

CITY OF PARMA, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2021

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Independent Auditor's Report

Honorable Mayor
and City Parma
City of Parma, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Parma, Idaho (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the 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. 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 one year after the date that the financial statements are issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 budgetary comparison information, the schedule of the City's proportionate share of the net pension liability (asset), and the schedule of City contributions on pages 33 through 36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental schedules of revenues by source and expenditures by object for the General fund, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules of revenues by source and expenditures by object for the General fund, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules of revenues by source and expenditures by object for the General fund, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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's internal control over financial reporting and compliance.

Zwygart John & Associates, CPAs, PLLC

Nampa, Idaho
April 12, 2022

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,186,017	\$ 752,681	\$ 1,938,698
Property Taxes Receivable, Net	29,914	-	29,914
Accounts Receivable, Net	-	128,153	128,153
Prepaid Items	22,204	1,574	23,778
Due from Other Governments	50,098	1,014,411	1,064,509
Noncurrent Assets:			
Restricted Cash	-	225,856	225,856
Net Pension Asset	7,875	3,871	11,746
Capital Assets:			
Land and Construction in Progress	145,760	3,923,647	4,069,407
Buildings, Net	777,818	109,894	887,712
Improvements, Net	1,068,995	1,837,989	2,906,984
Equipment, Net	188,031	99,220	287,251
Total Capital Assets	2,180,604	5,970,750	8,151,354
Total Assets	3,476,712	8,097,296	11,574,008
Deferred Outflows			
Pension Related Items	112,336	55,331	167,667
Total Deferred Outflows	112,336	55,331	167,667
Liabilities			
Current Liabilities:			
Accounts Payable	22,856	10,827	33,683
Salaries and Benefits Payable	17,112	7,671	24,783
Accrued Interest Payable	3,800	24,276	28,076
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Bond Payable	-	4,351,146	4,351,146
Municipal Lease	16,941	-	16,941
Compensated Absences	1,911	5,573	7,484
Portion Due or Payable After One Year:			
Bond Payable	-	445,803	445,803
Municipal Lease	44,810	-	44,810
Total Liabilities	107,430	4,845,296	4,952,726
Deferred Inflows			
Pension Related Items	251,929	124,083	376,012
Total Deferred Inflows	251,929	124,083	376,012
Net Position			
Invested in Capital Assets, Net of Related Debt	2,180,604	1,173,801	3,354,405
Restricted for:			
Debt Reserve	-	225,856	225,856
Streets & Alleys	292,842	-	292,842
Other	155,181	-	155,181
Unrestricted (Deficit) Surplus	601,062	1,783,591	2,384,653
Total Net Position	\$ 3,229,689	\$ 3,183,248	\$ 6,412,937

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

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
	Expenses				Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 197,269	134,129	\$ 234,215	\$ -	\$ 171,075	\$ -	\$ 171,075
Public Safety	565,814	-	-	-	(565,814)	-	(565,814)
Highways and Streets	252,151	-	-	-	(252,151)	-	(252,151)
Airport	67,058	4,928	-	-	(62,130)	-	(62,130)
Culture and Recreation	216,330	48,321	-	-	(168,009)	-	(168,009)
Total Governmental Activities	1,298,622	187,378	234,215	-	(877,029)	-	(877,029)
Business-type Activities:							
Water	373,293	445,946	-	-	-	72,653	72,653
Sewer	219,633	611,845	-	-	-	392,212	392,212
Total Business-type Activities	592,926	1,057,791	-	-	-	464,865	464,865
Total Primary Government	\$ 1,891,548	\$ 1,245,169	\$ 234,215	\$ -	(877,029)	464,865	(412,164)
General Revenues:							
Property Taxes					604,704	-	604,704
State Sources					391,314	-	391,314
Franchise Fees					12,484	-	12,484
Other					294,927	1,932	296,859
Unrestricted Investment Earnings					2,822	321	3,143
Disposal of Capital Assets					(7,081)	-	(7,081)
Total General Revenues and Special Items					1,299,170	2,253	1,301,423
Change in Net Position					422,141	467,118	889,259
Net Position, Beginning of Year - Previously					2,807,548	2,769,349	5,576,897
Prior Period Adjustment					-	(53,219)	(53,219)
Net Position, Beginning of Year					2,807,548	2,716,130	5,523,678
Net Position, End of Year					<u>\$ 3,229,689</u>	<u>\$ 3,183,248</u>	<u>\$ 6,412,937</u>

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

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

	General	Street	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 725,943	\$ 294,173	\$ 165,901	\$ 1,186,017
Receivables, Net:				
Property Tax	20,519	4,780	4,615	29,914
Accounts	-	-	-	-
Prepaid Items	21,406	786	12	22,204
Due from Other Governments	50,098	-	-	50,098
Total Assets	<u>817,966</u>	<u>299,739</u>	<u>170,528</u>	<u>1,288,233</u>
Liabilities				
Accounts Payable	12,712	960	9,184	22,856
Internal Balances				
Salaries and Benefits Payable	13,593	1,571	1,948	17,112
Total Liabilities	<u>26,305</u>	<u>2,531</u>	<u>11,132</u>	<u>39,968</u>
Deferred Inflows				
Unavailable Revenue - Property Taxes	<u>18,742</u>	<u>4,366</u>	<u>4,215</u>	<u>27,323</u>
Fund Balances				
Nonspendable:				
Prepays	21,406	786	12	22,204
Restricted	-	292,056	155,169	447,225
Unassigned	751,513	-	-	751,513
Total Fund Balances	<u>772,919</u>	<u>292,842</u>	<u>155,181</u>	<u>1,220,942</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 817,966</u>	<u>\$ 299,739</u>	<u>\$ 170,528</u>	<u>\$ 1,288,233</u>

