CITY OF POTLATCH

FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

CITY OF POTLATCH

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Potlatch
Potlatch, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Potlatch, as of and for the year ended September 30, 2025, 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, and each major fund of the City of Potlatch, as of September 30, 2025, 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 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 the City of Potlatch, 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

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, and 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.

Lewiston Office: 1216 Idaho Street, Lewiston, Idaho 83501, (208) 746-8281
Moscow Office: 609 South Washington, Suite 202, Moscow, Idaho 83843, (208) 882-2211
Grangeville Office: 109 South Mill Street, Grangeville, Idaho 83530, (208) 983-1254
Orofino Office: P.O. Box 632, 216 Johnson Avenue, Orofino, Idaho 83544, (208) 476-3012
Pullman Office: 1230 SE Bishop Blvd., Pullman, Washington 99163, (509) 332-6541
Eagle Office: 1159 E Iron Eagle Drive, Suite 100, Eagle, Idaho 83616, (208) 319-2929

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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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'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'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 schedule of pension funding and the budgetary comparison schedules on pages 34 through 35, respectively, 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 the financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Potlatch has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 the missing information.

Reports on Summarized Comparative Information

We have previously audited the City of Potlatch's 2024 financial statements, and we expressed an unmodified audit opinion on the financial statements of the governmental activities, the business-type activities, and each major fund in our report dated August 15, 2025. In our opinion, the summarized comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2026, on our consideration of the City of Potlatch'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 Potlatch's internal control over financial reporting and compliance.

Presnell Gage, PLLC

June 18, 2026
Moscow, Idaho

CITY OF POTLATCH

STATEMENT OF NET POSITION
For the Year Ended September 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and investments	$ 741,536	$ 724,327	$ 1,465,863
Receivables	49,207	104,770	153,977
Interfund balances	(10,257)	14,786	4,529
Total current assets	780,486	843,883	1,624,369
RESTRICTED ASSETS			
Cash and cash equivalents	0	247,982	247,982
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	3,471,696	6,637,705	10,109,401
Total noncurrent assets	3,471,696	6,637,705	10,109,401
Total assets	4,252,182	7,729,570	11,981,752
DEFERRED OUTFLOWS OF RESOURCES			
Defined benefit pension	15,053	21,948	37,001
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	12,676	36,008	48,684
Accrued salaries and benefits	12,200	8,842	21,042
Accrued interest payable		31,215	31,215
Other current liabilities		8,175	8,175
Current portion of bonds payable		179,438	179,438
Total current liabilities	24,876	263,678	288,554
LONG-TERM OBLIGATIONS			
Bonds payable		2,267,869	2,267,869
Net pension liability	44,039	58,698	102,737
Total long-term obligations	44,039	2,326,567	2,370,606
Total liabilities	68,915	2,590,245	2,659,160
DEFERRED INFLOWS OF RESOURCES			
Defined benefit pension	23,732	32,157	55,889
Total deferred inflows of resources	23,732	32,157	55,889
NET POSITION			
Investment of capital assets, net of related debt	3,471,696	4,190,398	7,662,094
Restricted for debt service		247,982	247,982
Unrestricted	702,892	690,736	1,393,628
Total net position	$ 4,174,588	$ 5,129,116	$ 9,303,704

See accompanying notes

CITY OF POTLATCH

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Primary government							
Governmental activities							
General government	$ 178,322	$ 13,936		$ 2,631	$ (161,755)		$ (161,755)
Highways and streets	105,012		$ 64,260		(40,752)		(40,752)
Culture and recreation	182,777	125,118	11,272		(46,387)		(46,387)
Unallocated depreciation	115,797				(115,797)		(115,797)
PERSI retirement actuarial change	(2,871)				2,871		2,871
Total governmental activities	579,037	139,054	75,532	2,631	(361,820)		(361,820)
Business-type activities:							
Water	325,348	316,910		24,083		$ 15,645	15,645
Sewer	499,856	383,061		9,079		(107,716)	(107,716)
Sanitation	184,231	210,964				26,733	26,733
Total business-type activities	1,009,435	910,935	0	33,162		(65,338)	(65,338)
Total primary government	$ 1,588,472	$ 1,049,989	$ 75,532	$ 35,793	(361,820)	(65,338)	(427,158)
General revenues:							
Property taxes					214,501		214,501
State sales tax and revenue sharing					89,577		89,577
Liquor tax					25,483		25,483
Franchise fees					11,271		11,271
Investment earnings					22,211	42,688	64,899
Other					33,578		33,578
Total general revenues					396,621	42,688	439,309
Change in net position					34,801	(22,650)	12,151
Net position at beginning of year					4,139,787	5,151,766	9,291,553
Net position at end of year					$ 4,174,588	$ 5,129,116	$ 9,303,704

