

CITY OF POTLATCH

FINANCIAL STATEMENTS

For the Year Ended September 30, 2021

CITY OF POTLATCH

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Potlatch
Potlatch, Idaho

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Potlatch, Idaho, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of pension funding and budgetary comparison information on pages 33 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Reports on Summarized Comparative Information

We have previously audited the City of Potlatch's 2020 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 November 10, 2021. 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 May 3, 2023, on our consideration of the City of Potlatch, Idaho's internal control over financial reporting and 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 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 of Potlatch, Idaho's internal control over financial reporting and compliance.



May 3, 2023

CITY OF POTLATCH

STATEMENT OF NET POSITION September 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 313,497	\$ 765,690	\$ 1,079,187
Receivables	81,676	77,453	159,129
Other current assets	695		695
Interfund balances	178,041	(178,041)	
Total current assets	<u>573,909</u>	<u>665,102</u>	<u>1,239,011</u>
RESTRICTED ASSETS			
Cash and cash equivalents	<u>0</u>	<u>247,982</u>	<u>247,982</u>
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	3,208,069	7,603,492	10,811,561
Net pension asset	<u>2,274</u>	<u>2,100</u>	<u>4,374</u>
Total noncurrent assets	<u>3,210,343</u>	<u>7,605,592</u>	<u>10,815,935</u>
Total assets	<u>3,784,252</u>	<u>8,518,676</u>	<u>12,302,928</u>
DEFERRED OUTFLOWS OF RESOURCES			
Defined benefit pension	<u>32,331</u>	<u>32,035</u>	<u>64,366</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	5,735	7,850	13,585
Accrued salaries and benefits	9,024	6,632	15,656
Accrued interest payable		36,525	36,525
Other current liabilities		8,175	8,175
Current portion of bonds payable		163,235	163,235
Total current liabilities	<u>14,759</u>	<u>222,417</u>	<u>237,176</u>
LONG-TERM OBLIGATIONS			
Bonds payable		2,958,105	2,958,105
Total long-term obligations	<u>0</u>	<u>2,958,105</u>	<u>2,958,105</u>
Total liabilities	<u>14,759</u>	<u>3,180,522</u>	<u>3,195,281</u>
DEFERRED INFLOWS OF RESOURCES			
Defined benefit pension	75,226	69,484	144,710
Deferred grant revenue	<u>87,544</u>		<u>87,544</u>
Total deferred inflows of resources	<u>162,770</u>	<u>69,484</u>	<u>232,254</u>
NET POSITION			
Investment of capital assets, net of related debt	3,208,069	4,482,152	7,690,221
Restricted for debt service		247,982	247,982
Unrestricted	<u>430,985</u>	<u>570,571</u>	<u>1,001,556</u>
Total net position	<u>\$ 3,639,054</u>	<u>\$ 5,300,705</u>	<u>\$ 8,939,759</u>

See accompanying notes

CITY OF POTLATCH

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 205,412	\$ 8,322	\$ 96,994	\$ 927,017	\$ 826,921		\$ 826,921
Highways and streets	108,481		49,172		(59,309)		(59,309)
Culture and recreation	109,755	97,808	11,167		(780)		(780)
Unallocated depreciation	95,324				(95,324)		(95,324)
PERSI retirement actuarial change	(4,727)				4,727		4,727
Total governmental activities	514,245	106,130	157,333	927,017	676,235		676,235
Business-type activities:							
Water	241,845	262,200				\$ 20,355	20,355
Sewer	393,287	300,671				(92,616)	(92,616)
Sanitation	140,666	148,611				7,945	7,945
Total business-type activities	775,798	711,482	0	0		(64,316)	(64,316)
Total primary government	\$ 1,290,043	\$ 817,612	\$ 157,333	\$ 927,017	676,235	(64,316)	611,919
General revenues:							
Property taxes					186,467		186,467
State sales tax and revenue sharing					79,077		79,077
Liquor tax					15,551		15,551
Franchise fees					9,986		9,986
Investment earnings					3,486	2,475	5,961
Other					19,162		19,162
Total general revenues					313,729	2,475	316,204
Change in net position					989,964	(61,841)	928,123
Net position at beginning of year					2,649,090	5,362,546	8,011,636
Net position at end of year					\$ 3,639,054	\$ 5,300,705	\$ 8,939,759

