

CITY OF KAMIAH, IDAHO

FINANCIAL STATEMENTS

Year Ended September 30, 2016

CITY OF KAMIAH, IDAHO
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FINANCIAL SECTION

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Taxes
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Independent Auditor's Report

Honorable Mayor and City Council
City of Kamiah, 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 Kamiah, Idaho (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Quest CPAs, P.C.

Payette, Idaho
December 8, 2016

BASIC FINANCIAL STATEMENTS

CITY OF KAMIAH, IDAHO

Statement of Net Position

September 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash & Investments	\$627,606	\$1,333,921	\$1,961,527
Receivables:			
Taxes	16,335		16,335
Intergovernmental	35,980		35,980
Accounts	3,587	101,970	105,557
Due From Other Funds		77,145	77,145
Total Current Assets	<u>683,508</u>	<u>1,513,036</u>	<u>2,196,544</u>
Noncurrent Assets			
Restricted Cash & Investments		227,163	227,163
Nondepreciable Capital Assets	376,935	117,748	494,683
Depreciable Net Capital Assets	758,743	7,102,045	7,860,788
Total Noncurrent Assets	<u>1,135,678</u>	<u>7,446,956</u>	<u>8,582,634</u>
Total Assets	<u>1,819,186</u>	<u>8,959,992</u>	<u>10,779,178</u>
Deferred Outflows of Resources			
Pension Sources	86,422	73,989	160,411
Total Deferred Outflows of Resources	<u>86,422</u>	<u>73,989</u>	<u>160,411</u>
Total Assets and Deferred Outflows of Resources	<u>\$1,905,608</u>	<u>\$9,033,981</u>	<u>\$10,939,589</u>
Liabilities			
Current Liabilities			
Accounts Payable & Accrued Expenses	\$5,199	\$681	\$5,880
Due To Other Funds	77,145		77,145
Accrued Interest		28,567	28,567
Long-Term Debt & Obligations, Current	19,634	131,084	150,718
Total Current Liabilities	<u>101,978</u>	<u>160,332</u>	<u>262,310</u>
Noncurrent Liabilities			
Long-Term Debt & Obligations, Noncurrent		3,427,063	3,427,063
Net Pension Liability	155,678	135,168	290,846
Total Noncurrent Liabilities	<u>155,678</u>	<u>3,562,231</u>	<u>3,717,909</u>
Total Liabilities	<u>257,656</u>	<u>3,722,563</u>	<u>3,980,219</u>
Deferred Inflows of Resources			
Pension Sources	48,830	46,294	95,124
Total Deferred Inflows of Resources	<u>48,830</u>	<u>46,294</u>	<u>95,124</u>
Total Liabilities and Deferred Inflows of Resources	<u>306,486</u>	<u>3,768,857</u>	<u>4,075,343</u>
Net Position			
Net Investment in Capital Assets	1,116,044	3,633,079	4,749,123
Restricted - Debt Service		227,163	227,163
Restricted - Special Programs	71,604		71,604
Unrestricted	411,474	1,404,882	1,816,356
Total Net Position	<u>1,599,122</u>	<u>5,265,124</u>	<u>6,864,246</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$1,905,608</u>	<u>\$9,033,981</u>	<u>\$10,939,589</u>

See Accompanying Notes

CITY OF KAMIAH, IDAHO
Statement of Activities
Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges For Services	Operating Grants And Contributions	
Governmental Activities				
Current Expenditures				
General Government	\$106,362	\$20,918		(\$85,444)
Public Safety	364,977	71,779	\$61,368	(231,830)
Highways & Streets	126,476	24,874		25,843
Airport	19,116	3,759		(15,357)
Culture & Recreation	25,781	5,070		(20,711)
Capital Assets	100,954	19,854		(81,100)
Debt Service	5,209	1,024		(4,185)
Total Governmental Activities	748,875	147,279	61,368	(412,783)
Business-Type Activities				
Ambulance Services	248,784	204,337		70,036
Water Services	609,562	500,660		8,668
Sewer Services	592,362	486,533		(105,829)
Sanitation Services	159,233	130,785		(28,448)
Total Business-Type Activities	1,609,941	1,322,316	0	(55,572)
Total	\$2,358,816	\$1,469,595	\$61,368	(\$468,355)
Changes in Net Position		Governmental Activities	Business-Type Activities	Total
Net (Expense) Revenue		(\$412,783)	(\$55,572)	(\$468,355)
General Revenues				
Taxes		200,826		200,826
Intergovernmental Revenue		208,384		208,384
Miscellaneous		35,334	11,695	47,029
Transfers				0
Total		444,544	11,695	456,239
Change in Net Position		31,761	(43,877)	(12,116)
Net Position - Beginning		1,567,361	5,309,001	6,876,362
Net Position - Ending		\$1,599,122	\$5,265,124	\$6,864,246

