

CITY OF PARMA, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2018

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Independent Auditor's Report

Honorable Mayor
and City Council
City of Parma, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Parma, Idaho (the City), as of and for the year ended September 30, 2018, 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, each major fund, and the remaining fund information of the City of Parma, Idaho, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of the net pension liability, and schedule of City contributions on pages 32 through 37 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 not presented management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Parma, Idaho's basic financial statements. The schedules of revenue by source, expenditures by object, and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenue by source, expenditure by object, and combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 schedules of revenue by source, expenditure by object, and combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019 on our consideration of the City of Parma, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Parma, Idaho's internal control over financial reporting and compliance.

Zwysart John & Associates, CPAs PLLC

Caldwell, Idaho
March 29, 2019

City of Parma, Idaho
Statement of Net Position
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,119,389	\$ 534,488	\$ 1,653,877
Property Taxes Receivable, Net	75,700	-	75,700
Accounts Receivable, Net	4,284	98,562	102,846
Prepaid Items	5,609	1,576	7,185
Due from Other Governments	38,162	-	38,162
Noncurrent Assets:			
Restricted Cash	-	134,524	134,524
Capital Assets:			
Land and Construction in Progress	145,760	44,325	190,085
Buildings, Net	161,596	126,526	288,122
Improvements, Net	1,399,621	2,239,093	3,638,714
Equipment, Net	185,912	195,180	381,092
Total Capital Assets	1,892,889	2,605,124	4,498,013
Total Assets	3,136,033	3,374,274	6,510,307
Deferred Outflows			
Pension Related Items	33,583	16,542	50,125
Total Deferred Outflows	33,583	16,542	50,125
Liabilities			
Current Liabilities:			
Accounts Payable	39,200	12,865	52,065
Salaries and Benefits Payable	18,416	7,638	26,054
Accrued Interest Payable	-	22,805	22,805
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Bond Payable	-	64,709	64,709
Compensated Absences	7,311	6,247	13,558
Portion Due or Payable After One Year:			
Bond Payable	-	647,150	647,150
Net Pension Liability	143,985	70,919	214,904
Total Liabilities	208,912	832,333	1,041,245
Deferred Inflows			
Pension Related Items	26,871	13,235	40,106
Total Deferred Inflows	26,871	13,235	40,106
Net Position			
Invested in Capital Assets, Net of Related Debt	1,892,889	1,893,265	3,786,154
Restricted for:			
Debt Reserve	-	134,524	134,524
Streets & Alleys	412,386	-	412,386
Other	111,718		111,718
Unrestricted (Deficit) Surplus	516,840	517,459	1,034,299
Total Net Position	\$ 2,933,833	\$ 2,545,248	\$ 5,479,081

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

City of Parma, Idaho
Statement of Activities
For the Year Ended September 30, 2018

		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	\$ 172,361	38,279	\$ -	\$ -	\$ (134,082)	\$ -	\$ (134,082)
Public Safety	425,043	-	-	-	(425,043)	-	(425,043)
Highways and Streets	211,022	-	-	-	(211,022)	-	(211,022)
Airport	42,549	1,392	-	-	(41,157)	-	(41,157)
Culture and Recreation	209,937	25,602	-	-	(184,335)	-	(184,335)
Total Governmental Activities	1,060,912	65,273	-	-	(995,639)	-	(995,639)
Business-type Activities:							
Water	440,576	431,494	-	-	-	(9,082)	(9,082)
Sewer	260,240	325,708	-	-	-	65,468	65,468
Total Business-type Activities	700,816	757,202	-	-	-	56,386	56,386
Total Primary Government	\$ 1,761,728	\$ 822,475	\$ -	\$ -	(995,639)	56,386	(939,253)
General Revenues:							
Property Taxes					636,815	-	636,815
State Sources					380,028	-	380,028
Franchise Fees					14,068	-	14,068
Other					40,247	1,696	41,943
Unrestricted Investment Earnings					11,010	1,767	12,777
Total General Revenues and Special Items					1,082,168	3,463	1,085,631
Change in Net Position					86,529	59,849	146,378
Net Position, Beginning of Year					2,847,304	2,485,399	5,332,703
Net Position, End of Year					<u>\$ 2,933,833</u>	<u>\$ 2,545,248</u>	<u>\$ 5,479,081</u>

