

CITY OF VICTOR, IDAHO

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

**CITY OF VICTOR, IDAHO
 BASIC FINANCIAL STATEMENTS
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 SEPTEMBER 30, 2018**

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Victor, 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 aggregate remaining fund information of City of Victor (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.

Auditors' 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 of 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 auditors' 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 auditors consider 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, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds of the City of Victor 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 the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer Contributions for the prior ten fiscal years be presented to supplement the basic financial statements. Such information, although not 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 procedure to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ROBERT D HARDY CPA PC
February 13, 2019



CITY OF VICTOR, IDAHO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 536,644	\$ 1,451,883	\$ 1,988,527
Investments	985,790	-	985,790
Inventory	-	69,651	69,651
Property tax and other receivables	347,211	55,216	402,427
Prepaid expenses	147,812	-	147,812
Accrued interest	363	-	363
Restricted cash and investments	366,375	300,000	666,375
Water rights	-	290,000	290,000
Capital assets (net of accumulated depreciation)			
Infrastructure	1,744,729	-	1,744,729
Land and improvements	815,913	-	815,913
Buildings and improvements	763,688	237,454	1,001,142
Improvements other than buildings	-	7,321,925	7,321,925
Machinery and equipment	107,308	341,920	449,228
Parks	388,873	-	388,873
Total Assets	\$ 6,204,706	\$ 10,068,049	\$ 16,272,755
DEFERRED OUTFLOWS OF RESOURCES			
Pension related outflows	32,329	27,190	59,519
Total Deferred Outflows of Resources	32,329	27,190	59,519
LIABILITIES			
Charges in excess of cash	\$ -	\$ 39,423	\$ 39,423
Accounts payable	87,206	35,769	122,975
Credit card payable	4,675	510	5,185
Accrued payroll and benefits	14,809	11,918	26,727
Compensated absences	27,987	-	27,987
Accrued interest payable	9,178	19,969	29,147
Deposits held	606,286	2,444	608,730
Net pension liability	121,507	126,353	247,860
Bonds payable			
Due within one year	44,565	251,844	296,409
Due in more than one year	197,905	3,286,667	3,484,572
Total Liabilities	1,114,118	3,774,897	4,889,015
DEFERRED INFLOWS OF RESOURCES			
Pension related inflows	27,195	19,065	46,260
Total Deferred Inflows of Resources	27,195	19,065	46,260
NET POSITION			
Net Investment in capital assets	3,820,511	4,362,788	8,183,299
Restricted for:			
Debt service	-	300,000	300,000
Road and bridge	352,615	-	352,615
Unrestricted	922,596	1,638,489	2,561,085
Total Net Position	\$ 5,095,722	\$ 6,301,277	\$ 11,396,999

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF VICTOR, IDAHO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Function / Program	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 804,736	\$ 187,887	\$ 2,500	-	\$ (614,349)	\$ -	\$ (614,349)
Parks and streets	303,653	-	-	-	(303,653)	-	(303,653)
Total governmental activities	1,108,389	187,887	2,500	-	(918,002)	-	(918,002)
Business-type Activities:							
Water, Sewer, and Irrigation	1,383,409	2,202,330	-	-	-	818,921	818,921
Total business-type activities	1,383,409	2,202,330	-	-	-	818,921	818,921
Total primary government	\$ 2,491,798	\$ 2,390,217	\$ 2,500	\$ -	(918,002)	818,921	(99,081)
General Revenues							
Property Taxes					424,628	-	424,628
Highway Use Tax					222,075	-	222,075
Other Taxes					463,014	-	463,014
Investment Earnings					8,187	37,182	45,369
Miscellaneous					81,582	17,632	99,214
Total General Revenues					1,199,486	54,814	1,254,300
Transfers in (out)					(1,477,737)	1,477,737	-
Total general revenues and transfers					(278,251)	1,532,551	1,254,300
Changes in Net Position					(1,196,253)	2,351,472	1,155,219
Net Position, October 1					6,291,975	4,059,866	10,351,841
Prior period adjustment					-	(110,061)	(110,061)
Net Position, September 30					\$ 5,095,722	\$ 6,301,277	\$ 11,396,999

