

CITY OF RATHDRUM

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2018

Prepared By



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City of Rathdrum, Idaho

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FINANCIAL SECTION
INDEPENDENT AUDITORS' REPORT



1810 E Schneidmiller Ave. Ste. 310
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208-777-1099 (phone) 208-773-5108 (fax)

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Rathdrum
Rathdrum, ID 83858

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 Rathdrum, Idaho as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rathdrum as of September 30, 2018 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11, the schedule of the City of Rathdrum share of net pension liability and pension contributions for the PERSI base plan on page 46, and budgetary comparison information on pages 42-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

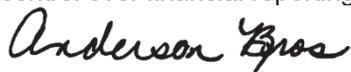
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rathdrum's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2019 on our consideration of the city of Rathdrum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rathdrum's internal control over financial reporting and compliance.



Anderson Bros. CPAs
Post Falls, Idaho
August 21, 2019

City of Rathdrum

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2018

FINANCIAL HIGHLIGHTS

As management of the City of Rathdrum, Idaho (the "City"), we have provided readers of the City's financial statements with this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2018.

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$36,559,284 (net position). Of this amount, \$8,728,157 is unrestricted and \$5,759,534 is restricted with the remaining \$22,071,593 consisting of net investment in capital assets.
- The City's total net position increased \$3,504,548. This increase is made up of a 10.79% increase in the business activities and a 10.25% increase in the governmental activities.
- At the end of the fiscal year, the City's governmental funds reported a combined ending fund balances of \$5,970,403, an increase of \$384,323. This increase is partially attributed to an increase in property tax and building revenues.
- The City's total debt decreased by \$68,633 during fiscal year 2017-2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operation in more detail than the *government wide statements*.
 - The *governmental funds* statements tell how the *general government* services were financed in the short term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
 - *Fiduciary fund* statements provide information about the financial relationships- like the local improvement district- in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure 1, on the following page, shows how the required parts of this annual report are arranged and relate to one another.

City of Rathdrum

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2018

	Fund Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as general government, highways and streets, parks and recreation, cemetery, and waterfront	Activities the City operates similar to private businesses: the water and sewer system	Instances in which the City is the trustee or agent for someone else's resources, such as the local improvement district
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

City of Rathdrum

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2018

GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

The two government-wide statements report the City's *net position* and how they have changed. Net position—the difference between the City's assets and liabilities are one way to measure the City's financial position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities:* Most of the City's basic services are included here, such as public works and park departments, streets, public lighting and general administration.
-
- *Business-type activities:* The City charges fees to customers to cover the costs of certain services it provides. The City's water and sewer systems are included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant *funds*, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State Law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using taxes and grants.

The City has two kinds of funds:

- *Governmental funds:* Most of the City's basic services are included in governmental funds, which focus on: (1) how cash and other financial assets that can be readily converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.
 - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

City of Rathdrum

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2018

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Rathdrum, assets exceeded liabilities by \$36,559,284 at the close of the most recent fiscal year.

By far the largest portion of the City of Rathdrum's net position (61 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Rathdrum uses these capital assets to provide services to citizens; consequently, these assets are not unavailable for future spending. Although the City of Rathdrum's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Statements of Net Position
September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	\$ 6,319,361	\$ 5,770,330	\$ 10,437,541	\$ 10,282,136	\$ 16,756,902	\$ 16,052,466
Capital assets, net	7,766,161	6,870,268	14,731,575	12,156,252	22,497,736	19,026,520
Total assets	14,085,522	12,640,598	25,169,116	22,438,388	39,254,638	35,078,986
DEFERRED OUTFLOWS OF RESOURCES	181,449	168,090	40,976	38,084	222,425	206,174
LIABILITIES						
Long-term liabilities outstanding	453,474	322,046	371,184	411,467	824,658	733,513
Net pension liability	786,134	804,640	173,900	177,906	960,034	982,546
Other liabilities	308,333	157,883	645,583	209,094	953,916	366,977
Total liabilities	1,547,941	1,284,569	1,190,667	798,467	2,738,608	2,083,036
DEFERRED INFLOWS OF RESOURCES	145,325	119,198	33,846	28,190	179,171	147,388
NET POSITION						
Net investment in capital assets	7,636,164	6,844,374	14,435,429	11,827,899	22,071,593	18,672,273
Restricted	1,402,107	1,180,531	4,357,427	5,349,873	5,759,534	6,530,404
Unrestricted	3,535,434	3,380,016	5,192,723	4,472,043	8,728,157	7,852,059
Total net position	\$ 12,573,705	\$ 11,404,921	\$ 23,985,579	\$ 21,649,815	\$ 36,559,284	\$ 33,054,736

An additional portion of the City of Rathdrum's net position (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$8,728,157 may be used to meet the government's ongoing obligations to citizens and creditors.

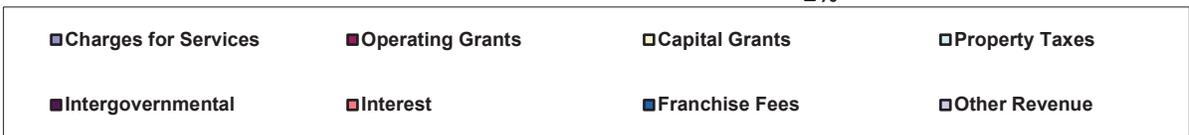
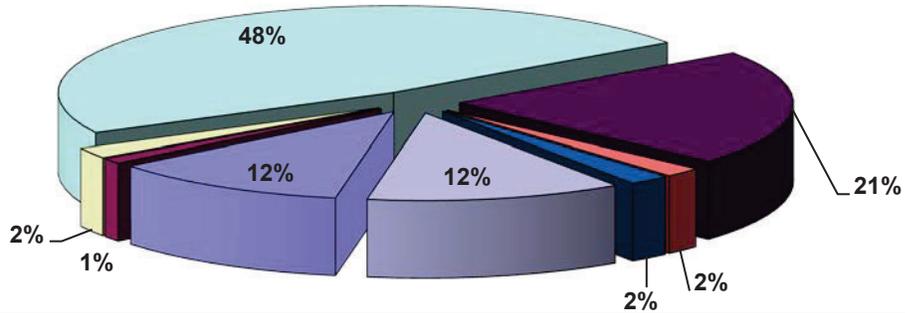
City of Rathdrum