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

City of Parma, Idaho
Balance Sheet - Governmental Funds
September 30, 2018

	General	Street	Library	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	561,365	414,458	33,152	110,414	\$ 1,119,389
Receivables, Net:					
Property Tax	52,020	12,103	5,453	6,124	75,700
Accounts	0	0	4,284	0	4,284
Prepaid Items	4,294	786	17	512	5,609
Due from Other Governments	32,923	2,678	1,206	1,355	38,162
Total Assets	<u>\$ 650,602</u>	<u>\$ 430,025</u>	<u>\$ 44,112</u>	<u>\$ 118,405</u>	<u>\$ 1,243,144</u>
Liabilities					
Accounts Payable	\$ 31,027	\$ 3,780	\$ 3,490	\$ 903	\$ 39,200
Internal Balances					
Salaries and Benefits Payable	14,839	2,427	1,150	-	18,416
Total Liabilities	<u>45,866</u>	<u>6,207</u>	<u>4,640</u>	<u>903</u>	<u>57,616</u>
Deferred Inflows					
Unavailable Revenue - Property Taxes	<u>49,138</u>	<u>11,432</u>	<u>5,151</u>	<u>5,784</u>	<u>71,505</u>
Fund Balances					
Nonspendable:					
Prepays	4,294	786	17	512	5,609
Restricted	-	411,600	34,304	111,206	557,110
Unassigned	551,304	-	-	-	551,304
Total Fund Balances	<u>555,598</u>	<u>412,386</u>	<u>34,321</u>	<u>111,718</u>	<u>1,114,023</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 650,602</u>	<u>\$ 430,025</u>	<u>\$ 44,112</u>	<u>\$ 118,405</u>	<u>\$ 1,243,144</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, 2018

Total Fund Balances - Governmental Funds	\$ 1,114,023
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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 \$332,096 Accumulated Depreciation	161,596	
Improvements, Net of \$1,126,751 Accumulated Depreciation	1,399,621	
Equipment, Net of \$345,979 Accumulated Depreciation	185,912	
Total Capital Assets		1,892,889

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.	71,505
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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	(7,311)
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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	\$ (143,985)	
Pension Related Deferred Inflows	(26,871)	
Pension Related Deferred Outflows	33,583	
		(137,273)

Net Position of Governmental Activities	\$ 2,933,833
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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, 2018

	General	Street	Library	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 426,716	\$ 98,823	\$ 44,502	\$ 50,010	\$ 620,051
Licenses and Permits	32,196	-	-	-	32,196
Intergovernmental	157,703	160,702	9,895	51,728	380,028
Charges for Services	16,002	-	837	16,238	33,077
Interest Earned	6,089	3,533	252	1,136	11,010
Other	42,385	3,661	6,269	2,000	54,315
Total Revenues	<u>681,091</u>	<u>266,719</u>	<u>61,755</u>	<u>121,112</u>	<u>1,130,677</u>
Expenditures					
Current:					
Administrative	149,340	-	-	-	149,340
Public Safety	424,837	-	-	-	424,837
Highways and Streets	-	131,894	-	-	131,894
Airport	-	-	-	8,776	8,776
Culture and Recreation	47,302	-	81,073	29,458	157,833
Capital Outlay	33,172	83,213	6,319	79,995	202,699
Total Expenditures	<u>654,651</u>	<u>215,107</u>	<u>87,392</u>	<u>118,229</u>	<u>1,075,379</u>
Excess (Deficiency) of Revenues Over Expenditures)	<u>26,440</u>	<u>51,612</u>	<u>(25,637)</u>	<u>2,883</u>	<u>55,298</u>
Net Change in Fund Balances	26,440	51,612	(25,637)	2,883	55,298
Fund Balances - Beginning	529,158	360,774	59,958	108,835	1,058,725
Fund Balances - Ending	<u>\$ 555,598</u>	<u>\$ 412,386</u>	<u>\$ 34,321</u>	<u>\$ 111,718</u>	<u>\$ 1,114,023</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, 2018

Total Net Change in Fund Balance - Governmental Funds	\$ 55,298
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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	171,389	
Depreciation Expense	<u>(171,758)</u>	
Net		(369)

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.	16,764
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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.	123
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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.	<u>14,713</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 86,529</u></u>
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The accompanying notes are an integral
part of the financial statements.

