

CITY OF PARMA, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2020

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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, 2020, 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, 2020, 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 33 through 36 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 May 5, 2021 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.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
May 5, 2021

City of Parma, Idaho
Statement of Net Position
September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 888,673	\$ 593,915	\$ 1,482,588
Property Taxes Receivable, Net	35,702	-	35,702
Accounts Receivable, Net	1,047	115,997	117,044
Prepaid Items	27,453	9,974	37,427
Due from Other Governments	43,820	-	43,820
Noncurrent Assets:			
Restricted Cash	-	112,020	112,020
Capital Assets:			
Land and Construction in Progress	145,760	448,732	594,492
Buildings, Net	535,808	115,438	651,246
Improvements, Net	1,182,644	1,958,663	3,141,307
Equipment, Net	219,036	116,771	335,807
Total Capital Assets	2,083,248	2,639,604	4,722,852
Total Assets	3,079,943	3,471,510	6,551,453
Deferred Outflows			
Pension Related Items	61,226	30,158	91,384
Total Deferred Outflows	61,226	30,158	91,384
Liabilities			
Current Liabilities:			
Accounts Payable	20,833	10,793	31,626
Salaries and Benefits Payable	12,455	4,411	16,866
Accrued Interest Payable	2,933	20,177	23,110
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Bond Payable	-	72,598	72,598
Municipal Lease	9,905	-	9,905
Compensated Absences	3,685	77	3,762
Portion Due or Payable After One Year:			
Bond Payable	-	501,111	501,111
Municipal Lease	33,877	-	33,877
Net Pension Liability	242,028	119,210	361,238
Total Liabilities	325,716	728,377	1,054,093
Deferred Inflows			
Pension Related Items	7,902	3,891	11,793
Total Deferred Inflows	7,902	3,891	11,793
Net Position			
Invested in Capital Assets, Net of Related Debt	2,083,248	2,065,895	4,149,143
Restricted for:			
Debt Reserve	-	112,020	112,020
Streets & Alleys	274,794	-	274,794
Other	154,579	-	154,579
Unrestricted (Deficit) Surplus	294,930	591,485	886,415
Total Net Position	\$ 2,807,551	\$ 2,769,400	\$ 5,576,951

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

City of Parma, Idaho
Statement of Activities
For the Year Ended September 30, 2020

		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	\$ 234,810	72,089	\$ 44,038	\$ -	\$ (118,683)	\$ -	\$ (118,683)
Public Safety	533,414	-	-	-	(533,414)	-	(533,414)
Highways and Streets	454,089	-	-	-	(454,089)	-	(454,089)
Airport	75,912	3,005	-	-	(72,907)	-	(72,907)
Culture and Recreation	192,529	14,585	-	-	(177,944)	-	(177,944)
Total Governmental Activities	1,490,754	89,679	44,038	-	(1,357,037)	-	(1,357,037)
Business-type Activities:							
Water	520,713	421,686	-	-	-	(99,027)	(99,027)
Sewer	301,464	462,562	-	209,973	-	371,071	371,071
Total Business-type Activities	822,177	884,248	-	209,973	-	272,044	272,044
Total Primary Government	\$ 2,312,931	\$ 973,927	\$ 44,038	\$ 209,973	(1,357,037)	272,044	(1,084,993)
General Revenues:							
Property Taxes					739,728	-	739,728
State Sources					272,869	-	272,869
Franchise Fees					13,053	-	13,053
Other					46,745	34,608	81,353
Unrestricted Investment Earnings					11,575	1,875	13,450
Disposal of Capital Assets					-	(566)	(566)
Total General Revenues and Special Items					1,083,970	35,917	1,119,887
Change in Net Position					(273,067)	307,961	34,894
Net Position, Beginning of Year					3,080,618	2,461,439	5,542,057
Net Position, End of Year					<u>\$ 2,807,551</u>	<u>\$ 2,769,400</u>	<u>\$ 5,576,951</u>