See accompanying notes
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CITY OF POTLATCH

BALANCE SHEET - GOVERNMENTAL FUNDS September 30, 2021

	General	21st Century Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 312,121	\$ 1,376	\$ 313,497
Receivables			
Taxes	3,150		3,150
Accounts	39,239		39,239
Intergovernmental	32,218		32,218
Grants		7,069	7,069
Other current assets	695		695
Interfund balances	186,486	(8,445)	178,041
	<u>573,909</u>	<u>0</u>	<u>573,909</u>
Total assets	<u>\$ 573,909</u>	<u>\$ 0</u>	<u>\$ 573,909</u>
LIABILITIES			
Accounts payable	\$ 5,735		\$ 5,735
Accrued salaries and benefits	6,004		6,004
Total liabilities	<u>11,739</u>	<u>\$ 0</u>	<u>11,739</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	2,133		2,133
Deferred grant revenue	87,544		87,544
Total deferred inflows of resources	<u>89,677</u>	<u>0</u>	<u>89,677</u>
FUND BALANCES			
Assigned for:			
Special revenue fund			
Unassigned	472,493		472,493
Total fund balances	<u>472,493</u>	<u>0</u>	<u>472,493</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 573,909</u>	<u>\$ 0</u>	<u>\$ 573,909</u>

See accompanying notes

CITY OF POTLATCH

RECONCILIATION OF THE STATEMENT OF NET POSITION TO THE BALANCE SHEET - GOVERNMENTAL FUNDS September 30, 2021

Total fund balances - Governmental Funds

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

	\$	472,493
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:

Cost of capital assets	4,105,030
Accumulated depreciation	(896,961)

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	32,331
Deferred inflows	(75,226)
Net pension asset (liability)	2,274

Employee benefits, including credit leave and sick leave, which have not been paid out are not accrued in the funds.

	(3,020)
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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.

	<u>2,133</u>
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Total net position - Governmental Activities	\$	<u><u>3,639,054</u></u>
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CITY OF POTLATCH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General	21st Century Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 187,375		\$ 187,375
Intergovernmental	153,786		153,786
Licenses and permits	9,919		9,919
Charges for services	106,130		106,130
Grants and contributions	966,284	\$ 68,894	1,035,178
Earnings on investments	3,486		3,486
Other	9,243		9,243
Total revenues	<u>1,436,223</u>	<u>68,894</u>	<u>1,505,117</u>
EXPENDITURES			
Current:			
General government	134,336	71,076	205,412
Culture and recreation	109,675		109,675
Transportation	108,481		108,481
Capital outlay	<u>1,011,847</u>		<u>1,011,847</u>
Total expenditures	<u>1,364,339</u>	<u>71,076</u>	<u>1,435,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,884</u>	<u>(2,182)</u>	<u>69,702</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		1,027	1,027
Transfers out	<u>(1,027)</u>		<u>(1,027)</u>
Total other financing sources (uses)	<u>(1,027)</u>	<u>1,027</u>	<u>0</u>
Net change in fund balances	70,857	(1,155)	69,702
FUND BALANCES AT BEGINNING OF YEAR	<u>401,636</u>	<u>1,155</u>	<u>402,791</u>
FUND BALANCES AT END OF YEAR	<u><u>\$ 472,493</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 472,493</u></u>

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, 2021

Net change in fund balances - Total Governmental Funds	\$ 69,702
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 capital outlay	1,011,847
Current year depreciation	(95,324)
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	4,727
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	2,133
Prior year taxes receivable	(3,041)
Employee benefits, including credit and sick leave, which have not been paid out are not counted as expense in the funds.	(80)
Change in net position - Governmental Activities	<u>\$ 989,964</u>