City of Parma, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2018

	Water	Sewer	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 365,043	\$ 169,445	\$ 534,488
Accounts Receivable, Net	54,892	43,670	98,562
Prepaid Items	790	786	1,576
Total Current Assets	<u>420,725</u>	<u>213,901</u>	<u>634,626</u>
Noncurrent Assets:			
Restricted Cash	91,024	43,500	134,524
Capital Assets:			
Land and Construction in Progress	11,325	33,000	44,325
Buildings, Net	126,526	-	126,526
Improvements, Net	2,040,539	198,554	2,239,093
Equipment, Net	147,086	48,094	195,180
Total Noncurrent Assets	<u>2,416,500</u>	<u>323,148</u>	<u>2,739,648</u>
Total Assets	<u>2,837,225</u>	<u>537,049</u>	<u>3,374,274</u>
Deferred Outflows			
Pension Related Items	9,023	7,519	16,542
Total Deferred Outflows	<u>9,023</u>	<u>7,519</u>	<u>16,542</u>
Liabilities			
Current Liabilities:			
Accounts Payable	4,826	8,039	12,865
Salaries and Benefits Payable	3,038	4,600	7,638
Compensated Absences	1,063	5,184	6,247
Accrued Interest Payable	22,340	465	22,805
Bonds, Notes, and Loans Payable	29,709	35,000	64,709
Total Current Liabilities	<u>60,976</u>	<u>53,288</u>	<u>114,264</u>
Noncurrent Liabilities:			
Bonds, Notes, and Loans Payable	542,508	104,642	647,150
Net Pension Liability	38,683	32,236	70,919
Total Noncurrent Liabilities	<u>581,191</u>	<u>136,878</u>	<u>718,069</u>
Total Liabilities	<u>642,167</u>	<u>190,166</u>	<u>832,333</u>
Deferred Inflows			
Pension Related Items	7,219	6,016	13,235
Total Deferred Inflows	<u>7,219</u>	<u>6,016</u>	<u>13,235</u>
Net Position			
Invested in Capital Assets,			
Net of Related Debt	1,753,259	140,006	1,893,265
Restricted - Debt Reserve	91,024	43,500	134,524
Unrestricted	352,579	164,880	517,459
Total Net Position	<u>\$ 2,196,862</u>	<u>\$ 348,386</u>	<u>\$ 2,545,248</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, 2018

	Water	Sewer	Total
Operating Revenues			
Charges for Services	\$ 431,494	\$ 325,708	\$ 757,202
Miscellaneous	1,497	199	1,696
Total Operating Revenues	<u>432,991</u>	<u>325,907</u>	<u>758,898</u>
Operating Expenses			
Salaries	66,499	93,672	160,171
Benefits	31,984	30,776	62,760
Supplies and Operations	124,513	40,585	165,098
Professional Services	8,349	25,203	33,552
Utilities	31,734	15,615	47,349
Repairs and Maintenance	14,324	18,589	32,913
Depreciation	135,753	30,411	166,164
Total Operating Expenses	<u>413,156</u>	<u>254,851</u>	<u>668,007</u>
Income (Loss) From Operations	<u>19,835</u>	<u>71,056</u>	<u>90,891</u>
Nonoperating Revenues (Expenses)			
Interest Earned	1,262	505	1,767
Interest Expense	(27,420)	(5,389)	(32,809)
Total Nonoperating Revenues (Expenses)	<u>(26,158)</u>	<u>(4,884)</u>	<u>(31,042)</u>
Change in Net Position	<u>(6,323)</u>	<u>66,172</u>	<u>59,849</u>
Total Net Position - Beginning	<u>2,203,185</u>	<u>282,214</u>	<u>2,485,399</u>
Total Net Position - Ending	<u><u>\$ 2,196,862</u></u>	<u><u>\$ 348,386</u></u>	<u><u>\$ 2,545,248</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, 2018