The Notes to the Financial Statements are an Integral Part of this Statement

**CITY OF VICTOR, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	General	Road & Bridge	Capital Projects	Debt Service	Local Option Tax	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 161,263	\$ -	\$ 151,379	\$ 143,319	80,683	\$ 536,644
Restricted cash and cash equivalents	-	366,375	-	-	-	366,375
Investments	985,790	-	-	-	-	985,790
Property tax and other receivables	72,543	25,508	107,814	97,785	43,561	347,211
Prepaid expenses	-	-	147,812	-	-	147,812
Accrued interest	-	-	363	-	-	363
Total Assets	\$ 1,219,596	\$ 391,883	\$ 407,368	\$ 241,104	\$ 124,244	\$ 2,384,195
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 6,825	\$ 625	\$ 74,884	\$ -	\$ 4,872	\$ 87,206
Credit card payable	4,612	-	-	-	63	4,675
Accrued payroll and benefits	12,405	2,404	-	-	-	14,809
Accrued interest	-	-	-	9,178	-	9,178
Compensated absences	27,987	-	-	-	-	27,987
Deposits held	606,286	-	-	-	-	606,286
Bonds payable						
Current	-	-	-	44,565	-	44,565
Long-term	-	-	-	197,905	-	197,905
Total Liabilities	658,115	3,029	74,884	251,648	4,935	992,611
Deferred inflows of resources:						
Unearned revenues	4,128	-	-	41,657	-	45,785
Fund balances (deficit):						
Restricted	-	388,854	-	-	-	388,854
Unassigned	557,353	-	332,484	(52,201)	119,309	956,945
Total Fund Balances	557,353	388,854	332,484	(52,201)	119,309	1,345,799
Total Liabilities and Fund Balances	\$ 1,219,596	\$ 391,883	\$ 407,368	\$ 241,104	\$ 124,244	\$ 2,384,195
Total governmental fund balances						\$ 1,345,799
Amounts reported for governmental activities in the statement of net position are different because:						
Deferred revenue is not available to pay current period expenditures; therefore, is not reported in the funds.						45,785
Pension related activities:						
Net pension liability						(121,507)
Deferred outflows of resources						32,329
Deferred inflows of resources						(27,195)
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.						3,820,511
Net position of governmental activities						\$ 5,095,722

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF VICTOR, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	Road & Bridge	Capital Projects	Debt Service	Local Option Tax	Total Governmental Funds
Revenues						
Taxes	\$ 431,400	\$ -	\$ -	\$ -	\$ -	\$ 431,400
Intergovernmental	223,051	222,075	-	-	239,963	685,089
Interest	962	-	330	6,895	-	8,187
Planning and zoning	175,337	-	-	-	-	175,337
Depot revenue	-	-	41,142	-	-	41,142
Grants	2,500	-	-	-	-	2,500
Miscellaneous	51,240	2,408	420	25,257	-	79,325
Total revenues	884,490	224,483	41,892	32,152	239,963	1,422,980
Expenditures						
General Government						
Salaries and wages	366,490	64,979	-	-	-	431,469
Office expense	35,963	-	-	-	-	35,963
Professional fees	96,177	-	-	-	-	96,177
Repairs and maintenance	11,611	-	-	-	-	11,611
Contributions	25,500	-	-	-	-	25,500
Law enforcement	-	-	-	-	49,633	49,633
Software expense	26,336	-	-	-	-	26,336
Utilities	14,504	-	-	-	-	14,504
Interest expense	-	-	-	10,507	-	10,507
Depot expenses	-	-	22,095	670	-	22,765
Miscellaneous	55,795	-	185	-	7,495	63,475
Capital outlay	-	-	229,262	-	15,972	245,234
Parks and Streets						
Repairs and maintenance	4,094	96,176	-	-	41,580	141,850
Snow removal	-	26,546	-	-	63	26,609
Lights	-	4,476	-	-	-	4,476
Total expenditures	636,470	192,177	251,542	11,177	114,743	1,206,109
Excess of revenues over (under) expenditures	248,020	32,306	(209,650)	20,975	125,220	216,871
Other financing sources (uses):						
Unrealized investment gains (losses)	(4,212)	-	-	-	-	(4,212)
Transfers in	-	51,723	-	-	-	51,723
Transfers out	(88,308)	-	(1,222,394)	-	(218,758)	(1,529,460)
Net change in fund balance	155,500	84,029	(1,432,044)	20,975	(93,538)	(1,265,078)
Fund Balances (Deficit), Oct 1	401,853	304,825	1,764,528	(73,176)	212,847	2,610,877
Fund Balances (Deficit), Sept 30	\$ 557,353	\$ 388,854	\$ 332,484	\$ (52,201)	\$ 119,309	\$ 1,345,799

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

Net changes in fund balances-total governmental funds \$ (1,265,078)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 91,775

Because the City's year end is different than that of Idaho Persi, an adjustment is made to pension expense for the year to agree to actuarial amounts. 10,157

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. (33,107)

Changes in net position of governmental activities. \$ (1,196,253)