See accompanying notes

CITY OF POTLATCH

BALANCE SHEET - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

		General
ASSETS		
Cash and investments	$	741,536
Receivables		
Taxes		9,559
Accounts		673
Intergovernmental		38,975
Total assets	$	790,743
LIABILITIES		
Accounts payable	$	12,676
Accrued salaries and benefits		4,786
Interfund payable		10,257
Total liabilities		27,719
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes		7,717
Total deferred inflows of resources		7,717
FUND BALANCES		
Unassigned		755,307
Total fund balances		755,307
Total liabilities, deferred inflows of resources, and fund balances	$	790,743

See accompanying notes

CITY OF POTLATCH

RECONCILIATION OF THE STATEMENT OF NET POSITION
TO THE BALANCE SHEET - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

Total fund balances - Governmental Funds	
Amounts reported for governmental activities in the statement of net position are different because:	$ 755,307
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:	
Cost of capital assets	4,789,804
Accumulated depreciation	(1,318,108)
Deferred outflows and deferred inflows for pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Deferred outflows	15,053
Deferred inflows	(23,732)
Net pension liability	(44,039)
Employee benefits, including credit leave and sick leave, which have not been paid out are not accrued in the funds.	(7,414)
Property taxes and other receivables to be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.	7,717
Total net position - Governmental Activities	$ 4,174,588

See accompany notes

CITY OF POTLATCH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	General
REVENUES	
Property taxes	$ 212,725
Intergovernmental	190,591
Licenses and permits	23,959
Charges for services	139,054
Grants and contributions	13,903
Earnings on investments	22,211
Other	9,619
Total revenues	612,062
EXPENDITURES	
Current:	
General government	174,186
Culture and recreation	182,777
Transportation	105,012
Total expenditures	461,975
Net change in fund balances	150,087
FUND BALANCES AT BEGINNING OF YEAR	605,220
FUND BALANCES AT END OF YEAR	$ 755,307

See accompanying notes

CITY OF POTLATCH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

Net change in fund balances - Total Governmental Funds	$	150,087
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation:		
Current year depreciation		(115,797)
Net pension liability and the related deferred outflows and deferred inflows are not considered available for the governmental funds in the current year.		
Current year net pension liability, deferred outflows, and deferred inflows		2,871
Some amounts receivable will not be collected for several months after the fiscal year-end, and they are not considered available revenues in the governmental funds. Instead, they are counted as deferred tax revenues. They are, however, recorded in the statement of activities:		
Current year taxes receivable		7,717
Prior year taxes receivable		(5,941)
Employee benefits, including credit and sick leave, which have not been paid out are not counted as expense in the funds.		(4,136)
Change in net position - Governmental Activities	$	34,801

See accompanying notes

CITY OF POTLATCH

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Water Current Year	Water Prior Year	**Sewer Current Year**	Sewer Prior Year	**Sanitation Current Year**	Sanitation Prior Year	**Total Current Year**
ASSETS							
CURRENT ASSETS							
Cash and investments	**$ 75,656**	$ 57,685	**$ 618,738**	$ 688,841	**29,933**		**$ 724,327**
Receivables							
Accounts	**33,981**	28,542	**38,927**	34,371	**$ 24,365**	$ 21,783	**97,273**
Grants	**7,497**			10,482			**7,497**
Interfund receivable	**123,762**	110,609			**191,376**	191,376	**315,138**
Total current assets	**240,896**	196,836	**657,665**	733,694	**245,674**	213,159	**1,144,235**
RESTRICTED ASSETS							
Cash and cash equivalents	**81,034**	81,034	**166,948**	166,948			**247,982**
NONCURRENT ASSETS							
Fixed assets (net of accumulated depreciation)	**1,303,741**	1,378,390	**5,309,537**	5,519,356	**24,427**	29,999	**6,637,705**
Total assets	**1,625,671**	1,656,260	**6,134,150**	6,419,998	**270,101**	243,158	**8,029,922**
DEFERRED OUTFLOWS OF RESOURCES							
Defined benefit pension	**10,917**	9,755	**11,031**	9,863	**0**	0	**21,948**
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	**8,969**	8,422	**11,904**	9,479	**15,135**	14,925	**36,008**
Accrued salaries and benefits	**4,421**	3,302	**4,421**	2,573			**8,842**
Accrued interest payable			**31,215**	33,638			**31,215**
Other current liabilities	**8,175**	8,175					**8,175**
Interfund payable			**300,352**	395,282			**300,352**
Current portion of bonds payable	**54,110**	51,967	**125,328**	123,198			**179,438**
Total current liabilities	**75,675**	71,866	**473,220**	564,170	**15,135**	14,925	**564,030**
LONG-TERM OBLIGATIONS							
Net pension liability	**29,158**	40,512	**29,540**	41,081			**58,698**
Bonds payable	**598,566**	652,696	**1,669,303**	1,789,631			**2,267,869**
Total liabilities	**703,399**	765,074	**2,172,063**	2,394,882	**15,135**	14,925	**2,890,597**
DEFERRED INFLOWS OF RESOURCES							
Defined benefit pension	**15,947**	6,143	**16,210**	6,244			**32,157**
Total deferred inflows of resources	**15,947**	6,143	**16,210**	6,244	**0**	0	**32,157**
NET POSITION							
Investment of capital assets, net of related debt	**651,065**	673,727	**3,514,906**	3,606,527	**24,427**	29,999	**4,190,398**
Restricted for:							
Debt service	**81,034**	81,034	**166,948**	166,948			**247,982**
Unrestricted	**185,143**	140,037	**275,054**	255,260	**230,539**	198,234	**690,736**
Total net position	**$ 917,242**	$ 894,798	**$ 3,956,908**	$ 4,028,735	**$ 254,966**	$ 228,233	**$ 5,129,116**