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2018

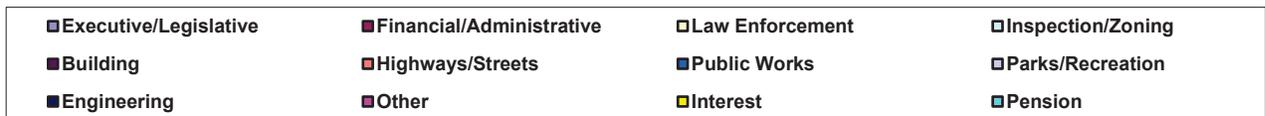
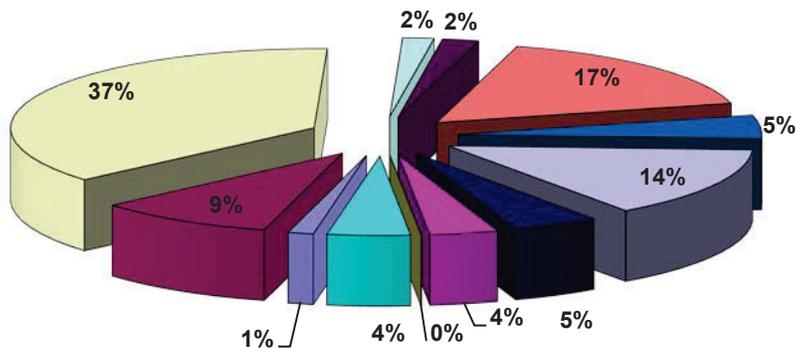
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Following are graphs of the City's sources of revenue and functional expenses for fiscal year 2018

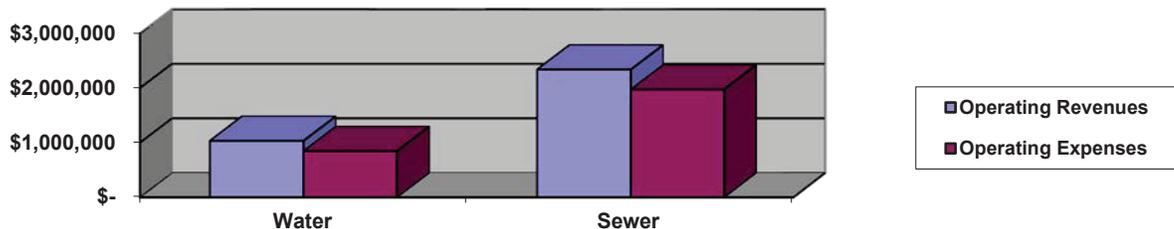
Revenues by Source - Governmental Activities



Functional Expenses - Governmental Activities



Expenses and Program Revenues - Business-type Activities



City of Rathdrum

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2018

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Following is a summary of the governmental activities and business-type activities and changes in net position for fiscal years 2018 and 2017. The City's combined net position increased \$3,504,548 between fiscal years 2018 and 2017 (See Table 2).

Table 2
Changes in Net Position
For the Years Ending September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for services	\$ 637,663	\$ 481,942	\$ 3,373,888	\$ 3,120,789	\$ 4,011,551	\$ 3,602,731
Operating grants and contributions	56,883	15,551	-	-	56,883	15,551
Capital grants and contributions	111,424	-	1,673,604	-	1,785,028	-
	<u>805,970</u>	<u>497,493</u>	<u>5,047,492</u>	<u>3,120,789</u>	<u>5,853,462</u>	<u>3,618,282</u>
General revenues:						
Property taxes	2,644,593	2,446,611	-	-	2,644,593	2,446,611
Intergovernmental	1,187,943	1,114,560	-	-	1,187,943	1,114,560
Franchise fees	108,448	82,184	-	-	108,448	82,184
Other revenue	681,137	577,137	-	-	681,137	577,137
Connection fees and surcharge	-	-	-	1,345,533	-	1,345,533
Interest and investment earnings	97,699	49,323	128,061	63,115	225,760	112,438
Total general revenues	<u>4,719,820</u>	<u>4,269,815</u>	<u>128,061</u>	<u>1,408,648</u>	<u>4,847,881</u>	<u>5,678,463</u>
Total revenues	<u>5,525,790</u>	<u>4,767,308</u>	<u>5,175,553</u>	<u>4,529,437</u>	<u>10,701,343</u>	<u>9,296,745</u>
EXPENSES						
Executive and legislative	58,778	49,894	-	-	58,778	49,894
Financial and administrative	414,085	433,834	-	-	414,085	433,834
Law enforcement	1,614,272	1,704,402	-	-	1,614,272	1,704,402
Inspection and zoning	72,264	79,993	-	-	72,264	79,993
Building	84,204	76,105	-	-	84,204	76,105
Highways and streets	731,851	511,352	-	-	731,851	511,352
Public works	207,012	169,142	-	-	207,012	169,142
Parks and recreation	624,283	556,525	-	-	624,283	556,525
Engineering	200,759	148,095	-	-	200,759	148,095
Other	157,358	236,550	-	-	157,358	236,550
Interest expense	816	1,298	-	-	816	1,298
Water services	-	-	826,630	758,996	826,630	758,996
Sewer services	-	-	1,971,735	1,792,666	1,971,735	1,792,666
Net pension expense	191,324	148,325	41,424	32,114	232,748	180,439
Total expenses	<u>4,357,006</u>	<u>4,115,515</u>	<u>2,839,789</u>	<u>2,583,776</u>	<u>7,196,795</u>	<u>6,699,291</u>
CHANGES IN NET POSITION	<u>\$ 1,168,784</u>	<u>\$ 651,793</u>	<u>\$ 2,335,764</u>	<u>\$ 1,945,661</u>	<u>\$ 3,504,548</u>	<u>\$ 2,597,454</u>

Net position of the City's governmental activities increased by \$1,168,784.

- During the past two years tax revenues have increased by approximately 6% due to an increase in building, new development and state revenues coming in higher than anticipated.
- The City has used accumulated cash balances to fund some expenses that could not otherwise be funded with the three percent cap on property tax.

Net position of the City's business-type activities increased by \$2,335,764.

City of Rathdrum

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Rathdrum's uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Rathdrum's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Rathdrum's financing requirements. In particular, unassigned fund balance may serve as a useful measure if a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported a combined fund balance of \$5,970,403; an increase of \$384,323. Approximately 55% of this total amount, \$3,256,760, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted or assigned to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City of Rathdrum. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,256,760, which represents 76% of the total general fund, fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 66% of total general fund expenditures.

The City of Rathdrum's general fund, fund balance increased by \$1,211 during the current fiscal year. Key factors in this increase are as follows:

- State revenues, building permits and property taxes came in higher than we anticipated.

