho reported a liability (asset) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City of Donnelly, Idaho's proportion of the net pension liability (asset) 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, 2021, the City of Donnelly, Idaho's proportion was 0.00304387 percent.

For the year ended September 30, 2021, the City of Donnelly, Idaho recognized pension expense/(revenue) of (\$5,317). At September 30, 2021, the City of Donnelly, 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	\$ 3,542	\$ 1,397
Changes in assumptions or other inputs	27,595	-
Net difference between projected and actual earnings on pension plan investments	-	75,507
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	1,218	17,038
City of Donnelly, Idaho's contributions subsequent to the measurement date	3,758	-
Total	\$ 36,113	\$ 93,942

\$3,758 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 (asset) in the year ending September 30, 2021.

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, 2021, the beginning of the measurement period ended June 30, 2020, is 4.7 and 4.6 for measurement period June 30, 2021.

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

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
2022	\$ (10,393)
2023	(14,307)
2024	(13,083)
2025	(20,046)

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 (asset) 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 (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%
Salary inflation	3.05%
Investment rate of return	6.35 %, net of investment expense
Cost-of-living	1%

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

5. PENSION PLAN (continued)

Contributing Members, Service Retirement Members, and Beneficiaries

- General Employees and All Beneficiaries – Males-2010 General Tables, increased 11%
- General Employees and All Beneficiaries – Females Pub-2010 General Tables, increased 21%
- Teachers – Males Pub-2010 Teacher Tables, increased 12%
- Teachers – Females Pub-2010 Teacher Tables, increased 21%
- Fire & Police – Males Pub-2010 Safety Tables, increased 21%
- Fire & Police – Females Pub-2010 Safety Tables, increased 26%
- Disabled Members – Males Pub-2010 Disabled Tables, increase 38%
- Disabled Members – Females Pub-2010 Disabled Tables, increased 36%

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability (Asset) as of June 30, 2021 is based on the results of an actuarial valuation date of July 1, 2021.

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 2021.

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

5. PENSION PLAN (continued)

<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%	1.80%	-0.20%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	8.00%	6.00%
Developed Foreign Equities	MSCI EAFE/World ex US	15.00%	8.25%	6.25%
Assumed Inflation - Mean			2.00%	2.00%
Assumed Inflation - Standard Deviation			1.50%	1.50%
Portfolio Arithmetic Mean Return			6.18%	4.18%
Portfolio Standard Deviation			12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return			5.55%	3.46%
Assumed Investment Expenses			0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses			5.15%	3.06%

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.35%. 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 (asset). The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the 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 (asset) calculated using the discount rate of 6.35 percent, as well as what the Employer's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	\$ 83,568	\$ (2,403)	\$ (72,877)

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

5. PENSION PLAN (continued)

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.

6. RESTRICTED ASSETS

As of September 30, 2021, \$42,549 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 \$7,072.

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.

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2021, was as follows:

	<u>Balance</u> <u>9/30/2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2021</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 105,037	\$ 10,558	\$ -	\$ 115,595
Capital Assets Being Depreciated:				
Buildings	783,357	-	-	783,357
Improvements	38,084	-	-	38,084
Equipment	<u>140,500</u>	<u>7,600</u>	-	<u>148,100</u>
Total Depreciable Assets	<u>961,941</u>	<u>7,600</u>	-	<u>969,541</u>
Less: Accumulated Depreciation				
Buildings	399,126	20,619	-	419,745
Improvements	28,367	2,472	-	30,839
Equipment	<u>50,865</u>	<u>16,267</u>	-	<u>67,132</u>
Total Acc. Depr.	<u>478,358</u>	<u>39,358</u>	-	<u>517,716</u>
Net Depreciable Assets	<u>483,583</u>	<u>(31,758)</u>	-	<u>451,825</u>
Governmental Activities				
Capital Assets – Net	<u>\$ 588,620</u>	<u>\$ (21,200)</u>	<u>\$ -</u>	<u>\$ 567,420</u>

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

9. CAPITAL ASSETS (continued)

	<u>Balance</u> <u>9/30/2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2021</u>
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,503	\$ -	\$ -	\$ 3,503
Construction in Progress	<u>1,088,358</u>	<u>517,594</u>	<u>-</u>	<u>1,605,952</u>
Total Non Deprec. Asset	<u>1,091,861</u>	<u>517,594</u>	<u>-</u>	<u>1,609,455</u>
Capital Assets Being Depreciated:				
Buildings	578,340	-	-	578,340
Improvements	2,113,662	-	-	2,113,662
Equipment	<u>83,758</u>	<u>-</u>	<u>-</u>	<u>83,758</u>
Total Depreciable Assets	<u>2,775,760</u>	<u>-</u>	<u>-</u>	<u>2,775,760</u>
Less: Accumulated Depreciation				
Buildings	100,479	16,480	-	116,959
Improvements	1,656,441	60,406	-	1,716,847
Equipment	<u>58,629</u>	<u>4,111</u>	<u>-</u>	<u>62,740</u>
Total Acc. Depr.	<u>1,815,549</u>	<u>80,997</u>	<u>-</u>	<u>1,896,546</u>
Net Depreciable Assets	<u>960,211</u>	<u>(80,997)</u>	<u>-</u>	<u>879,214</u>
Business-type Activities				
Capital Assets – Net	<u>\$ 2,052,072</u>	<u>\$ 436,597</u>	<u>\$ -</u>	<u>\$ 2,488,669</u>

