

City of Victor, Idaho

Financial Statements and Supplemental
Information

Year Ended September 30, 2020



WIPFLI

Independent Auditor's Report

Honorable Mayor and City Council
City of Victor
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 the City of Victor (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.

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; 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 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 unmodified and adverse audit opinions.

Summary of Opinions

<i>Opinion Unit</i>	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Adverse
General Fund	Unmodified
Road & Bridge Fund	Unmodified
Capital Projects Fund	Unmodified
Local Option Tax	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States require financial data for component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States means the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit could not be determined and reported.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the 'Basis for Adverse Opinion on the Discretely Presented Component Unit' paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Victor, Idaho as of September 30, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Unmodified 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 aggregate remaining fund information of the City of Victor, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the schedule of employer's share of net pension liability and schedule of employer contributions for the prior ten fiscal years, and budgetary comparison information on pages 35 through 38 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, 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 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 January 29, 2021, 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 the effectiveness of the City's 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.

Wipfli LLP

Wipfli LLP
January 29, 2021
Idaho Falls, Idaho

City of Victor

Government-wide Statement of Net Position

September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 1,618,873	\$ 2,139,544	\$ 3,758,417
Receivables			
Property taxes	13,663		13,663
Intergovernmental	359,923		359,923
Accounts receivable		175,823	175,823
Other	109,020		109,020
Prepaid expenses	138,812	1,000	139,812
Restricted cash and investments		259,000	259,000
Capital assets			
Nondepreciable assets	815,913	470,866	1,286,779
Depreciable assets, net	3,334,116	7,546,457	10,880,573
Total assets	6,390,320	10,592,690	16,983,010
Deferred Outflows of Resources			
Related to pensions	60,498	51,042	111,540
LIABILITIES			
Current liabilities			
Accounts payable	35,350	93,035	128,385
Accrued salaries and benefits	17,747	13,443	31,190
Deposits payable	48,503		48,503
Compensated absences	23,614	27,228	50,842
Connection payable		5,466	5,466
Accrued interest		13,155	13,155
Noncurrent liabilities			
Pension plan payable	216,830	207,066	423,896
Due within one year		319,259	319,259
Due in more than one year		3,053,699	3,053,699
Total liabilities	342,044	3,732,351	4,074,395
Deferred Inflows of Resources			
Related to pensions	9,638	4,203	13,841
NET POSITION			
Net investment in capital assets	4,150,029	4,644,365	8,794,394
Restricted			
Debt services		259,000	259,000
Capital projects	607,248		607,248
Unrestricted	1,341,859	2,003,813	3,345,672
Total net position	\$ 6,099,136	\$ 6,907,178	\$ 13,006,314

The accompanying notes are an integral part of this statement.

City of Victor

Government-wide Statement of Activities

For the Year Ended September 30, 2020

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities	\$ 1,111,668	\$ 58,110	\$ 108,660		\$ (944,898)		\$ (944,898)
Parks and street	443,843	5,781			(438,062)		(438,062)
Capital Outlays	75,355				(75,355)		(75,355)
Total governmental activities	1,630,866	63,891	108,660	-	(1,458,315)	-	(1,458,315)
Business-type activities							
Water	767,510	876,955				109,445	109,445
Wastewater	869,503	949,933				80,430	80,430
Irrigation	14,221	16,812				2,591	2,591
Total business-type activities	1,651,234	1,843,700	-	-	-	192,466	192,466
Total primary government	3,282,100	1,907,591	108,660	-	(1,458,315)	192,466	(1,265,849)
General revenues							
Property taxes					455,130		455,130
LID assessments					15,885		15,885
Intergovernmental revenues					906,637		906,637
Other revenue					119,101		119,101
Earnings on investments					34,108	35,431	69,539
Gain on disposal of assets					41,867	61,101	102,968
Total general revenues					1,572,728	96,532	1,669,260
Change in net position					114,413	288,998	403,411
Net position - beginning, as restated					5,984,723	6,618,180	12,602,903
Net position - ending					6,099,136	6,907,178	13,006,314

The accompanying notes are an integral part of this statement.

City of Victor
Balance Sheet
Governmental Funds

September 30, 2020

	General	Road and Bridge	Capital Projects	Local Option Tax	Non-major (Debt Service)	Total Governmental Funds
ASSETS						
Cash and investments	\$ 644,988	\$ 390,240	\$ 72,782	\$ 458,319	\$ 52,544	\$ 1,618,873
Receivables						
Property taxes	13,663					13,663
Intergovernmental	55,771	31,836	272,316			359,923
Interfund	94,693		264,864			359,557
Other	11,216		363	62,219	35,222	109,020
Prepaid expenses	1,000		137,812			138,812
Total assets	\$ 821,331	\$ 422,076	\$ 748,137	\$ 520,538	\$ 87,766	\$ 2,599,848
LIABILITIES						
Accounts payable	19,926	10,871	3,077	1,476		35,350
Accrued salaries and benefits	15,372	2,375				17,747
Deposits payable	48,503					48,503
Due to other funds		264,864			94,693	359,557
Total liabilities	83,801	278,110	3,077	1,476	94,693	461,157
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	6,055				9,795	15,850
FUND BALANCE						
Nonspendable						
Prepaid expenses	1,000		137,812			138,812
Restricted			607,248			607,248
Committed for						
Equipment reserves		74,448		23,753		98,201
Grant match		46,000				46,000
Contingency reserve	405,343	23,518				428,861
Improvement projects	24,000			55,000		79,000
Assigned				440,309		440,309
Unassigned	301,132				(16,722)	284,410
Total fund balances	731,475	143,966	745,060	519,062	(16,722)	2,122,841
Total liabilities, deferred inflows of resources, and fund balances	\$ 821,331	\$ 422,076	\$ 748,137	\$ 520,538	\$ 87,766	\$ 2,599,848

The accompanying notes are an integral part of this statement.