CITY OF VICTOR, IDAHO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	GENERAL FUND				ROAD & BRIDGE			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:								
Taxes	\$ 395,970	\$ 395,970	\$ 431,400	\$ 35,430	\$ 12,227	\$ 12,227	\$ -	\$ (12,227)
Intergovernmental	183,116	183,116	223,051	39,935	187,773	187,773	222,075	34,302
Interest	-	-	962	962	-	-	-	-
Planning and zoning	70,000	86,000	175,337	89,337	-	-	-	-
Grants	94,538	103,538	2,500	(101,038)	-	-	-	-
Miscellaneous	34,262	34,262	51,240	16,978	-	-	2,408	2,408
Total revenues	777,886	802,886	884,490	81,604	200,000	200,000	224,483	24,483
Expenditures:								
General Government								
Salaries and benefits	423,507	423,507	366,490	57,017	62,425	62,425	64,979	(2,554)
Office expense	47,453	47,453	35,963	11,490	-	-	-	-
Purchased services	74,323	90,323	96,177	(5,854)	-	-	-	-
Repairs and maintenance	10,300	10,300	11,611	(1,311)	-	-	-	-
Contributions	25,500	25,500	25,500	-	-	-	-	-
Software expense	25,436	25,436	26,336	(900)	-	-	-	-
Utilities	14,040	14,040	14,504	(464)	-	-	-	-
Community support	17,575	17,575	10,873	6,702	-	-	-	-
Miscellaneous	132,537	141,537	44,922	96,615	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Parks and Streets								
Repairs and maintenance	7,215	7,215	4,094	3,121	56,654	56,654	96,176	(39,522)
Snow Removal	-	-	-	-	77,000	77,000	26,546	50,454
Lights	-	-	-	-	3,921	3,921	4,476	(555)
Total expenditures	777,886	802,886	636,470	166,416	200,000	200,000	192,177	7,823
Excess of revenues over (under) expenditures	-	-	248,020	248,020	-	-	32,306	32,306
Other financing sources (uses):								
Unrealized investment gains (losses)	-	-	(4,212)	(4,212)	-	-	-	-
Transfers in	-	-	-	-	-	-	51,723	51,723
Transfers out	-	-	(88,308)	(88,308)	-	-	-	-
Net change in fund balance	-	-	155,500	155,500	-	-	84,029	84,029
Fund Balance (Deficit), Oct 1	401,853	401,853	401,853	-	304,825	304,825	304,825	-
Fund Balance (Deficit), Sep 30	\$ 401,853	\$ 401,853	\$ 557,353	\$ 155,500	\$ 304,825	\$ 304,825	\$ 388,854	\$ 84,029

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF VICTOR, IDAHO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

	CAPITAL PROJECTS				DEBT SERVICE			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	6,895	6,895
Interest	-	-	330	330	-	-	-	-
Planning and zoning	-	-	-	-	-	-	-	-
Depot revenue	38,700	38,700	41,142	2,442	-	-	-	-
Miscellaneous	42,147	172,147	420	(171,727)	54,870	55,541	25,257	(30,284)
Total revenues	80,847	210,847	41,892	(168,955)	54,870	55,541	32,152	(23,389)
Expenditures:								
General Government								
Salaries and benefits	-	-	-	-	-	-	-	-
Office expense	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-	-
Depot expenses	38,700	38,700	22,095	16,605	-	-	-	-
Interest expense	-	-	-	-	-	-	10,507	(10,507)
Miscellaneous	42,147	172,147	185	171,962	54,870	55,541	670	54,871
Capital outlay	-	-	229,262	(229,262)	-	-	-	-
Parks and Streets	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-
Lights	-	-	-	-	-	-	-	-
Total expenditures	80,847	210,847	251,542	(40,695)	54,870	55,541	11,177	44,364
Excess of revenues over (under) expenditures	-	-	(209,650)	(209,650)	-	-	20,975	20,975
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(1,222,394)	(1,222,394)	-	-	-	-
Net change in fund balance	-	-	(1,432,044)	(1,432,044)	-	-	20,975	20,975
Fund Balance (Deficit), Oct 1	1,764,528	1,764,528	1,764,528	-	(73,176)	(73,176)	(73,176)	-
Fund Balance (Deficit), Sep 30	\$ 1,764,528	\$ 1,764,528	\$ 332,484	\$ (1,432,044)	\$ (73,176)	\$ (73,176)	\$ (52,201)	\$ 20,975

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF VICTOR, IDAHO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