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

City of Parma, Idaho
Reconciliation of the Balance Sheet of the Governmental
Funds to the Statement of Net Position
September 30, 2021

Total Fund Balances - Governmental Funds \$ 1,220,942

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:

Land	\$ 145,760	
Building, Net of \$362,945 Accumulated Depreciation	777,818	
Improvements, Net of \$1,422,234 Accumulated Depreciation	1,068,995	
Equipment, Net of \$391,407 Accumulated Depreciation	188,031	
Total Capital Assets		2,180,604

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures and, therefore, are deferred in the funds. 27,323

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Compensated Absences	\$ (1,911)	
Municipal Lease	(61,751)	
Accrued Interest	(3,800)	
		(67,462)

The City participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$ 7,875	
Pension Related Deferred Inflows	(251,929)	
Pension Related Deferred Outflows	112,336	
		(131,718)
Net Position of Governmental Activities		\$ 3,229,689

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

Parma, City of
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Governmental Funds
For the Year Ended September 30, 2021

	General	Street	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 423,602	\$ 93,938	\$ 90,741	\$ 608,281
Licenses and Permits	47,890	-	-	47,890
Intergovernmental	493,605	129,967	1,957	625,529
Charges for Services	105,383	-	34,105	139,488
Interest Earned	1,369	866	587	2,822
Other	272,016	2,621	32,774	307,411
Total Revenues	<u>1,343,865</u>	<u>227,392</u>	<u>160,164</u>	<u>1,731,421</u>
Expenditures				
Current:				
Administrative	174,069	-	-	174,069
Public Safety	527,450	-	-	527,450
Highways and Streets	-	135,524	-	135,524
Airport	-	-	27,884	27,884
Culture and Recreation	54,876	-	113,108	167,984
Capital Outlay	283,946	73,818	18,569	376,333
Total Expenditures	<u>1,040,341</u>	<u>209,342</u>	<u>159,561</u>	<u>1,409,244</u>
Excess (Deficiency) of Revenues Over Expenditures)	<u>303,524</u>	<u>18,050</u>	<u>603</u>	<u>322,177</u>
Other Financing Sources (Uses)				
Debt Service	35,916			35,916
Proceeds from Lease	(69,655)	-	-	(69,655)
Total Other Financing Sources (Uses)	<u>(33,739)</u>	<u>-</u>	<u>-</u>	<u>(33,739)</u>
Net Change in Fund Balances	269,785	18,050	603	288,438
Fund Balances - Beginning	503,134	274,792	154,578	932,504
Fund Balances - Ending	<u>\$ 772,919</u>	<u>\$ 292,842</u>	<u>\$ 155,181</u>	<u>\$ 1,220,942</u>

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

City of Parma, Idaho
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of the Governmental
Funds to the Statement of Activities
For the Year Ended September 30, 2021

Total Net Change in Fund Balance - Governmental Funds \$ 288,438

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	\$ 262,728	
Cost and Accumulated Depreciation of Sold Assets	(7,081)	
Depreciation Expense	<u>(209,999)</u>	
Net		45,648

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (3,577)

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the net change in compensated absences. 1,774

Accrued interest on long-term debt reported in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the net change in accrued interest. (867)

The repayment of principal of a municipal lease consumes the current financial resources of governmental funds. The repayment of principal, however has no effect on Net Assets. 69,655

Some capital additions were financed through municipal leases payable. In governmental funds, a municipal lease payable arrangement is considered a source of financing, but in the Statement of Net Position, the municipal lease obligation is reported as a liability. (35,916)

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities. 56,986

Change in Net Position of Governmental Activities \$ 422,141

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

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

	Water	Sewer	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 470,899	\$ 281,782	\$ 752,681
Accounts Receivable, Net	62,110	66,043	128,153
Intergovernmental Receivables	-	1,014,411	1,014,411
Prepaid Items	796	778	1,574
Total Current Assets	<u>533,805</u>	<u>1,363,014</u>	<u>1,896,819</u>
Noncurrent Assets:			
Restricted Cash	149,083	76,773	225,856
Net Pension Asset	2,108	1,763	3,871
Capital Assets:			
Land and Construction in Progress	11,325	3,912,322	3,923,647
Buildings, Net	109,894	-	109,894
Improvements, Net	1,704,989	133,000	1,837,989
Equipment, Net	85,889	13,331	99,220
Total Noncurrent Assets	<u>2,063,288</u>	<u>4,137,189</u>	<u>6,200,477</u>
Total Assets	<u>2,597,093</u>	<u>5,500,203</u>	<u>8,097,296</u>
Deferred Outflows			
Pension Related Items	30,181	25,150	55,331
Total Deferred Outflows	<u>30,181</u>	<u>25,150</u>	<u>55,331</u>
Liabilities			
Current Liabilities:			
Accounts Payable	1,679	9,148	10,827
Salaries and Benefits Payable	5,395	2,276	7,671
Compensated Absences	844	4,729	5,573
Accrued Interest Payable	24,100	176	24,276
Bonds, Notes, and Loans Payable	34,146	4,317,000	4,351,146
Total Current Liabilities	<u>66,164</u>	<u>4,333,329</u>	<u>4,399,493</u>
Noncurrent Liabilities:			
Bonds, Notes, and Loans Payable	444,644	1,159	445,803
Net Pension Liability	-	-	-
Total Noncurrent Liabilities	<u>444,644</u>	<u>1,159</u>	<u>445,803</u>
Total Liabilities	<u>510,808</u>	<u>4,334,488</u>	<u>4,845,296</u>
Deferred Inflows			
Pension Related Items	67,681	56,402	124,083
Total Deferred Inflows	<u>67,681</u>	<u>56,402</u>	<u>124,083</u>
Net Position			
Invested in Capital Assets,			
Net of Related Debt	1,433,307	(259,506)	1,173,801
Restricted - Debt Reserve	149,083	76,773	225,856
Unrestricted	466,395	1,317,196	1,783,591
Total Net Position	<u>\$ 2,048,785</u>	<u>\$ 1,134,463</u>	<u>\$ 3,183,248</u>