See accompanying notes

CITY OF POTLATCH

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Water Current Year	Water Prior Year	**Sewer Current Year**	Sewer Prior Year	**Sanitation Current Year**	Sanitation Prior Year	**Total Current Year**
OPERATING REVENUES							
Charges for services	**$ 315,717**	$ 294,047	**$ 383,061**	$ 355,106	**$ 210,964**	$ 202,283	**$ 909,742**
Other revenue	**1,193**	142					**1,193**
Total revenues	**316,910**	294,189	**383,061**	355,106	**210,964**	202,283	**910,935**
OPERATING EXPENSES							
Personnel services	**108,548**	93,114	**110,464**	92,997			**219,012**
Supplies	**45,584**	79,455	**66,089**	37,890	**21**	108	**111,694**
Other services and charges	**70,232**	102,044	**72,400**	65,561	**178,638**	170,336	**321,270**
Depreciation	**74,649**	75,025	**209,819**	210,195	**5,572**	5,572	**290,040**
Total operating expenses	**299,013**	349,638	**458,772**	406,643	**184,231**	176,016	**942,016**
OPERATING INCOME (LOSS)	**17,897**	(55,449)	**(75,711)**	(51,537)	**26,733**	26,267	**(31,081)**
NONOPERATING REVENUES (EXPENSES)							
Investment earnings	**6,799**	6,718	**35,889**	36,175			**42,688**
Interest expense	**(29,047)**	(31,126)	**(43,827)**	(45,813)			**(72,874)**
PERSI retirement actuarial change	**2,712**	(3,746)	**2,743**	(3,815)			**5,455**
Total nonoperating revenues (expenses)	**(19,536)**	(28,154)	**(5,195)**	(13,453)	**0**	0	**(24,731)**
INCOME (LOSS) BEFORE CONTRIBUTIONS &TRANSFERS	**(1,639)**	(83,603)	**(80,906)**	(64,990)	**26,733**	26,267	**(55,812)**
CONTRIBUTIONS & TRANSFERS							
Capital contributions	**24,083**	16,115	**9,079**				**33,162**
Total contributions & transfers	**24,083**	16,115	**9,079**	61,261	**0**	0	**33,162**
CHANGE IN NET POSITION	**22,444**	(67,488)	**(71,827)**	(3,729)	**26,733**	26,267	**(22,650)**
TOTAL NET POSITION AT BEGINNING OF YEAR	**894,798**	962,286	**4,028,735**	4,032,464	**228,233**	201,966	**5,151,766**
TOTAL NET POSITION AT END OF YEAR	**$ 917,242**	$ 894,798	**$ 3,956,908**	$ 4,028,735	**$ 254,966**	$ 228,233	**$ 5,129,116**