City of Victor

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

September 30, 2020

Total fund balances - governmental funds		\$ 2,122,841
<p>Amounts reported for governmental activities in the statement of net position are different due to the following items:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		4,150,029
Property taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures, and therefore are shown as unavailable in the funds.		15,850
The net pension liability and the deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the statement of net position: net pension liability is \$216,830, deferred inflows of resources related to pensions is \$9,638 and deferred outflows of resources related to pensions is \$60,498.		(165,970)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
<p>Long-term liabilities at year end consisted of:</p>		
Compensated absences		(23,614)
		(23,614)
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Total net position - governmental activities		\$ 6,099,136

The accompanying notes are an integral part of this statement.

City of Victor

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended September 30, 2020

	General	Road and Bridge	Capital Projects	Local Option Tax	Non-major (Debt Service)	Total Governmental Funds
REVENUES						
Property taxes	\$ 465,425					\$ 465,425
Licenses and permits	9,070					9,070
Fines and assessments	8,204				\$ 15,885	24,089
Intergovernmental revenue	280,979	\$ 237,249		\$ 497,069		1,015,297
Planning	49,040					49,040
Recreation fees	5,781					5,781
Earnings on investments	8,073	4,547	\$ 848	5,341	612	19,421
Miscellaneous revenue	41,075	45,000	69,822			155,897
Total revenues	867,647	286,796	70,670	502,410	16,497	1,744,020
EXPENDITURES						
General government						
Salaries and wages	545,461	60,412				605,873
Office expense	24,442					24,442
Professional fees	109,513					109,513
Repairs & maintenance	7,356					7,356
Contributions	21,750					21,750
Law enforcement				53,655		53,655
Software expense	28,684					28,684
Utilities	37,194					37,194
Debt service					149,563	149,563
Depot expenses			27,600			27,600
Miscellaneous	121,277				1	121,278
Capital outlay			196,465	138,419		334,884
Parks & Streets						
Repairs & maintenance	3,779	318,179		62,663		384,621
Snow removal		54,858				54,858
Lights		4,364				4,364
Total expenditures	899,456	437,813	224,065	254,737	149,564	1,965,635
Revenues over (under) expenditures	(31,809)	(151,017)	(153,395)	247,673	(133,067)	(221,615)
OTHER FINANCING SOURCES (USES)						
Unrealized gains (losses)	14,687					14,687
Operating transfers, net	24,473	104,100		(128,573)		-
Revenues and other financing sources(uses) over (under) expenditures	7,351	(46,917)	(153,395)	119,100	(133,067)	(206,928)
Fund balance at October 1, 2019	724,124	190,883	898,455	399,962	116,345	2,329,769
Fund balance at September 30, 2020	\$ 731,475	\$ 143,966	\$ 745,060	\$ 519,062	\$ (16,722)	\$ 2,122,841

The accompanying notes are an integral part of this statement.

City of Victor

Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

September 30, 2020

Total net change in fund balances - governmental funds	\$ (206,928)
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Amounts reported for governmental activities in the statement of activities are different due to 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 estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	233,703
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Because some property taxes will not be collected until after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount this year.	(10,295)
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In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year vacation leave earned exceeded vacation leave used by this amount.	(4,660)
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The pension benefits are reported in the governmental funds when paid but in the statement of activities when earned. The change in the pension liability is (\$121,014). The change in deferred outflows of resources related to pensions is \$32,892. The change in deferred inflows of resources related to pensions is \$42,267.	(45,855)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.	143,035
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in interest expense reported in the statement of activities is the net result of the decrease in accrued interest on bonds of \$5,413.	5,413
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Total change in net position - governmental activities	\$ 114,413
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The accompanying notes are an integral part of this statement.