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

City of Parma, Idaho
Statement of Revenues, Expense, and
Changes in Net Position -
Proprietary Funds
For the Year Ended September 30, 2021

	Water	Sewer	Total
Operating Revenues			
Charges for Services	\$ 445,946	\$ 611,845	\$ 1,057,791
Miscellaneous	232	1,700	1,932
Total Operating Revenues	<u>446,178</u>	<u>613,545</u>	<u>1,059,723</u>
Operating Expenses			
Salaries	100,174	68,532	168,706
Benefits	23,960	16,291	40,251
Supplies and Operations	40,423	55,084	95,507
Professional Services	10,051	16,159	26,210
Utilities	28,919	13,533	42,452
Repairs and Maintenance	21,354	20,670	42,024
Miscellaneous	(49)	2,041	1,992
Depreciation	120,036	26,433	146,469
Total Operating Expenses	<u>344,868</u>	<u>218,743</u>	<u>563,611</u>
Income (Loss) From Operations	<u>101,310</u>	<u>394,802</u>	<u>496,112</u>
Nonoperating Revenues (Expenses)			
Interest Earned	229	92	321
Interest Expense	(28,425)	(890)	(29,315)
Total Nonoperating Revenues (Expenses)	<u>(28,196)</u>	<u>(798)</u>	<u>(28,994)</u>
Change in Net Position	<u>73,114</u>	<u>394,004</u>	<u>467,118</u>
Total Net Position - Beginning - Previous	1,975,671	793,678	2,769,349
Prior Period Adjustment	-	(53,219)	(53,219)
Total Net Position - Beginning	<u>1,975,671</u>	<u>740,459</u>	<u>2,716,130</u>
Total Net Position - Ending	<u><u>\$ 2,048,785</u></u>	<u><u>\$ 1,134,463</u></u>	<u><u>\$ 3,183,248</u></u>

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

City of Parma, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2021

	Water	Sewer	Total
Cash Flows From Operating Activities			
Receipts from Customers	\$ 444,766	\$ 602,801	\$ 1,047,567
Payments to Suppliers	(96,467)	(103,284)	(199,751)
Payments to Employees	(135,789)	(92,474)	(228,263)
Net Cash Provided (Used) by Operating Activities	<u>212,510</u>	<u>407,043</u>	<u>619,553</u>
Cash Flows From Capital and Related Financing Activities			
Purchases and Construction of Capital Assets	(1,600)	(3,476,015)	(3,477,615)
Proceeds from Debt Financing		3,229,369	3,229,369
Principal Paid on Capital Debt	(32,599)	(41,161)	(73,760)
Interest Paid on Capital Debt	(24,340)	(926)	(25,266)
Net Cash Used by Capital and Related Financing Activities	<u>(58,539)</u>	<u>(288,733)</u>	<u>(347,272)</u>
Cash Flows From Investing Activities			
Interest and Dividends	<u>229</u>	<u>92</u>	<u>321</u>
Net Cash Provided (Used) by Investing Activities	<u>229</u>	<u>92</u>	<u>321</u>
Net Increase (Decrease) in Cash and Cash Equivalents	154,200	118,402	272,602
Cash and Cash Equivalents - Beginning	<u>465,782</u>	<u>240,153</u>	<u>705,935</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 619,982</u></u>	<u><u>\$ 358,555</u></u>	<u><u>\$ 978,537</u></u>
Displayed As:			
Cash	\$ 470,899	\$ 281,782	\$ 752,681
Restricted Cash	149,083	76,773	225,856
Internal Balances	-	-	-
	<u><u>\$ 619,982</u></u>	<u><u>\$ 358,555</u></u>	<u><u>\$ 978,537</u></u>

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

City of Parma, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 101,310	\$ 394,802	\$ 496,112
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	120,036	26,433	146,469
(Increase) Decrease in Accounts Receivable	(1,412)	(10,744)	(12,156)
(Increase) Decrease in Prepaid Expenses	4,197	4,203	8,400
(Increase) Decrease in Deferred Outflows	(13,731)	(11,442)	(25,173)
Increase (Decrease) in Accounts Payable	34	-	34
Increase (Decrease) in Salaries & Benefits Payable	2,877	383	3,260
Increase (Decrease) in Compensated Absences	772	4,724	5,496
Increase (Decrease) in Net Pension Liability	(67,132)	(55,949)	(123,081)
Increase (Decrease) in Deferred Inflows	65,559	54,633	120,192
Net Cash Provided (Used) by Operating Activities	<u>\$ 212,510</u>	<u>\$ 407,043</u>	<u>\$ 619,553</u>

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

City of Parma, Idaho
Statement of Fiduciary Net Position -
Fiduciary Funds
September 30, 2021

	Old Fort Boise Private - Purpose Trust Fund
Assets	
Short-term Investments	\$ 22,557
Liabilities	-
Net Position	
Net Position Held in Trust	\$ 22,557