LOCAL OPTION TAX				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	171,195	222,195	239,963	17,768
Interest	-	-	-	-
Planning and zoning	-	-	-	-
Depot revenue	-	-	-	-
Miscellaneous	205,000	205,000	-	(205,000)
Total revenues	376,195	427,195	239,963	(187,232)
Expenditures:				
General Government				
Salaries and benefits	-	-	-	-
Planning and zoning	-	-	-	-
Office expense	-	-	-	-
Professional fees	-	-	-	-
Repairs and maintenance	-	-	-	-
Contributions	-	-	-	-
Law enforcement	51,992	51,992	49,633	2,359
Utilities	-	-	-	-
Interest expense	-	-	-	-
Depot expenses	-	-	-	-
Miscellaneous	210,804	215,804	7,495	208,309
Capital outlay	-	10,547	15,972	(5,425)
Parks and Streets				
Repairs and maintenance	105,399	140,852	41,580	99,272
Snow removal	8,000	8,000	63	7,937
Lights	-	-	-	-
Total expenditures	376,195	427,195	114,743	312,452
Excess of revenues over (under) expenditures	-	-	125,220	125,220
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(218,758)	(218,758)
Net change in fund balance	-	-	(93,538)	(93,538)
Fund Balance (Deficit), Oct 1	212,847	212,847	212,847	-
Fund Balance (Deficit), Sep 30	\$ 212,847	\$ 212,847	\$ 119,309	(93,538)

The Notes to the Financial Statements are an Integral Part of this Statement

**CITY OF VICTOR, IDAHO
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018**

	Water	Sewer	Irrigation	Business-type Activities Water & Sewer
ASSETS				
Cash and cash equivalents	\$ 394,770	\$ 1,057,113	\$ -	\$ 1,451,883
Inventory	69,651	-	-	69,651
Receivables	36,080	19,136	-	55,216
Restricted cash and investments	300,000	-	-	300,000
Water rights	290,000	-	-	290,000
Capital assets (net of accumulated depreciation)				
Buildings and improvements	237,454	-	-	237,454
Improvements other than buildings	4,260,479	3,061,446	-	7,321,925
Machinery and equipment	156,242	185,678	-	341,920
Total Assets	\$ 5,744,676	\$ 4,323,373	\$ -	\$ 10,068,049
DEFERRED OUTFLOWS OF RESOURCES				
Pension related outflows	13,595	13,595	-	27,190
Total Deferred Outflows of Resources	13,595	13,595	-	27,190
LIABILITIES				
Charges in excess of cash	\$ -	\$ -	\$ 39,423	\$ 39,423
Accounts payable	9,477	26,292	-	35,769
Credit card payable	-	510	-	510
Accrued payroll taxes	5,959	5,959	-	11,918
Deposits on account	-	-	2,444	2,444
Accrued interest payable	19,969	-	-	19,969
Net pension payable	63,177	63,176	-	126,353
Bonds payable				
Due within one year	198,181	53,663	-	251,844
Due in more than one year	2,374,392	912,275	-	3,286,667
Total Liabilities	2,671,155	1,061,875	41,867	3,774,897
DEFERRED INFLOWS OF RESOURCES				
Pension related inflows	9,533	9,532	-	19,065
Total Deferred Inflows of Resources	9,533	9,532	-	19,065
NET POSITION				
Net Investment in capital assets	2,081,602	2,281,186	-	4,362,788
Restricted for:				
Debt service	300,000	-	-	300,000
Unrestricted	695,981	984,375	(41,867)	1,638,489
Total Net Position	\$ 3,077,583	\$ 3,265,561	\$ (41,867)	\$ 6,301,277

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF VICTOR, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION
PROPRIETY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Water	Sewer	Irrigation	Business-type Activities Total
Operating revenues:				
Charges for services	\$ 1,191,045	\$ 998,562	\$ 12,723	\$ 2,202,330
Miscellaneous	17,509	123	-	17,632
Total revenues	1,208,554	998,685	12,723	2,219,962
Operating expenses:				
Salaries and wages	201,556	216,514	5,889	423,959
Professional fees	12,139	10,160	-	22,299
Professional development	3,400	4,472	-	7,872
Repairs and maintenance	111,585	34,187	9,161	154,933
Chemicals and treatment	4,225	320,777	-	325,002
Utilities	43,831	9,932	-	53,763
Depreciation	213,008	118,650	-	331,658
Miscellaneous	-	31	610	641
Total operating expenses	589,744	714,723	15,660	1,320,127
Operating income (loss)	618,810	283,962	(2,937)	899,835
Non-operating revenues (expenses):				
Interest income	16,934	20,248	-	37,182
Interest expense	(63,282)	-	-	(63,282)
Total non-operating revenues (expenses)	(46,348)	20,248	-	(26,100)
Income (loss) before contributions and transfers	572,462	304,210	(2,937)	873,735
Capital contributions	-	-	-	-
Transfers in	414,953	1,062,784	-	1,477,737
Transfers out	-	-	-	-
Change in Net Position	987,415	1,366,994	(2,937)	2,351,472
Net Position, October 1	2,171,361	1,927,435	(38,930)	4,059,866
Prior period adjustment	(81,193)	(28,868)	-	(110,061)
Net Position, September 30	\$ 3,077,583	\$ 3,265,561	\$ (41,867)	\$ 6,301,277