See accompanying notes

CITY OF POTLATCH

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

September 30, 2021

	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	\$ 86,023	\$ 85,505	\$ 628,565	\$ 593,800	\$ 51,102		\$ 765,690
Receivables							
Accounts	31,352	27,530	30,870	38,224	15,231	\$ 13,412	77,453
Interfund balances	72,811	68,955	(393,311)	(335,325)	142,459	187,069	(178,041)
Total current assets	190,186	181,990	266,124	296,699	208,792	200,481	665,102
RESTRICTED ASSETS							
Cash and cash equivalents	81,034	81,034	166,948	166,948			247,982
NONCURRENT ASSETS							
Fixed assets (net, where applicable, of accumulated depreciation)	1,457,145	1,495,298	6,146,347	6,330,176			7,603,492
Net pension asset	845		1,255				2,100
Total assets	1,729,210	1,758,322	6,580,674	6,793,823	208,792	200,481	8,518,676
DEFERRED OUTFLOWS OF RESOURCES							
Defined benefit pension	16,067	11,148	15,968	11,035	0	0	32,035
LIABILITIES							
CURRENT LIABILITIES							
Accounts payable	2,150	2,282	1,833	2,413	3,867	3,501	7,850
Accrued salaries and benefits	3,316	1,983	3,316	1,983			6,632
Accrued interest payable			36,525	37,901			36,525
Other current liabilities	8,175	8,175					8,175
Current portion of bonds payable	46,032	44,208	117,203	115,329			163,235
Total current liabilities	59,673	56,648	158,877	157,626	3,867	3,501	222,417
LONG-TERM OBLIGATIONS							
Net pension liability		35,231		34,914			
Bonds payable	802,503	848,535	2,155,602	2,272,805			2,958,105
Total liabilities	862,176	940,414	2,314,479	2,465,345	3,867	3,501	3,180,522
DEFERRED INFLOWS OF RESOURCES							
Defined benefit pension	34,682	1,488	34,802	1,515	0	0	69,484
NET POSITION							
Investment of capital assets, net of related debt	608,610	602,555	3,873,542	3,942,042			4,482,152
Restricted for:							
Debt service	81,034	81,034	166,948	166,948			247,982
Unrestricted	158,775	143,979	206,871	229,008	204,925	196,980	570,571
Total net position	\$ 848,419	\$ 827,568	\$ 4,247,361	\$ 4,337,998	\$ 204,925	\$ 196,980	\$ 5,300,705

See accompanying notes
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CITY OF POTLATCH

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	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	<u>\$ 262,200</u>	<u>\$ 228,375</u>	<u>\$ 300,671</u>	<u>\$ 285,887</u>	<u>\$ 148,611</u>	<u>\$ 142,493</u>	<u>\$ 711,482</u>
OPERATING EXPENSES							
Personnel services	79,836	82,290	81,007	81,322			160,843
Supplies	33,186	22,423	37,042	49,210	411	358	70,639
Other services and charges	35,527	33,728	22,863	20,848	140,255	121,600	198,645
Depreciation	64,270	64,528	209,946	210,203			274,216
Total operating expenses	<u>212,819</u>	<u>202,969</u>	<u>350,858</u>	<u>361,583</u>	<u>140,666</u>	<u>121,958</u>	<u>704,343</u>
OPERATING INCOME (LOSS)	<u>49,381</u>	<u>25,406</u>	<u>(50,187)</u>	<u>(75,696)</u>	<u>7,945</u>	<u>20,535</u>	<u>7,139</u>
NONOPERATING REVENUES (EXPENSES)							
Capital grants				140,183			
Investment earnings	496	2,524	1,979	11,102			2,475
Interest expense	(36,826)	(38,577)	(50,243)	(52,101)			(87,069)
PERSI retirement actuarial change	7,800	(1,400)	7,814	(1,392)			15,614
Total nonoperating revenues (expenses)	<u>(28,530)</u>	<u>(37,453)</u>	<u>(40,450)</u>	<u>97,792</u>	<u>0</u>	<u>0</u>	<u>(68,980)</u>
CHANGE IN NET POSITION	<u>20,851</u>	<u>(12,047)</u>	<u>(90,637)</u>	<u>22,096</u>	<u>7,945</u>	<u>20,535</u>	<u>(61,841)</u>
TOTAL NET POSITION AT BEGINNING OF YEAR	<u>827,568</u>	<u>839,615</u>	<u>4,337,998</u>	<u>4,315,902</u>	<u>196,980</u>	<u>176,445</u>	<u>5,362,546</u>
TOTAL NET POSITION AT END OF YEAR	<u>\$ 848,419</u>	<u>\$ 827,568</u>	<u>\$ 4,247,361</u>	<u>\$ 4,337,998</u>	<u>\$ 204,925</u>	<u>\$ 196,980</u>	<u>\$ 5,300,705</u>