Proprietary funds. The City of Rathdrum's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer funds at the end of the year amounted to \$(701,627) and \$3,214,556 respectively. The total growth (increase) in net position for the Water fund was \$1,244,492. The total growth (increase) in net position for the Sewer Fund was \$1,091,272.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues were more than budgeted revenues by \$780,182.

Building picked up in 2018 with building permit revenues coming in 87% higher than anticipated. State of Idaho Quarterly revenues also came in 5% higher than anticipated.

Total actual expenditures were \$1,104,649 less than budgeted expenditures. Several street projects cost less than anticipated. The City was conscious of the current economic situation and budgeted accordingly. Also, anticipated expenditures for designated funds were not expended in the current year.

City of Rathdrum

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2018, the City had invested \$22,497,736 in capital assets, including buildings, office equipment, park and recreation equipment, public works equipment, vehicles, and utility systems, net of accumulated depreciation. Table 3 below shows the City's capital assets by category.

**Table 3
Capital Assets
(Net of depreciation)**

	Governmental Activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,020,857	\$ 1,020,857	\$ 1,140,554	\$ 1,140,554	\$ 2,161,411	\$ 2,161,411
Financial and administrative	88,244	81,008	-	-	88,244	81,008
Cemetery	23,509	25,671	-	-	23,509	25,671
Law enforcement	625,081	460,355	-	-	625,081	460,355
Planning and zoning	1,030	196	-	-	1,030	196
Building department	50,592	23,095	-	-	50,592	23,095
Streets (incl. infrastructure)	4,334,574	3,758,455	-	-	4,334,574	3,758,455
Parks and recreation	1,622,274	1,500,631	-	-	1,622,274	1,500,631
Water system	-	-	7,792,971	5,978,309	7,792,971	5,978,309
Sewer system	-	-	5,798,050	5,037,389	5,798,050	5,037,389
Total	\$ 7,766,161	\$ 6,870,268	\$ 14,731,575	\$ 12,156,252	\$ 22,497,736	\$ 19,026,520

Because the City is a Phase 3 government (governments with total annual revenues of less than \$10 million), the City is encouraged but not required to report major infrastructure assets retroactively. The City has made a decision not to record infrastructure assets retroactively.

This year's major capital asset additions included:

- Installed South-Zone water main & sanitary sewer interceptor extension
- Installed a new production water well SH-41 well
- Installed SH41 transmission main extension water main
- Main street sidewalk replacement
- Completion of Gray Street improvements
- Police department purchased and outfitted (3) new vehicles
- Police department purchased (2) Coban Video Systems
- Installed Majestic area water pressure booster pump
- Performed Maintenance and repair to over 57 miles of city streets
- Performed overlay and chip seal to numerous streets in the City
- Completed Greensferry Sewer Lift Station
- Continuation of replacing old meters in the City

At year-end the City had \$1,784,692 of outstanding long-term debt, which includes \$398,515 of compensated absence liabilities and \$960,034 of net pension liability. More detailed information about the City's long-term liabilities is presented in Notes 5, 6, 7 and 10 to the financial statements.

City of Rathdrum

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended September 30, 2018

FUTURE OF THE CITY AND NEXT YEAR'S BUDGET

The City's future projects pending:

- Continued development of Rathdrum Mountain Nature Area and Park.
- Additional road overlays and street repair
- New City Hall expansion (design & conceptual plan)
- Construct a traffic light at Highway 41 & Lancaster Rd.
- Construct a traffic light at Highway 53 & Meyer Rd.
- Construct a new traffic circle at Meyer Rd. and Lancaster Rd.
- Completion of Meyer Road pathway extension
- Continue pathway connectivity around the City
- Purchase a new Niche wall
- Install a new pickle ball court at Stub Myer Park
- Construct a new storage building for Parks & Recreation

The City will continue to pursue projects as growth, development and the age of the infrastructure demand. Management will continue to pursue grants and help from other state agencies to decrease the financial impact of these projects and expenses.

The fiscal year 2019 general fund budget is \$6,758,385. This amount includes \$172,000 in capital projects yearly expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rathdrum City Clerk's Office, 8047 W Main St., Rathdrum, Idaho 83858.

FINANCIAL SECTION
BASIC FINANCIAL STATEMENTS

City of Rathdrum

STATEMENT OF NET POSITION September 30, 2018

	Primary Government			Unaudited Component Unit
				Rathdrum Urban Renewal Agency
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 6,692,900	\$ 2,680,094	\$ 9,372,994	\$ -
Accounts receivable, net of allowance of \$-0-	65,472	478,015	543,487	-
Due from other governments	263,971	-	263,971	-
Prepaid expenses	68,785	-	68,785	-
Internal balances	(771,767)	771,767	-	-
Restricted assets:				-
Restricted cash and cash equivalents	-	6,507,665	6,507,665	-
Capital assets not being depreciated	1,020,857	1,140,554	2,161,411	-
Capital assets, net of accumulated depreciation	6,745,304	13,591,021	20,336,325	-
Total assets	14,085,522	25,169,116	39,254,638	-
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	181,449	40,976	222,425	-
LIABILITIES				
Accounts payable	237,273	474,377	711,650	577
Payroll benefits and taxes payable	33,859	22,908	56,767	-
Due to other governments	-	15,750	15,750	19,268
Accrued interest payable	-	10,202	10,202	-
Customer deposits	-	74,508	74,508	-
Performance bonds payable	37,201	47,838	85,039	-
Noncurrent liabilities:				
Due within one year	49,182	24,767	73,949	-
Due in more than one year	404,292	346,417	750,709	-
Net pension liability	786,134	173,900	960,034	-
Total liabilities	1,547,941	1,190,667	2,738,608	19,845
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	145,325	33,846	179,171	-
NET POSITION				
Net investment in capital assets	7,636,164	14,435,429	22,071,593	-
Restricted	1,402,107	4,357,427	5,759,534	-
Unrestricted	3,535,434	5,192,723	8,728,157	(19,845)
	\$ 12,573,705	\$ 23,985,579	\$ 36,559,284	\$ (19,845)

See accompanying notes to the financial statements
and independent auditors' report

City of Rathdrum

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2018

		Program Revenues	
FUNCTIONS/PROGRAMS:	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
Executive and legislative	\$ 58,778	\$ -	\$ -
Financial and administrative	414,085	-	-
Law enforcement	1,614,272	-	7,259
Inspection and zoning	72,264	74,903	-
Building	84,204	375,948	-
Highways and streets	731,851	-	-
Public works	207,012	73,565	-
Parks and recreation	624,283	73,269	-
Engineering	200,759	-	-
Other	157,358	39,978	49,624
Interest expense	816	-	-
Pension expense	191,324	-	-
Total governmental activities	4,357,006	637,663	56,883
Business-type activities:			
Water services	826,630	1,033,971	-
Sewer services	1,971,735	2,339,917	-
Pension expense	41,424	-	-
Total business-type activities	2,839,789	3,373,888	-
Total primary government	\$ 7,196,795	\$ 4,011,551	\$ 56,883
Component unit:			
Rathdrum Urban Renewal Agency	17,877	-	-