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF VICTOR, IDAHO
STATEMENT OF CASH FLOWS
PROPRIETY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Water	Sewer	Irrigation	Business-type Activities Total
Cash flows provided by operating activities:				
Receipts from customers and users	\$ 1,174,190	\$ 994,065	\$ 16,537	\$ 2,184,792
Payments to suppliers and employees	(394,085)	(572,615)	(15,660)	(982,360)
Other receipts and payments	17,509	123	-	17,632
Net cash provided (used) by operating activities	797,614	421,573	877	1,220,064
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(27,953)	(51,603)	-	(79,556)
Advances (transfers) on long term debt	(81,193)	(28,868)	-	(110,061)
Principal and interest paid on long-term debt	(258,857)	(53,663)	-	(312,520)
Transfers in (out) of other funds	414,953	1,062,784	-	1,477,737
Net cash provided (used) by capital and related financing activities	46,950	928,650	-	975,600
Cash flows from investing activities:				
Proceeds from sale of investments	-	-	-	-
Purchase of investments	(39,263)	-	-	(39,263)
Interest received on investments	16,934	20,248	-	37,182
Net cash provided (used) by investing activities	(22,329)	20,248	-	(2,081)
Net increase (decrease) in cash	822,235	1,370,471	877	2,193,583
Cash and cash equivalents, October 1	(427,465)	(313,358)	(40,300)	(781,123)
Cash and cash equivalents, September 30	\$ 394,770	\$ 1,057,113	\$ (39,423)	\$ 1,412,460
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 618,810	\$ 283,962	\$ (2,937)	899,835
Depreciation	213,008	118,650	-	331,658
(Increase) decrease in accounts receivable	(16,855)	(4,497)	3,814	(17,538)
(Increase) decrease in prepaid expenses	-	-	-	-
Increase (decrease) in salaries/wages for NPL	(3,977)	(3,977)	-	(7,954)
Increase (decrease) in accounts payable	(16,232)	24,788	-	8,556
Increase (decrease) in wages payable	2,860	2,860	-	5,720
Increase (decrease) in credit card payable	-	(213)	-	(213)
Net cash provided (used) by operating activities	\$ 797,614	\$ 421,573	\$ 877	\$ 1,220,064

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF VICTOR, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Victor have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below:

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of Victor. The City is governed by an elected City Council which possesses final decision making authority and is held primarily accountable for those decisions. The City Council is responsible for approving the budget, establishing spending limitations, funding and deficits and borrowing funds and/or issuing bonds to finance construction. There are no other boards, councils, or component units for which the City of Victor exercises authority.

Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. The City of Victor has no non-major funds and no fiduciary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and other revenues if they are collected within 90 days of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debts service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only payment is due.

The government reports the following major governmental funds:

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

The Special Revenue Funds are used to account for financial resources to be used for legally restricted specific purposes. The City uses these funds to account for the repair and maintenance of streets and street lights.

The government reports the following major proprietary funds:

The Water & Sewer Fund accounts for the operations of providing water to the citizens of the City and for the operations of the City's sewer system.

Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions, and capital grants and contributions. All taxes are reported as general revenues as are internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Inventories

The governmental funds of the City use the purchase method, whereby inventory items are considered expenditures when purchased. They are not included in the financial statements because the amounts outstanding at year end are immaterial.

Deposits and Investments

Statutes authorize the City to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or any taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool. Deposits (cash and certificates of deposit) are carried at cost which approximates market value except for outstanding checks which had not cleared the accounts by the end of the year.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

All the assets listed below are measured at fair value using quoted prices in active markets for identical assets (Level 1), as of September 30, 2018:

Cash and deposits:	
Money market	\$ 2,002
Debt Securities:	
US Government Bonds	<u>983,788</u>
TOTAL	<u>\$ 985,790</u>

Credit Risk is the risk that an issuer or other counterparty to an investment will no fulfill its obligation. At September 30, 2018, the City’s investments had the following quality ratings:

<u>Investment type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>
Federal Home Loan Bank	\$ 247,460	AAA
Federal Natl Mtg Assn	237,805	AAA
Federal Home Ln Mtg	248,840	AAA
Resolution Fdg Fed Book	249,683	Unrated Federal Bonds