	Water	Sewer	Total
Cash Flows From Operating Activities			
Receipts from Customers	\$ 427,556	\$ 319,998	\$ 747,554
Payments to Suppliers	(177,691)	(96,204)	(273,895)
Payments to Employees	(102,913)	(126,869)	(229,782)
Net Cash Provided (Used) by Operating Activities	<u>146,952</u>	<u>96,925</u>	<u>243,877</u>
Cash Flows From Capital and Related Financing Activities			
Purchases and Construction of Capital Assets	(7,150)	(7,105)	(14,255)
Principal Paid on Capital Debt	(28,362)	(36,161)	(64,523)
Interest Paid on Capital Debt	(28,527)	(5,796)	(34,323)
Net Cash Used by Capital and Related Financing Activities	<u>(64,039)</u>	<u>(49,062)</u>	<u>(113,101)</u>
Cash Flows From Investing Activities			
Interest and Dividends	1,262	505	1,767
Net Cash Provided (Used) by Investing Activities	<u>1,262</u>	<u>505</u>	<u>1,767</u>
Net Increase (Decrease) in Cash and Cash Equivalents	84,175	48,368	132,543
Cash and Cash Equivalents - Beginning	371,892	164,577	536,469
Cash and Cash Equivalents - Ending	<u>\$ 456,067</u>	<u>\$ 212,945</u>	<u>\$ 669,012</u>
Displayed As:			
Cash	\$ 365,043	\$ 169,445	\$ 534,488
Restricted Cash	91,024	43,500	134,524
	<u>\$ 456,067</u>	<u>\$ 212,945</u>	<u>\$ 669,012</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, 2018

	<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)	\$ 19,835	\$ 71,056	\$ 90,891
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	135,753	30,411	166,164
(Increase) Decrease in Accounts Receivable	(5,435)	(5,909)	(11,344)
(Increase) Decrease in Prepaid Expenses	262	253	515
(Increase) Decrease in Deferred Outflows	(45)	(38)	(83)
Increase (Decrease) in Accounts Payable	967	3,535	4,502
Increase (Decrease) in Salaries & Benefits Payable	(728)	266	(462)
Increase (Decrease) in Compensated Absences	251	607	858
Increase (Decrease) in Net Pension Liability	(4,630)	(3,858)	(8,488)
Increase (Decrease) in Deferred Inflows	722	602	1,324
Net Cash Provided (Used) by Operating Activities	<u>\$ 146,952</u>	<u>\$ 96,925</u>	<u>\$ 243,877</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, 2018

	Old Fort Boise Private - Purpose Trust Fund
Assets	
Short-term Investments	\$ 22,546
Liabilities	
	-
Net Position	
Net Position Held in Trust	\$ 22,546

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, 2018

	Old Fort Boise Private - Purpose Trust Fund
Additions:	
Investment Earnings:	
Interest	\$ 11
Change in Net Position	11
Net Position - Beginning	22,535
Net Position - Ending	\$ 22,546

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, 2018

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. Council 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 Council. 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, 2018

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, 2018

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, 2018

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 Council, the City's highest level of decision-making authority, through a formal action. The City Council would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position/fund 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 Streets & Alleys 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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

All trade receivables are shown net of an allowance for doubtful accounts. As of September 30, 2018, 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, 2018

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, 2018, the carrying amount of the City's deposits was \$976,650 and the respective bank balances totaled \$1,056,525. \$250,000 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, 2018, \$806,525 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 was exposed to credit risk. The City also had \$225 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, 2018

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, 2018, are summarized below:

Investment Type	Fair Value	Maturity (In Years)
		Less Than 1
Certificate of Deposit	\$ 22,546	\$ 22,546
External Investment Pool	811,450	811,450
	<u>\$833,996</u>	<u>\$ 833,996</u>

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

	Governmental	Business-type	Fiduciary	
	Activities	Activities	Funds	Total
Cash and cash equivalents	\$ 417,048	\$ 559,827	\$ -	\$ 976,875
Restricted	-	100,389	-	100,389
Investments categorized as deposits	702,265	8,796	-	711,061
Short-term Investments	-	-	22,546	22,546
	<u>\$ 1,119,313</u>	<u>\$ 669,012</u>	<u>\$22,546</u>	<u>\$ 1,810,871</u>

The City has set aside \$100,389 in accordance with debt restrictions.

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of state revenue sharing of \$38,162 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, 2018, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2018, 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, 2018

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 72% for police and firefighters. As of June 30, 2016, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City of Parma, Idaho's contributions were \$53,523 the year ended September 30, 2018.

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

At September 30, 2018, the City of Parma, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Parma, Idaho's proportion of the net pension liability 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 June 30, 2017, the City of Parma, Idaho's proportion was 0.0145695 percent.

For the year ended September 30, 2018, the City of Parma recognized pension expense/ (revenue) of \$31,562 . At September 30, 2018, 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, 2018

5. PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,590	\$ 16,230
Changes in assumptions or other inputs	13,984	-
Net difference between projected and actual earnings on pension plan investments	-	23,877
City of Parma, Idaho's contributions subsequent to the measurement date	12,551	-
Total	\$ 50,125	\$ 40,107

\$12,551 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, 2018.