See accompanying notes

CITY OF POTLATCH

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Water Current Year	Water Prior Year	**Sewer Current Year**	Sewer Prior Year	**Sanitation Current Year**	Sanitation Prior Year	**Total Current Year**
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	**$ 310,278**	$ 295,045	**$ 378,505**	$ 354,688	**$ 208,382**	$ 200,783	**$ 897,165**
Receipts from other revenue	**1,193**	142					**1,193**
Payments to suppliers	**(115,269)**	(175,637)	**(136,064)**	(113,032)	**(178,449)**	(167,728)	**(429,782)**
Payments to employees	**(107,429)**	(92,385)	**(108,616)**	(92,997)			**(216,045)**
Net cash provided (used) by operating activities	**88,773**	27,165	**133,825**	148,659	**29,933**	33,055	**252,531**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Net advances from (repayments to) other funds	**(13,153)**	(75,361)	**(94,930)**	123,781		(18,055)	**(108,083)**
Net cash provided (used) by noncapital financing activities	**(13,153)**	(75,361)	**(94,930)**	123,781		(18,055)	**(108,083)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital grants	**16,586**	16,115	**19,561**	50,779			**36,147**
Receipts held for feasibility study				(12,000)			
Principal paid on capital debt	**(51,987)**	(49,908)	**(118,198)**	(123,635)			**(170,185)**
Interest paid on capital debt	**(29,047)**	(31,126)	**(46,250)**	(45,813)			**(75,297)**
Net cash provided (used) by capital and related financing activities	**(64,448)**	(64,919)	**(144,887)**	(130,669)	**0**	(15,000)	**(209,335)**
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	**6,799**	6,718	**35,889**	36,175			**42,688**
Net cash provided (used) by investing activities	**6,799**	6,718	**35,889**	36,175	**0**	0	**42,688**
Net change in cash	**17,971**	(106,397)	**(70,103)**	177,946	**29,933**		**(22,199)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**138,719**	245,116	**855,789**	677,843			**994,508**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 156,690**	$ 138,719	**$ 785,686**	$ 855,789	**$ 29,933**	$ 0	**$ 972,309**
CASH COMPONENTS							
Current assets, cash and cash equivalents	**$ 75,656**	$ 57,685	**$ 618,738**	$ 688,841			**$ 724,327**
Cash and cash equivalents, restricted	**81,034**	81,034	**166,948**	166,948			**247,982**
	$ 156,690	$ 138,719	**$ 785,686**	$ 855,789	**$ 29,933**	$ 0	**$ 972,309**

See accompanying notes

CITY OF POTLATCH

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	Water Current Year	Water Prior Year	**Sewer Current Year**	Sewer Prior Year	**Sanitation Current Year**	Sanitation Prior Year	**Total Current Year**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	**$ 17,897**	$ (55,449)	**$ (75,711)**	$ (51,537)	**$ 26,733**	$ 26,267	**$ (31,081)**
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Less other revenue							
Depreciation	**74,649**	75,025	**209,819**	210,195	**5,572**	5,572	**290,040**
Changes in other balance sheet accounts:							
Receivables	**(5,439)**	998	**(4,556)**	(418)	**(2,582)**	(1,500)	**(12,577)**
Accounts payable	**547**	5,862	**2,425**	(9,581)	**210**	2,716	**3,182**
Accrued salaries and benefits	**1,119**	729	**1,848**				**2,967**
Net cash provided (used) by operating activities	**$ 88,773**	$ 27,165	**$ 133,825**	$ 148,659	**$ 29,933**	$ 33,055	**$ 252,531**
SUPPLEMENTAL DISCLOSURES							
Total cash paid for interest	**$ 29,047**	$ 31,126	**$ 46,250**	$ 45,813	**$ 0**	$ 0	**$ 75,297**

See accompanying notes

CITY OF POTLATCH

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
For the Year Ended September 30, 2025

	Regional Wastewater District Custodial Fund
ASSETS	
CURRENT ASSETS	
Cash and investments	$ 12,926
Total current assets	12,926
LIABILITIES	
CURRENT LIABILITIES	
Interfund payable	4,529
Total current liabilities	4,529
NET POSITION	
Restricted for:	
Regional wastewater district	8,397
Total net position	$ 8,397

See accompanying notes

CITY OF POTLATCH

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
For the Year Ended September 30, 2025

	Regional Wastewater District Custodial Fund
ADDITIONS	
Contributions	$ 8,291
Total additions	8,291
DEDUCTIONS	
Professional fees	5,515
Total operating expenses	5,515
CHANGE IN NET POSITION	2,776
NET POSITION AT BEGINNING OF YEAR	5,621
NET POSITION AT END OF YEAR	$ 8,397

See accompanying notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Potlatch, Idaho, operates under a Mayor/Council form of government and provides the following services as authorized by its charter and by Title 50 of the *Idaho Code*: Public safety, public works, streets, culture, recreation, and community development.

Generally accepted accounting principles require the City of Potlatch's financial statements to include component units. Component units are entities for which the City is considered to be financially accountable as defined in governmental accounting standards. The City of Potlatch has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type entities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources management focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The water fund accounts for the provision of water services to the residents of the City.

The sewer fund accounts for the provision of sewer services to the residents of the City.

The sanitation fund accounts for the provision of sanitation and related services to the residents of the City.