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

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash & Investments	\$300,500	\$257,131	\$69,975	\$627,606
Receivables:				
Taxes	14,081	1,471	783	16,335
Intergovernmental	17,013	15,863	3,104	35,980
Accounts	2,124	1,463	0	3,587
Due From Other Funds			0	0
Total Assets	<u>\$333,718</u>	<u>\$275,928</u>	<u>\$73,862</u>	<u>\$683,508</u>
Liabilities				
Accounts Payable & Accrued Expenses	\$3,627	\$50	\$1,522	\$5,199
Due To Other Funds	77,145			77,145
Unspent Grant Revenue			0	0
Total Liabilities	<u>80,772</u>	<u>50</u>	<u>1,522</u>	<u>82,344</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	13,227	1,382	736	15,345
Total Deferred Inflows of Resources	<u>13,227</u>	<u>1,382</u>	<u>736</u>	<u>15,345</u>
Fund Balances				
Restricted - Special Programs			71,604	71,604
Unassigned	239,719	274,496	0	514,215
Total Fund Balances	<u>239,719</u>	<u>274,496</u>	<u>71,604</u>	<u>585,819</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$333,718</u>	<u>\$275,928</u>	<u>\$73,862</u>	<u>\$683,508</u>

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

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

Total Governmental Fund Balances	\$585,819
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,135,678
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	15,345
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Certain liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(19,634)
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Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds.	(118,086)
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Net Position of Governmental Activities	<u><u>\$1,599,122</u></u>
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CITY OF KAMIAH, IDAHO

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$176,063	\$18,281	\$8,097	\$202,441
Intergovernmental Revenue	188,966	206,710	1,521	397,197
Licenses, Fees, & Charges	113,542	23,946	9,791	147,279
Miscellaneous	7,984	1,150	26,200	35,334
Total Revenues	<u>486,555</u>	<u>250,087</u>	<u>45,609</u>	<u>782,251</u>
Expenditures				
Current Expenditures				
General Government	90,029		9,018	99,047
Public Safety	364,977		0	364,977
Highways & Streets		126,476	0	126,476
Airport	19,116		0	19,116
Culture & Recreation	2,993		22,788	25,781
Capital Outlay			0	0
Debt Service	5,209		0	5,209
Total Expenditures	<u>482,324</u>	<u>126,476</u>	<u>31,806</u>	<u>640,606</u>
Excess (Deficiency) of Revenues Over Expenditures	4,231	123,611	13,803	141,645
Other Financing Sources (Uses)				
Transfers In			0	0
Transfers Out			0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	4,231	123,611	13,803	141,645
Fund Balances - Beginning	<u>235,488</u>	<u>150,885</u>	<u>57,801</u>	<u>444,174</u>
Fund Balances - Ending	<u><u>\$239,719</u></u>	<u><u>\$274,496</u></u>	<u><u>\$71,604</u></u>	<u><u>\$585,819</u></u>

CITY OF KAMIAH, IDAHO

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

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds \$141,645

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. (100,954)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. (1,615)

In the statement of activities, compensated absences are accrued when earned, but the expenditure is reported when due in the governmental funds. 4,616

Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds. (11,931)