City of Victor
Statement of Net Position
Proprietary Funds

September 30, 2020

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Nonmajor Fund (Irrigation)	
ASSETS				
Current assets				
Cash	\$ 711,440	\$ 1,428,104		\$ 2,139,544
Restricted cash	259,000			259,000
Accounts receivable	88,689	87,134		175,823
Prepaid expenses	500	500		1,000
Interfund receivable		33,168		33,168
Total current assets	1,059,629	1,548,906		2,608,535
Non-current assets				
Nondepreciable capital assets	428,408		42,458	470,866
Depreciable capital assets	4,269,390	3,319,525	(42,458)	7,546,457
Total capital assets, net of accumulated depreciation	4,697,798	3,319,525		8,017,323
Total assets	5,757,427	4,868,431	0	10,625,858
Deferred Outflows of Resources				
Related to pensions	25,383	25,659		51,042
LIABILITIES				
Current				
Interfund payable			33,168	33,168
Accrued salaries and benefits	6,643	6,800		13,443
Accrued interest payable	13,155			13,155
Compensated absences	13,614	13,614		27,228
Connection payable	5,687		(221)	5,466
Accounts payable		93,035		93,035
Notes payable-current	227,896	91,363		319,259
Total current liabilities	266,995	204,812	32,947	504,754
Noncurrent				
Pension plan payable	103,067	103,999		207,066
Notes payable	2,047,186	1,006,513		3,053,699
Long-term debt	2,150,253	1,110,512		3,260,765
Total liabilities	2,417,248	1,315,324	32,947	3,765,519
Deferred Inflows of Resources				
Related to pensions	2,188	2,015		4,203
NET POSITION				
Nonspendable				
Prepaid expenses	500	500		1,000
Net investment in capital assets	2,422,716	2,221,649		4,644,365
Restricted	259,000			259,000
Committed				
Contingency reserve	364,387	428,711		793,098
Equipment reserves	20,696	41,008		61,704
Unrestricted	296,075	884,883	(32,947)	1,148,011
Total net position (deficit)	\$ 3,363,374	\$ 3,576,751	\$ (32,947)	\$ 6,907,178

The accompanying notes are an integral part of this statement.

City of Victor

Statement of Revenues, Expenditures, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended September 30, 2020

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Nonmajor Fund (Irrigation)	
OPERATING REVENUES				
Charges for services	\$ 876,919	\$ 949,933	\$ 16,812	\$ 1,843,664
Miscellaneous	36			36
Total operating revenues	876,955	949,933	16,812	1,843,700
OPERATING EXPENSES				
Utilities	57,920	8,483		66,403
Treatment	2,659	364,052		366,711
Operation and maintenance	152,396	70,310	8,038	230,744
Salaries and benefits	256,067	260,112	6,183	522,362
Professional development	3,549	1,525		5,074
Depreciation	240,491	161,569		402,060
Total operating expenses	713,082	866,051	14,221	1,593,354
Income (loss) from operations	163,873	83,882	2,591	250,346
NON-OPERATING REVENUES (EXPENSES)				
Loss on disposition		61,101		61,101
Earnings on investments	18,403	17,028		35,431
Interest expense	(54,428)	(3,452)		(57,880)
Total non-operating revenues (expenses)	(36,025)	74,677		38,652
Change in net position	127,848	158,559	2,591	288,998
Net position at October 1, 2019, as restated	3,235,526	3,418,192	(35,538)	6,618,180
Net position at September 30, 2020	\$ 3,363,374	\$ 3,576,751	\$ (32,947)	\$ 6,907,178

The accompanying notes are an integral part of this statement.

City of Victor
Statements of Cash Flows
Proprietary Funds

For the Year Ended September 30, 2020

	Business-type Activities			
	Enterprise Funds			
	Water	Sewer	Irrigation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 885,243	\$ 940,551	\$ 15,871	\$ 1,841,665
Cash payments to suppliers for goods and services	(249,589)	(444,005)	(8,263)	(701,857)
Cash payments to employees for services provided	(213,352)	(254,334)	(6,183)	(473,869)
Net cash flows provided (used) by operating activities	422,302	242,212	1,425	665,939
CASH FLOWS FROM CAPITAL AND RELATED FINANCING				
Interfund loan activity	-	1,425	(1,425)	-
Purchase of property, plant, and equipment	(82,625)	-	-	(82,625)
Proceeds from sale of property	-	70,000	-	70,000
Interest paid on long-term debt	(58,877)	(3,453)	-	(62,330)
Increases in (Payments on) long-term debt	(218,436)	(93,270)	-	(311,706)
Net cash flows provided (used) by capital and related financing	(359,938)	(25,298)	(1,425)	(386,661)
CASH FLOWS FROM INVESTING ACTIVITIES				
Earnings on investments	18,403	17,028	-	35,431
Net cash flows provided (used) by investing activities	18,403	17,028	-	35,431
Net increase (decrease) in cash	80,767	233,942	-	314,709
Cash at beginning of year	889,673	1,194,162	-	2,083,835
Cash at end of year	970,440	1,428,104	-	2,398,544
RECONCILIATION				
Cash	711,440	1,428,104	-	2,139,544
Restricted cash	259,000	-	-	259,000
Total cash per statement of net position	970,440	1,428,104	-	2,398,544

The accompanying notes are an integral part of this statement.

City of Victor
Statements of Cash Flows
Proprietary Funds

For the Year Ended September 30, 2020

	Business-type Activities Enterprise Funds			Total
	Water	Sewer	Irrigation	
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO				
Income (loss) from operations	163,873	83,882	2,591	250,346
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET				
Depreciation	240,491	161,569	-	402,060
Decrease (increase) in accounts receivable	8,288	(9,382)	(941)	(2,035)
Decrease (increase) in prepaid expenses	6,500	(500)		6,000
Increase (decrease) in accounts payable		864		864
Increase (decrease) in accrued liabilities	(12,712)	(13,860)		(26,572)
Increase (decrease) in connection payable	(3,328)		(225)	(3,553)
Change in deferred outflows, inflows and liability due to GASB 68	19,190	19,639		38,829
Net cash flows provided (used) by operating activities	\$ 422,302	\$ 242,212	\$ 1,425	\$ 665,939

The accompanying notes are an integral part of this statement.