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

City of Parma, Idaho
Balance Sheet - Governmental Funds
September 30, 2020

	General	Street	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 465,662	\$ 271,570	\$ 151,441	\$ 888,673
Receivables, Net:				
Property Tax	24,555	5,697	5,450	35,702
Accounts	-	-	1,047	1,047
Prepaid Items	12,482	8,315	6,656	27,453
Due from Other Governments	43,820	-	-	43,820
Total Assets	<u>546,519</u>	<u>285,582</u>	<u>164,594</u>	<u>996,695</u>
Liabilities				
Accounts Payable	12,038	4,547	4,248	20,833
Internal Balances				
Salaries and Benefits Payable	10,095	1,310	1,050	12,455
Total Liabilities	<u>22,133</u>	<u>5,857</u>	<u>5,298</u>	<u>33,288</u>
Deferred Inflows				
Unavailable Revenue - Property Taxes	<u>21,252</u>	<u>4,931</u>	<u>4,717</u>	<u>30,900</u>
Fund Balances				
Nonspendable:				
Prepays	12,482	8,315	6,656	27,453
Restricted	-	266,479	147,923	414,402
Unassigned	490,652	-	-	490,652
Total Fund Balances	<u>503,134</u>	<u>274,794</u>	<u>154,579</u>	<u>932,507</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 546,519</u>	<u>\$ 285,582</u>	<u>\$ 164,594</u>	<u>\$ 996,695</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, 2020

Total Fund Balances - Governmental Funds	\$ 932,507
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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 \$341,348 Accumulated Depreciation	535,808	
Improvements, Net of \$1,308,585 Accumulated Depreciation	1,182,644	
Equipment, Net of \$359,845 Accumulated Depreciation	<u>219,036</u>	
Total Capital Assets		2,083,248

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.	30,900
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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	(3,685)	
Municipal Lease	(43,782)	
Accrued Interest	<u>(2,933)</u>	
		(50,400)

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	\$ (242,028)	
Pension Related Deferred Inflows	(7,902)	
Pension Related Deferred Outflows	<u>61,226</u>	
		(188,704)
Net Position of Governmental Activities		<u><u>\$ 2,807,551</u></u>

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, 2020

	General	Street	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 535,860	\$ 121,744	\$ 120,206	\$ 777,810
Licenses and Permits	19,239	-	-	19,239
Intergovernmental	226,049	82,746	8,112	316,907
Charges for Services	66,501	-	3,939	70,440
Interest Earned	6,322	3,752	1,501	11,575
Other	30,936	23,040	5,822	59,798
Total Revenues	<u>884,907</u>	<u>231,282</u>	<u>139,580</u>	<u>1,255,769</u>
Expenditures				
Current:				
Administrative	193,785	-	-	193,785
Public Safety	567,882	-	-	567,882
Highways and Streets	-	136,413	-	136,413
Airport	-	-	17,026	17,026
Culture and Recreation	41,443	-	61,085	102,528
Capital Outlay	42,989	224,263	30,467	297,719
Total Expenditures	<u>846,099</u>	<u>360,676</u>	<u>108,578</u>	<u>1,315,353</u>
Excess (Deficiency) of Revenues Over Expenditures)	<u>38,808</u>	<u>(129,394)</u>	<u>31,002</u>	<u>(59,584)</u>
Other Financing Sources (Uses)				
Proceeds from Lease	56,620	-	-	56,620
Total Other Financing Sources (Uses)	<u>56,620</u>	<u>-</u>	<u>-</u>	<u>56,620</u>
Net Change in Fund Balances	95,428	(129,394)	31,002	(2,964)
Fund Balances - Beginning	407,706	404,188	123,577	935,471
Fund Balances - Ending	<u>\$ 503,134</u>	<u>\$ 274,794</u>	<u>\$ 154,579</u>	<u>\$ 932,507</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, 2020

Total Net Change in Fund Balance - Governmental Funds \$ (2,964)

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	\$ 56,620	
Depreciation Expense	<u>(205,419)</u>	
Net		(148,799)

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. (38,082)

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. 1,144

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. (2,933)

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. 12,838

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. (56,620)

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. (37,651)

Change in Net Position of Governmental Activities \$ (273,067)