Change in Net Position of Governmental Activities \$31,761

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

	Enterprise Funds			
	Ambulance Fund	Water Fund	Sewer Fund	Sanitation Fund
Assets				
Current Assets				
Cash & Investments	\$378,456	\$682,754	\$266,628	\$6,083
Receivables:				
Accounts	37,205	33,121	21,947	9,697
Due From Other Funds	77,145			
Total Current Assets	<u>492,806</u>	<u>715,875</u>	<u>288,575</u>	<u>15,780</u>
Noncurrent Assets				
Restricted Cash & Investments		92,169	134,994	
Nondepreciable Capital Assets	8,000	27,654	82,094	
Depreciable Net Capital Assets	467,872	4,944,112	1,690,061	
Total Noncurrent Assets	<u>475,872</u>	<u>5,063,935</u>	<u>1,907,149</u>	<u>0</u>
Total Assets	<u>968,678</u>	<u>5,779,810</u>	<u>2,195,724</u>	<u>15,780</u>
Deferred Outflows of Resources				
Pension Sources	2,012	51,312	20,665	
Total Deferred Outflows of Resources	<u>2,012</u>	<u>51,312</u>	<u>20,665</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	<u>\$970,690</u>	<u>\$5,831,122</u>	<u>\$2,216,389</u>	<u>\$15,780</u>
Liabilities				
Current Liabilities				
Accounts Payable & Accrued Expenses		\$681		
Due To Other Funds				
Accrued Interest		23,503	\$5,064	
Long-Term Debt & Obligations, Current		58,199	72,885	
Total Current Liabilities	<u>\$0</u>	<u>82,383</u>	<u>77,949</u>	<u>\$0</u>
Noncurrent Liabilities				
Long-Term Debt & Obligations, Noncurrent		1,882,810	1,544,253	
Net Pension Liability	3,055	94,000	38,113	
Total Noncurrent Liabilities	<u>3,055</u>	<u>1,976,810</u>	<u>1,582,366</u>	<u>0</u>
Total Liabilities	<u>3,055</u>	<u>2,059,193</u>	<u>1,660,315</u>	<u>0</u>
Deferred Inflows of Resources				
Pension Sources	(214)	32,717	13,791	
Total Deferred Inflows of Resources	<u>(214)</u>	<u>32,717</u>	<u>13,791</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,841</u>	<u>2,091,910</u>	<u>1,674,106</u>	<u>0</u>
Net Position				
Net Investment in Capital Assets	475,872	3,007,254	149,953	0
Restricted - Debt Service		92,169	134,994	
Unrestricted	491,977	639,789	257,336	15,780
Total Net Position	<u>967,849</u>	<u>3,739,212</u>	<u>542,283</u>	<u>15,780</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$970,690</u>	<u>\$5,831,122</u>	<u>\$2,216,389</u>	<u>\$15,780</u>

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

	<u>Total Enterprise Funds</u>
Assets	
Current Assets	
Cash & Investments	\$1,333,921
Receivables:	
Accounts	101,970
Due From Other Funds	77,145
Total Current Assets	<u>1,513,036</u>
Noncurrent Assets	
Restricted Cash & Investments	227,163
Nondepreciable Capital Assets	117,748
Depreciable Net Capital Assets	7,102,045
Total Noncurrent Assets	<u>7,446,956</u>
Total Assets	<u><u>8,959,992</u></u>
Deferred Outflows of Resources	
Pension Sources	<u>73,989</u>
Total Deferred Outflows of Resources	<u>73,989</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$9,033,981</u></u>
Liabilities	
Current Liabilities	
Accounts Payable & Accrued Expenses	\$681
Due To Other Funds	0
Accrued Interest	28,567
Long-Term Debt & Obligations, Current	131,084
Total Current Liabilities	<u>160,332</u>
Noncurrent Liabilities	
Long-Term Debt & Obligations, Noncurrent	3,427,063
Net Pension Liability	135,168
Total Noncurrent Liabilities	<u>3,562,231</u>
Total Liabilities	<u><u>3,722,563</u></u>
Deferred Inflows of Resources	
Pension Sources	<u>46,294</u>
Total Deferred Inflows of Resources	<u>46,294</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>3,768,857</u></u>
Net Position	
Net Investment in Capital Assets	3,633,079
Restricted - Debt Service	227,163
Unrestricted	1,404,882
Total Net Position	<u><u>5,265,124</u></u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u><u>\$9,033,981</u></u>

CITY OF KAMIAH, IDAHO

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

	Enterprise Funds			
	Ambulance Fund	Water Fund	Sewer Fund	Sanitation Fund
Operating Revenues				
Charges for Sales & Services	\$204,303	\$472,239	\$471,775	\$158,820
Miscellaneous	8,030	3,213	3,936	
Total Operating Revenues	<u>212,333</u>	<u>475,452</u>	<u>475,711</u>	<u>158,820</u>
Operating Expenses				
Personnel	35,086	180,550	71,846	
Goods & Services	156,061	144,776	229,667	159,233
Depreciation	55,962	226,115	211,602	
Total Operating Expenses	<u>247,109</u>	<u>551,441</u>	<u>513,115</u>	<u>159,233</u>
Operating Income (Loss)	<u>(34,776)</u>	<u>(75,989)</u>	<u>(37,404)</u>	<u>(413)</u>
Nonoperating Revenues (Expenses)				
Interest Income	6,667	3,267	1,747	14
Interest Expense		(36,712)	(70,970)	
Other Income (Expense)	(1,675)	(21,409)	(8,277)	
Total Nonoperating Revenue (Expenses)	<u>4,992</u>	<u>(54,854)</u>	<u>(77,500)</u>	<u>14</u>
Income (Loss) Before Contributions & Transfers	<u>(29,784)</u>	<u>(130,843)</u>	<u>(114,904)</u>	<u>(399)</u>
Capital Grants	114,483	117,570		
Transfers In				
Transfers Out				
Change in Net Position	<u>84,699</u>	<u>(13,273)</u>	<u>(114,904)</u>	<u>(399)</u>
Net Position - Beginning	<u>883,150</u>	<u>3,752,485</u>	<u>657,187</u>	<u>16,179</u>
Net Position - Ending	<u><u>\$967,849</u></u>	<u><u>\$3,739,212</u></u>	<u><u>\$542,283</u></u>	<u><u>\$15,780</u></u>