See accompanying notes
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CITY OF POTLATCH

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS For the Year Ended September 30, 2021

	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	\$ 258,378	\$ 222,302	\$ 308,025	\$ 274,171	\$ 146,792	\$ 141,592	\$ 713,195
Payments to suppliers	(68,845)	(86,936)	(60,485)	(96,916)	(140,300)	(125,431)	(269,630)
Payments to employees	(78,503)	(57,032)	(79,674)	(57,228)			(158,177)
Net cash provided by operating activities	111,030	78,334	167,866	120,027	6,492	16,161	285,388
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Net advances from (repayments to) other funds	(3,857)	24,932	57,985	136,761	44,610	(16,161)	98,738
Net cash provided (used) by noncapital financing activities	(3,857)	24,932	57,985	136,761	44,610	(16,161)	98,738
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital grants				140,183			
Acquisition and construction of capital assets	(26,117)		(26,117)	(187,749)			(52,234)
Principal paid on capital debt	(44,208)	(42,456)	(115,329)	(113,514)			(159,537)
Interest paid on capital debt	(36,826)	(38,577)	(51,619)	(53,434)			(88,445)
Net cash used by capital and related financing activities	(107,151)	(81,033)	(193,065)	(214,514)	0	0	(300,216)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	496	2,524	1,979	11,102			2,475
Net cash provided by investing activities	496	2,524	1,979	11,102			2,475
Net change in cash	518	24,757	34,765	53,376	51,102		86,385
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	166,539	141,782	760,748	707,372	0		927,287
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 167,057	\$ 166,539	\$ 795,513	\$ 760,748	\$ 51,102	\$ 0	\$ 1,013,672
CASH COMPONENTS							
Current assets, cash and cash equivalents	\$ 86,023	\$ 85,505	\$ 628,565	\$ 593,800	\$ 51,102	\$ 0	\$ 765,690
Cash and cash equivalents, restricted	81,034	81,034	166,948	166,948	0	0	247,982
	\$ 167,057	\$ 166,539	\$ 795,513	\$ 760,748	\$ 51,102	\$ 0	\$ 1,013,672

See accompanying notes
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CITY OF POTLATCH

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	<u>Water Current Year</u>	<u>Water Prior Year</u>	<u>Sewer Current Year</u>	<u>Sewer Prior Year</u>	<u>Sanitation Current Year</u>	<u>Sanitation Prior Year</u>	<u>Total Current Year</u>
Reconciliation of operating income (loss) to net cash provided by operating activities							
Operating income (loss)	\$ 49,381	\$ 25,406	\$ (50,187)	\$ (75,696)	\$ 7,945	\$ 20,535	\$ 7,139
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	64,270	64,528	209,946	210,203			274,216
Changes in other balance sheet accounts:							
Receivables	(3,822)	(6,073)	7,354	(11,716)	(1,819)	(901)	1,713
Accounts payable	(132)	(5,527)	(580)	(2,764)	366	(3,473)	(346)
Accrued salaries and benefits	1,333		1,333				2,666
Net cash provided by operating activities	<u>\$ 111,030</u>	<u>\$ 78,334</u>	<u>\$ 167,866</u>	<u>\$ 120,027</u>	<u>\$ 6,492</u>	<u>\$ 16,161</u>	<u>\$ 285,388</u>
SUPPLEMENTAL DISCLOSURES							
Total cash paid for interest	<u>\$ 36,826</u>	<u>\$ 38,577</u>	<u>\$ 51,619</u>	<u>\$ 53,434</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88,445</u>