General revenues:
 Property taxes
 Intergovernmental
 Franchise fees
 Other revenue
 Connection fees and surcharge
 Interest and investment earnings
 Total general revenues
 Change in Net Position
 Net position - Beginning
 Net position - Ending

*See accompanying notes to the financial statements
and independent auditors' report*

Net (Expense) Revenue and Changes in Net Position				Unaudited Component Unit
Primary Government				Rathdrum Urban Renewal Agency
Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
\$ -	\$ (58,778)	\$ -	\$ (58,778)	\$ -
-	(414,085)	-	(414,085)	-
-	(1,607,013)	-	(1,607,013)	-
-	2,639	-	2,639	-
-	291,744	-	291,744	-
111,424	(620,427)	-	(620,427)	-
-	(133,447)	-	(133,447)	-
-	(551,014)	-	(551,014)	-
-	(200,759)	-	(200,759)	-
-	(67,756)	-	(67,756)	-
-	(816)	-	(816)	-
-	(191,324)	-	(191,324)	-
<u>111,424</u>	<u>(3,551,036)</u>	<u>-</u>	<u>(3,551,036)</u>	<u>-</u>
1,005,713	-	1,213,054	1,213,054	-
667,891	-	1,036,073	1,036,073	-
-	-	(41,424)	(41,424)	-
<u>1,673,604</u>	<u>-</u>	<u>2,207,703</u>	<u>2,207,703</u>	<u>-</u>
<u>\$ 1,785,028</u>	<u>\$ (3,551,036)</u>	<u>\$ 2,207,703</u>	<u>\$ (1,343,333)</u>	<u>\$ -</u>
-	-	-	-	(17,877)
2,644,593	-	-	2,644,593	-
1,187,943	-	-	1,187,943	-
108,448	-	-	108,448	-
681,137	-	-	681,137	-
-	-	-	-	-
97,699	128,061	-	225,760	-
<u>4,719,820</u>	<u>128,061</u>	<u>-</u>	<u>4,847,881</u>	<u>-</u>
1,168,784	2,335,764	-	3,504,548	(17,877)
11,404,921	21,649,815	-	33,054,736	(1,968)
<u>\$ 12,573,705</u>	<u>\$ 23,985,579</u>	<u>\$ -</u>	<u>\$ 36,559,284</u>	<u>\$ (19,845)</u>

City of Rathdrum
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	General	Impact Fees Circulation	Impact Fees Parks	Capital Projects City Hall Facility*
ASSETS				
Cash and cash equivalents	\$ 3,560,102	\$ 2,311,708	\$ 592,551	\$ 144,704
Receivables:				
Property taxes	65,472	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	657,007	-	-	-
Due from other governments	263,971	-	-	-
Prepaid expenses	68,785	-	-	-
Total assets	<u>\$ 4,615,337</u>	<u>\$ 2,311,708</u>	<u>\$ 592,551</u>	<u>\$ 144,704</u>
LIABILITIES				
Accounts payable	\$ 229,645	\$ 7,628	\$ -	\$ -
Payroll benefits and taxes payable	33,859	-	-	-
Due to other funds	-	1,276,967	351,272	-
Performance bonds payable	37,201	-	-	-
Total liabilities	<u>300,705</u>	<u>1,284,595</u>	<u>351,272</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	40,625	-	-	-
Total deferred inflows of resources	<u>40,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Non-spendable	68,785	-	-	-
Restricted	-	1,027,113	241,279	-
Assigned	948,462	-	-	144,704
Unassigned	3,256,760	-	-	-
Total fund balances	<u>4,274,007</u>	<u>1,027,113</u>	<u>241,279</u>	<u>144,704</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,615,337</u>	<u>\$ 2,311,708</u>	<u>\$ 592,551</u>	<u>\$ 144,704</u>

* Not a major fund

See accompanying notes to the financial statements
and independent auditors' report

Other Governmental Funds	Total Governmental Funds
\$ 83,835	\$ 6,692,900
-	65,472
-	-
199,465	856,472
-	263,971
-	68,785
<u>\$ 283,300</u>	<u>\$ 7,947,600</u>

\$ -	\$ 237,273
-	33,859
-	1,628,239
-	37,201
<u>-</u>	<u>1,936,572</u>

-	40,625
<u>-</u>	<u>40,625</u>

-	68,785
133,715	1,402,107
149,585	1,242,751
-	3,256,760
<u>283,300</u>	<u>5,970,403</u>
<u>\$ 283,300</u>	<u>\$ 7,947,600</u>

City of Rathdrum

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION September 30, 2018

Total fund balances at September 30, 2018 - Governmental Funds		\$ 5,970,403
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
Cost of capital assets at September 30, 2018	\$ 11,859,581	
Less: Accumulated depreciation as of September 30, 2018	<u>(4,093,420)</u>	7,766,161
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore, are not reported in the funds:		
Deferred outflows of resources-pension plan		181,449
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Elimination of unavailable revenue - property taxes		40,625
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore, are not reported in the funds:		
Deferred inflows of resources-pension plan		(786,134)
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds. Those liabilities consist of:		
Net pension liability	(145,325)	
Capital Lease	\$ (8,774)	
Long-term debt	\$ (121,223)	
Compensated absences	<u>(323,477)</u>	<u>(598,799)</u>
Net position of governmental activities at September 30, 2018		<u><u>\$ 12,573,705</u></u>

*See accompanying notes to the financial statements
and independent auditors' report*