Additionally, the City reports the following fund types:

Fiduciary fund financial statements consist of a statement of net position and a statement of changes in fiduciary net position. Assets held by the City for other parties (either as a trustee or as an agent) and that cannot be used to finance the City's own operating programs are reported in a fiduciary fund. The City is responsible for ensuring that the activities reported in the fiduciary funds are based on their intended purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance Equity

Deposits and Investments. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investments consist of deposits in the Idaho State Treasurer's Local Government Investment Pool (LGIP) and are stated at fair value. Deposits in the LGIP represent an interest in the pool rather than ownership of specific securities. The State Treasurer is the custodian of the LGIP and no other regulatory oversight for the pool is established. The State Treasurer combines deposits from all governmental entities in the state, which participate in the pool, and purchases the following types of investments:

Local Certificates of Deposit
Repurchase Agreements
Corporate Bond/s Notes
U.S. Government Securities
Money Market Funds

The participating entities' interest in the pool is calculated by dividing the individual entity's deposits by the total deposits held in the pool. The purpose of this is to increase the overall rate of return and reduce the risk of default.

The City's policy allows for investment of idle funds consistent with *Idaho Code* 67-1210 and 67-1210A.

State statutes authorize the City to invest in: Obligations of the State of Idaho and its agencies, U.S. Treasury and U.S. agencies, municipal bonds, repurchase agreements, tax and revenue anticipation bonds, notes, and the State Treasurer's Investment Pool.

Receivables and Payables. Transactions between funds that are outstanding at the end of the year are reported as "interfund balances" on the balance sheet.

All trade receivables are shown net of an allowance for uncollectibles. There is no allowance for uncollectible property tax receivable accounts due to management's determination that these amounts are immaterial.

Property taxes are levied in September on the current assessed value of all real and personal property located in the City. Property taxes are due on December 20 of the levy year, and June 20 of the following year, and are considered delinquent the day following the due date. The taxes are collected by Latah County, Idaho, and remitted to the City in the month following collection by the County. A lien is filed on the property three years from the date of delinquency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance Equity (Continued)

Net Position/Fund Balances. Program expenses are allocated to restricted program revenue first and then to the next highest level of net position/fund balance restrictions, when both restricted and unrestricted resources are available.

The Governmental Accounting Standards Board (GASB) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories below:

Nonspendable. Includes amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

Restricted. Includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutional provisions, or enabling legislation.

Committed. Includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned. Includes amounts that are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed.

Unassigned. Residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned.

At times, certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The City does have assigned assets relating to the accumulated revenues from culture and recreation.

Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Asset Type	Years
Buildings and structures	40
Infrastructure and industrial systems	40
Machinery and equipment	7 to 10

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance Equity (Continued)

Compensated Absences. Accumulated leave that is expected to be liquidated are reported as an expenditure in the period the leave accrues.

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

Long-Term Obligations. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Comparative Data/Reclassifications. Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

Use of Estimates. Management of the City uses estimates and assumptions in preparing financial statements in accordance with United States generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

2. BUDGETARY AND LEGAL COMPLIANCE

A. Budgetary Information

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

The Mayor submits a proposed operating budget to the City Council for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments.

The City Council legally enacts the budget through passage of an ordinance, which is filed with the Secretary of State. The budget covers all governmental and proprietary fund types. The City adopts budgets on the modified accrual basis of accounting for all governmental and proprietary fund types. At any time during the fiscal year, the City Council may amend the appropriation ordinance by following the same procedures used during the budget adoption process.

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Investments

The carrying amount of cash deposits at year-end was $216,555 and all of it was covered by federal depository insurance. The City also had $1,503,32 and $7,084 held by the Idaho State Treasurer's Local Government Investment Pool and 110 shares of Principal Financial Group, Inc.'s common stock, respectively.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will reduce the value of the City's investments. The City does not have a policy regarding interest rate risk.

Custodial Risk. Custodial risk is the risk that, in the event of the failure of the investment custodian, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the custodian. The Idaho State Treasurer's Local Government Investment Pool diversifies investments to minimize credit risk to any individual government. The City's investment in the Idaho State Treasurer's Local Government Investment Pool has not been issued an external credit quality rating and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Concentration of Credit Risk. The City has no policy on the amount they may invest in any one issuer.

Fair Value. Investments are measured on a recurring basis within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investment in the Idaho State Treasurer's Local Government Investment Pool is measured with Level 2 inputs, which is the same inputs as the Pool uses for its underlying investments.

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

B. Receivables

Delinquent taxes represent delinquent property amounts due from individuals. Over time, substantially all property taxes are collected.