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

City of Parma, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2020

	Water	Sewer	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 385,535	\$ 208,380	\$ 593,915
Accounts Receivable, Net	60,698	55,299	115,997
Prepaid Items	4,993	4,981	9,974
Total Current Assets	<u>451,226</u>	<u>268,660</u>	<u>719,886</u>
Noncurrent Assets:			
Restricted Cash	80,247	31,773	112,020
Capital Assets:			
Land and Construction in Progress	11,325	437,407	448,732
Buildings, Net	115,438	-	115,438
Improvements, Net	1,804,714	153,949	1,958,663
Equipment, Net	99,056	17,715	116,771
Total Noncurrent Assets	<u>2,110,780</u>	<u>640,844</u>	<u>2,751,624</u>
Total Assets	<u>2,562,006</u>	<u>909,504</u>	<u>3,471,510</u>
Deferred Outflows			
Pension Related Items	16,450	13,708	30,158
Total Deferred Outflows	<u>16,450</u>	<u>13,708</u>	<u>30,158</u>
Liabilities			
Current Liabilities:			
Accounts Payable	1,645	9,148	10,793
Salaries and Benefits Payable	2,518	1,893	4,411
Compensated Absences	72	5	77
Accrued Interest Payable	19,965	212	20,177
Bonds, Notes, and Loans Payable	32,598	40,000	72,598
Total Current Liabilities	<u>56,798</u>	<u>51,258</u>	<u>108,056</u>
Noncurrent Liabilities:			
Bonds, Notes, and Loans Payable	478,791	22,320	501,111
Net Pension Liability	65,024	54,186	119,210
Total Noncurrent Liabilities	<u>543,815</u>	<u>76,506</u>	<u>620,321</u>
Total Liabilities	<u>600,613</u>	<u>127,764</u>	<u>728,377</u>
Deferred Inflows			
Pension Related Items	2,122	1,769	3,891
Total Deferred Inflows	<u>2,122</u>	<u>1,769</u>	<u>3,891</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	1,519,144	546,751	2,065,895
Restricted - Debt Reserve	80,247	31,773	112,020
Unrestricted	376,330	215,155	591,485
Total Net Position	<u>\$ 1,975,721</u>	<u>\$ 793,679</u>	<u>\$ 2,769,400</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, 2020

	Water	Sewer	Total
Operating Revenues			
Charges for Services	\$ 421,686	\$ 462,562	\$ 884,248
Miscellaneous	-	34,608	34,608
Total Operating Revenues	<u>421,686</u>	<u>497,170</u>	<u>918,856</u>
Operating Expenses			
Salaries	96,307	84,052	180,359
Benefits	52,079	37,823	89,902
Supplies and Operations	159,283	108,101	267,384
Professional Services	10,538	-	10,538
Utilities	24,030	19,798	43,828
Repairs and Maintenance	22,003	21,809	43,812
Miscellaneous	3,337	57	3,394
Depreciation	128,582	26,996	155,578
Total Operating Expenses	<u>496,159</u>	<u>298,636</u>	<u>794,795</u>
Income (Loss) From Operations	<u>(74,473)</u>	<u>198,534</u>	<u>124,061</u>
Nonoperating Revenues (Expenses)			
Interest Earned	1,340	535	1,875
Interest Expense	(24,554)	(2,828)	(27,382)
Gain (Loss) on Sale of Assets	(566)	-	(566)
Grants and Contributions	-	209,973	209,973
Total Nonoperating Revenues (Expenses)	<u>(23,780)</u>	<u>207,680</u>	<u>183,900</u>
Change in Net Position	<u>(98,253)</u>	<u>406,214</u>	<u>307,961</u>
Total Net Position - Beginning	<u>2,073,974</u>	<u>387,465</u>	<u>2,461,439</u>
Total Net Position - Ending	<u><u>\$ 1,975,721</u></u>	<u><u>\$ 793,679</u></u>	<u><u>\$ 2,769,400</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, 2020