CITY OF KAMIAH, IDAHO

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

	Total Enterprise Funds
Operating Revenues	
Charges for Sales & Services	\$1,307,137
Miscellaneous	15,179
Total Operating Revenues	<u>1,322,316</u>
Operating Expenses	
Personnel	287,482
Goods & Services	689,737
Depreciation	493,679
Total Operating Expenses	<u>1,470,898</u>
Operating Income (Loss)	<u>(148,582)</u>
Nonoperating Revenues (Expenses)	
Interest Income	11,695
Interest Expense	(107,682)
Other Income (Expense)	(31,361)
Total Nonoperating Revenue (Expenses)	<u>(127,348)</u>
Income (Loss) Before Contributions & Transfers	<u>(275,930)</u>
Capital Grants	232,053
Transfers In	0
Transfers Out	0
Change in Net Position	<u>(43,877)</u>
Net Position - Beginning	<u>5,309,001</u>
Net Position - Ending	<u><u>\$5,265,124</u></u>

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

	Enterprise Funds			
	Ambulance Fund	Water Fund	Sewer Fund	Sanitation Fund
Cash Flows From Operations				
Receipts from Customers	\$238,357	\$475,916	\$474,473	\$159,327
Payments for Personnel	(36,257)	(195,502)	(77,627)	
Payments for Goods & Services	(156,098)	(148,123)	(229,667)	(159,233)
Cash Provided (Used) By Operations	<u>46,002</u>	<u>132,291</u>	<u>167,179</u>	<u>94</u>
Cash Flows From Noncapital Financing				
Repayments from Other Funds	19,285			
Cash Provided (Used) By Noncapital Financing	<u>19,285</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows From Capital & Related Financing				
Acquisition of Capital Assets	(194,418)	(171,738)		
Interest Paid on Debt		(37,377)	(71,171)	
Principal Paid on Debt		(54,792)	(63,823)	
Capital Grants Received		117,570		
Changes in Other Long-Term Obligations		(122)	2,002	
Cash Provided (Used) By Capital & Related Financing	<u>(194,418)</u>	<u>(146,459)</u>	<u>(132,992)</u>	<u>0</u>
Cash Flows From Investments				
Interest Income	6,667	3,267	1,747	14
Cash Provided (Used) By Investments	<u>6,667</u>	<u>3,267</u>	<u>1,747</u>	<u>14</u>
Change in Cash & Investments	(122,464)	(10,901)	35,934	108
Cash & Investments - Beginning	<u>500,920</u>	<u>785,824</u>	<u>365,688</u>	<u>5,975</u>
Cash & Investments - Ending	<u><u>\$378,456</u></u>	<u><u>\$774,923</u></u>	<u><u>\$401,622</u></u>	<u><u>\$6,083</u></u>
Cash & Investments Reconciliation				
Cash & Investments	\$378,456	\$682,754	\$266,628	\$6,083
Restricted Cash & Investments		92,169	134,994	
Total Cash & Investments	<u><u>\$378,456</u></u>	<u><u>\$774,923</u></u>	<u><u>\$401,622</u></u>	<u><u>\$6,083</u></u>
Reconciliation of Operating Income (Loss) to Cash Provided (Used) By Operations				
Operating Income (Loss)	(\$34,776)	(\$75,989)	(\$37,404)	(\$413)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operations:				
Depreciation	55,962	226,115	211,602	
Pension Contributions	(1,170)	(14,952)	(5,781)	
Changes in Assets & Liabilities:				
Receivables	26,023	464	(1,238)	507
Accounts Payable & Accrued Expenses	(37)	(3,347)		
Cash Provided (Used) By Operations	<u><u>\$46,002</u></u>	<u><u>\$132,291</u></u>	<u><u>\$167,179</u></u>	<u><u>\$94</u></u>