Accounts receivables represent:	
Customer utility billings for water, wastewater collection, and sanitation	$ 97,273
Allowance for uncollectible accounts	0
Business-type activities	$ 97,273
Intergovernmental receivables represent:	
State of Idaho, state revenue sharing	$ 23,691
State of Idaho, highway user fees	10,182
State of Idaho, state liquor apportionment	5,102
Governmental activities	$ 38,975

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 145,886			$ 145,886
Construction in progress	190,197		$ (190,197)	
Depreciable assets				
Buildings and improvements	4,224,017	$ 190,197		4,414,214
Vehicles	71,013			71,013
Equipment	158,691			158,691
	$ 4,789,804	$ 190,197	$ (190,197)	4,789,804
Accumulated depreciation				
Buildings and improvements	$ 1,012,813	$ 107,180		1,119,993
Vehicles	47,507	4,279		51,786
Equipment	141,991	4,338		146,329
	$ 1,202,311	$ 115,797	$ 0	1,318,108
				$ 3,471,696

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 155,460			$ 155,460
Depreciable assets				
Buildings	62,634			62,634
Water systems	2,584,499			2,584,499
Vehicles	57,000			57,000
Equipment	177,291			177,291
Sewer systems	8,322,421			8,322,421
	$ 11,359,305	$ 0	$ 0	11,359,305
Accumulated depreciation				
Buildings	$ 15,624	$ 1,306		16,930
Water systems	1,253,607	68,927		1,322,534
Vehicles	20,701	7,372		28,073
Equipment	153,868	4,685		158,553
Sewer systems	2,987,760	207,750		3,195,510
	$ 4,431,560	$ 290,040	$ 0	4,721,600
				$ 6,637,705

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

C. Capital Assets (Continued)

Depreciation expense for governmental activities is unallocated. Depreciation expense was charged to the business-type activities of the City as follows:

Business-type activities:	
Water	$ 74,649
Sewer	209,819
Sanitation	5,572
Total depreciation expense - business-type activities	$ 290,040

D. Long-Term Debt

The City issued bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City issued $1,400,000 of revenue bonds in prior years for a water system improvement project. The City issued $3,127,358 of USDA revenue bonds in prior years for a sewer system improvement project. The City also issued $1,100,000 of DEQ sewer revenue bonds in prior years to pay off a prior interim loan relating to the sewer system improvement project. The long-term debt outstanding at year-end is as follows:

Purpose	Interest Rate	Amount
Water System Improvement Bonds	4.125%	$ 652,676
Sewer System Improvement Bonds	3.250%	1,280,621
Sewer System Improvement Bonds	0.000%	40,000
Sewer System Interim Financing	0.000%	474,010

Long-term debt activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Increase	Decreases	Ending Balance
USDA water revenue bonds	$ 704,663		$ (51,987)	$ 652,676
DEQ sewer revenue bonds - 2013	40,000			40,000
USDA sewer revenue bonds	1,346,151		(65,530)	1,280,621
DEQ sewer revenue bonds - 2014	526,678		(52,668)	474,010
	$ 2,617,492	$ 0	$ (170,185)	$ 2,447,307

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

D. Long-Term Debt (Continued)

Year Ending September 30	Principal	Interest
2026	179,438	68,544
2027	183,869	64,113
2028	188,463	59,519
2029	193,227	54,755
2030	198,168	49,814
2031-2035	1,008,177	168,329
2036-2040	493,485	49,325
Total	$ 2,444,827	$ 514,399

4. OTHER INFORMATION

A. Risk Management

The City of Potlatch purchases liability and property insurance through the Idaho Counties Risk Management Program (ICRMP). ICRMP is an all-lines aggregate insurance program providing liability, property, and casualty insurance coverage to Idaho's counties and other political subdivisions on a voluntary participation basis. ICRMP assumes or reinsures all risk covered for claims. Participants are charged an annual insurance premium. The City is responsible for the first $1,000 of any loss claim.

The general insurance limits are as follow:

Property damage	Total insured value
General liability	$3,000,000 per occurrence
Automobile liability	$3,000,000 per occurrence
Law enforcement liability	$3,000,000 per occurrence
Errors and omissions	$3,000,000 per occurrence
Uninsured/underinsured motorists	$3,000,000 per occurrence
Crime insurance and bond	$500,000 per occurrence

B. Pension Plan

Plan Description. The City contributes to the Base Plan, which is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Public Employee Retirement System of Idaho (PERSI), 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.

4. OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Plan Description (Continued). 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 for retirement, disability, death, and survivor benefits of eligible members or beneficiaries. Benefits are based upon members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with 5 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 classifications. The annual service retirement allowance for each month of credited service is 2.0 percent (2.3 percent 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 percent minimum cost of living increase per year provided the *Consumer Price Index* increases 1 percent 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 percent, whichever is less; however, any amount above the 1 percent 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 percent of the employer rate for general employees. At September 30, 2025, it was 7.18 percent for general employees. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.96 percent general employees.