	Water	Sewer	Total
Cash Flows From Operating Activities			
Receipts from Customers	\$ 425,398	\$ 484,155	\$ 909,553
Payments to Suppliers	(243,679)	(179,725)	(423,404)
Payments to Employees	(139,644)	(118,690)	(258,334)
Net Cash Provided (Used) by Operating Activities	<u>42,075</u>	<u>185,740</u>	<u>227,815</u>
Cash Flows From Capital and Related Financing Activities			
Purchases and Construction of Capital Assets	-	(348,275)	(348,275)
Proceeds from Sale of Capital Assets	-	-	-
Receipts from Capital Grants	-	209,973	209,973
Principal Paid on Capital Debt	(31,120)	(41,161)	(72,281)
Interest Paid on Capital Debt	(25,769)	(2,964)	(28,733)
Net Cash Used by Capital and Related Financing Activities	<u>(56,889)</u>	<u>(182,427)</u>	<u>(239,316)</u>
Cash Flows From Investing Activities			
Interest and Dividends	1,340	535	1,875
Net Cash Provided (Used) by Investing Activities	<u>1,340</u>	<u>535</u>	<u>1,875</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,474)	3,848	(9,626)
Cash and Cash Equivalents - Beginning	479,256	236,305	715,561
Cash and Cash Equivalents - Ending	<u><u>\$ 465,782</u></u>	<u><u>\$ 240,153</u></u>	<u><u>\$ 705,935</u></u>
Displayed As:			
Cash	\$ 385,535	\$ 208,380	\$ 593,915
Restricted Cash	80,247	31,773	112,020
	<u><u>\$ 465,782</u></u>	<u><u>\$ 240,153</u></u>	<u><u>\$ 705,935</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, 2020

	<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)	\$ (74,473)	\$ 198,534	\$ 124,061
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	128,582	26,996	155,578
(Increase) Decrease in Accounts Receivable	3,712	(13,015)	(9,303)
(Increase) Decrease in Prepaid Expenses	(1,780)	(1,772)	(3,552)
(Increase) Decrease in Deferred Outflows	(9,102)	(7,585)	(16,687)
Increase (Decrease) in Accounts Payable	(22,708)	(28,188)	(50,896)
Increase (Decrease) in Salaries & Benefits Payable	(754)	(3,410)	(4,164)
Increase (Decrease) in Compensated Absences	(619)	(1,834)	(2,453)
Increase (Decrease) in Net Pension Liability	32,162	26,801	58,963
Increase (Decrease) in Deferred Inflows	(12,945)	(10,787)	(23,732)
Net Cash Provided (Used) by Operating Activities	<u>\$ 42,075</u>	<u>\$ 185,740</u>	<u>\$ 227,815</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, 2020

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

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, 2020

	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, 2020

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, 2020

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, 2020

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, 2020

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 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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

All trade receivables are shown net of an allowance for doubtful accounts. As of September 30, 2020, 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, 2020

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, 2020, the carrying amount of the City's deposits was \$755,055 and the respective bank balances totaled \$831,340 . \$831,340 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, 2020, all of the City's deposits were 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 not exposed to credit risk. The City also had 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, 2020

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, 2020, are summarized below:

Investment Type	Fair Value	Maturity (In Years)
		Less Than 1
External Investment Pool	\$ 862,061	\$ 862,061
	<u>\$ 862,061</u>	<u>\$ 862,061</u>

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

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 157,507	\$ 575,040	\$ 22,557	\$ 755,104
Restricted	-	112,020	-	112,020
Investments categorized as deposits	731,166	18,875	-	750,041
	<u>\$ 888,673</u>	<u>\$ 705,935</u>	<u>\$ 22,557</u>	<u>\$ 1,617,165</u>

The City has set aside \$112,020 in accordance with debt restrictions.

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of state revenue sharing of \$43,820 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, 2020, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2020, 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, 2020

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, 2019, 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 \$68,089 the year ended September 30, 2020.

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

At September 30, 2020, 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, 2020, 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 September 30, 2020, the City of Parma, Idaho's proportion was 0.01555562 percent.

For the year ended September 30, 2020, the City of Parma recognized pension expense/ (revenue) of \$124,284. At September 30, 2020, 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, 2020

5. PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,224	\$ 11,795
Changes in assumptions or other inputs	6,109	-
Net difference between projected and actual earnings on pension plan investments	41,405	-
City of Parma, Idaho's contributions subsequent to the measurement date	15,645	-
Total	\$ 91,383	\$ 11,795

\$15,645 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, 2020.