See accompanying notes
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CITY OF POTLATCH

STATEMENT OF NET POSITION - FIDUCIARY FUNDS September 30, 2021

	River Ridge Development
ASSETS	
Cash and cash equivalents	<u>\$ 936</u>
Total assets	<u><u>\$ 936</u></u>
LIABILITIES	
Due to others	<u>\$ 936</u>
Total liabilities	<u><u>\$ 936</u></u>

See accompanying notes

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

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.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

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 *21st Century fund* is a special revenue fund. The City's expenditures for supporting after school programs are reimbursed by the Federal government.

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.

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.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

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.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables and Payables (Continued). District assessed market value and tax levy rates:

	Total Market Valuation	Levy
2021	\$ 30,641,839	0.5482%
2020	27,936,609	0.5612%
2019	27,950,307	0.5397%
2018	25,317,154	0.5872%
2017	24,234,443	0.6103%

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.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued). 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:

<u>Asset Type</u>	<u>Years</u>
Buildings and structures	40
Infrastructure and industrial systems	40
Machinery and equipment	7 to 10

Compensated Absences. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the payroll service fund for governmental funds. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

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.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. The general fund exceeded its budgeted expenditures by \$488,028. The sewer fund exceeded its budgeted expenditures by \$26,305. The water fund exceeded its budgeted expenditures by \$15,059.

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Investments

The carrying amount of cash deposits at year-end was \$203,549 and the bank balance was \$227,924. Of the bank balance, all of it was covered by federal depository insurance. The City also had \$1,116,537 and \$7,084 held by the Idaho State Treasurer's Local Government Investment Pool and 110 shares of Principle 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.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

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

A. Cash and Investments (Continued)

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.

B. Receivables

Receivables consist of the following as of September 30, 2021:

Accounts receivable represent:

Franchise fees due from private utilities	\$ 1,444
Delinquent property taxes	3,150
Intergovernmental, USDA	7,069
RV payment processor	38,401
Other, generally state shared	31,612
Governmental Activities	<u>\$ 81,676</u>
Customer utility billings for water, wastewater, and sanitation	\$ 77,453
Allowance for uncollectible accounts	0
Business-Type Activities	<u>\$ 77,453</u>

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

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

C. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 145,886			\$ 145,886
Construction in progress	48,588		\$ (48,588)	0
 Depreciable assets				
Buildings and improvements	2,711,774	\$ 1,060,435		3,772,209
Vehicles	49,874			49,874
Equipment	137,061			137,061
	<u>\$ 3,093,183</u>	<u>\$ 1,060,435</u>	<u>\$ (48,588)</u>	<u>4,105,030</u>
 Accumulated depreciation				
Buildings and improvements	\$ 636,998	\$ 91,130		728,128
Vehicles	34,619	2,165		36,784
Equipment	130,020	2,029		132,049
	<u>\$ 801,637</u>	<u>\$ 95,324</u>	<u>\$ 0</u>	<u>896,961</u>
				<u>\$ 3,208,069</u>
 Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 155,460			\$ 155,460
 Depreciable assets				
Buildings	10,400	\$ 52,234		62,634
Water systems	2,470,995			2,470,995
Vehicles	18,000			18,000
Equipment	144,498			144,498
Sewer systems	8,322,421			8,322,421
	<u>\$ 11,121,774</u>	<u>\$ 52,234</u>	<u>\$ 0</u>	<u>11,174,008</u>
 Accumulated depreciation				
Buildings	\$ 10,400	\$ 1,306		11,706
Water systems	985,466	61,360		1,046,826
Vehicles	4,500	1,800		6,300
Equipment	139,174	2,000		141,174
Sewer systems	2,156,760	207,750		2,364,510
	<u>\$ 3,296,300</u>	<u>\$ 274,216</u>	<u>\$ 0</u>	<u>3,570,516</u>
				<u>\$ 7,603,492</u>