Pension Assets, Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2025, the City reported a liability of $102,737 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2025, the City's proportion was .0042486 percent.

4. OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Pension Assets, Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued). For the year ended September 30, 2025, the City recognized a net pension expense of $19,803. At September 30, 2025, 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
Employer contributions made subsequent to the measurement date	$ 6,532	
Differences between expected and actual experience	$ 19,360	
Changes in the City's proportion and differences between the City's contributions and the City's proportionate contributions	$ 11,109	$ 11,414
Changes in assumptions or other inputs		$ 18,066
Net difference between projected and actual earnings on pension plan investments		$ 26,410

Contributions made subsequent to the measurement date in the table above, will be recognized as a decrease of the net pension liability in the subsequent fiscal year.

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, 2024, the beginning of the measurement period ended June 30, 2024, is 4.4 and 4.4 for the measurement period June 30, 2025.

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

2026	$ 15,111
2027	(17,603)
2028	(14,899)
2029	(8,030)

Actuarial Assumptions. Valuations are based upon 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. PERSI amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under Section 59-1322, *Idaho Code,* is 25 years.

4. OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Actuarial Assumptions (Continued). The total pension liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases including inflation	3.15%
Investment rate of return	6.55%, net of pension plan investment expense
Cost of Living Adjustments (COLA)	1.00%

Several different sets of mortality rates are used in the valuation for contributing members, service retirement members, and beneficiaries. These rates were adopted for the valuation dated July 1, 2025.

Contributing Members, Service Retirement Members, and Beneficiaries.

General Employees and All Beneficiaries – M.	Pub-2010 General Tables, increased 11%
General Employees and All Beneficiaries – F.	Pub-2010 General Tables, increased 21%
Teachers – Male	Pub-2010 Teacher Tables, increased 12%
Teachers – Female	Pub-2010 Teacher Tables, increased 21%
Fire & Police – Male	Pub-2010 Safety Tables, increased 21%
Fire & Police – Female	Pub-2010 Safety Tables, increased 26%
Disabled Members – Male	Pub-2010 Disabled Tables, increased 38%
Disabled Members – Female	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 other than mortality. The total pension liability as of June 30, 2025, is based on the results of an actuarial valuation date of July 1, 2025.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

4. OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Actuarial Assumptions (Continued).

CAPITAL MARKET ASSUMPTIONS

Asset Class	Target Allocation	10-Year Projected Real Rate of Return
Cash	0%	0.00%
Large Cap US Equity	22%	4.75%
Small/Mid Cap US Equity	10%	4.95%
International Equity	11%	4.75%
Emerging Markets Equity	11%	4.95%
Domestic Fixed	20%	2.25%
TIPS	10%	2.05%
Real Estate	8%	3.75%
Private Equity	8%	6.00%

Discount Rate. The discount rate used to measure the total pension liability was 6.55 percent. 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 plan's 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 6.55 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 (5.55 percent) or 1-percentage-point higher (7.55 percent) than the current rate:

	1% Decrease (5.55%)	Current Discount Rate (6.55%)	1% Increase (7.55%)
City's proportionate share of the net pension liability (asset)	$ 247,187	$ 102,737	$ (15,271)

4. OTHER INFORMATION (CONTINUED)

B. 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.

C. Contingencies and Commitments

Grant and contract expenditures are subject to the approval of various granting and contracting agencies. To be eligible for reimbursement of expenditures made under federally, state, and locally funded programs, the City must comply with regulations established by the related agency and non-compliance could result in disallowed costs and a liability for reimbursement received.

D. Interfund Receivables, Payables, and Transfers

The City pools its cash between the governmental funds and proprietary funds. Expenditures and receipts are paid and deposited into the pooled accounts on behalf of other funds, which creates interfund receivables and payables. Interfund receivables and payables in each fund are offset for financial statement presentation purposes.

E. Fund Balance Classifications

Restricted. Restricted net position/fund balances represent amounts, whose use is restricted by creditors, grantors, laws, and regulations of other governments, or through enabling legislation. Restrictions of debt proceeds and other resources of the sewer fund exist for the specific purpose of satisfying debt service requirements set forth by the City's individual bond related covenants.