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

Governmental Activities:	
General and Administrative	\$ 23,614
Highways and Streets	7,872
Parks and Recreation	<u>7,872</u>
	<u>\$ 39,358</u>

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

10. LONG-TERM OBLIGATIONS

Business-type Activities:

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

Changes in long-term obligations for the year ended September 30, 2021, are as follows:

Description	Maturity	Rate	Required Reserve	9/30/2020	Increase	Decrease	9/30/2021	Current Portion
<u>Governmental Activities:</u>								
DLL Finance LLC	2025	4.55%	N/A	5,878	-	5,878	-	-
				<u>\$ 5,878</u>	<u>\$ -</u>	<u>\$ 5,878</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Business-Type Activities</u>								
1998 Revenue Bonds	2026	5.00%	\$ 13,012	\$ 65,954	\$ -	\$ 9,713	\$ 56,241	\$ 10,200
1998 Revenue Bonds	2026	4.50%	13,349	68,732	-	10,256	58,476	10,718
DLL Finance LLC - Water	2025	4.55%	N/A	2,939	-	2,939	-	-
DLL Finance LLC - Sewer	2025	4.55%	N/A	980	-	980	-	-
USDARD Loan	2060	1.88%	22,334	549,000	-	9,339	539,661	9,514
			<u>\$ 26,361</u>	<u>\$ 687,605</u>	<u>\$ -</u>	<u>\$ 33,227</u>	<u>\$ 654,378</u>	<u>\$ 30,432</u>

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

10. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at September 30, 2021, are as follows:

Year Ending September 30,	Business-type Activities	
	Bonds and Notes	
	Principal	Interest
2022	\$ 30,432	\$ 15,562
2023	31,603	14,391
2024	32,824	13,170
2025	34,098	11,896
2026	35,150	10,843
2027-2031	54,197	43,968
2032-2036	59,472	38,693
2037-2041	65,260	32,905
2042-2046	71,612	26,553
2047-2051	78,582	19,583
2052-2056	86,231	11,934
2057- 2060	74,917	3,542
	\$ 654,378	\$ 243,040

Interest incurred on long-term obligations totaled \$16,017 , 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, 2021 was \$50,850 .

City of Donnelly, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

11. LESSOR AGREEMENTS (continued)

Future lease payments expected to be received for years ending.

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2022	\$20,028
2023	9,750
2024	6,000
2025	750
	<u>\$ 36,528</u>

12. INTERFUND TRANSFERS

Amounts transferred between funds consisted of:

<u>Transfers</u>	
<u>\$ 551,573</u>	Transferred from Water Improvement to Water to move USDA Loan for payment.

REQUIRED SUPPLEMENTARY INFORMATION

City of Donnelly, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 139,456	\$ 139,456	\$ 130,120	\$ (9,336)
Licenses and Permits	7,340	7,340	9,997	2,657
Intergovernmental	102,143	147,143	181,794	34,651
Charges for Services	7,350	7,350	12,925	5,575
Other	71,300	71,300	76,858	5,558
Total Revenues	<u>327,589</u>	<u>372,589</u>	<u>411,694</u>	<u>39,105</u>
Expenditures				
Current:				
General and Administrative	148,754	148,754	104,268	44,486
Public Safety	3,000	3,000	219	2,781
Roads and Streets	156,201	201,201	87,736	113,465
Parks and Recreation	142,297	142,297	58,172	84,125
Depot Expense	12,500	12,500	13,085	(585)
Total Expenditures	<u>462,752</u>	<u>507,752</u>	<u>263,480</u>	<u>244,272</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(135,163)</u>	<u>(135,163)</u>	<u>148,214</u>	<u>283,377</u>
Net Change in Fund Balances	(135,163)	(135,163)	148,214	283,377
Fund Balances - Beginning	135,163	135,163	68,804	(66,359)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,018</u>	<u>\$ 217,018</u>