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

City of Parma, Idaho
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended September 30, 2021

	Old Fort Boise Private - Purpose Trust Fund
Additions:	
Investment Earnings:	
Interest	\$ -
Change in Net Position	-
Net Position - Beginning	<u>22,557</u>
Net Position - Ending	<u><u>\$ 22,557</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the City of Parma, Idaho (the City), which has responsibility and control over all activities related to public safety, planning and zoning, parks, roads and streets, water, and sewer services within the City. The City receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Parma members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

For financial reporting purposes, management has considered all potential component units which are controlled or whose boards are appointed by the City Parma. Control by the City was determined on the basis of budget adoption, the selection of management, ability to significantly influence operations, accountability for fiscal matters, and other factors. Based on these criteria, there were no component units included in the City's report.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the City. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Indirect expenses—expenses of the general government related to the administration and support of the City’s programs, such as personnel and accounting (but not interest on long-term debt)—are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City’s funds. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Any remaining governmental and enterprise funds would be aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- *General fund.* This is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- *Street fund.* This fund accounts for the activities related to the City’s roads and streets.

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

The City reports the following major enterprise funds:

- *Water fund.* This fund accounts for the activities of the City’s water supply system, pumping stations, and collection systems.
- *Sewer fund.* This fund accounts for the operations and collections of the City’s sewer system.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the City reports the following fund types:

- *Private Purpose Trust Fund.* This fund type accounts for the resources legally held in trust for Old Fort Boise. Earnings on invested resources may be used to support Old Fort Boise. The principal of the fund shall be preserved as capital.

Basis of Accounting

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The City uses the following fund balance categories in the governmental fund Balance Sheet:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *Nonspendable*. Prepaid items that are permanently precluded from conversion to cash.
- *Restricted*. Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned*. Balances available for any purpose.

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the City Parma, the City's highest level of decision-making authority, through a formal action. The City Parma would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position/fund balance available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

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

In the Street fund, external parties require that property taxes, grants, and intergovernmental revenues are to be used to maintain, build, or improve the City's roads and streets.

C. Assets and Liabilities

Cash Equivalents

The City requires all cash belonging to the City to be placed in custody of the Treasurer. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. See Note 2.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

All trade receivables are shown net of an allowance for doubtful accounts. As of September 30, 2021, there were no allowances in any of the funds.

Property Tax Calendar

The City levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are shown below:

	Capitalization <u>Policy</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Buildings and Improvements	\$5,000	Straight-Line	10 – 50 Years
Equipment and Vehicles	\$5,000	Straight-Line	3 – 30 Years

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

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

Compensated Absences

The City uses the vesting method to compute compensated absences awarded to employees.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2021, the carrying amount of the City's deposits was \$1,208,474 and the respective bank balances totaled \$1,340,794 . \$1,000,000 of the bank balance was insured through the Federal Depository Insurance Corporation (FDIC).

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2021, \$340,794 of the City's deposits were not covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus were exposed to credit risk. The City also had \$49 of petty cash on hand. The City does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

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

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

2. CASH AND INVESTMENTS (continued)

Interest Rate Risk

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

Investments

The City voluntarily participates in the State of Idaho Investment Pool which does not have a credit rating. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the City's investment in the pool is the same as the value of the pool shares.

It is the City's policy to limit investments to the safest types of securities and to diversify the City's investment portfolio so that potential losses on securities will be minimized. The City follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the City to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The City's investments at September 30, 2021, are summarized below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (In Years)</u>
		<u>Less Than 1</u>
External Investment Pool	<u>\$ 978,588</u>	<u>\$ 978,588</u>
	<u>\$ 978,588</u>	<u>\$ 978,588</u>

At year-end, cash and investments were reported in the basic financial statements in the following categories:

	<u>Governmental</u>	<u>Business-type</u>	<u>Fiduciary</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 452,480	\$ 733,486	\$ 22,557	\$ 1,208,523
Restricted	-	225,856	-	225,856
Investments categorized as deposits	733,537	19,195	-	752,732
	<u>\$ 1,186,017</u>	<u>\$ 978,537</u>	<u>\$ 22,557</u>	<u>\$ 2,187,111</u>

The City has set aside \$225,856 in accordance with debt restrictions.

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

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of state revenue sharing of \$50,098 due from the State of Idaho.

4. PROPERTY TAXES

The City receives tax revenue from Canyon County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the City by the County as of September 30, 2021, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2021, are not considered available for use by the City and are recorded as deferred revenue in the fund financial statements.

5. PENSION PLAN

Plan Description

The City of Parma, Idaho contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

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

Pension Benefits

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

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

5. PENSION PLAN (continued)

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for police and firefighters. As of June 30, 2021, it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The City of Parma, Idaho's contributions were \$66,098 the year ended September 30, 2021.

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

At September 30, 2021, the City of Parma, Idaho reported a liability (asset) for its proportionate share of the net pension liability (asset.) The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City of Parma, Idaho's proportion of the net pension liability (asset) was based on the City of Parma Idaho's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At September 30, 2021, the City of Parma, Idaho's proportion was 0.0148825 percent.