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, 2018, the beginning of the measurement period ended June 30, 2018, is 4.8 and 4.8 for the measurement period June 30, 2020.

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
2021	\$ 16,811
2022	15,217
2023	20,653
2024	26,907

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, 2020

5. PENSION PLAN (continued)

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expense
Cost-of-living adjustments	1%

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

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, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions. The Total Pension Liability as of June 30, 2019, is based on the results of an actuarial valuation date of July 1, 2020

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 2020.

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

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%	2.80%	0.55%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	8.55%	6.30%
Developed Foreign Equities	MSCI EAFE/World ex US	15.00%	8.70%	6.45%
Assumed Inflation - Mean			2.25%	2.25%
Assumed Inflation - Standard Deviation			1.50%	1.50%
Portfolio Arithmetic Mean Return			6.85%	4.60%
Portfolio Standard Deviation			12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return			6.25%	3.89%
Assumed Investment Expenses			0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses			5.85%	3.49%

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, 2020

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 7.05 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 740,795	\$ 361,236	\$ 47,402

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>9/30/2019</u>	<u>Earned</u>	<u>Used</u>	<u>9/30/2020</u>	<u>Current</u>
Governmental Activities	\$ 4,828	\$ 9,342	\$ (10,485)	\$ 3,685	\$ 3,685
Business-type Activities	<u>2,531</u>	<u>7,028</u>	<u>(9,482)</u>	<u>77</u>	<u>77</u>
	<u>\$ 7,359</u>	<u>\$ 16,370</u>	<u>\$ (19,967)</u>	<u>\$ 3,762</u>	<u>\$ 3,762</u>

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

	9/30/19	Additions	Disposals	9/30/20
<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	877,156	-	-	877,156
Improvements	2,491,229	-	-	2,491,229
Equipment	<u>534,461</u>	<u>56,620</u>	<u>(12,200)</u>	<u>578,881</u>
Total Historical Cost	<u>3,902,846</u>	<u>56,620</u>	<u>(12,200)</u>	<u>3,947,266</u>
Less: Accumulated Depreciation				
Buildings	320,849	20,499	-	341,348
Improvements	1,194,611	113,974	-	1,308,585
Equipment	<u>301,099</u>	<u>70,946</u>	<u>(12,200)</u>	<u>359,845</u>
Total Accumulated Depreciation	<u>1,816,559</u>	<u>205,419</u>	<u>(12,200)</u>	<u>2,009,778</u>
Net Depreciable Assets	<u>2,086,287</u>	<u>(148,799)</u>	<u>-</u>	<u>1,937,488</u>
Governmental Activities - Net	<u>\$ 2,232,047</u>	<u>\$ (148,799)</u>	<u>\$ -</u>	<u>\$ 2,083,248</u>
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Easements	\$ 44,325	\$ -	\$ -	\$ 44,325
Construction in Progress	<u>56,132</u>	<u>348,275</u>	<u>-</u>	<u>404,407</u>
Total	<u>100,457</u>	<u>348,275</u>	<u>-</u>	<u>448,732</u>
Capital Assets Being Depreciated:				
Buildings	221,766	-	-	221,766
Improvements	4,949,731	-	-	4,949,731
Equipment	<u>490,077</u>	<u>-</u>	<u>(38,916)</u>	<u>451,161</u>
Total Historical Cost	<u>5,661,574</u>	<u>-</u>	<u>(38,916)</u>	<u>5,622,658</u>
Less: Accumulated Depreciation				
Buildings	100,784	5,544	-	106,328
Improvements	2,865,840	125,228	-	2,991,068
Equipment	<u>347,932</u>	<u>24,806</u>	<u>(38,348)</u>	<u>334,390</u>
Total Accumulated Depreciation	<u>3,314,556</u>	<u>155,578</u>	<u>(38,348)</u>	<u>3,431,786</u>
Net Depreciable Assets	<u>2,347,018</u>	<u>(155,578)</u>	<u>(568)</u>	<u>2,190,872</u>
Business-type Activities - Net	<u>\$ 2,447,475</u>	<u>\$ 192,697</u>	<u>\$ (568)</u>	<u>\$ 2,639,604</u>