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

	Total Enterprise Funds
Cash Flows From Operations	
Receipts from Customers	\$1,348,073
Payments for Personnel	(309,386)
Payments for Goods & Services	(693,121)
Cash Provided (Used) By Operations	<u>345,566</u>
Cash Flows From Noncapital Financing	
Repayments from Other Funds	19,285
Cash Provided (Used) By Noncapital Financing	<u>19,285</u>
Cash Flows From Capital & Related Financing	
Acquisition of Capital Assets	(366,156)
Interest Paid on Debt	(108,548)
Principal Paid on Debt	(118,615)
Capital Grants Received	117,570
Changes in Other Long-Term Obligations	1,880
Cash Provided (Used) By Capital & Related Financing	<u>(473,869)</u>
Cash Flows From Investments	
Interest Income	11,695
Cash Provided (Used) By Investments	<u>11,695</u>
Change in Cash & Investments	(97,323)
Cash & Investments - Beginning	<u>1,658,407</u>
Cash & Investments - Ending	<u><u>\$1,561,084</u></u>
Cash & Investments Reconciliation	
Cash & Investments	\$1,333,921
Restricted Cash & Investments	\$227,163
Total Cash & Investments	<u><u>\$1,561,084</u></u>
Reconciliation of Operating Income (Loss) to Cash Provided (Used) By Operations	
Operating Income (Loss)	(\$148,582)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operations:	
Depreciation	493,679
Pension Contributions	(21,903)
Changes in Assets & Liabilities:	
Receivables	25,756
Accounts Payable & Accrued Expenses	(3,384)
Cash Provided (Used) By Operations	<u><u>\$345,566</u></u>

CITY OF KAMIAH, IDAHO

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – The City of Kamiah, Idaho (the City) provides basic municipal services and operates under a mayor-council form of government. These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to cities. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

Basic Financial Statements - Government-Wide Statements – The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenues.

The City's sole activity is providing basic municipal services, and substantially all expenses are directly related to this activity. Accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities. Fiduciary funds, when present, are not included in the government-wide statements.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum

CITY OF KAMIAH, IDAHO

Notes to Financial Statements

criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Major governmental funds of the City include:

General Fund – The general fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the street fund, which accounts for maintenance and construction of the City's streets.

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in enterprise funds are reported as business-type activities in the government-wide financial statements. Major enterprise funds of the City include:

Ambulance, Water, Sewer, and Sanitation Funds – The ambulance, water, sewer, and sanitation funds account for the revenues earned and expenses incurred in providing ambulance, water, sewer, and sanitation services.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and proprietary and fiduciary fund financial statements are reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

CITY OF KAMIAH, IDAHO

Notes to Financial Statements

Cash and Investments – Nearly all the cash and investment balances of the City’s funds are pooled for investment purposes. The individual funds’ portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is paid to the general fund unless Idaho Code specifies otherwise. Investments are measured using the market approach and include the local government investment pool, reported and measured at amortized cost following the provisions of GASB 79 which provide for consistent measurement of investment value amongst pool participants.

For purposes of the statement of cash flows, the City considers all investments (including restricted cash and investments) available for immediate withdrawal or with maturities of three months or less to be cash and cash equivalents (referred to as cash and investments).

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight line method.

Compensated Absences – The City provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is recorded as a liability in the accompanying financial statements.

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

Deferred Outflows/Inflows of Resources – The City’s financial statements may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net assets that apply to a future period. Deferred inflows of resources represent an acquisition of net assets that apply to a future period. Deferred outflows/inflows of resources generally represent amounts that are not available in the current period.

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred

CITY OF KAMIAH, IDAHO

Notes to Financial Statements

inflows of resources related to those assets. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity's governing body. Assigned portions represent amounts that are constrained by the government's intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the City first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the City first utilizes committed resources then assigned resources before using unassigned resources.

Property Taxes – The City is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

Contingent Liabilities – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Interfund Activity – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk – The City maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The City does not have a formal policy concerning concentrations of credit risk.

CITY OF KAMIAH, IDAHO
Notes to Financial Statements

Risk Management – The City is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

Subsequent Events – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$81,356
Investments - Local Government Investment Pool	2,107,334
Total	<u><u>\$2,188,690</u></u>

Deposits – At year end, the carrying amounts of the City's deposits were \$81,356 and the bank balances were \$7,012. The bank balances were insured.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Treasury, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The City's investment policy complies with state statutes.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. More information on the local governmental investment pool including regulatory information, restriction on withdrawals, and rating and risk information can be found at sto.idaho.gov. Government accounting standards board statements requires government entities to disclose credit quality ratings, concentration of credit risk, and interest rate risk on investment balances. Investments in the local government investment pool are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements.