NONCASH TRANSACTIONS

During the year, the City purchased equipment under a capital lease. The asset will be used in both the Water and Sewer funds, and the costs and lease payments have been allocated based on expectation of use. The total purchase price was \$398,386, and the capital lease obligation has been recorded on the statement of net position. See Note 6 for additional details.

City of Victor

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Introduction

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

Reporting Entity

The City is governed by an elected Mayor and City Council which together possess the 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.

Discretely Presented Component Unit. In conformity with generally accepted accounting principles, the basic financial statements of Victor Urban Renewal Agency is required to be included in the financial reporting entity as a discretely presented component unit, emphasizing their nature as a legally separate entity from the City. It has not been presented within the basic financial statements.

Victor Urban Renewal Agency (the Agency). This component unit has a board, which is appointed by the Mayor of the City with the advice and consent of the Victor City Council. The Victor Urban Renewal Agency rehabilitates deteriorating or deteriorated areas. It has a fiscal year end of September 30. The Agency is required to be included as a discretely presented component of the City, however this has not been done for fiscal year 2020.

There are no other boards, councils, or component units for which the City of Victor exercises authority.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all nonfiduciary activities of the City. Governmental activities, which are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

City of Victor

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for 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, are presented as general revenues.

The statement of net position presents the reporting entity's assets and liabilities, with the difference reported as net position (net investment in capital assets; restricted net position; or unrestricted net position). Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt. Restricted net position results when constraints placed on net position use are imposed by third parties through constitutional provisions or enabling legislation.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

The City applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Fund Financial Statements

The fund statements provide information about the City's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

Governmental Fund Types

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds focus is on the sources, uses, and balance of current financial resources. The City reports the following major governmental funds:

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

City of Victor

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Road and Bridge Funds – These 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.

Capital Project Funds – These funds account for revenue derived primarily from intergovernmental resources and transfers from other funds designated for the construction of specific projects.

Local Option Tax – These funds account for revenue derived primarily from additional tax assessments designated for use in mitigating the effects of tourism for their City.

The City has one nonmajor governmental fund.

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the statement of net position. The City reports the following major proprietary funds:

Water Fund – This fund accounts for the provision of water services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water system, and billing and collection activities.

Sewer Fund – This fund accounts for the provision of solid waste services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the sewer system, and billing and collection activities.

The City has one nonmajor proprietary fund.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financials statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

City of Victor

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus and 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 transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements 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 (susceptible to accrual). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all imposed nonexchange revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the current fiscal year.

Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, 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 debt and acquisitions under capital leases are reported as other financing sources.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

City of Victor

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Control

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General, Special Revenue, and Proprietary Funds. All annual appropriations lapse at fiscal year end. The department heads submit the budget to the City Council and a public hearing is held prior to adoption of the budget. Prior to October 1, the budget is enacted through passage of an appropriation ordinance. The budget includes the General, Special Revenue, and Enterprise Funds. The level of control (level at which expenditures should not exceed budget) is the fund. The legal level of control is the appropriation ordinance.

Encumbrances represent commitments related to unperformed contracts for goods or services. As outlined on the face of the statement of net position and the statement of governmental funds balance sheet, the City sets aside funds according to their policies and needs.

The General, Road and Bridge, and Local Option Tax Fund statements of revenues, expenditures, and changes in fund balance present a comparison of budgetary data to actual results. These reports utilize the same basis of accounting for both budgetary purposes and actual results.

Cash and Investments

The City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The City considers deposits with financial institutions, including nonnegotiable certificates of deposit, to be nonparticipating contracts reported at cost.

The cash balances of most of the City funds are pooled and invested. Each fund's share of the investment pool is reflected on its respective balance sheet.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

Level 1, defined as observable inputs such as quoted market prices in active markets;

Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and

Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

City of Victor

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Prepaid Items

Prepaid items represent payments made by the City for which benefits extend beyond September 30, 2020. The costs of governmental fund type prepaid items are recorded as expenditures when used. These items include rent prepayments and money paid for a project with Western Federal Lands.

Receivables

Property taxes are recognized as revenue in the period for which the taxes are levied. The tax levy is used to finance operations of the City's fiscal year ended September 30, 2020. All property taxes are considered due as of the second Monday in January and are levied on the second Monday in September. Taxes are payable in two installments on December 20 and June 20 of the following year. All taxes collected within 60 days of September 30, 2020, are considered available to pay current liabilities. Amounts not collected are deferred and recognized when they become available to the City.

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

Other receivables in the governmental and proprietary funds are also recorded at gross. No allowance for uncollectible accounts has been provided, since it is believed that the amount of such allowance would not be material.

Capital Assets

Purchased or constructed capital assets, including property, plant, equipment, and infrastructure (roads, bridges, and similar items), are reported at cost or estimated historical cost in the government-wide financial statements. The City defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one year.

Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Expenditures for equipment, vehicles, real property acquisitions, improvements, and infrastructure are recorded as capital outlay. Donated assets are recorded at their fair market value at the date of donation. Maintenance and repairs of a routine nature are charged to expenses/expenditures as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

Capital assets not being depreciated include land, water rights, and construction in progress (as applicable).