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City’s funds are invested in cash and or certificates of deposits in institutions covered by the Federal Deposit Insurance Corporation insurance (FDIC). As of September 30, 2018, the City’s cash and investments consisted of \$3,601,269 in business checking and certificates of deposits with local banks and the Idaho State Treasurer’s Fund. Fair market value and cost were the same. Average credit quality ratings and the weighted average days to maturity do not apply to these deposits. All information pertaining to the Idaho State Treasurer’s Fund can be obtained at: <http://sto.idaho.gov>. Currently, \$3,101,269 of the city’s deposits are not covered by the Federal Deposit Insurance Corporation.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City’s investment in a single issue. The City’s currently has the majority of its deposits with a national and local bank, and the State Treasurer’s Fund and, therefore, exceeds the 5 percent of its total assets with a single institution.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City’s deposits within the FDIC limits should not be adversely effected by a change in interest rates because cost and fair market value are the same.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, lighting systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All material fixed assets are valued at historical cost. Donated fixed assets

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed, and any gain or loss arising from its disposal is credited or charged to operations. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Capital assets are reported net of accumulated depreciation on the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25-40	years
Improvements other than buildings	25-40	years
Furniture & fixtures	10-15	years
Equipment	10-20	years

Long-term Liabilities

Long-term liabilities consist of bonds, notes and other indebtedness including material liabilities associated with compensated absences.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

Budgets and Budgetary Accounting

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

1. Prior to certifying the tax levy to the county commissioners, and prior to passing the annual appropriation ordinance, a public meeting shall be held to adopt a budget by a favorable vote of the majority of members of the council.
2. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principals. Uncommitted appropriations lapse at every year end.

Restricted Assets

Cash and investments, the use of which is restricted for the repair of utility facilities, payment of debt service, and other items specified by the bondholders are classified as restricted assets.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

Governmental Fund Balances

The City has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended September 30, 2018. In the fund financial statements, governmental funds report the following classifications of fund balance:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. The City had no committed fund balances on September 30, 2018.

Assigned – Amounts that are constrained by an intent to be used for specific purposes but are neither restricted nor committed.

Unassigned – All amounts not included in other spendable classifications.

Compensated Absences

The City reports compensated absences in its governmental funds in accordance with the provisions of GASB Interpretation No 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. The City uses the current financial resources measurement focus and the modified accrual basis of accounting. Compensated absences are recorded only when actually due and payable and are expected to be liquidated with expendable available financial resources. The entire amount of compensated absences is reported as a fund liability. The entire compensated absence liability is reported on the government-wide financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

2. ACCOUNTS RECEIVABLE

The City’s Water & Sewer accounts receivable are reported at their gross amounts. The City estimates that the amount of uncollectible accounts would not be significant to the outstanding balance, therefore no amount has been accrued for bad debt.

3. PROPERTY TAXES

Property taxes are levied by the 2nd Monday in September, in conformity with Title 31, Section 1605, of the Idaho State Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before December 20 and June 20 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

4. RETIREMENT PLAN

The City 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. The audit report, completed by Eide Bailly, LLP and the Actuary Report, completed by Milliman Financial Reporting Valuation, 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.

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. 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, 2018 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% general employees and 11.66% for police and firefighters. The City's contributions were \$7,462 for the year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2018, the City's proportion was 0.0168039 percent.

For the year ended September 30, 2018, the City recognized pension expense of \$60,387. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 27,208	\$ 18,719
Changes in assumptions	16,128	-
Net difference between projected & actual earnings on pension plan investments	-	27,539
Changes in proportion & differences between City contributions & proportionate share of contributions	-	-
<u>City contributions subsequent to the measurement date</u>	<u>16,181</u>	<u>-</u>
 <u>Total</u>	 <u>\$ 59,517</u>	 <u>\$ 46,258</u>

\$16,181 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, 2017 the beginning of the measurement period ended June 30, 2018 is 4.9 and 5.5 for the measurement period June 30, 2018.

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:

Year ended	
September 30,	
2019	\$ 20,148
2020	2,374
2021	(20,310)
2022	(5,133)

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.

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases including inflation	3.75%
Investment rate of return	7.05%, net of investment expenses
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:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- 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, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Nominal Rate of Return (Arithmetic)</u>	<u>Long Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long Term Expected Geometric Rate of Return, Net of Investment Expenses			7.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. 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.