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

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	\$ 64,270
Sewer	209,946
Total depreciation expense - business-type activities	<u>\$ 274,216</u>

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:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Water System Improvement Bonds	4.125%	\$ 848,535
Sewer System Improvement Bonds	3.250%	1,530,623
Sewer System Improvement Bonds	0.000%	57,500
Sewer System Interim Financing	0.000%	684,682

Long-term debt activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
USDA water revenue bonds	\$ 892,743		\$ (44,208)	\$ 848,535
DEQ sewer revenue bonds - 2013	62,500		(5,000)	57,500
USDA sewer revenue bonds	1,588,284		(57,661)	1,530,623
DEQ sewer revenue bonds - 2014	737,350		(52,668)	684,682
	<u>\$ 3,280,877</u>	<u>\$ 0</u>	<u>\$ (159,537)</u>	<u>\$ 3,121,340</u>

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

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

D. Long-Term Debt (Continued)

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 163,235	\$ 84,747
2023	167,069	80,913
2024	171,043	76,939
2025	175,165	72,817
2026	179,438	68,544
2027-2031	967,018	272,892
2032-2036	895,545	139,758
2037-2040	402,827	33,205
Total	<u>\$ 3,121,340</u>	<u>\$ 829,815</u>

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.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

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 and 72 percent for police and firefighters. At June 30, 2021, it was 7.16 percent for general employees and 8.81 percent for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94 percent general employees and 12.28 percent for police and firefighters. The City's contributions required and paid were \$23,877 for the year ended September 30, 2021.

Pension Assets, Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2021, the City reported an asset of \$4,374 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset 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, 2021, the City's proportion was .0055383 percent.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

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, 2021, the City recognized a net pension expense of \$3,536. At September 30, 2021, 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	\$ 6,000	
Differences between expected and actual experience	\$ 6,445	\$ 2,543
Changes in assumptions or other inputs	\$ 50,209	
Net difference between projected and actual earnings on pension plan investments		\$ 137,386
Changes in the City's proportion and differences between the City's contributions and the City's proportionate contributions	\$ 1,712	\$ 4,781

Six thousand dollars reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

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, 2020, the beginning of the measurement period ended June 30, 2020, is 4.6 and 4.8 for the measurement period June 30, 2021.

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:

2022	\$ (19,471)
2023	(19,164)
2024	(16,552)
2025	(31,157)
2026	0

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.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Actuarial Assumptions (Continued). The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return	6.35%, 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, 2021.

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, 2021, is based on the results of an actuarial valuation date of July 1, 2021.

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

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

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Actuarial Assumptions (Continued).

CAPITAL MARKET ASSUMPTIONS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return (Arithmetic)</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	30.00%	1.80%	(0.20%)
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation – Mean		2.00%	2.00%
Assumed Inflation – Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.15%	3.06%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.14%
Portfolio Standard Deviation			14.16%
<u>Valuation Assumptions Chosen by PERSI Board</u>			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			<u>2.30%</u>
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			<u>6.35%</u>

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION (CONTINUED)

B. Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 6.35 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 Asset to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 6.35 percent, as well as what the City's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
City's proportionate share of the net pension liability (asset)	\$ 152,052	\$ (4,374)	\$ (132,600)

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.

CITY OF POTLATCH

NOTES TO FINANCIAL STATEMENTS

4. OTHER INFORMATION (CONTINUED)

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.

5. RELATED PARTY TRANSACTIONS

The City has an agreement to lease the third floor of the City Hall building to David Cada, a City Council Member. The lease is renewed yearly on December 31. Both parties have the right to terminate the lease at any time during the lease term by giving 30 days' notice. Monthly lease payments to the City are \$26 per month.