City of Rathdrum

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

	General	Impact Fees Circulation	Impact Fees Parks
REVENUES			
Property taxes	\$ 2,630,335	\$ -	\$ -
Intergovernmental	1,187,943	-	-
Franchise fees	108,448	-	-
Licenses and permits	548,781	-	-
Other revenue	347,175	209,891	194,489
Donations	4,740	-	-
Grant revenues	50,663	111,424	-
Interest and investment earnings	51,882	34,244	9,181
Total revenues	4,929,967	355,559	203,670
EXPENDITURES			
Executive and legislative	63,267	-	-
Financial and administrative	421,754	-	-
Law enforcement	1,596,575	-	-
Planning and zoning	79,666	-	-
Building	84,756	-	-
Highways and streets	501,010	-	-
Public works	207,012	-	-
Parks and recreation	543,453	-	-
Engineering	206,276	-	-
Other	155,580	-	250
Capital outlay	1,029,144	168,314	169,089
Debt service			
Principal	17,120	-	-
Interest	816	-	-
Total expenditures	4,906,429	168,314	169,339
EXCESS OF REVENUES OVER EXPENDITURES	23,538	187,245	34,331
OTHER FINANCING SOURCES (USES)			
Proceeds of Long Term Debt	121,223	-	-
Transfers in	-	-	-
Transfers out	(143,550)	-	-
Total other financing sources (uses)	(22,327)	-	-
NET CHANGE IN FUND BALANCES	1,211	187,245	34,331
FUND BALANCES, beginning	4,272,796	839,868	206,948
FUND BALANCES, ending	\$ 4,274,007	\$ 1,027,113	\$ 241,279

* Not a major fund

See accompanying notes to the financial statements
and independent auditors' report

*		
Capital Projects City Hall Facility	Other Govt Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,630,335
-	-	1,187,943
-	-	108,448
-	-	548,781
-	18,464	770,019
-	1,480	6,220
-	-	162,087
1,154	1,238	97,699
<u>1,154</u>	<u>21,182</u>	<u>5,511,532</u>
-	-	63,267
-	-	421,754
-	-	1,596,575
-	-	79,666
-	-	84,756
-	-	501,010
-	-	207,012
-	-	543,453
-	-	206,276
-	4,350	160,180
-	-	1,366,547
-	-	17,120
-	-	816
<u>-</u>	<u>4,350</u>	<u>5,248,432</u>
1,154	16,832	263,100
-	-	121,223
143,550	-	143,550
-	-	(143,550)
<u>143,550</u>	<u>-</u>	<u>121,223</u>
<u>144,704</u>	<u>16,832</u>	<u>384,323</u>
-	266,468	5,586,080
<u>\$ 144,704</u>	<u>\$ 283,300</u>	<u>\$ 5,970,403</u>

City of Rathdrum

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2018

Total net changes in fund balances for the year ended September 30, 2018	\$ 384,323
Add: Capital outlay which is considered expenditures	1,366,547
Less: Depreciation expense for the year ended September 30, 2018	(470,654)
Add: Capital lease payments considered as an expenditure	17,120
Add: Current year PERSI contributions	197,062
Less: PERSI pension plan expense (revenue)	(191,324)
Less: Change in compensated absence accrual	(27,325)
Add: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	14,258
Less: Proceeds from long-term debt	(121,223)
Change in net position of governmental activities for the year ended September 30, 2018	<u>\$ 1,168,784</u>

*See accompanying notes to the financial statements
and independent auditors' report*

City of Rathdrum
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,787,604	\$ 892,490	\$ 2,680,094
Accounts receivable, net of allowance for doubtful accounts of \$-0-	146,739	331,276	478,015
Due from other funds	-	1,217,301	1,217,301
Restricted assets:			
Restricted cash and cash equivalents	1,993,422	4,514,243	6,507,665
Total current assets	<u>3,927,765</u>	<u>6,955,310</u>	<u>10,883,075</u>
Non-current assets:			
Capital assets:			
Land	111,448	1,029,106	1,140,554
Property, plant and equipment	11,972,331	8,870,085	20,842,416
Less accumulated depreciation	(4,179,360)	(3,072,035)	(7,251,395)
Total non-current assets	<u>7,904,419</u>	<u>6,827,156</u>	<u>14,731,575</u>
Total assets	<u>11,832,184</u>	<u>13,782,466</u>	<u>25,614,650</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>20,488</u>	<u>20,488</u>	<u>40,976</u>
LIABILITIES			
Current liabilities:			
Accounts payable	98,355	376,022	474,377
Payroll benefits and taxes payable	11,766	11,142	22,908
Due to other governments	-	15,750	15,750
Due to other funds	445,534	-	445,534
Accrued interest payable	-	10,202	10,202
Customer deposits	74,508	-	74,508
Performance bonds payable	47,838	-	47,838
Capital lease, due in one year	4,387	4,387	8,774
Bonds and notes payable, due in one year	-	15,993	15,993
Total current liabilities	<u>682,388</u>	<u>433,496</u>	<u>1,115,884</u>
Noncurrent liabilities			
Net pension liability	86,950	86,950	173,900
Compensated absences, due in more than one year	37,519	37,519	75,038
Bonds and notes payable, due in more than one year	-	271,379	271,379
Total non-current liabilities	<u>124,469</u>	<u>395,848</u>	<u>520,317</u>
Total liabilities	<u>806,857</u>	<u>829,344</u>	<u>1,636,201</u>
DEFERRED INFLOWS OF RESOURCES	<u>16,923</u>	<u>16,923</u>	<u>33,846</u>
NET POSITION			
Net investment in capital assets	7,900,032	6,535,397	14,435,429
Restricted	2,043,033	2,314,394	4,357,427
Unrestricted	1,085,827	4,106,896	5,192,723
Total net position	<u>\$ 11,028,892</u>	<u>\$ 12,956,687</u>	<u>\$ 23,985,579</u>

*See accompanying notes to the financial statements
and independent auditors' report*

City of Rathdrum

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services, net of allowance of \$-0-	\$ 935,157	\$ 2,338,603	\$ 3,273,760
Miscellaneous income	98,814	1,314	100,128
Total operating revenues	<u>1,033,971</u>	<u>2,339,917</u>	<u>3,373,888</u>
OPERATING EXPENSES			
Administrative and supplies	147,620	148,581	296,201
Pumping	155,244	45,451	200,695
Transmission	277,225	270,751	547,976
Depreciation	242,280	145,725	388,005
Other	3,901	1,343,255	1,347,156
Pension expense	20,712	20,712	41,424
Total operating expenses	<u>846,982</u>	<u>1,974,475</u>	<u>2,821,457</u>
OPERATING INCOME	186,989	365,442	552,431
NON-OPERATING REVENUES (EXPENSES):			
Connection fees and surcharge	1,005,713	667,891	1,673,604
Interest income	52,150	75,911	128,061
Interest expense	(360)	(17,972)	(18,332)
Total non-operating revenues (expenses)	<u>1,057,503</u>	<u>725,830</u>	<u>1,783,333</u>
CHANGE IN NET POSITION	1,244,492	1,091,272	2,335,764
NET POSITON, beginning of year	<u>9,784,400</u>	<u>11,865,415</u>	<u>21,649,815</u>
NET POSITION, end of year	<u><u>\$ 11,028,892</u></u>	<u><u>\$ 12,956,687</u></u>	<u><u>\$ 23,985,579</u></u>