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%, 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%) or 1-percentage-point higher (8.05%) 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)	\$ 620,451	\$ 247,860	\$ (60,660)

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. The audit report, completed by Eide Bailly, LLP and the Actuary Report, completed by Milliman Financial Reporting Valuation, may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the Pension Plan

At September 30, 2018, the City reported payables to the defined benefit pension plan of \$2,133 for legally required employer contributions and \$1,279 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

5. RESTRICTED CASH

Restrictions on cash are due to bond and loan requirements. The revenue bonds require one annual installment plus the prorated annual portion of the next payment be set aside as restricted cash. The City is in compliance with these requirements. The Road and Bridge fund also has a balance restricted by state statute for use in construction, maintenance, and other applicable expenses associated with the upkeep of the City's infrastructure, per the council's discretion.

6. STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, all checking and savings accounts with maturity dates of 90 days or less are considered to be cash and cash equivalents.

7. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 2017	Additions	Retirements	Balance 2018
Governmental Activities:				
Infrastructure	\$ 2,654,841	\$ -	\$ -	\$ 2,654,841
Land and improvements	586,651	229,262	-	815,913
Buildings and improvements	1,031,118	-	-	1,031,118
Machinery and equipment	276,418	15,972	-	292,390
Parks	642,733	-	-	642,733
	<u>5,191,761</u>	<u>245,234</u>	<u>-</u>	<u>5,436,995</u>
Accumulated Depreciation:				
Infrastructure	819,485	90,627	-	910,112
Land and improvements	-	-	-	-
Buildings and improvements	235,214	32,216	-	267,430
Machinery and equipment	173,195	11,887	-	185,082
Parks	235,131	18,729	-	253,860
	<u>1,463,025</u>	<u>153,459</u>	<u>-</u>	<u>1,616,484</u>
Net Book Value:				
Infrastructure	1,835,356	(90,627)	-	1,744,729
Land and improvements	586,651	229,262	-	815,913
Buildings and improvements	795,904	(32,216)	-	763,688
Machinery and equipment	103,223	4,085	-	107,308
Parks	407,602	(18,729)	-	388,873
	<u>\$ 3,728,736</u>	<u>\$ 91,775</u>	<u>\$ -</u>	<u>\$ 3,820,511</u>
Business-type Activities:				
Buildings and improvements	\$ 283,006	\$ -	\$ -	\$ 283,006
Improvements other than buildings	10,560,601	-	-	10,560,601
Water & Sewer equipment	593,765	79,556	-	673,321
	<u>11,437,372</u>	<u>79,556</u>	<u>-</u>	<u>11,516,928</u>
Accumulated Depreciation:				
Buildings and improvements	43,160	2,392	-	45,552
Improvements other than buildings	2,951,051	287,625	-	3,238,676
Water & Sewer equipment	289,760	41,641	-	331,401
	<u>3,283,971</u>	<u>331,658</u>	<u>-</u>	<u>3,615,629</u>
Net Book Value:				
Building and improvements	239,846	(2,392)	-	237,454
Improvements other than buildings	7,609,550	(287,625)	-	7,321,925
Water & Sewer equipment	304,005	37,915	-	341,920
	<u>\$ 8,153,401</u>	<u>\$ (252,102)</u>	<u>\$ -</u>	<u>\$ 7,901,299</u>

Depreciation expense for the current period is \$44,103 in the General Governmental Funds and \$109,356 in Parks and Streets, as applied to each function in the Statement of Activities.

8. BONDS PAYABLE

Governmental Funds:

On November 9, 2007, the City issued special assessment bonds through USDA Rural Development for \$599,475 at 4.25%. The bonds require annual payments for 15 years of \$54,870.

The following is a schedule of principal and interest payments on long-term debt to maturity:

Year Ended September 30.	Principal	Interest	Total
2019	\$ 44,565	\$ 10,305	\$ 54,870
2020	46,459	8,411	54,870
2021	48,434	6,436	54,870
2022	50,492	4,378	54,870
2023	52,520	2,232	54,752
Thereafter	—	—	—
	<u>\$ 242,470</u>	<u>\$ 31,762</u>	<u>\$ 274,232</u>

Business Type Enterprises:

On May 15, 2006, the City issued water revenue bonds through Department of Environmental Quality for \$2,000,000 at 3.5%. The bonds require semi-annual payments for 20 years of \$69,944.

On July 28, 2014, the City issued water revenue bonds through Department of Environmental Quality for \$2,000,000 at 1.75%. The bonds require semi-annual payments for 20 years of \$59,485.

On June 21, 2016, the City closed a note with the City of Driggs for the sewer interceptor for \$1,073,264 at 0%. The note requires semi-annual payments for 20 years of \$26,831.