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, 2016, the beginning of the measurement period ended June 30, 2017, is 4.9 and 5.5 for the measurement period June 30, 2016.

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
2019	\$ 30,020
2020	2,058
2021	(17,610)
2022	(4,451)

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, 2018

5. PENSION PLAN (continued)

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expense
Cost-of-living	1%

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

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

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2017, is based on the results of an actuarial valuation date of July 1, 2017.

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 January 1, 2017.

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%

Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

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

Discount Rate

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

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 537,950	\$ 214,903	\$ (52,594)

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>9/30/17</u>	<u>Earned</u>	<u>Used</u>	<u>9/30/18</u>	<u>Current</u>
Governmental Activities	\$ 7,434	\$ 13,885	\$ (14,008)	\$ 7,311	\$ 7,311
Business-type Activities	5,390	9,848	(8,991)	6,247	6,247
	<u>\$ 12,824</u>	<u>\$ 23,733</u>	<u>\$ (22,999)</u>	<u>\$ 13,558</u>	<u>\$ 13,558</u>

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	9/30/17	Additions	Disposals	9/30/18
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 145,760	\$ -	\$ -	\$ 145,760
Construction in Progress	-	-	-	-
Total	<u>145,760</u>	<u>-</u>	<u>-</u>	<u>145,760</u>
Capital Assets Being Depreciated:				
Buildings	495,590	-	(1,898)	493,692
Improvements	2,385,426	156,616	(15,670)	2,526,372
Equipment	<u>891,727</u>	<u>14,773</u>	<u>(374,609)</u>	<u>531,891</u>
Total Historical Cost	<u>3,772,743</u>	<u>171,389</u>	<u>(392,177)</u>	<u>3,551,955</u>
Less: Accumulated Depreciation				
Buildings	323,634	10,360	(1,898)	332,096
Improvements	1,032,880	109,541	(15,670)	1,126,751
Equipment	<u>668,731</u>	<u>51,857</u>	<u>(374,609)</u>	<u>345,979</u>
Total Accumulated Depreciation	<u>2,025,245</u>	<u>171,758</u>	<u>(392,177)</u>	<u>1,804,826</u>
Net Depreciable Assets	<u>1,747,498</u>	<u>(369)</u>	<u>-</u>	<u>1,747,129</u>
Governmental Activities - Net	<u>\$ 1,893,258</u>	<u>\$ (369)</u>	<u>\$ -</u>	<u>\$ 1,892,889</u>
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 44,325	\$ -	\$ -	\$ 44,325
Construction in Progress	-	-	-	-
Total	<u>44,325</u>	<u>-</u>	<u>-</u>	<u>44,325</u>
Capital Assets Being Depreciated:				
Buildings	221,766	-	-	221,766
Improvements	5,018,421	-	(12,067)	5,006,354
Equipment	<u>775,313</u>	<u>14,773</u>	<u>(101,249)</u>	<u>688,837</u>
Total Historical Cost	<u>6,015,500</u>	<u>14,773</u>	<u>(113,316)</u>	<u>5,916,957</u>
Less: Accumulated Depreciation				
Buildings	89,696	5,544	-	95,240
Improvements	2,646,783	132,545	(12,067)	2,767,261
Equipment	<u>566,315</u>	<u>28,076</u>	<u>(100,734)</u>	<u>493,657</u>
Total Accumulated Depreciation	<u>3,302,794</u>	<u>166,165</u>	<u>(112,801)</u>	<u>3,356,158</u>
Net Depreciable Assets	<u>2,712,706</u>	<u>(151,392)</u>	<u>(515)</u>	<u>2,560,799</u>
Business-type Activities - Net	<u>\$ 2,757,031</u>	<u>\$ (151,392)</u>	<u>\$ (515)</u>	<u>\$ 2,605,124</u>

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

7. CAPITAL ASSETS (continued)

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

Governmental Activities:

General	\$ 24,315
Public Safety	2,836
Street	67,778
Airport	33,675
Culture and Recreation	43,154
	<u>\$ 171,758</u>

Business-type Activities

Water	\$ 135,754
Sewer	30,411
	<u>\$ 166,165</u>

All assets that were constructed using the bond funds were completed in prior years, so no interest has been capitalized in the enterprise funds.