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

7. CAPITAL ASSETS (continued)

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

Governmental Activities:	
General	\$ 29,800
Public Safety	30,230
Street	74,936
Airport	36,238
Culture and Recreation	34,215
	<u>\$ 205,419</u>
Business-type Activities	
Water	\$ 128,582
Sewer	26,996
	<u>\$ 155,578</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, 2020

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, 2020, are as follows:

Description	Maturity	Rate	Required Reserve	9/30/19	Increase	Decrease	9/30/20	Current Portion
<u>Governmental Activities:</u>	2024	6.70%	N/A	<u>\$ -</u>	<u>\$ 56,620</u>	<u>\$ (12,838)</u>	<u>\$ 43,782</u>	<u>\$ 9,905</u>
<u>Business-type Activities:</u>								
Water Bond	2032	4.75%	\$80,247	\$ 542,509	\$ -	\$ (31,120)	\$ 511,389	\$ 32,598
Sewer Loan	2026	4.0 - 5.0%	\$31,773	100,000	-	(40,000)	60,000	40,000
Sewer Loan Premium	2026			3,481	-	(1,161)	2,320	-
				<u>\$ 645,990</u>	<u>\$ -</u>	<u>\$ (72,281)</u>	<u>\$ 573,709</u>	<u>\$ 72,598</u>

Debt service requirements on long-term debt at September 30, 2020, 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>	
	Principal	Interest	Principal	Interest
2021	\$ 72,598	\$ 26,831	\$ 9,905	\$ 2,933
2022	54,146	23,603	10,568	2,270
2023	35,768	21,121	11,277	1,562
2024	37,467	19,422	12,032	806
2025	39,247	17,642	-	-
2026 - 2030	226,034	58,411	-	-
2031 - 2032	106,127	10,320	-	-
	<u>\$ 571,389</u>	<u>\$ 177,348</u>	<u>\$ 43,782</u>	<u>\$ 7,571</u>

Total interest incurred and expenses was \$24,554 and \$2,828 for the water and sewer funds respectively. No interest was capitalized during the period.

The Water Bond was under funded by: \$22,155 . The Sewer Fund was under funded by: (\$11,367).

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

9. LONG-TERM LIABILITIES (continued)

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	\$ 56,620
Less: accumulated amortization (listed as depreciation on the accompanying financial statements)	<u>(11,324)</u>
	<u>\$ 45,296</u>

10. 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	52,800
2024	39,600
	<u>\$ 198,000</u>

Lease income for the year ended September 30, 2020 was \$52,800 .

City of Parma, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

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 John Deere backhoe for \$10,171 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,	
2021	\$ 18,015
2022	17,654
2023	<u>17,654</u>
	<u>\$53,323</u>

Rent expense for the year ended September 30, 2020 was \$23,826 .

12. OTHER COMMITMENTS

The City has credit cards with a total credit limit of \$40,000. At September 30, 2020, \$2,221 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, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	\$ 481,396	\$ 481,396	\$ 535,860	\$ 54,464
Licenses and Permits	32,950	32,950	19,239	(13,711)
Intergovernmental	271,000	271,000	226,049	(44,951)
Charges for Services	70,800	70,800	66,501	(4,299)
Interest Earned	6,000	6,000	6,322	322
Other	41,550	41,550	30,936	(10,614)
Total Revenues	<u>903,696</u>	<u>903,696</u>	<u>884,907</u>	<u>(18,789)</u>
Expenditures				
Current:				
General Government	369,100	369,100	193,785	175,315
Public Safety	618,573	618,573	462,049	156,524
Culture and Recreation	108,743	108,743	41,443	67,300
Capital Outlay	<u>146,000</u>	<u>146,000</u>	<u>148,822</u>	<u>(2,822)</u>
Total Expenditures	<u>1,242,416</u>	<u>1,242,416</u>	<u>846,099</u>	<u>396,317</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(338,720)</u>	<u>(338,720)</u>	<u>38,808</u>	<u>377,528</u>
Other Financing Sources (Uses)				
Proceeds from Lease	-	-	56,620	56,620
Transfer Out	<u>(59,379)</u>	<u>(59,379)</u>	<u>-</u>	<u>59,379</u>
Total Other Financing Sources (Uses)	<u>(59,379)</u>	<u>(59,379)</u>	<u>56,620</u>	<u>115,999</u>
Net Change in Fund Balances	(398,099)	(398,099)	95,428	493,527
Fund Balances - Beginning	<u>398,099</u>	<u>398,099</u>	<u>407,706</u>	<u>9,607</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 503,134</u>	<u>\$ 503,134</u>