Unassigned Fund Balance. The unassigned fund balance is in the general fund and has not been restricted, committed, or assigned to specific purposes within the general fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF POTLATCH

SCHEDULE OF PENSION FUNDING

SCHEDULE OF THE CITY'S SHARE OF NET PENSION ASSET AND LIABILITY - PERSI BASE PLAN
Data reported is measured as of June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's portion of the net pension (asset) liability	0.0042486%	0.0038051%	0.0044514%	0.0043825%	0.0055383%	0.0057598%	0.0058420%	0.0059764%	0.0053178%	0.0043011%
Employer's proportionate share of the net pension (asset) liability	$ 102,737	$ 142,337	$ 177,642	$ 172,617	$ (4,374)	$ 134,000	$ 67,000	$ 88,000	$ 84,000	$ 87,000
Employer's covered payroll	218,445	186,476	189,271	172,822	206,683	205,101	188,116	182,295	156,591	119,263
Employer's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	47%	76%	94%	100%	-2%	65%	36%	48%	54%	73%
Plan fiduciary net position as a percentage of the total pension liability	91%	86%	84%	83%	100%	88%	94%	92%	91%	87%

SCHEDULE OF THE CITY'S CONTRIBUTIONS TO PENSION PLANS - PERSI BASE PLAN
Data reported is measured as of September 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	$ 28,129	$ 22,675	$ 22,785	$ 21,635	$ 23,877	$ 25,158	$ 24,434	$ 21,406	$ 18,410	$ 16,566
Contributions in relation to the statutorily required contribution	28,129	22,675	22,785	21,635	23,877	25,158	24,434	21,406	18,410	16,566
Contribution (deficiency) excess	0	0	0	0	0	0	0	0	0	0
Employer's covered payroll	235,192	199,078	193,421	181,198	199,975	210,700	213,200	189,100	162,600	146,300
Contributions as a percentage of covered payroll	11.96%	11.39%	11.78%	11.94%	11.94%	11.94%	11.46%	11.32%	11.32%	11.32%

See accompanying notes

CITY OF POTLATCH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	$ 184,969	$ 212,725	$ 27,756
Intergovernmental	181,865	190,591	8,726
Licenses and permits	11,250	23,959	12,709
Charges for services	93,109	139,054	45,945
Grants and contributions	10,000	13,903	3,903
Earnings on investments	8,000	22,211	14,211
Other	2,693	9,619	6,926
Total revenues	491,886	612,062	120,176
EXPENDITURES			
Current			
General government	407,579	174,186	233,393
Culture and recreation	64,483	182,777	(118,294)
Transportation	152,824	105,012	47,812
Capital outlay	1,000	0	1,000
Total expenditures	625,886	461,975	163,911
Net change in fund balances	(134,000)	150,087	284,087
FUND BALANCES AT BEGINNING OF YEAR	134,000	605,220	471,220
FUND BALANCES AT END OF YEAR	$ 0	$ 755,307	$ 755,307

Note: The budgetary comparison schedule is presented on the modified accrual basis of accounting, which is the same basis of accounting used by the City in the fund financial statements.

See accompanying notes

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT – *GOVERNMENT AUDITING STANDARDS*

Members of the City Council
City of Potlatch
Potlatch, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, and each major fund, of the City of Potlatch, Idaho, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Potlatch, Idaho's basic financial statements and have issued our report thereon dated June 18, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Potlatch, 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 Potlatch, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Potlatch, 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs (#2025-001), that we consider to be a significant deficiency.

Lewiston Office: 1216 Idaho Street, Lewiston, Idaho 83501, (208) 746-8281
Moscow Office: 609 South Washington, Suite 202, Moscow, Idaho 83843, (208) 882-2211
Grangeville Office: 109 South Mill Street, Grangeville, Idaho 83530, (208) 983-1254
Orofino Office: P.O. Box 632, 216 Johnson Avenue, Orofino, Idaho 83544, (208) 476-3012
Pullman Office: 1230 SE Bishop Blvd., Pullman, Washington 99163, (509) 332-6541
Eagle Office: 1159 E Iron Eagle Drive, Suite 100, Eagle, Idaho 83616, (208) 319-2929

Report on Compliance and Other Matters

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

City of Potlatch's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Potlatch's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Potlatch's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Presnell Gage, PLLC

June 18, 2026
Moscow, Idaho

SIGNIFICANT DEFICIENCY

Finding #2025-001

Criteria – Internal control systems generally attempt to divide up accounting tasks among multiple individuals (segregation of duties) to improve the ability of the City to identify errors within the accounting system.

Condition – The City has concentrated many accounting duties to one individual such that the desired segregation of duties is not possible. There are a limited number of personnel available to provide for the desired "segregation of duties."

Effect – Many accounting duties are performed by a single individual with limited oversight available within the City.

Response – The City's management and City Council believe that the cost of hiring additional accounting staff outweighs the benefits that the segregation of duties would provide.

Recommendation – We concur with the City's response.