8. RISK MANAGEMENT

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

9. 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.

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

9. LONG-TERM LIABILITIES (continued)

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.

Changes in long-term obligations for the year ended September 30, 2018, are as follows:

Business-type Activities:

Description	Maturity	Rate	Required		Increase	Decrease	9/30/18	Current Portion
			Reserve	9/30/17				
Water Bond	2032	4.75%	\$91,024	\$ 600,579	\$ -	\$ (28,362)	\$572,217	\$ 29,709
Sewer Loan	2026	4.0 - 5.0%	\$43,500	170,000	-	(35,000)	135,000	35,000
Sewer Loan Premium	2026			5,803	-	(1,161)	4,642	-
				<u>\$ 776,382</u>	<u>\$ -</u>	<u>\$ (64,523)</u>	<u>\$711,859</u>	<u>\$ 64,709</u>

Debt service requirements on long-term debt at September 30, 2018, are as follows:

Year Ending		
September 30,	Principal	Interest
2019	\$ 64,709	\$ 32,760
2020	71,120	29,949
2021	72,598	26,831
2022	54,146	23,603
2023	35,768	21,121
2024 - 2028	206,000	78,445
2029 - 2033	202,876	27,349
	<u>\$707,217</u>	<u>\$ 240,058</u>

Total interest incurred and expenses was \$28,528 and \$6,980 for the water and sewer funds respectively. No interest was capitalized during the period.

10. LESSOR AGREEMENTS

The City leases land to the United States Postal office on a five-year lease. The future payments expected are as follows:

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

10. LESSOR AGREEMENTS (continued)

Year Ending September 30,	Amount
<u>2019</u>	<u>\$ 4,318</u>
	<u>\$ 4,318</u>

Lease income for the year ended September 30, 2018 was \$5,758

11. 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 Jon Deere Backhoe for \$10,171 per year. The City does not plan on keeping the tractor at the end of the lease. Future minimum lease payments are as follows:

Year Ending September 30,	
<u>2019</u>	<u>\$ 11,254</u>
2020	11,254
2021	361
	<u>\$22,869</u>

Rent expense for the year ended September 30, 2018 was \$11,281 .

12. OTHER COMMITMENTS

The City has credit cards with a total credit limit of \$5,000. At September 30, 2018, \$4,433 of the available credit was in use.

REQUIRED SUPPLEMENTARY INFORMATION

City of Parma, Idaho
 Budgetary (GAAP Basis) Comparison Schedule - General Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	\$ 439,783	\$ 439,783	\$ 426,716	\$ (13,067)
Licenses and Permits	27,450	27,450	32,196	4,746
Intergovernmental	167,000	167,000	157,703	(9,297)
Charges for Services	11,700	11,700	16,002	4,302
Interest Earned	1,000	1,000	6,089	5,089
Other	28,950	28,950	42,385	13,435
Total Revenues	<u>675,883</u>	<u>675,883</u>	<u>681,091</u>	<u>5,208</u>
Expenditures				
Current:				
General Government	260,700	260,700	149,340	111,360
Public Safety	422,000	422,000	411,461	10,539
Culture and Recreation	78,785	78,785	47,302	31,483
Capital Outlay	80,000	80,000	46,548	33,452
Contingency Fund	-	-	-	-
Total Expenditures	<u>841,485</u>	<u>841,485</u>	<u>654,651</u>	<u>186,834</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(165,602)</u>	<u>(165,602)</u>	<u>26,440</u>	<u>192,042</u>
Other Financing Sources (Uses)				
Transfer Out	<u>(28,550)</u>	<u>(28,550)</u>	<u>-</u>	<u>28,550</u>
Total Other Financing Sources (Uses)	<u>(28,550)</u>	<u>(28,550)</u>	<u>-</u>	<u>28,550</u>
Net Change in Fund Balances	(194,152)	(194,152)	26,440	220,592
Fund Balances - Beginning	<u>194,152</u>	<u>194,152</u>	<u>529,158</u>	<u>335,006</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,598</u>	<u>\$ 555,598</u>