City of Parma, Idaho
 Budgetary (GAAP Basis) Comparison Schedule - Street Fund
 For the Year Ended September 30, 2020

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Property Taxes	\$ 107,619	\$ 107,619	\$ 121,744	\$ 14,125
Intergovernmental	185,000	185,000	82,746	(102,254)
Interest Earned	4,000	4,000	3,752	(248)
Other	2,000	2,000	23,040	21,040
Total Revenues	<u>298,619</u>	<u>298,619</u>	<u>231,282</u>	<u>(67,337)</u>
Expenditures				
Current:				
Highways and Streets	210,968	210,968	136,413	74,555
Capital Outlay	<u>320,000</u>	<u>320,000</u>	<u>224,263</u>	<u>95,737</u>
Total Expenditures	<u>530,968</u>	<u>530,968</u>	<u>360,676</u>	<u>170,292</u>
Net Change in Fund Balances	(232,349)	(232,349)	(129,394)	102,955
Fund Balances - Beginning	<u>232,349</u>	<u>232,349</u>	<u>404,188</u>	<u>171,839</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,794</u>	<u>\$ 274,794</u>

City of Parma, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2020

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 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
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%	87.26%
2017	0.0153087%	240,626	456,215	52.74%	87.26%
2016	0.0160643%	325,648	458,503	71.02%	82.26%
2015	0.0164239%	216,276	462,040	46.81%	91.38%

Data reported is measured as of June 30, 2020

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
2020	\$ 68,089	\$ 68,089	\$ -	\$ 563,073	12.09%
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, 2020

* 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, 2020

	Budget	Actual	Variance
Taxes:			
Property Taxes	\$ 481,396	\$ 535,860	\$ 54,464
Total Taxes			
Intergovernmental:			
State Liquor Apportionment	30,000	27,763	(2,237)
Court Revenue	20,000	12,647	(7,353)
Inventory Phase-out	64,000	34,478	(29,522)
State Revenue Sharing	82,000	107,123	25,123
Grants	75,000	44,038	(30,962)
Total Intergovernmental	271,000	226,049	(44,951)
Licenses and Permits:			
Beer, Wine, and Liquor Licenses	625	365	(260)
Building Permits	30,000	17,619	(12,381)
Animal Licenses	2,000	1,155	(845)
Miscellaneous Licenses	325	100	(225)
Total Licenses and Permits	32,950	19,239	(13,711)
Charges for Services:			
Planning and Zoning Fees	8,000	50	(7,950)
Leases	52,800	52,800	-
Old Fort Boise Parking	10,000	13,651	3,651
Total Charges and Services	70,800	66,501	(4,299)
Other:			
Refunds and Reimbursements	7,000	2,996	(4,004)
Fines and Fees	5,000	105	(4,895)
Franchise Fees	24,500	13,053	(11,447)
Interest Earned	6,000	6,322	322
Miscellaneous	5,050	14,782	9,732
Gain (Loss) on Sale of Assets	-	-	-
Proceeds from Lease	-	56,620	56,620
Total Other	47,550	93,878	46,328
Total Revenue	<u>\$ 903,696</u>	<u>\$ 941,527</u>	<u>\$ 37,831</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, 2020