Restricted Cash & Investments – Restricted cash and investments at year end is cash and investments set aside because their use is limited by bond covenants. Per water and sewer revenue bond covenants, the City is required to restrict cash and investments within its water and sewer funds at a rate of one-tenth of an annual payment per year until one annual bond payment has been accumulated. Management is not aware of any violations of these covenants.

CITY OF KAMIAH, IDAHO
Notes to Financial Statements

C. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$376,935			\$376,935
Total	<u>376,935</u>	<u>\$0</u>	<u>\$0</u>	<u>376,935</u>
Depreciable Capital Assets				
Buildings	500,379			500,379
Equipment	773,187			773,187
Improvements	3,324,969			3,324,969
Subtotal	<u>4,598,535</u>	<u>0</u>	<u>0</u>	<u>4,598,535</u>
Accumulated Depreciation				
Buildings	338,504	8,808		347,312
Equipment	562,168	35,541		597,709
Improvements	2,838,166	56,605		2,894,771
Subtotal	<u>3,738,838</u>	<u>100,954</u>	<u>0</u>	<u>3,839,792</u>
Total	<u>859,697</u>	<u>(100,954)</u>	<u>0</u>	<u>758,743</u>
Net Capital Assets	<u>\$1,236,632</u>	<u>(\$100,954)</u>	<u>\$0</u>	<u>\$1,135,678</u>

Depreciation expense of \$100,954 was charged to the capital assets program.

CITY OF KAMIAH, IDAHO
Notes to Financial Statements

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Capital Assets				
Land	\$117,748			\$117,748
Construction in Progress	0			0
Total	<u>117,748</u>	<u>\$0</u>	<u>\$0</u>	<u>117,748</u>
Depreciable Capital Assets				
Buildings	776,302			776,302
Equipment	2,657,617	194,419		2,852,036
Improvements	8,081,369	171,738		8,253,107
Subtotal	<u>11,515,288</u>	<u>366,157</u>	<u>0</u>	<u>11,881,445</u>
Accumulated Depreciation				
Buildings	210,679	15,526		226,205
Equipment	2,040,473	229,535		2,270,008
Improvements	2,034,569	248,618		2,283,187
Subtotal	<u>4,285,721</u>	<u>493,679</u>	<u>0</u>	<u>4,779,400</u>
Total	<u>7,229,567</u>	<u>(127,522)</u>	<u>0</u>	<u>7,102,045</u>
Net Capital Assets	<u>\$7,347,315</u>	<u>(\$127,522)</u>	<u>\$0</u>	<u>\$7,219,793</u>

Depreciation expense of \$55,962, \$226,115, and \$211,602 was charged to the ambulance, water, and sewer services programs, respectively.

CITY OF KAMIAH, IDAHO
Notes to Financial Statements

D. LONG-TERM DEBT & OBLIGATIONS

Governmental Activities:

Capital Leases – The City leases equipment that qualifies as a capital lease obligation. The equipment cost \$29,997 and at year end, related accumulated depreciation was \$11,999.

Capital lease due in annual installments of \$6,496 with interest at 4.07% through 2016/17, secured by equipment, paid through the general fund	\$6,238
Total	<u><u>\$6,238</u></u>

Maturities on the capital lease are estimated as follows:

Year Ended	
9/30/17	<u>\$6,496</u>
Total Future Minimum Lease Payments	6,496
Amount Representing Interest	<u>(258)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$6,238</u></u>

Business-Type Activities:

Bonded Debt – At year end, the City’s bonded debt was as follows:

	Outstanding
2003 - \$2,265,000 - sewer revenue bonds for capital improvements due in annual installments of \$134,994 with interest at 4.25% through 2032/33, secured by future sewer revenue fees, paid through the sewer fund	\$1,610,790
2013 - \$2,100,000 - water revenue bonds for capital improvements due in annual installments of \$92,169 with interest at 1.875% through 2042/43, secured by future water revenue fees, paid through the water fund	<u>1,938,630</u>
Total	<u><u>\$3,549,420</u></u>

CITY OF KAMIAH, IDAHO
Notes to Financial Statements

Maturities on the bonds are estimated as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
9/30/17	\$122,356	\$104,807
9/30/18	126,229	100,934
9/30/19	130,244	96,919
9/30/20	134,404	92,759
9/30/21	138,713	88,450
9/30/22-26	763,937	371,878
9/30/27-31	898,062	237,753
9/30/32-36	636,365	94,468
9/30/37-41	420,140	40,705
9/30/42-43	178,970	5,368
Total	<u>\$3,549,420</u>	<u>\$1,234,041</u>