City of Parma, Idaho
 Budgetary (GAAP Basis) Comparison Schedule - Street Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	\$ 97,604	\$ 97,604	\$ 98,823	\$ 1,219
Intergovernmental	174,500	174,500	160,702	(13,798)
Interest Earned	850	850	3,533	2,683
Other	1,500	1,500	3,661	2,161
Total Revenues	<u>274,454</u>	<u>274,454</u>	<u>266,719</u>	<u>(7,735)</u>
Expenditures				
Current:				
Highways and Streets	164,210	164,210	131,894	32,316
Capital Outlay	179,600	179,600	83,213	96,387
Total Expenditures	<u>343,810</u>	<u>343,810</u>	<u>215,107</u>	<u>128,703</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(69,356)</u>	<u>(69,356)</u>	<u>51,612</u>	<u>120,968</u>
Net Change in Fund Balances	(69,356)	(69,356)	51,612	120,968
Fund Balances - Beginning	69,356	69,356	360,774	291,418
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,386</u>	<u>\$ 412,386</u>

City of Parma, Idaho
 Budgetary (GAAP Basis) Comparison Schedule - Library Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	\$ 43,939	\$ 43,939	\$ 44,502	\$ 563
Licenses and Permits	-	-	-	-
Intergovernmental	8,300	8,300	9,895	1,595
Charges for Services	1,100	1,100	837	(263)
Interest Earned	100	100	252	152
Other	2,400	2,400	6,269	3,869
Total Revenues	<u>55,839</u>	<u>55,839</u>	<u>61,755</u>	<u>5,916</u>
Expenditures				
Current:				
Culture and Recreation	72,700	117,700	81,073	36,627
Capital Outlay	2,200	2,200	6,319	(4,119)
Total Expenditures	<u>74,900</u>	<u>119,900</u>	<u>87,392</u>	<u>32,508</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,061)</u>	<u>(64,061)</u>	<u>(25,637)</u>	<u>38,424</u>
Net Change in Fund Balances	(19,061)	(64,061)	(25,637)	38,424
Fund Balances - Beginning	19,061	64,061	59,958	(4,103)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,321</u>	<u>\$ 34,321</u>

City of Parma, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2018

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 Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at the City Hall to obtain 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 Pamra, Idaho
Schedule of the City's Proportionate Share of the
Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District proportion of the net pension liability (asset)	0.0145695%	0.0153087%	0.0160643%	0.0164239%
District's proportionate share of the net pension liability (asset)	\$ 214,903	\$ 240,626	\$ 325,648	\$ 216,276
District's covered-employee payroll	\$ 466,866	\$ 456,215	\$ 458,503	\$ 462,040
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.03%	52.74%	71.02%	46.81%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	87.26%	82.26%	91.38%

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

Data reported is measured as of June 30, 2018

City of Parma, Idaho
Schedule of City Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 53,523	\$ 52,246	\$ 52,506	\$ 52,928
Contributions in relation to the contractually required contribution	<u>53,523</u>	<u>52,246</u>	<u>52,506</u>	<u>52,928</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 466,866	\$ 456,215	\$ 458,503	\$ 462,040
Contributions as a percentage of covered-employee payroll	11.46%	11.45%	11.45%	11.46%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City of Parma, Idaho will present information for those years for which information is available.
Data reported is measured as of September 30, 2018

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, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes:			
Property Taxes	\$ 439,783	\$ 426,716	\$ (13,067)
Total Taxes			
Intergovernmental:			
State Liquor Apportionment	22,000	28,678	6,678
Court Revenue	20,000	10,758	(9,242)
Inventory Phase-out	50,000	40,925	(9,075)
State Revenue Sharing	64,000	77,342	13,342
Grants	11,000	-	(11,000)
Total Intergovernmental	<u>167,000</u>	<u>157,703</u>	<u>(9,297)</u>
Licenses and Permits:			
Beer, Wine, and Liquor Licenses	625	625	-
Building Permits	25,200	30,214	5,014
Animal Licenses	1,500	1,232	(268)
Miscellaneous Licenses	125	125	-
Total Licenses and Permits	<u>27,450</u>	<u>32,196</u>	<u>4,746</u>
Charges for Services:			
Planning and Zoning Fees	2,000	325	(1,675)
Leases	5,700	5,758	58
Old Fort Boise Parking	4,000	9,919	5,919
Total Charges and Services	<u>11,700</u>	<u>16,002</u>	<u>4,302</u>
Other:			
Refunds and Reimbursements	5,000	15,578	10,578
Fines and Fees	1,000	750	(250)
Franchise Fees	21,000	14,068	(6,932)
Interest Earned	1,000	6,089	5,089
Miscellaneous	1,950	11,989	10,039
Total Other	<u>29,950</u>	<u>48,474</u>	<u>18,524</u>
Total Revenue	<u>\$ 675,883</u>	<u>\$ 681,091</u>	<u>\$ 5,208</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, 2018