City of Victor

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund statements, with vacation accruals being payable within one year. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category and it occurs on the government-wide statement of net position. The City reports deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and City contributions to pension plans subsequent to the measurement date of the collective net pension liability (asset).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions in the statement of net position.

City of Victor

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Pension Plan

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.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council – the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action that imposed the original commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

City of Victor

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Assigned fund balance: This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but the amounts are neither restricted nor committed. The City Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Risk Management

The City is exposed to a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) employee torts; (c) professional liability, i.e. errors and omissions; (d) environmental damage; (e) workers' compensation, i.e. employee injuries; and (f) medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Beginning in March 2020, the United States economy began suffering adverse effects from the Covid 19 virus crisis ("CV19 Crisis"). As of the date of the financial statements multiple jurisdictions in the U.S. have declared states of emergency. There has been no material adverse impact to the City's operations to date. Future potential impacts to the City may include disruptions or restrictions on our employees' and contracted agents ability to work, reduced funding from intergovernmental agencies, and reduced tourism revenues. The future impact of the CV19 Crisis on the City, cannot be reasonably estimated at this time.

Use of Estimates

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

Subsequent Events

The City has evaluated subsequent events through January 29, 2021, which is the date the financial statements were available to be issued. There were no subsequent-type events required to be disclosed.

City of Victor

Notes to Financial Statements

Note 2: Cash and Investments

Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2020, the City's bank balance was \$714,732 of this amount, \$283,532 was not insured or collateralized with securities in the City's name. The cash balance adjusted for outstanding transactions was \$729,330 at September 30, 2020.

Investments

All of the City's investments measured or disclosed at fair value fall within Level 2 of the fair value hierarchy. The City invests in the Local Government Investment Pool (LGIP) through the Idaho State Treasurer. All funds are invested by the Idaho State Treasurer's office in accordance with Sections 67-1210 and 67-1210A of the Idaho Code. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). The investments are subject to risk from market and interest rate fluctuations. The City has included this in cash.

The City also invests with ProEquities, Inc. These investment accounts include fixed income investments though US government bonds and money market funds. The money market funds are included as cash in the financial statements. As of September 30, 2020, the City had the following investments:

	Cost Basis	Fair Value	Uncollateralized Investments
LGIP	2,006,723	2,006,723	-
ProEquities, Inc.			
US Gov't Bonds	1,265,000	1,281,364	1,281,364
Total investments	3,271,723	3,288,087	1,281,364

Interest rate risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City has no specific policy on the interest rate risk at year-end.

Credit risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type.

Concentration of credit risk. The City's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the City's total investments with the exception of US Gov't Bonds. The City utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

City of Victor

Notes to Financial Statements

Note 2: Cash and Investments (Continued)

Foreign Currency Risk. The City has no foreign currency risk for investments at year end.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Years)			Total	Rating
	12 Months or Less	1-5 Years	5-10 Years		
LGIP	\$ 2,006,723			\$ 2,006,723	N/A
US Gov't Bonds	264,987	1,016,377		1,281,364	AA+
Total Investments	2,271,710	1,016,377	-	\$ 3,288,087	

Note 3: Capital Assets

Capital asset balances and activity for the year ended September 30, 2020, were as follows:

Governmental Activities:	Balance 09/30/19	Increases	Decreases and Transfers	Balance 09/30/20
Capital assets, not being depreciated:				
Land	815,913	-	-	815,913
Total capital assets, not being depreciated	\$ 815,913	\$ -	\$ -	\$ 815,913
Capital assets, being depreciated:				
Buildings and improvements	1,045,233	186,661	-	1,231,894
Machinery and equipment	278,584	72,868	(8,000)	343,452
Parks	642,733	-	-	642,733
Infrastructure	2,896,839	155,000	-	3,051,839
Total capital assets, being depreciated	4,863,389	414,529	(8,000)	5,269,918
Accumulated depreciation:				
Buildings and improvements	(299,928)	(40,900)	-	(340,828)
Machinery and equipment	(184,843)	(13,888)	4,867	(193,864)
Parks	(271,415)	(17,060)	-	(288,475)
Infrastructure	(1,006,790)	(105,845)	-	(1,112,635)
Total accumulated depreciation	(1,762,976)	(177,693)	4,867	(1,935,802)
Total capital assets, being depreciated, net	\$ 3,100,413	\$ 236,836	\$ (3,133)	\$ 3,334,116
Governmental activities capital assets, net	3,916,326	236,836	(3,133)	4,150,029

City of Victor

Notes to Financial Statements

Note 3: Capital Assets (Continued)

Business-type Activities:	Balance 09/30/19	Increases	Decreases and Transfers	Balance 09/30/20
Capital assets, not being depreciated:				
Land	180,866	-	-	180,866
Water Rights	290,000	-	-	290,000
Total capital assets, not being depreciated	\$ 470,866	\$ -	\$ -	\$ 470,866
Capital assets, being depreciated:				
Buildings and improvements	102,140	-	-	102,140
Improvements other than buildings	10,611,284	-	23,200	10,634,484
Water & Sewer equipment	662,874	481,012	(175,750)	968,136
Total capital assets, being depreciated	11,376,298	481,012	(152,550)	11,704,760
Accumulated depreciation:				
Buildings and improvements	(47,943)	(2,391)	-	(50,334)
Improvements other than buildings	(3,532,445)	(293,769)	(4,083)	(3,830,297)
Water & Sewer equipment	(319,506)	(105,900)	147,734	(277,672)
Total accumulated depreciation	(3,899,894)	(402,060)	143,651	(4,158,303)
Total capital assets, being depreciated, net	\$ 7,476,404	\$ 78,952	\$ (8,899)	\$ 7,546,457
Business-type activities capital assets, net	7,947,270	78,952	(8,899)	8,017,323