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Act.</i>					
Capital Lease	\$12,227		\$5,989	\$6,238	\$6,238
Comp. Absences	12,023	\$1,373		13,396	13,396
Subtotal	<u>24,250</u>	<u>1,373</u>	<u>5,989</u>	<u>19,634</u>	<u>19,634</u>
<i>Business-Type Act.</i>					
2003 SR Bond #92-03	1,674,613		63,823	1,610,790	66,536
2013 WR Bond #91-04	1,993,422		54,792	1,938,630	55,820
Comp. Absences	6,848	1,880		8,728	8,728
Subtotal	<u>3,674,883</u>	<u>1,880</u>	<u>118,615</u>	<u>3,558,148</u>	<u>131,084</u>
Total	<u>\$3,699,133</u>	<u>\$3,253</u>	<u>\$124,604</u>	<u>\$3,577,782</u>	<u>\$150,718</u>

Interest and related costs during the year amounted to \$5,209, \$36,712, and \$70,970 and were charged to the debt service, water services, and sewer services programs, respectively. Compensated absences are normally paid through the general, water, sewer, or sanitation funds.

E. PENSION PLAN

Plan Description

The City contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the

CITY OF KAMIAH, IDAHO

Notes to Financial Statements

contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

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

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 8.36% for police and firefighters. The City's contributions were \$49,534 for the year ended September 30, 2016.

CITY OF KAMIAH, IDAHO

Notes to Financial Statements

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

At September 30, 2016, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the City's proportion was 0.0143475 percent.

For the year ended September 30, 2016, the City recognized pension expense (revenue) of \$70,924. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$28,980
Changes in assumptions or other inputs	\$6,466	
Net difference between projected and actual earnings on pension plan investments	141,561	66,144
Employer contributions subsequent to the measurement date	12,384	
Total	\$160,411	\$95,124

\$12,384 reported as deferred outflows of resources related to pensions resulting from City contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending September 30, 2017.

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

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

CITY OF KAMIAH, IDAHO
Notes to Financial Statements

Year Ended	
9/30/17	\$296
9/30/18	296
9/30/19	33,743
9/30/20	18,567
Total	<u><u>\$52,902</u></u>

Actuarial Assumptions

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

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The total pension liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

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

CITY OF KAMIAH, IDAHO

Notes to Financial Statements

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

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

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

Capital Market Assumptions

Asset Class	Expected Return*	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equities	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
			Expected	
Total Fund	Expected Return*	Expected Inflation	Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

*Expected arithmetic return net of fees and expenses

Actuarial Assumptions

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

CITY OF KAMIAH, IDAHO
Notes to Financial Statements

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
City's proportionate share of the net pension liability (asset)	\$570,536	\$290,846	\$58,252

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

CITY OF KAMIAH, IDAHO
Notes to Financial Statements

F. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

	<u>Due From Fund</u>	
	<u>General</u>	<u>Total</u>
<u>Due To Fund</u>		
Ambulance	\$77,145	\$77,145
Total	<u>\$77,145</u>	<u>\$77,145</u>

This interfund balance was the result of the general fund borrowing money from the ambulance fund to purchase a fire truck. The general fund is paying the ambulance fund back for the borrowed funds over a period of seven years with final payoff expected in 2020/21.

REQUIRED SUPPLEMENTARY INFORMATION

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

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$177,230	\$177,230	\$176,063	(\$1,167)
Intergovernmental Revenue	191,922	191,922	188,966	(2,956)
Licenses, Fees, & Charges	105,450	105,450	113,542	8,092
Miscellaneous	2,925	2,925	7,984	5,059
Total Revenues	<u>477,527</u>	<u>477,527</u>	<u>486,555</u>	<u>9,028</u>
Expenditures				
Current Expenditures				
General Government	88,015	88,015	90,029	(2,014)
Public Safety	411,043	411,043	364,977	46,066
Highways & Streets	0	0	0	0
Airport	16,744	16,744	19,116	(2,372)
Culture & Recreation	4,100	4,100	2,993	1,107
Capital Outlay	0	0	0	0
Debt Service	5,200	5,200	5,209	(9)
Total Expenditures	<u>525,102</u>	<u>525,102</u>	<u>482,324</u>	<u>42,778</u> *
Excess (Deficiency) of Revenues Over Expenditures				
	(47,575)	(47,575)	4,231	51,806
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(47,575)	(47,575)	4,231	51,806
Fund Balances - Beginning	<u>47,575</u>	<u>47,575</u>	<u>235,488</u>	<u>187,913</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$239,719</u>	<u>\$239,719</u>
<i>*Total expenditures (over) under appropriations are:</i>				<u>\$42,778</u>