	Budget	Actual	Variance
General Government:			
Mayor and Council:	\$ 27,300	\$ 21,931	\$ 5,369
Personal Services			
Administration:			
Personal Services	41,000	26,074	14,926
Capital Outlay	5,000	-	5,000
Total Administration	46,000	26,074	19,926
Election	800	-	800
Other General Government			
Personal Services	73,000	41,018	31,982
Supplies	15,500	8,107	7,393
Other Services and Charges	206,500	96,655	109,845
Capital Outlay	36,000	2,890	33,110
Total Other General Government	331,000	148,670	182,330
Total General Government	405,100	196,675	208,425
Public Safety:			
Law Enforcement			
Personal Services	484,323	360,474	123,849
Supplies	20,000	17,957	2,043
Other Services and Charges	81,500	71,492	10,008
Capital Outlay	40,000	105,833	(65,833)
Total Law Enforcement	625,823	555,756	70,067
Building Inspection:			
Other Services and Charges	25,000	11,687	13,313
Animal Control:			
Other Services and Charges	7,750	439	7,311
Total Public Safety	658,573	567,882	90,691
Culture and Recreation:			
Park:			
Personal Services	61,000	20,692	40,308
Supplies	11,000	3,136	7,864
Other Services and Charges	36,743	17,615	19,128
Capital Outlay	70,000	40,099	29,901
Total Culture and Recreation	178,743	81,542	97,201
Total Expenditures	<u>\$ 1,242,416</u>	<u>\$ 846,099</u>	<u>\$ 396,317</u>

City of Parma, Idaho
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2020

	<u>Library</u>	<u>Airport</u>	<u>Recreation</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 38,294	\$ 54,430	\$ 58,717	\$ 151,441
Receivables, Net:				
Property Tax	2,567	1,117	1,766	5,450
Accounts	1,047	-	-	1,047
Prepaid Items	924	4,547	1,185	6,656
Due from Other Governments	-	-	-	-
Total Assets	<u>\$ 42,832</u>	<u>\$ 60,094</u>	<u>\$ 61,668</u>	<u>\$ 164,594</u>
Liabilities				
Accounts Payable	\$ 2,421	\$ 706	\$ 1,121	\$ 4,248
Salaries and Benefits Payable	1,050	-	-	1,050
Total Liabilities	<u>3,471</u>	<u>706</u>	<u>1,121</u>	<u>5,298</u>
Deferred Inflows				
Unavailable Revenue - Property Taxes	<u>2,222</u>	<u>967</u>	<u>1,528</u>	<u>4,717</u>
Fund Balances				
Nonspendable:				
Prepays	924	4,547	1,185	6,656
Restricted	36,215	53,874	57,834	147,923
Total Fund Balances	<u>37,139</u>	<u>58,421</u>	<u>59,019</u>	<u>154,579</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 42,832</u>	<u>\$ 60,094</u>	<u>\$ 61,668</u>	<u>\$ 164,594</u>

City of Parma, Idaho
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended September 30, 2020

	Library	Airport	Recreation	Total
Revenues				
Property Taxes	\$ 55,488	\$ 37,717	\$ 27,001	\$ 120,206
Intergovernmental	2,314	(1,038)	6,836	8,112
Charges for Services	934	3,005	-	3,939
Interest Earned	296	1,071	134	1,501
Other	5,822	-	-	5,822
Total Revenues	<u>64,854</u>	<u>40,755</u>	<u>33,971</u>	<u>139,580</u>
Expenditures				
Current:				
Airport	-	17,026	-	17,026
Culture and Recreation	55,555	-	10,781	66,336
Capital Outlay	-	22,648	2,568	25,216
Total Expenditures	<u>55,555</u>	<u>39,674</u>	<u>13,349</u>	<u>108,578</u>
Excess (Deficiency) of Revenues Over Expenditures)	<u>9,299</u>	<u>1,081</u>	<u>20,622</u>	<u>31,002</u>
Net Change in Fund Balances	9,299	1,081	20,622	31,002
Fund Balances - Beginning	27,840	57,340	38,397	123,577
Fund Balances - Ending	<u>\$ 37,139</u>	<u>\$ 58,421</u>	<u>\$ 59,019</u>	<u>\$ 154,579</u>

FEDERAL REPORTS



ZWYGART JOHN

CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2020, 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 May 5, 2021.

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
May 5, 2021