Depreciation expense was charged to the governmental and business-type functions as follows:

Governmental activities:	
General control and administration	54,788
Streets	105,844
Parks	17,060
Total depreciation expense, governmental activities	177,692
Business-type activities:	
Water	240,491
Sewer	161,569
Total depreciation expense, enterprise activities	402,060

City of Victor

Notes to Financial Statements

Note 4: Pension Plan

Plan Description

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. 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.

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, 2020, it was 7.16% for general purpose employees and 8.81% for police and firefighters. The employer contribution rate is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The City's contributions were \$81,026 for the year ended September 30, 2020.

City of Victor

Notes to Financial Statements

Note 4: Pension Plan (Continued)

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

At September 30, 2020, the City 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'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, 2020, the City's proportion was .01825 percent.

For the year ended September 30, 2020, the City recognized pension expense of \$163,937. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,119	\$ 13,841
Changes in assumptions or other inputs	7,169	-
Net difference between projected and actual earnings on pension plan investments	48,587	-
City contributions subsequent to the measurement date	22,665	-
Total	\$ 111,540	\$ 13,841

\$22,665 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020, is 4.8 years and 4.7 years 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 as follows:

<i>Year Ended September 30,</i>	
2020	\$ 1,369
2021	17,856
2022	24,235
2023	\$ 31,573

City of Victor

Notes to Financial Statements

Note 4: Pension Plan (Continued)

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, 2020, 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 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, 2013, through June 30, 2017, which reviewed all economic and demographic assumptions other than mortality. The Total Pension Liability as of June 30, 2020, 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 rates or 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.

City of Victor

Notes to Financial Statements

Note 4: Pension Plan (Continued)

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.

<i>Asset Class</i>	Target Allocation	LT Expected Nominal Rate of Return (Arithmetic)	LT Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00 %	2.80 %	0.55 %
Broad U.S. Equity	55.00 %	8.55 %	6.30 %
Developped Foreign Equities	15.00 %	8.70 %	6.45 %

Actuarial Assumptions

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 7.05%. 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 period 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 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%)	1% Decrease (7.05%)	1% Decrease (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 869,294	\$ 423,896	\$ 55,624

City of Victor

Notes to Financial Statements

Note 4: Pension Plan (Continued)

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.

Payables to the pension plan

At September 30, 2020, the City reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 5: Interfund Balances and Activity

Interfund receivable and payable balances in the fund financial statements on September 30, 2020, are as follows:

Fund	Receivable	Payable
General fund	94,693	-
Road and bridge fund	-	264,864
Debt service fund	-	94,693
Capital projects fund	264,864	-
Sewer fund	33,168	-
Irrigation fund	-	33,168
Total	392,725	392,725

The outstanding balance between the road and bridge and capital projects funds results from loans to purchase equipment for the road and bridge fund. The remaining outstanding loan amount is \$264,864 and the City has set terms of repayment over 15 years with an annual payment of \$20,374.

The outstanding balance between the general fund and the debt service funds results from the general fund paying off the debt of the LID. The City has not set terms for repayment at this time.

In the statement of net position, amounts reported in fund balance sheets as interfund balances have been eliminated within the governmental activities columns. Interfund transfers at September 30, 2020, were as follows:

Fund	Transfer In	Transfer Out
Major fund -		
General fund	24,473	-
Road and bridge fund	104,100	-
Local option tax fund	-	128,573
Total	128,573	128,573

All transfers were made to assist cash flows within the City.

City of Victor

Notes to Financial Statements

Note 6: Long-Term Obligations

Governmental Funds:

The City entered into a \$599,475 special assessment bond through the USDA Rural Development on November 9, 2007. The bond required annual payments for 15 years of \$54,870 and had an interest rate of 4.25%. The bond was paid off early during the current fiscal year and all obligations are fulfilled.

Compensated Absences - The City's benefits include a provision for compensated absences. The liability for this benefit is liquidated by the fund in which the employee is paid from.

The following is a summary of the changes in long-term obligations for the year ended September 30, 2020, for the governmental activities:

	Balance at October 1, 2019	Additions	Payments	Balance at September 30, 2020
Compensated absences	18,954	4,660	-	23,614
Special Assessment Bond	143,035	0	(143,035)	-
Total	161,989	4,660	(143,035)	23,614

Business-Type Enterprise Funds:

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 their portion of the sewer interceptor for \$1,073,264 at 0.0%. The bonds require semi-annual payments for 20 years of \$26,831.