See accompanying notes to the financial statements
and independent auditors' report

City of Rathdrum

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,042,540	\$ 2,315,314	\$ 3,357,854
Payments to suppliers	(298,844)	(1,295,551)	(1,594,395)
Payments to employees	(196,240)	(196,297)	(392,537)
Net cash provided by operating activities	547,456	823,466	1,370,922
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Advances from other funds	1,041,538	(133,638)	907,900
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Repayment on long-term debt	(8,560)	(23,647)	(32,207)
Payments for capital acquisitions	(2,056,942)	(906,386)	(2,963,328)
Connection fees	1,005,713	667,891	1,673,604
Interest paid on bonds and capital leases	(360)	(18,507)	(18,867)
Net cash provided (used) by capital and related financing activities	(1,060,149)	(280,649)	(1,340,798)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	52,150	75,911	128,061
Net cash provided by investing activities	52,150	75,911	128,061
NET INCREASE IN CASH AND CASH EQUIVALENTS	580,995	485,090	1,066,085
CASH, beginning of year	3,200,031	4,921,643	8,121,674
CASH, end of year	\$ 3,781,026	\$ 5,406,733	\$ 9,187,759
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 186,989	\$ 365,442	\$ 552,431
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	242,280	145,725	388,005
(Increase) decrease in assets:			
Accounts receivable	7,001	(24,603)	(17,602)
Prepaid expenses	10,191	10,191	20,382
Deferred outflows of resources	(1,446)	(1,446)	(2,892)
Increase (decrease) in liabilities and deferred inflows of resources:			
Accounts payable	66,672	361,823	428,495
Payroll benefits and taxes payable	1,414	1,357	2,771
Due to other governments	-	(31,810)	(31,810)
Customer deposits	1,568	-	1,568
Performance bonds	36,000	-	36,000
Deferred inflows of resources	2,828	2,828	5,656
Compensated absences	(4,038)	(4,038)	(8,076)
Net pension liability	(2,003)	(2,003)	(4,006)
Net cash provided by operating activities	\$ 547,456	\$ 823,466	\$ 1,370,922

*See accompanying notes to the financial statements
and independent auditors' report*

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- ✓ the organization is legally separate (can sue and be sued in their own name)
- ✓ the City holds the corporate powers of the organization
- ✓ the City appoints a voting majority of the organization's board
- ✓ the City is able to impose its will on the organization
- ✓ the organization has the potential to impose a financial benefit/burden on the City
- ✓ there is fiscal dependency by the organization on the City

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Based on the aforementioned criteria, the City of Rathdrum has one discretely presented component unit.

The City of Rathdrum (the City) is a municipality of the State of Idaho. The City has oversight responsibility and control over all activities related to the City's functions. The City is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the City council members.

The accompanying financial statements include all aspects controlled by the City Council of the City of Rathdrum. Criteria for inclusion is determined by Governmental Accounting Standards Board Statement No. 61 (GASB No. 61) which states, in general, that legally separate organization for which the elected officials of the City are financially accountable for must be included in the City's financial statement as a component unit.

Under Idaho Code, in February 2017 the Rathdrum City Council passed an ordinance which created the Rathdrum Urban Renewal Agency (the Agency), a legally separate entity from the City. The Agency was established to promote urban development and improvement in blighted areas in and around the City. A board of five commissioners, which are appointed by the City Council, governs the Agency. The City Council has the ability to appoint, hire, reassign, or dismiss those persons having responsibility for the day-to-day operations of the Agency. These powers of the City meet the criteria set forth in GASB No. 61 for having financial accountability for the Agency. Based on the above, the Agency has been discretely presented in the accompanying financial statements of the City as a component unit. The Agency did not have an audit requirement for the fiscal year ending September 30, 2018; therefore, there are not separate audited financial statements for the Agency. The Agency financial information has been included as unaudited in the City's September 30, 2018 audited financial statements.

Payments between the City and Component Units

Resource flows (except those that affect the statement of net position, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions – that is, as revenues and expenses.

The Agency operates on the same fiscal year as the City.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Government-Wide Statements and Fund Financial Statements

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government and its component units, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

Special Revenue Fund – Impact Fees - Circulation. This fund accounts for financial resources to be used for circulation expenses.

Special Revenue Fund – Impact Fees - Parks. This fund accounts for financial resources to be used for park expenses.

The City reports the following major enterprise funds:

Water Enterprise Fund. The Water Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sewer Enterprise Fund. The Sewer Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing sewer services to the general public on a continuing basis are financed through user charges.

Additionally, the government reports the following non-major fund types:

Special Revenue Fund – Impact Fees Police. This fund accounts for financial resources to be used for police expenses.

Special Revenue Fund – Cemetery. This fund accounts for the revenues and expenditures related to the cemetery operations.

Capital Projects Fund – New City Hall. This fund accounts for financial resources to be used for the capital project – new City Hall.

Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the types of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded 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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The City pools all individual fund cash balances in bank accounts, and the Idaho State Investment Pool.

See independent auditors' report.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (continued)

For purposes of the Statement of Cash Flows, the City defines cash and cash equivalents as all cash and highly liquid investments with an original maturity of three months or less (both restricted and unrestricted). It also includes certificates of deposit with a maturity beyond three months as the entity is able to access the funds at any time with minimal penalty. In addition, the City considers all unrestricted and restricted investments held in the pooled accounts of the City to be cash equivalents, as the City is able to access the funds at any time.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance for uncollectibles for the governmental funds was -0- and proprietary funds was -0- as of September 30, 2018, as they deem all accounts materially collectible.

Receivables for State Highway User's Tax, State Liquor, and State Revenue Sharing are recorded as revenue in the general fund, and shown as due from other governments in the financial statements.

The City records enterprise fund charges when earned, not when collected.

Due to and From Other Funds and Advances to and From Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain assets of the City are classified as restricted assets on the Statement of Net Position and on the Balance Sheet because their use is limited to capital improvement projects, debt service, utility customer deposits, and law enforcement expenditures.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 at an estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Land and construction in progress are not depreciated.

See independent auditors' report.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

The other property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20 – 35
Infrastructure	20 - 30
Equipment	5 - 15
Furniture and fixtures	5 – 10
Computers	3 - 5
Licensed vehicles	5 – 7
Water and sewer systems	20 - 100

Because the City is a Phase 3 government (governments with total annual revenues of less than \$10 million), the City is encouraged but not required to report major infrastructure assets retroactively prior to October 1, 2003. The City has made the decision to not record infrastructure assets retroactively.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the non-current portion of capital leases and loans, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Performance Bonds Payable

Deposits from contractors guaranteeing the fulfillment of a contract.