	Budget	Actual	Variance
General Government:			
Mayor and Council:			
Personal Services	\$ 24,100	\$ 22,190	\$ 1,910
Administration:			
Personal Services	28,000	25,110	2,890
Capital Outlay	5,000	30	4,970
Total Administration	33,000	25,140	7,860
Election	800	-	800
Other General Government			
Personal Services	33,000	20,523	12,477
Supplies	13,500	5,655	7,845
Other Services and Charges	156,300	75,832	80,468
Capital Outlay	30,000	500	29,500
Total Other General Government	232,800	102,510	130,290
Total General Government	290,700	149,840	140,860
Public Safety:			
Law Enforcement			
Personal Services	330,000	311,369	18,631
Supplies	7,600	9,128	(1,528)
Other Services and Charges	58,100	69,509	(11,409)
Capital Outlay	10,000	13,376	(3,376)
Total Law Enforcement	405,700	403,382	2,318
Building Inspection:			
Other Services and Charges	20,000	19,816	184
Animal Control:			
Other Services and Charges	6,300	1,639	4,661
Total Public Safety	432,000	424,837	7,163
Culture and Recreation:			
Park:			
Personal Services	40,000	22,022	17,978
Supplies	8,000	7,454	546
Other Services and Charges	30,785	17,826	12,959
Capital Outlay	40,000	32,672	7,328
Total Culture and Recreation	118,785	79,974	38,811
Total Expenditures	<u>\$ 841,485</u>	<u>\$ 654,651</u>	<u>\$ 186,834</u>

City of Parma, Idaho
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2018

	Airport	Recreation	Total
Assets			
Cash and Cash Equivalents	\$ 90,555	\$ 19,859	\$ 110,414
Receivables, Net:			
Property Tax	2,373	3,751	6,124
Prepaid Items	-	512	512
Due from Other Governments	524	831	1,355
Total Assets	<u>\$ 93,452</u>	<u>\$ 24,953</u>	<u>\$ 118,405</u>
Liabilities			
Accounts Payable	\$ 180	\$ 723	\$ 903
Total Liabilities	<u>180</u>	<u>723</u>	<u>903</u>
Deferred Inflows			
Unavailable Revenue - Property Taxes	<u>2,241</u>	<u>3,543</u>	<u>5,784</u>
Fund Balances			
Nonspendable:			
Prepays	-	512	512
Restricted	<u>91,031</u>	<u>20,175</u>	<u>111,206</u>
Total Fund Balances	<u>91,031</u>	<u>20,687</u>	<u>111,718</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 93,452</u>	<u>\$ 24,953</u>	<u>\$ 118,405</u>

City of Parma, Idaho
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended September 30, 2018

	<u>Airport</u>	<u>Recreation</u>	<u>Total</u>
Revenues			
Property Taxes	\$ 19,260	\$ 30,750	\$ 50,010
Intergovernmental	48,814	2,914	51,728
Charges for Services	1,392	14,846	16,238
Interest Earned	1,010	126	1,136
Other	-	2,000	2,000
Total Revenues	<u>70,476</u>	<u>50,636</u>	<u>121,112</u>
Expenditures			
Current:			
Airport	8,776	-	8,776
Culture and Recreation	-	29,458	29,458
Capital Outlay	<u>79,328</u>	<u>667</u>	<u>79,995</u>
Total Expenditures	<u>88,104</u>	<u>30,125</u>	<u>118,229</u>
Excess (Deficiency) of Revenues Over Expenditures)	<u>(17,628)</u>	<u>20,511</u>	<u>2,883</u>
Net Change in Fund Balances	(17,628)	20,511	2,883
Fund Balances - Beginning	<u>108,659</u>	<u>176</u>	<u>108,835</u>
Fund Balances - Ending	<u><u>\$ 91,031</u></u>	<u><u>\$ 20,687</u></u>	<u><u>\$ 111,718</u></u>

FEDERAL REPORTS

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

Honorable Mayor
and City Council
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, 2018, 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 March 28, 2019.

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.

Zwysart John & Associates, CPAs PLLC

Caldwell, Idaho
March 28, 2019