For the year ended September 30, 2021, the City of Parma recognized pension expense/ (revenue) of (\$18,958). At September 30, 2021, the City of Parma, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

5. PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,318	\$ 6,832
Changes in assumptions or other inputs	134,920	-
Net difference between projected and actual earnings on pension plan investments	-	369,180
City of Parma, Idaho's contributions subsequent to the measurement date	15,429	-
Total	\$ 167,667	\$ 376,012

\$15,249 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, 2021.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2021, the beginning of the measurement period ended June 30, 2020, is 4.7 and 4.6 for 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 (revenue) as follows:

For the Year Ended September 30:	PERSI
2022	\$ (37,210)
2023	(47,439)
2024	(41,456)
2025	(82,240)

Actuarial Assumptions

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

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

5. PENSION PLAN (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	3.05%
Salary inflation	3.05%
Investment rate of return	6.35%, net of investment expense
Cost-of-living adjustments	1%

Contributing Members, Service Retirement Members, and Beneficiaries

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

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

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2021.

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

5. PENSION PLAN (continued)

Asset Class		Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	Barclays Aggregate	30.00%	1.80%	-0.20%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	8.00%	6.00%
Developed Foreign Equities	MSCI EAFE/World ex US	15.00%	8.25%	6.25%
Assumed Inflation - Mean			2.00%	2.00%
Assumed Inflation - Standard Deviation			1.50%	1.50%
Portfolio Arithmetic Mean Return			6.18%	4.18%
Portfolio Standard Deviation			12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return			5.55%	3.46%
Assumed Investment Expenses			0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses			5.15%	3.06%

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

5. PENSION PLAN (continued)

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

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	\$ 408,589	\$ (11,756)	\$ (356,318)

Pension plan fiduciary net position

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

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

6. COMPENSATED ABSENCES

Vacation leave is granted to all regular City employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. Changes in accumulated vacation are as follows:

	<u>9/30/2020</u>	<u>Earned</u>	<u>Used</u>	<u>9/30/2021</u>	<u>Current</u>
Governmental Activities	\$ 3,685	\$ 11,511	\$(13,285)	\$ 1,911	\$ 1,911
Business-type Activities	<u>77</u>	<u>8,065</u>	<u>(2,569)</u>	<u>5,573</u>	<u>5,573</u>
	<u>\$ 3,762</u>	<u>\$ 19,576</u>	<u>\$(15,854)</u>	<u>\$ 7,484</u>	<u>\$ 7,484</u>

7. OTHER COMMITMENTS

The City has credit cards with a total credit limit of \$53,000. At September 30, 2021, \$6,291 of the available credit was in use.

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

8. CAPITAL ASSETS

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

	9/30/20	Additions	Disposals	9/30/21
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 145,760	\$ -	\$ -	\$ 145,760
Total	<u>145,760</u>	<u>-</u>	<u>-</u>	<u>145,760</u>
Capital Assets Being Depreciated:				
Buildings	877,156	263,607	-	1,140,763
Improvements	2,491,229	-	-	2,491,229
Equipment	578,881	50,829	(50,272)	579,438
Total Historical Cost	<u>3,947,266</u>	<u>314,436</u>	<u>(50,272)</u>	<u>4,211,430</u>
Less: Accumulated Depreciation				
Buildings	341,348	21,597	-	362,945
Improvements	1,308,585	113,649	-	1,422,234
Equipment	359,845	74,753	(43,191)	391,407
Total Accumulated Depreciation	<u>2,009,778</u>	<u>209,999</u>	<u>(43,191)</u>	<u>2,176,586</u>
Net Depreciable Assets	<u>1,937,488</u>	<u>104,437</u>	<u>(7,081)</u>	<u>2,034,844</u>
Governmental Activities - Net	<u>\$ 2,083,248</u>	<u>\$ 104,437</u>	<u>\$ (7,081)</u>	<u>\$ 2,180,604</u>
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 44,325	\$ -	\$ -	\$ 44,325
Construction in Progress	404,407	3,474,915	-	3,879,322
Total	<u>448,732</u>	<u>3,474,915</u>	<u>-</u>	<u>3,923,647</u>
Capital Assets Being Depreciated:				
Buildings	221,766	-	-	221,766
Improvements	4,949,731	-	-	4,949,731
Equipment	451,161	2,700	(15,520)	438,341
Total Historical Cost	<u>5,622,658</u>	<u>2,700</u>	<u>(15,520)</u>	<u>5,609,838</u>
Less: Accumulated Depreciation				
Buildings	106,328	5,544	-	111,872
Improvements	2,991,068	120,674	-	3,111,742
Equipment	334,390	20,251	(15,520)	339,121
Total Accumulated Depreciation	<u>3,431,786</u>	<u>146,469</u>	<u>(15,520)</u>	<u>3,562,735</u>
Net Depreciable Assets	<u>2,190,872</u>	<u>(143,769)</u>	<u>-</u>	<u>2,047,103</u>
Business-type Activities - Net	<u>\$ 2,639,604</u>	<u>\$ 3,331,146</u>	<u>\$ -</u>	<u>\$ 5,970,750</u>

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

8. CAPITAL ASSETS (continued)

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

Governmental Activities:	
General	\$ 29,799
Public Safety	40,024
Street	74,728
Airport	34,796
Culture and Recreation	30,652
	<u>\$ 209,999</u>
Business-type Activities	
Water	\$ 120,036
Sewer	26,433
	<u>\$ 146,469</u>

No interest was capitalized in the enterprise funds.

9. RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) worker's compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, medical insurance costs, and professional liabilities.

10. LONG-TERM LIABILITIES

Business-type Activities – Water Fund Bond Payable

The City issued \$900,000 of Series 2000 Revenue Bonds dated December 2001, with a maturity date of 2032, and bearing interest at 4.75% per annum. Payments are due in December of each year. The Bonds were issued to pay for domestic water system upgrades.

Business-type Activities – Sewer Fund Note Payable

The City refinanced a loan with the State Department of Environmental Quality issued in 2001, with proceeds from a loan with the Idaho Bond Bank Authority in the amount of \$510,000.