The City is required to establish at the time of the issuance of the bond a reserve fund in an amount equal to 1 year's payment of principal and interest and the City has \$259,000 in reserve as of the year ended September 30, 2020. The following is a schedule of principal and interest payments on long-term debt to maturity:

Year Ended September 30,	Principal	Interest	Total
2021	\$ 265,400	\$ 47,120	\$ 312,520
2022	269,428	43,092	312,520
2022	275,356	37,164	312,520
2023	281,383	31,137	312,520
2022	287,755	24,765	312,520
Thereafter	1,651,933	85,110	1,737,043
Total	\$ 3,031,255	\$ 268,388	\$ 3,299,643

City of Victor

Notes to Financial Statements

Note 6: Long-Term Obligations (Continued)

Following is a summary of the changes in long-term obligations for the year ended September 30, 2020 is as follows:

	Beginning Balance October 1, 2019	Increase	Decrease	Ending Balance September 30, 2020	Amounts Due Within One Year
Compensated absences	27,130	98	-	27,228	-
Special assessments	\$ 143,035	\$ -	\$ (143,035)	\$ -	\$ -
2006 water revenue bond	811,916	-	(108,463)	703,453	119,067
2014 water revenue bond	1,562,086	-	(92,998)	1,469,088	92,671
2016 Driggs wastewater loan	912,275	-	(53,661)	858,614	53,662
Capital Lease Obligation	-	398,386	(56,583)	341,803	53,859
Total	\$ 3,456,442	\$ 398,484	\$ (454,740)	\$ 3,400,186	\$ 319,259

Capital Lease Obligation - The City signed an agreement with Zion's Bancorporation, N.A. on February 12, 2020 for a capital lease to purchase equipment for the Water and Sewer funds. This obligation expires September 1, 2026 and requires annual payments of \$61,516 including principal and interest at 2.24% per year. At September 30, 2020, the annual cash flow requirements for retirement of the capital lease principal are as follows:

Year Ended September 30, 2020

2021	\$ 53,859
2022	55,066
2023	56,299
2024	57,560
2025	58,850
2026	60,169
Total	\$ 341,803

Summary of capital assets held under the capital lease at September 30, 2020, are as follows:

Capital asset cost	\$ 398,386
Accumulated depreciation	(49,798)
Net book value	\$ 348,588

Depreciation expense of capital assets held under the capital lease is included in the total depreciation as disclosed in Note 3.

City of Victor

Notes to Financial Statements

Note 7: Driggs Wastewater Agreement

The City is participating in an inter-city agreement with the City of Driggs for the treatment of wastewater from the City of Victor. Under this agreement, the City of Victor assists in the repayment of a bond taken by the City of Driggs for the upgrade and reconstruction of their current wastewater treatment plant in order to increase their capacity based on the 2014 annual flow or \$151,985 per year. In addition, the City of Victor agreed to cover a portion of monthly operations of this plant in a cost-sharing agreement. The agreement started in October 2011 and extends for 20 years from the date thereof with 2 options to extend for an additional 5 years each.

The City of Driggs assesses and collects based on every 1,000 gallons of flow received each month.

In the event of further capital improvements, the City of Victor can choose to participate in the payment of expenditures based on a cost-sharing plan, or to have the City of Driggs pass through a proportionate share of debt related to the capital improvements.

The City of Driggs has a fiscal year end of September 30. Financial statements are available at the City of Driggs website at www.driggsidaho.org/finance.

Note 8: Prior Year Restatement

As a result of corrections to amounts owed by the City at September 30, 2019, the proprietary fund beginning balances was restated as follows:

	Sewer Fund
Balances audited as of September 30, 2019	\$ 3,507,727
Correction for amounts payable under contract	(89,535)
Fund balance as of October 1, 2019, as restated	\$ 3,418,192

REQUIRED SUPPLEMENTARY INFORMATION

City of Victor, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget and Actual-
Governmental Funds

For the Year Ended September 30, 2020

	General			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Property taxes	460,251	460,251	465,425	5,174
Licenses and permits	8,000	8,000	9,070	1,070
Fines and assessments	5,000	5,000	8,204	3,204
Intergovernmental revenue	302,891	302,891	280,979	(21,912)
Planning	80,000	80,000	49,040	(30,960)
Recreation fees	3,000	3,000	5,781	2,781
Earnings on investments			8,073	8,073
Miscellaneous revenue	9,250	56,220	41,075	(15,145)
Total revenues	868,392	915,362	867,647	(47,715)
EXPENDITURES				
General government				
Salaries and wages	527,884	527,884	545,461	(17,577)
Office expense	42,753	42,753	24,442	18,311
Professional fees	103,124	103,124	109,513	(6,389)
Repairs & maintenance	4,000	4,000	7,356	(3,356)
Contributions	21,750	21,750	21,750	0
Software expense	31,462	31,462	28,684	2,778
Utilities	33,540	33,540	37,194	(3,654)
Miscellaneous	121,620	168,590	121,277	47,313
Parks & Street	4,759	4,759	3,779	980
Total expenditures	890,892	937,862	899,456	38,406
Revenues over (under) expenditures	(22,500)	(22,500)	(31,809)	(9,309)
OTHER FINANCING SOURCES (USES)				
Unrealized gains (losses)			14,687	14,687
Operating transfers, net	22,500	22,500	24,473	(1,973)
Total other financing sources (uses)	22,500	22,500	39,160	12,714
Revenues and other financing sources over (under) expenditures and other uses	<u>0</u>	<u>0</u>	7,351	<u>3,405</u>
Fund balance at October 1, 2019			724,124	
Fund balance at September 30, 2020			731,475	

The accompanying notes are an integral part of this statement.