The following is a schedule of principal and interest payments on long-term debt to maturity:

Year Ended September 30.	Principal	Interest	Total
2019	\$ 251,844	\$ 60,677	\$ 312,521
2020	257,987	54,534	312,521
2021	263,717	48,805	312,522
2022	269,472	43,048	312,520
2023	275,403	37,119	312,522
Thereafter	<u>2,220,088</u>	<u>141,279</u>	<u>2,361,367</u>
	<u>\$ 3,538,511</u>	<u>\$ 385,462</u>	<u>\$ 3,923,973</u>

A summary of changes in long-term debt is as follows:

	Balance 9/30/2017	Additions	Reductions	Balance 9/30/2018
Special Assessment	285,218	—	(42,748)	242,470
2006 Water revenue bonds	1,026,883	—	(106,917)	919,966
2014 Water revenue bonds	1,741,567	—	(88,960)	1,652,607
2016 Driggs wastewater loan	1,019,601	—	(53,663)	965,938
TOTAL	\$ 4,073,269	\$ —	\$ (292,288)	\$ 3,780,981

Cash outlays for interest on bonds and related debt for the year ended September 30, 2018 were \$75,103.

9. INTERFUND TRANSFERS

Each year the city transfers amounts between its funds for various purposes. These include funding capital asset purchases and reassigning fund balances to support certain activities. Current year activity is as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ -	\$ 88,308
Road and bridge fund	51,723	-
Enterprise fund	1,477,737	-
Debt service fund	-	-
Capital projects fund	-	1,222,394
Local option tax fund	-	218,758
	<u>\$ 1,529,460</u>	<u>\$ 1,529,460</u>

10. RISK MANAGEMENT/INSURANCE COVERAGE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred most of its risks by purchasing commercial insurance. Workman's Compensation is purchased through the Idaho State Insurance Fund.

All other insurance has been purchased through the Idaho Counties Risk Management Program. The current year policy expires October 1, 2018 and has been renewed to October 1, 2019. The policy coverage's include: All risks of physical loss or damage, automobile physical damage, comprehensive general liability, premises medical payments, law enforcement liability, automobile liability, errors or omissions liability, employee dishonesty, money & securities, and depositors forgery

11. SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 31, 2018, the date the financial statements were available to be issued. No significant events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

12. OTHER REQUIRED DISCLOSURES

The City had no related party transactions during the year. The City has a contingency of up to \$307,700 in the Capital Projects fund as part of a contract to help the Victor Urban Renewal Agency in the construction of an asphalt roadway. The project must commence within 24 months of the contract date, not to pass August 2019. The monies to be paid to the Agency have been negotiated as a loan as of the end of the current fiscal year and are to be paid to the Agency as costs are incurred.

Due to an error in reporting, a prior period adjustment has been made within the Enterprise fund to account for a utility receivable amount which was written off in a prior year. The water receivable and its associated net position have been decreased by \$81,193, the sewer receivable and its associated net position have been decreased by \$28,868.

**INDEPENDENT AUDITORS' 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***

To the Mayor and City Council
City of Victor, Idaho

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Victor, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Victor's basic financial statements and have issued our report thereon dated February 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Victor, 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 Victor's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Victor'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 City of Victor'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 *Governmental 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 the 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.

Idaho Falls, Idaho
February 13, 2019

A handwritten signature in black ink, appearing to be 'R. J. [unclear]', written over a horizontal line.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VICTOR, IDAHO
Schedule of Employer's Share of Net Pension Liability
PERSI – Base Plan
Last 10 – Fiscal Years *

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Employer's portion of net pension liability	0.0165668%	0.0164693%	0.0172800%
Employer's proportionate share of net pension liability	\$ 218,158	\$ 333,158	\$ 271,612
Employer's covered-employee payroll	468,612	487,381	530,362
Employer's proportional share of net pension liability as a percentage of its covered-employee payroll	46.55%	68.36%	51.21%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	87.26%	90.68%

	<u>2018</u>
Employer's portion of net pension liability	0.0168039%
Employer's proportionate share of net pension liability	\$ 247,860
Employer's covered-employee payroll	533,365
Employer's proportional share of net pension liability as a percentage of its covered-employee payroll	46.47%
Plan fiduciary net position as a percentage of the total pension liability	91.69%

Data reported as of June 30, 2018

Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contributions	\$ 54,190	\$ 55,172	\$ 60,037
Contributions in relation to the statutorily required contributions	53,219	54,950	59,527
Contribution (deficiency) excess	(971)	(222)	(510)
Employer's covered-employee payroll	468,612	487,381	530,362
Contributions as a percentage of covered-employee payroll	11.36%	11.27%	11.22%

	<u>2018</u>
Statutorily required contributions	\$ 60,377
Contributions in relation to the statutorily required contributions	60,387
Contribution (deficiency) excess	10
Employer's covered-employee payroll	533,365
Contributions as a percentage of covered-employee payroll	11.32%

* 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 District will present information for those years for which information is available.

Data reported as of September 30, 2018