The City obtained interim financing through a Sewer Bond Anticipation Note in 2021 for a Wastewater Treatment Plant project. The note will be paid in 2022 through a combination of grants and loans through U.S. Department of Agriculture.

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

10. LONG-TERM LIABILITIES (continued)

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

Description	Maturity	Rate	Required Reserve	9/30/20	Increase	Decrease	9/30/21	Current Portion
<u>Governmental Activities:</u>	2024	6.70%	N/A	<u>\$ 43,782</u>	<u>\$ 35,916</u>	<u>\$ (17,947)</u>	<u>\$ 61,751</u>	<u>\$ 16,941</u>
<u>Business-type Activities:</u>								
Water Bond	2032	4.75%	\$80,247	\$ 511,389	\$ -	\$ (32,599)	\$ 478,790	\$ 34,146
Sewer Loan	2026	4.0-5.0%	\$31,773	60,000	-	(40,000)	20,000	20,000
Sewer Loan Premium	2026			2,320	-	(1,161)	1,159	-
Sewer Bond Anticipation Note				-	4,297,000	-	4,297,000	4,297,000
				<u>\$ 573,709</u>	<u>\$ 4,297,000</u>	<u>\$ (73,760)</u>	<u>\$ 4,796,949</u>	<u>\$ 4,351,146</u>

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

Year Ending September 30,	<u>Business-type Activities</u>		<u>Governmental Activities</u>	
	<u>Bonds and Notes</u>		<u>Municipal Lease</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$4,351,146	\$ 23,603	\$ 16,941	\$ 3,939
2023	35,768	21,121	18,031	2,850
2024	37,467	19,422	19,191	1,689
2025	39,247	17,642	7,588	455
2026	41,111	15,778	-	-
2027 - 2031	236,771	47,674	-	-
2032 - 2032	54,280	5,279	-	-
	<u>\$4,795,790</u>	<u>\$ 150,519</u>	<u>\$ 61,751</u>	<u>\$ 8,933</u>

Total interest incurred and expenses was \$28,425 and \$890 for the water and sewer funds respectively. No interest was capitalized during the period.

The Water Bond reserve and Sewer Bond reserve were both fully funded.

Municipal Lease:

The City leases vehicles under long-term lease agreements. Certain leases have been recorded as municipal leases and others as operating leases. The municipal leases consist of:

Equipment	\$ 104,049
Less: accumulated amortization (listed as depreciation on the accompanying financial statements)	<u>(31,343)</u>
	<u>\$ 72,706</u>

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

11. LESSOR AGREEMENTS

In July of 2019 the building used by the United State Post Office and was built on land that the City owns was donated to the City. At that time a new five-year lease was negotiated with the United State Post Office. The future payments expected are as follows:

Year Ending September 30,	Amount
2021	\$ 52,800
2022	52,800
2023	39,600
	<u>\$ 145,200</u>

Lease income for the year ended September 30, 2021 was \$47,981 .

12. OPERATING LEASES

The City leased a copier in February 2016. The lease is for 60 months and requires monthly minimum payments of \$90. The City will not retain the copier at the completion of the lease. The City is also leasing a John Deere backhoe for \$17,654 per year. The City does not plan on keeping the backhoe at the end of the lease. Future minimum lease payments are as follows:

Year Ending September 30,	
2022	\$ 17,654
2023	17,654
	<u>\$ 35,308</u>

Rent expense for the year ended September 30, 2021 was \$16,995 .

13. PRIOR PERIOD ADJUSTMENT

In the prior year, some receipts for the wastewater treatment construction project were recorded as grant revenues rather than funds borrowed. Net position has been restated as follows to account for the change:

	Business-Type Activities
Net Position, Beginning - As Previously Stated	\$ 2,769,349
Increase in Net Position due to Debt being Understated	(53,219)
Net Position, Beginning - Restated	<u>\$ 2,716,130</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	\$ 753,558	\$ 753,558	\$ 423,602	\$ (329,956)
Licenses and Permits	42,085	42,085	47,890	5,805
Intergovernmental	177,200	408,106	493,605	85,499
Charges for Services	67,800	67,800	105,383	37,583
Interest Earned	4,000	4,000	1,369	(2,631)
Other	158,744	248,586	272,016	23,430
Total Revenues	<u>1,203,387</u>	<u>1,524,135</u>	<u>1,343,865</u>	<u>(180,270)</u>
Expenditures				
Current:				
General Government	198,195	198,195	174,069	24,126
Public Safety	575,167	575,167	527,450	47,717
Culture and Recreation	91,427	91,427	54,876	36,551
Capital Outlay	60,000	323,607	283,946	39,661
Total Expenditures	<u>924,789</u>	<u>1,188,396</u>	<u>1,040,341</u>	<u>148,055</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>278,598</u>	<u>335,739</u>	<u>303,524</u>	<u>(32,215)</u>
Other Financing Sources (Uses)				
Proceeds from Lease	(30,000)	(30,000)	(33,739)	(3,739)
Transfer Out	(10,000)	(10,000)	-	10,000
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(33,739)</u>	<u>6,261</u>
Net Change in Fund Balances	238,598	295,739	269,785	(25,954)
Fund Balances - Beginning	-	-	503,134	503,134
Fund Balances - Ending	<u>\$ 238,598</u>	<u>\$ 295,739</u>	<u>\$ 772,919</u>	<u>\$ 477,180</u>