City of Victor, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget and Actual-
Governmental Funds

For the Year Ended September 30, 2020

	Road & Bridge			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Intergovernmental revenue	215,980	215,980	237,249	21,269
Earnings on investments			4,547	4,547
Miscellaneous revenues	186,500	186,500	45,000	(141,500)
Total revenues	402,480	402,480	286,796	(115,684)
EXPENDITURES				
General government				
Salaries and wages	67,061	67,061	60,412	6,649
Parks & Street				
Repairs & maintenance	326,445	326,445	318,179	8,266
Snow removal	108,974	108,974	54,858	54,116
Lights	4,100	4,100	4,364	(264)
Total expenditures	506,580	506,580	437,813	68,767
Revenues over (under) expenditures	(104,100)	(104,100)	(151,017)	(46,917)
OTHER FINANCING SOURCES (USES)				
Operating transfers, net	104,100	104,100	104,100	0
Revenues and other financing sources over (under) expenditures and other uses	<u>0</u>	<u>0</u>	(46,917)	<u>(46,917)</u>
Fund balance at October 1, 2019			190,883	
Fund balance at September 30, 2020			143,966	

The accompanying notes are an integral part of this statement.

City of Victor, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balance
-Budget and Actual-
Governmental Funds

For the Year Ended September 30, 2020

	Original Budget	Local Option Tax		Variance Favorable (Unfavorable)
		Final Budget	Actual	
REVENUES				
Intergovernmental revenue	450,000	500,000	497,069	(2,931)
Earnings on investments			5,341	5,341
Total revenues	450,000	500,000	502,410	2,410
EXPENDITURES				
General government				
Law enforcement	54,943	54,943	53,655	1,288
Capital outlay	176,857	226,857	138,419	88,438
Parks and streets				
Repairs and maintenance	91,600	91,600	62,663	28,937
Total expenditures	323,400	373,400	254,737	118,663
Revenues over (under) expenditures	126,600	126,600	247,673	121,073
OTHER FINANCING SOURCES (USES)				
Operating transfers, net	(126,600)	(126,600)	(128,573)	1,973
Revenues and other financing sources over (under) expenditures and other uses	<u>0</u>	<u>0</u>	119,100	<u>123,046</u>
Fund balance at October 1, 2019			399,962	
Fund balance at September 30, 2020			519,062	

The accompanying notes are an integral part of this statement.

City of Victor
Required Supplementary Information

Fiscal Year Ended September 30, 2020

Schedule of Employer's Share of Net Pension Liability
PERSI-Base Plan Last 10-Fiscal Years*

	2020	2019	2018	2017	2016	2015
Employer's portion of net pension liability	0.01825%	0.01756%	0.01680%	0.01728%	0.01647%	0.01657%
Employers proportionate share of the net pension liability	423,896	200,416	247,860	271,612	333,158	218,158
Employer's covered payroll	660,565	625,456	533,365	530,362	487,381	468,612
Employer's proportional share of the net pension liability as a percentage of its covered payroll	64.17%	32.04%	46.47%	51.21%	68.36%	46.55%
Plan fiduciary net position as a percentage of the total pension liability	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

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

Data reported is measured as of June 30, 2020

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	81,024	72,674	60,377	60,037	55,172	54,190
Contributions in relation to the statutorily required contribution	81,026	72,350	60,387	59,527	54,950	53,219
Contribution (deficiency) excess	2	(324)	10	(510)	(222)	(971)
Employer's covered payroll	678,589	630,301	533,365	530,362	487,381	468,612
Contributions as a percentage of covered payroll	11.94%	11.48%	11.32%	11.22%	11.27%	11.36%

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

Data reported is measured as of September 30, 2020

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*

Mayor and City Council
City of Victor
Victor, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States 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 the City of Victor as of and for the year ended September 30, 2020, 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 January 29, 2021. In our report, we gave an adverse opinion on the discretely presented component unit due to the City not issuing financial statements for Victor Urban Renewal Agency.

Auditor's Responsibility

In planning and performing our audit of the financial statements, we considered City of Victor's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

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 financial statements. 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 an instance of noncompliance or other matters which is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-001.

Responses to Findings

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

January 29, 2021
Idaho Falls, Idaho

City of Victor, Idaho

Schedule of Findings and Responses

For the Year Ended September 30, 2020

Finding 2020-001 **Component Unit (repeat finding)**

Criteria or Specific Requirement: The Victor Urban Renewal Agency (VURA) is a component unit of the City of Victor and is required to be consolidated as a discretely presented component unit for the year ended September 30, 2020 per Governmental Accounting Standard Board Statement No. 39.

Condition: VURA has not received the audit to be included in the City's audited report.

Context: Due to its size, VURA has not had an audit. At September 30, 2020, VURA owed \$272,316 to the City and it should be reflected in the financial statements.

Effect: The City has not included the financial information of VURA.

Cause: VURA has grown during the prior year with the completion of the Alleyway project and the liability to the City increased such that the balances should be included.

Recommendation: We recommend that an audit be completed on VURA. As the City oversees this organization, we encourage them to work with VURA so that it will be included in the financial statements in the future.

Response: The City will continue to evaluate the cost versus benefit of having an audit of VURA and determine a schedule as to frequency of conducting audits.