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

<u>Street Fund</u>	Budgeted Amounts		Actual	Final Budget
	(GAAP Basis)			
	Original	Final		Positive
				(Negative)
Revenues				
Taxes	\$18,030	\$18,030	\$18,281	\$251
Intergovernmental Revenue	127,300	127,300	206,710	79,410
Licenses, Fees, & Charges	25,000	25,000	23,946	(1,054)
Miscellaneous	475	475	1,150	675
Total Revenues	<u>170,805</u>	<u>170,805</u>	<u>250,087</u>	<u>79,282</u>
Expenditures				
Current Expenditures				
General Government	0	0	0	0
Public Safety	0	0	0	0
Highways & Streets	170,805	170,805	126,476	44,329
Airport	0	0	0	0
Culture & Recreation	0	0	0	0
Capital Outlay	0	0	0	0
Debt Service	0	0	0	0
Total Expenditures	<u>170,805</u>	<u>170,805</u>	<u>126,476</u>	<u>44,329</u> *
Excess (Deficiency) of Revenues				
Over Expenditures	0	0	123,611	123,611
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	123,611	123,611
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>150,885</u>	<u>150,885</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$274,496</u>	<u>\$274,496</u>
<i>*Total expenditures (over) under appropriations are:</i>				<u>\$44,329</u>

CITY OF KAMIAH, IDAHO
 Schedule of Employer's Share of Net Pension Liability
 PERSI - Base Plan
 Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>
City's portion of the net pension liability	0.0143475%	0.0131507%
City's proportionate share of the net pension liability	\$290,846	\$173,174
City's covered-employee payroll	\$437,580	\$376,749
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	66.47%	45.97%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of June 30.

CITY OF KAMIAH, IDAHO
Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years*

	2016	2015
Statutorily required contribution	\$49,534	\$42,648
Contributions in relation to the statutorily required contribution	\$49,534	\$42,648
Contribution deficiency (excess)	\$0	\$0
City's covered-employee payroll	\$437,580	\$376,749
Contributions as a percentage of covered-employee payroll	11.32%	11.32%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of each year's fiscal year end.

SUPPLEMENTARY INFORMATION

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

	Special Revenue Funds		
	Parks & Pool	Insurance	Total
Assets			
Cash & Investments	\$69,072	\$903	\$69,975
Receivables:			
Taxes	783		783
Intergovernmental	3,104		3,104
Accounts			0
Due From Other Funds			0
Total Assets	\$72,959	\$903	\$73,862
Liabilities			
Accounts Payable & Accrued Expenses	\$1,522		\$1,522
Due To Other Funds			0
Unspent Grant Revenue			0
Total Liabilities	1,522	\$0	1,522
Deferred Inflows of Resources			
Unavailable Tax Revenues	736		736
Total Deferred Inflows of Resources	736	0	736
Fund Balances			
Restricted - Special Programs	70,701	903	71,604
Unassigned			0
Total Fund Balances	70,701	903	71,604
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$72,959	\$903	\$73,862

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

	<u>Special Revenue Funds</u>		
	<u>Parks & Pool</u>	<u>Insurance</u>	<u>Total</u>
Revenues			
Taxes	\$8,097		\$8,097
Intergovernmental Revenue	1,521		1,521
Licenses, Fees, & Charges	9,791		9,791
Miscellaneous	26,163	\$37	26,200
Total Revenues	<u>45,572</u>	<u>37</u>	<u>45,609</u>
Expenditures			
Current Expenditures			
General Government		9,018	9,018
Public Safety			0
Highways & Streets			0
Airport			0
Culture & Recreation	22,788		22,788
Capital Outlay			0
Debt Service			0
Total Expenditures	<u>22,788</u>	<u>9,018</u>	<u>31,806</u>
Excess (Deficiency) of Revenues Over Expenditures	22,784	(8,981)	13,803
Other Financing Sources (Uses)			
Transfers In			0
Transfers Out			0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	22,784	(8,981)	13,803
Fund Balances - Beginning	<u>47,917</u>	<u>9,884</u>	<u>57,801</u>
Fund Balances - Ending	<u><u>\$70,701</u></u>	<u><u>\$903</u></u>	<u><u>\$71,604</u></u>

OTHER 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
City of Kamiah, 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 Kamiah, Idaho (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Quest CPAs, P.C.

Payette, Idaho
December 8, 2016