City of Parma, Idaho
 Budgetary (GAAP Basis) Comparison Schedule - Street Fund
 For the Year Ended September 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	\$ 111,425	\$ 111,425	\$ 93,938	\$ (17,487)
Intergovernmental	158,000	158,000	129,967	(28,033)
Interest Earned	4,000	4,000	866	(3,134)
Other	2,000	2,000	2,621	621
Total Revenues	<u>275,425</u>	<u>275,425</u>	<u>227,392</u>	<u>(48,033)</u>
Expenditures				
Current:				
Highways and Streets	159,796	159,796	135,524	24,272
Capital Outlay	160,000	160,000	73,818	86,182
Total Expenditures	<u>319,796</u>	<u>319,796</u>	<u>209,342</u>	<u>110,454</u>
Net Change in Fund Balances	(44,371)	(44,371)	18,050	62,421
Fund Balances - Beginning	-	-	274,792	274,792
Fund Balances - Ending	<u>\$ (44,371)</u>	<u>\$ (44,371)</u>	<u>\$ 292,842</u>	<u>\$ 337,213</u>

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

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to September 1, the Department Heads, the City Treasurer, Mayor, and City Parma prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at the City Hall to obtain landowner and resident comments.
- C. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- D. The City is authorized to transfer budgeted amounts between departments within any non-enterprise fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for enterprise funds may also be revised in the same manner as those situations involving federal and state grants.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue funds.

City of Parma, Idaho
Schedule of Required Supplemental Information
Public Employee Retirement System of Idaho
Last 10 - Fiscal Years*

Schedule of the City's Proportionate Share of Net Pension Liability

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.0014883%	\$ (11,754)	\$ 546,864	-2.15%	100.36%
2020	0.0155562%	361,236	563,073	64.15%	88.22%
2019	0.0159935%	182,561	540,238	33.79%	93.79%
2018	0.0145695%	214,903	466,866	46.03%	91.69%
2017	0.0153087%	240,626	456,215	52.74%	90.68%
2016	0.0160643%	325,648	458,503	71.02%	87.26%
2015	0.0164239%	216,276	462,040	46.81%	91.38%

Data reported is measured as of June 30, 2021

Schedule of City Contributions

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 66,098	\$ 66,098	\$ -	\$ 546,864	12.09%
2020	68,089	68,089	-	540,238	12.60%
2019	62,636	62,636	-	540,238	11.59%
2018	53,523	53,523	-	466,866	11.46%
2017	52,246	52,246	-	456,215	11.45%
2016	52,506	52,506	-	458,503	11.45%
2015	52,928	52,928	-	462,040	11.46%

Data reported is measured as of September 30, 2021

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

SUPPLEMENTAL INFORMATION

City of Parma, Idaho
Supplemental Schedule of Revenue by Source -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes:			
Property Taxes	\$ 753,558	\$ 423,602	\$ (329,956)
Total Taxes			
Intergovernmental:			
State Liquor Apportionment	28,200	42,629	14,429
Court Revenue	15,000	14,646	(354)
Inventory Phase-out	64,000	2,314	(61,686)
State Revenue Sharing	60,000	199,801	139,801
Grants	240,906	234,215	(6,691)
Total Intergovernmental	<u>408,106</u>	<u>493,605</u>	<u>85,499</u>
Licenses and Permits:			
Beer, Wine, and Liquor Licenses	300	360	60
Building Permits	40,000	45,629	5,629
Animal Licenses	1,500	1,270	(230)
Miscellaneous Licenses	285	631	346
Total Licenses and Permits	<u>42,085</u>	<u>47,890</u>	<u>5,805</u>
Charges for Services:			
Planning and Zoning Fees	5,000	38,258	33,258
Leases	52,800	47,981	(4,819)
Old Fort Boise Parking	10,000	19,144	9,144
Total Charges and Services	<u>67,800</u>	<u>105,383</u>	<u>37,583</u>
Other:			
Refunds and Reimbursements	3,000	14,126	11,126
Fines and Fees	500	-	(500)
Franchise Fees	14,500	12,484	(2,016)
Interest Earned	4,000	1,369	(2,631)
Miscellaneous	230,586	245,406	14,820
Proceeds from Lease	-	35,916	35,916
Total Other	<u>252,586</u>	<u>309,301</u>	<u>56,715</u>
Total Revenue	<u>\$ 1,524,135</u>	<u>\$ 1,379,781</u>	<u>\$ (144,354)</u>

City of Parma, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2021

	Budget	Actual	Variance
General Government:			
Mayor and Council:	\$ 25,500	\$ 23,333	\$ 2,167
Personal Services			
Administration:			
Personal Services	18,900	18,661	239
Capital Outlay	2,000	-	2,000
Total Administration	20,900	18,661	2,239
Election	800	-	800
Other General Government			
Personal Services	28,620	40,106	(11,486)
Supplies	10,500	9,830	670
Other Services and Charges	111,875	82,139	29,736
Capital Outlay	273,607	268,136	5,471
Total Other General Government	424,602	400,211	24,391
Total General Government	471,802	442,205	29,597
Public Safety:			
Law Enforcement			
Personal Services	418,985	391,430	27,555
Supplies	13,900	17,900	(4,000)
Other Services and Charges	81,582	80,858	724
Debt Service	30,000	69,655	(39,655)
Capital Outlay	-	-	-
Total Law Enforcement	544,467	559,843	(15,376)
Building Inspection:			
Other Services and Charges	50,000	31,903	18,097
Animal Control:			
Other Services and Charges	10,700	5,359	5,341
Total Public Safety	605,167	597,105	8,062
Culture and Recreation:			
Park:			
Personal Services	41,734	25,787	15,947
Supplies	8,000	8,136	(136)
Other Services and Charges	41,693	20,953	20,740
Capital Outlay	50,000	15,810	34,190
Total Culture and Recreation	141,427	70,686	70,741
Total Expenditures	\$ 1,218,396	\$ 1,109,996	\$ 108,400