City of Donnelly, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Local Option Tax
 For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 93,000	\$ 93,000	\$ 183,552	\$ 90,552
Total Revenues	<u>93,000</u>	<u>93,000</u>	<u>183,552</u>	<u>90,552</u>
Expenditures				
Current:				
General and Administrative	93,000	93,000	92,842	158
Total Expenditures	<u>93,000</u>	<u>93,000</u>	<u>92,842</u>	<u>158</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>90,710</u>	<u>90,710</u>
Net Change in Fund Balances	-	-	90,710	90,710
Fund Balances - Beginning	-	-	68,178	68,178
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,888</u>	<u>\$ 158,888</u>

City of Donnelly, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2021

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
Schedules of Required Supplemental Information
Public Employees Retirement System of Idaho
Last 10 - Fiscal Years*

Schedule of the City of Donnelly's Share of Net Pension Liability (Asset)

Year	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered-employee payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2021	0.0030439%	\$ (2,404)	\$ 114,914	-2.09%	100.36%
2020	0.0031437%	\$ 73,001	\$ 108,827	67.08%	88.22%
2019	0.0045910%	\$ 52,405	\$ 150,501	34.82%	93.79%
2018	0.0046689%	\$ 68,867	\$ 147,629	46.65%	91.69%
2017	0.0051699%	\$ 81,264	\$ 157,940	51.45%	90.68%
2016	0.0048457%	\$ 98,230	\$ 157,573	62.34%	87.26%
2015	0.0040252%	\$ 53,006	\$ 111,406	47.58%	91.38%

Data reported is measured as of June 30, 2021

Schedule of the City of Donnelly's Contributions

Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contributions deficiency (excess)	City's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 13,721	\$ 13,721	-	\$ 114,914	11.94%
2020	\$ 12,994	\$ 12,994	-	\$ 108,827	11.94%
2019	\$ 17,194	\$ 17,194	-	\$ 150,501	11.42%
2018	\$ 16,728	\$ 16,728	-	\$ 147,629	11.33%
2017	\$ 17,895	\$ 17,895	-	\$ 157,940	11.33%
2016	\$ 17,852	\$ 17,852	-	\$ 157,573	11.33%
2015	\$ 12,623	\$ 12,623	-	\$ 111,406	11.33%

Data reported is measured as of September 30, 2021

* 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, Idaho will present information for those years for which information is available.

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes			
Property Taxes	\$ 131,256	\$ 123,323	\$ (7,933)
Franchise Fees	8,200	6,797	(1,403)
Total Taxes	<u>139,456</u>	<u>130,120</u>	<u>(9,336)</u>
Licenses & Permits			
Licenses & Permits	600	25	(575)
Business License	1,400	1,725	325
Alcohol Permits	1,500	1,500	-
Catering Permits	60	25	(35)
Community Center Rental	600	575	(25)
Building Permits	2,400	4,432	2,032
Dog Licenses	80	100	20
Sign Permits	700	1,615	915
Total Licenses and Permits	<u>7,340</u>	<u>9,997</u>	<u>2,657</u>
Intergovernmental			
Grant Revenue	75,000	83,029	8,029
State Revenue Sharing	16,076	23,889	7,813
County Revenue Sharing	-	1,138	1,138
State Highway Users	8,417	13,093	4,676
State Liquor Fees	44,750	59,433	14,683
Airport Revenue	2,900	1,212	(1,688)
Total Intergovernmental	<u>147,143</u>	<u>181,794</u>	<u>34,651</u>
Charges for Services			
Development Fees	-	-	-
Parks and Rec Fees	7,350	12,925	5,575
Total Other	<u>7,350</u>	<u>12,925</u>	<u>5,575</u>
Other			
Interest Income	1,000	220	(780)
Depot Rental	45,000	38,825	(6,175)
Land Lease	12,000	11,375	(625)
Miscellaneous	13,300	26,438	13,138
Total Other	<u>71,300</u>	<u>76,858</u>	<u>5,558</u>
Total Revenue	<u>\$ 372,589</u>	<u>\$ 411,694</u>	<u>\$ 39,105</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General and Administrative			
Personnel	\$ 73,335	\$ 62,271	\$ 11,064
Administration	75,419	41,997	33,422
Total General and Administrative	<u>148,754</u>	<u>104,268</u>	<u>44,486</u>
Public Safety	<u>3,000</u>	<u>219</u>	<u>2,781</u>
Roads and Streets	<u>201,201</u>	<u>87,736</u>	<u>113,465</u>
Parks and Recreation	<u>142,297</u>	<u>58,172</u>	<u>84,125</u>
Depot Expenses	<u>12,500</u>	<u>13,085</u>	<u>(585)</u>
Total Expenditures	<u><u>\$ 507,752</u></u>	<u><u>\$ 263,480</u></u>	<u><u>\$ 244,272</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, 2021, 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 November 30, 2021.

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
November 30, 2021