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, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Employer's portion of the net pension (asset) liability	0.0055383%	0.0057598%	0.0058420%	0.0059764%	0.0053178%	0.0043011%	0.0043461%	(1)	(1)	(1)
Employer's proportionate share of the net pension (asset) liability	\$ (4,374)	\$ 134,000	\$ 67,000	\$ 88,000	\$ 84,000	\$ 87,000	\$ 57,201	(1)	(1)	(1)
Employer's covered payroll	206,683	205,101	188,116	182,295	156,591	119,263	115,410	(1)	(1)	(1)
Employer's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	-2%	65%	36%	48%	54%	73%	50%	(1)	(1)	(1)
Plan fiduciary net position as a percentage of the total pension liability	100%	88%	94%	92%	91%	87%	91%	(1)	(1)	(1)

SCHEDULE OF THE CITY'S CONTRIBUTIONS TO PENSION PLANS - PERSI BASE PLAN

Data reported is measured as of September 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 23,877	\$ 25,158	\$ 24,434	\$ 21,406	\$ 18,410	\$ 16,566	\$ 13,533	\$ 13,595	\$ 13,507	\$ 12,353
Contributions in relation to the statutorily required contribution	23,877	25,158	24,434	21,406	18,410	16,566	13,533	13,595	13,507	12,353
Contribution (deficiency) excess	0	0	0	0	0	0	0	0	0	0
Employer's covered payroll	199,975	210,700	213,200	189,100	162,600	146,300	119,500	120,100	130,000	118,900
Contributions as a percentage of covered payroll	11.94%	11.94%	11.46%	11.32%	11.32%	11.32%	11.32%	11.32%	10.39%	10.39%

(1) PERSI has not provided calculations for years prior to implementation of GASB Statement No. 68.

CITY OF POTLATCH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2021

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 173,803	\$ 187,375	\$ 13,572
Intergovernmental	113,076	153,786	40,710
Licenses and permits	5,600	9,919	4,319
Charges for services	57,671	106,130	48,459
Grants and contributions	472,378	966,284	493,906
Earnings on investments	1,100	3,486	2,386
Other	1,710	9,243	7,533
Total revenues	<u>825,338</u>	<u>1,436,223</u>	<u>610,885</u>
EXPENDITURES			
Current			
General government	133,014	134,336	(1,322)
Culture and recreation	116,237	109,675	6,562
Transportation	113,709	108,481	5,228
Capital outlay	514,378	1,011,847	(497,469)
Total expenditures	<u>877,338</u>	<u>1,364,339</u>	<u>(487,001)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,000)</u>	<u>71,884</u>	<u>123,884</u>
OTHER FINANCING SOURCES (USES)			
Transfers out		(1,027)	(1,027)
Total other financing sources (uses)		<u>(1,027)</u>	<u>(1,027)</u>
Net change in fund balances	(52,000)	70,857	122,857
FUND BALANCES AT BEGINNING OF YEAR	<u>52,000</u>	<u>401,636</u>	<u>349,636</u>
FUND BALANCES AT END OF YEAR	<u>\$ 0</u>	<u>\$ 472,493</u>	<u>\$ 472,493</u>

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

CITY OF POTLATCH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CENTURY 21 FUND
For the Year Ended September 30, 2021

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Grants and contributions	\$ 78,698	\$ 68,894	\$ (9,804)
Total revenues	<u>78,698</u>	<u>68,894</u>	<u>(9,804)</u>
EXPENDITURES			
Current			
General government	78,698	71,076	7,622
Total expenditures	<u>78,698</u>	<u>71,076</u>	<u>7,622</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(2,182)</u>	<u>(2,182)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		1,027	1,027
Total other financing sources (uses)		<u>1,027</u>	<u>1,027</u>
Net change in fund balances		(1,155)	(1,155)
FUND BALANCES AT BEGINNING OF YEAR	<u>0</u>	<u>1,155</u>	<u>1,155</u>
FUND BALANCES AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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, 2021, 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 May 3, 2023.

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 (#2021-001) that we consider to be a significant deficiency.

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, Idaho's Response to Findings

The City of Potlatch, Idaho's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Potlatch, Idaho's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in blue ink that reads "Presnell Gage, PLLC". The signature is written in a cursive, flowing style.

May 3, 2023

CITY OF POTLATCH

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended September 30, 2021

SIGNIFICANT DEFICIENCY

Finding #2021-001

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.