City of Parma, Idaho
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2021

	Library	Airport	Recreation	Total
Assets				
Cash and Cash Equivalents	\$ 44,484	\$ 57,326	\$ 64,091	\$ 165,901
Receivables, Net:				
Property Tax	2,178	1,051	1,386	4,615
Prepaid Items	12	-	-	12
Total Assets	<u>\$ 46,674</u>	<u>\$ 58,377</u>	<u>\$ 65,477</u>	<u>\$ 170,528</u>
Liabilities				
Accounts Payable	\$ 3,218	\$ 5,582	\$ 384	\$ 9,184
Salaries and Benefits Payable	1,629	128	191	1,948
Total Liabilities	<u>4,847</u>	<u>5,710</u>	<u>575</u>	<u>11,132</u>
Deferred Inflows				
Unavailable Revenue - Property Taxes	<u>1,989</u>	<u>960</u>	<u>1,266</u>	<u>4,215</u>
Fund Balances				
Nonspendable:				
Prepays	12	-	-	12
Restricted	<u>39,826</u>	<u>51,707</u>	<u>63,636</u>	<u>155,169</u>
Total Fund Balances	<u>39,838</u>	<u>51,707</u>	<u>63,636</u>	<u>155,181</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 46,674</u>	<u>\$ 58,377</u>	<u>\$ 65,477</u>	<u>\$ 170,528</u>

City of Parma, Idaho
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended September 30, 2021

	Library	Airport	Recreation	Total
Revenues				
Property Taxes	\$ 42,789	\$ 20,731	\$ 27,221	\$ 90,741
Intergovernmental	-	108	1,849	1,957
Charges for Services	865	4,928	28,312	34,105
Interest Earned	382	182	23	587
Other	32,774	-	-	32,774
Total Revenues	<u>76,810</u>	<u>25,949</u>	<u>57,405</u>	<u>160,164</u>
Expenditures				
Current:				
Airport	-	27,884	-	27,884
Culture and Recreation	74,151	-	51,001	125,152
Capital Outlay	-	4,778	1,747	6,525
Total Expenditures	<u>74,151</u>	<u>32,662</u>	<u>52,748</u>	<u>159,561</u>
Excess (Deficiency) of Revenues Over Expenditures)	<u>2,659</u>	<u>(6,713)</u>	<u>4,657</u>	<u>603</u>
 Net Change in Fund Balances	 2,659	 (6,713)	 4,657	 603
 Fund Balances - Beginning	 37,179	 58,420	 58,979	 154,578
Fund Balances - Ending	<u>\$ 39,838</u>	<u>\$ 51,707</u>	<u>\$ 63,636</u>	<u>\$ 155,181</u>

FEDERAL REPORTS

City of Parma, Idaho
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

	Assistance Listing Number	Pass-Through Entity Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Program			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 3,474,915
Total U.S. Department of Agriculture			<u>3,474,915</u>
<u>U.S. Department of Transportation</u>			
Highway Safety Cluster			
Passed through the Idaho Transportation Department			
State and Community Highway Safety	20.600		\$ 3,309
National Priority Safety Programs	20.616		<u>2,606</u>
Total Highway Safety Cluster			<u>5,915</u>
Total U.S. Department of Transportation			<u>5,915</u>
<u>U.S. Department of the Treasury</u>			
Passed Through the Idaho Office of the Governor			
American Rescue Plan Act	21.019	20-1892-0-1-806	<u>226,236</u>
Total U.S. Department of the Treasury			<u>226,236</u>
Total Federal Financial Assistance			<u><u>\$ 3,707,066</u></u>

City of Parma, Idaho
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Parma, Idaho (the City) under programs of the Federal Government for the year ended September 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or change in Net Position of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate.

4. OUTSTANDING DEBT

The City had an outstanding balance of \$4,297,000 associated with assistance listing 10.760.



**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Honorable Mayor
and City Parma
City of Parma, 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, the discretely presented component unit, each major fund, and the remaining fund information of the City of Parma, 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 Parma, Idaho's basic financial statements and have issued our report thereon dated April 12, 2022.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

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

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
April 12, 2022



**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Honorable Mayor
and City Parma
Parma, Idaho

Opinion on Each Major Federal Program

We have audited the City of Parma, Idaho's compliance with the types of compliance requirements¹ identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Parma, Idaho's major federal programs for the year ended September 30, 2021. The City of Parma, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Parma, Idaho complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Parma, Idaho and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Parma, Idaho's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Parma, Idaho's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Parma, Idaho's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance

requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Parma, Idaho's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Parma, Idaho's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Parma, Idaho's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Parma, Idaho's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Zwysart John & Associates, CPAs PLLC

Nampa, Idaho
April 12, 2022

City of Parma, Idaho
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Significant deficiency(ies) disclosed? ☐ yes ☒ none reported

Material weakness(es) disclosed? ☐ yes ☒ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Significant deficiency(ies) disclosed? ☐ yes ☒ none reported

Material weakness(es) disclosed? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with section 2 CFR 200.516(a) ☐ yes ☒ no

Identification of major programs:

Assistance Listing Number	Name of Federal Program
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low risk auditee? ☐ yes ☒ no

City of Parma, Idaho
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section II - Financial Statement Findings

None reported.

Section III - Findings and Questioned Costs for Federal Awards

None reported.