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probably that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees who qualify.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (continued)

Employees eligible for leave include full-time equivalent employees that work a minimum of forty (40) hours per week. Employees accrue PTO based on their years of service. During the first three years of employment, a full-time equivalent employee accrues 4.92 hours per pay period. During the fourth and fifth years of employment, an employee accrues 6.46 hours per pay period, from six to ten years of employment, 7.38 hours per period, and employees with eleven (11) years and above of employment, 8.61 hours per pay period. The maximum of unused personal time off a full-time employee may accumulate is 912 hours.

On September 30 of each year, any excess over the maximum amount will be donated to the City's sick bank, a shared pool of sick leave available to employee who needs more sick time than is available to them. Upon termination of employment from the City, an employee will be paid for that unused PTO accrual up to a maximum of 240 hours.

The liability for accumulated vacation is \$323,477 for governmental activities and \$75,038 for business-type activities at September 30, 2018; this is an increase, in total, of \$19,249 from the prior year

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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. Note 10 outlines the outflows of resources associated with the PERSI base pension plan.

In addition to liabilities, the statement of financial 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 these items, which arise under the government-wide accrual basis of accounting that qualifies for reporting in this category and one item, which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source; property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The other item (reported in the government-wide statements) is an amount related to the pension base plan. See note 10 for details on the pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a committed (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Fund balances of the governmental funds are classified as follows in the fund financial statements:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the Council for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, series, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Tax Revenues

Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The county assessor establishes assessed values. Property tax payments are due in on-half installments every December and June.

Property tax becomes a lien on the property when it is levied. State statute sets maximum property tax rates from the various fund of the City of Rathdrum. For the general fund, the City cannot levy more than 103% of the prior year levy rate. For other funds, the 3% increase is not applicable but is limited by statute.

Proprietary Funds Operating and Non-operating Revenues and Expenses

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 enterprise funds are charges to customer for sales and service. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses 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.

Pensions

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES

General

State statutes authorize the City's investments. The City of Rathdrum is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a financial institution, the City's deposits and investments may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2018, the City's deposits and investments were not exposed to custodial credit risk.

Deposits without exposure to custodial credit risk:

Amount insured by FDIC or other agencies	\$ 800,192
Amount collateralized with securities held in trust, but not in the City's name	<u>15,374,308</u>
Total deposits without exposure to custodial credit risk	<u>16,174,500</u>

Deposits with exposure to custodial credit risk:

Amounts uninsured-exposed to custodial credit risk	-
Total bank balance (deposits)	<u>\$ 16,174,500</u>

The carrying amount is displayed as follows in the financial statements:

Statement of net position	
Cash and cash equivalents	\$ 6,693,200
Restricted cash and cash equivalents	<u>9,187,459</u>
	<u>\$ 15,880,659</u>

Cash and Cash equivalents at September 30, 2018 consist of the following:

Cash	
Deposits with financial institutions	\$ 413,113
Cash equivalents	
Short-term certificates of deposit	48,655
Idaho state investment pool	<u>15,418,891</u>
	<u>\$ 15,880,659</u>

Investments in 2a7-like pools are valued based upon the value of pool shares. The City invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. The pool does not include any involuntary participants.

The balances that the City has in the State Investment Pool are carried at fair value and calculated on a monthly basis. The City's portion of the State Investment Pool had an unrealized gain of \$44,166 as of September 30, 2018; this has been recognized in the financial statements. The unrealized gain was based on a fair market value adjustment factor of 1.0029 that was calculated by the State of Idaho's Treasurer's Office.

See independent auditors' report.

City of Rathdrum

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES

Custodial Credit Risk (continued)

GASB Statement No. 40 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The City's exposure to credit risk is not available.

Included in restricted cash for the sewer fund is a sewer bond reserve deposit of \$48,655 required by the U.S. Department of Agriculture.

NOTE 3 – RECEIVABLES

Receivables in the Government-wide Financial Statements consist of the following:

Governmental Activities

Property taxes	\$ 65,472
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Business-type Activities

Water fund accounts receivable	\$ 146,739
Sewer fund accounts receivable	331,276
	<u>\$ 478,015</u>

City of Rathdrum

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE 4 – CAPITAL ASSETS

The changes in capital assets used in governmental activities during fiscal year 2017/18 were as follows:

	Balance 9/30/2017	Increases	Decreases	Balance 9/30/2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,020,857	\$ -	\$ -	\$ 1,020,857
Total capital assets, not being depreciated	<u>1,020,857</u>	<u>-</u>	<u>-</u>	<u>1,020,857</u>
Capital assets being depreciated:				
Financial and administrative	149,888	18,925	-	168,813
Cemetery	30,794	-	-	30,794
Law enforcement	1,018,613	265,303	-	1,283,916
Planning and zoning	3,420	1,028	-	4,448
Building department	74,236	33,849	-	108,085
Streets (including infrastructure)	5,926,423	824,982	-	6,751,405
Parks and recreation	2,268,803	222,460	-	2,491,263
Total capital assets being depreciated	<u>9,472,177</u>	<u>1,366,547</u>	<u>-</u>	<u>10,838,724</u>
Less accumulated depreciation for:				
Financial and administrative	68,880	11,689	-	80,569
Cemetery	5,123	2,162	-	7,285
Law enforcement	558,258	100,577	-	658,835
Planning and zoning	3,224	194	-	3,418
Building department	51,141	6,352	-	57,493
Streets (including infrastructure)	2,167,968	248,863	-	2,416,831
Parks and recreation	768,172	100,817	-	868,989
Total accumulated depreciation	<u>3,622,766</u>	<u>470,654</u>	<u>-</u>	<u>4,093,420</u>
Total capital assets being depreciated, net	<u>5,849,411</u>	<u>895,893</u>	<u>-</u>	<u>6,745,304</u>
Total governmental activities capital assets, net	<u>\$ 6,870,268</u>	<u>\$ 895,893</u>	<u>\$ -</u>	<u>\$ 7,766,161</u>

Depreciation expense was charged to functions/programs for the governmental activities as follows:

Governmental activities:	
Financial and administrative	\$ 11,689
Cemetery	2,162
Law enforcement	100,577
Planning and zoning	194
Building department	6,352
Streets (including infrastructure)	248,863
Parks and recreation	100,817
Total depreciation expense - governmental activities	<u>\$ 470,654</u>

City of Rathdrum

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

The changes in capital assets used in business-type activities during fiscal year 2017/18 were as follows:

	Balance 9/30/2017	Increases	Decreases	Balance 9/30/2018
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,140,554	\$ -	\$ -	\$ 1,140,554
Total capital assets, not being depreciated	<u>1,140,554</u>	<u>-</u>	<u>-</u>	<u>1,140,554</u>
Capital assets being depreciated:				
Buildings and improvements	278,929	-	-	278,929
Administration equipment	140,337	3,180	-	143,517
Equipment	863,685	211,939	-	1,075,624
Vehicles	212,273	-	-	212,273
System & improvements	16,383,864	2,748,209	-	19,132,073
Total capital assets being depreciated	<u>17,879,088</u>	<u>2,963,328</u>	<u>-</u>	<u>20,842,416</u>
Less accumulated depreciation for:				
Buildings and improvements	182,796	9,357	-	192,153
Administration equipment	128,593	4,199	-	132,792
Equipment	511,469	35,851	-	547,320
Vehicles	152,852	11,357	-	164,209
System & improvements	5,887,680	327,241	-	6,214,921
Total accumulated depreciation	<u>6,863,390</u>	<u>388,005</u>	<u>-</u>	<u>7,251,395</u>
Total capital assets being depreciated, net	<u>11,015,698</u>	<u>2,575,323</u>	<u>-</u>	<u>13,591,021</u>
Total business-type activities capital assets, net	<u>\$ 12,156,252</u>	<u>\$ 2,575,323</u>	<u>\$ -</u>	<u>\$ 14,731,575</u>

Depreciation expense for the business-type activities was charged as follows:

Business-type activities:	
Water	\$ 242,280
Sewer	145,725
Total depreciation expense - business-type activities	<u>\$ 388,005</u>

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 5 – LONG-TERM LIABILITIES

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

	10/1/2017	Increases	Decreases	9/30/2018	Due Within One Year	Due in More Than One Year
Governmental activities:						
Compensated absences	\$ 296,152	\$ 27,325	\$ -	\$ 323,477	\$ -	\$ 323,477
John Deere lease	25,894	-	17,120	8,774	8,774	-
City of Post Falls-Police Radios	-	121,223	-	121,223	40,408	80,815
	<u>322,046</u>	<u>148,548</u>	<u>17,120</u>	<u>453,474</u>	<u>49,182</u>	<u>404,292</u>
Net pension liability	804,640	-	18,506	786,134	-	786,134
Total governmental activities	<u>\$ 1,126,686</u>	<u>\$ 148,548</u>	<u>\$ 35,626</u>	<u>\$ 1,239,608</u>	<u>\$ 49,182</u>	<u>\$1,190,426</u>
Business-type activities:						
Compensated absences	\$ 83,114	\$ -	\$ 8,076	\$ 75,038	\$ -	\$ 75,038
John Deere lease	25,894	-	17,120	8,774	8,774	-
Sewer bonds	302,459	-	15,087	287,372	15,993	271,379
	<u>411,467</u>	<u>-</u>	<u>40,283</u>	<u>371,184</u>	<u>24,767</u>	<u>346,417</u>
Net pension liability	177,906	-	4,006	173,900	-	173,900
Total business-type activities	<u>\$ 589,373</u>	<u>\$ -</u>	<u>\$ 44,289</u>	<u>\$ 545,084</u>	<u>\$ 24,767</u>	<u>\$ 520,317</u>

NOTE 6 – LOANS PAYABLE

USDA Rural Development Sewer Loan

The City borrowed \$500,000 from the USDA Rural Development Agency in March of 1991 to finance sewer system improvements. The loan calls for annual payments of \$33,235 with interest at 6%.

The balance of the restricted cash account is \$48,655 at September 30, 2018.

Annual requirements to amortize outstanding sewer loan are as follows:

Years Ending September 30,	Principal	Interest	Total
2019	15,993	17,242	33,235
2020	16,952	16,283	33,235
2021	17,969	15,266	33,235
2022	19,048	14,187	33,235
2023	20,190	13,045	33,235
2024-2028	120,644	45,531	166,175
2029-2031	76,576	8,525	85,101
	<u>\$ 287,372</u>	<u>\$ 130,079</u>	<u>\$ 417,451</u>

NOTE 7 – LEASES

The City of Rathdrum entered into a long-term lease for the purchase of a loader. The total cost was \$195,750 and accumulated depreciation at September 30, 2018 was \$100,020. The Loader is being paid 50% through the general fund, 25% through the water fund and 25% through the sewer fund. Minimum lease payments under the capital lease are as follows:

See independent auditors' report.

City of Rathdrum

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE 7 – LEASES (CONTINUED)

General Fund:

Years Ending September 30	
2019	8,920
Total minimum lease payments	8,920
Less: amount representing interest	(146)
Present value of minimum lease payments	\$ 8,774

Water and Sewer Funds:

Years Ending September 30	
2019	8,920
Total minimum lease payments	8,920
Less: amount representing interest	(146)
Present value of minimum lease payments	\$ 8,774

NOTE 8 – INTER-FUND RECEIVABLES AND PAYABLES

Individual fund inter-fund receivable and payable balances at September 30, 2018 were as follows

	Interfund Receivable	Interfund Payable
General fund	\$ 657,007	\$ -
Special revenue fund - Impact fees circulation	-	1,276,967
Special revenue fund - Impact fees parks	-	351,272
Special revenue fund - Impact fees police	133,715	-
Special revenue fund - cemetery	65,750	-
Water fund	-	445,534
Sewer fund	1,217,301	-
	\$2,073,773	\$2,073,773

NOTE 9 – FUND BALANCE CLASSIFICATIONS

The City's non-spendable funds consist of expenses prepaid at September 30, 2018.

The City maintains restricted funds in its special revenue impact fee funds as required for circulation, police and park expenditures.

The City maintains an assigned fund balance in its general fund for contingency expenditures and in its special revenue cemetery fund for cemetery operations.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN

PERSI BASE PLAN

Plan Description

The City of Rathdrum 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 and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess 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 September 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% for general employees and 11.66% for police and firefighters. The City's contributions were \$239,730 for the year ended September 30, 2018.

City of Rathdrum

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

PERSI BASE PLAN (continued)

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

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 .0650863 percent.

For the year ended September 30, 2018, the City recognized pension expense of \$232,748. 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 and actual experience	\$ 105,385	\$ 72,506
Changes in assumptions or other inputs	62,467	-
Net difference between projected and actual earnings on pension plan investments	-	106,665
Changes in the City's proportion and differences between the City's contributions and the District's proportionate contributions	-	-
City's contributions subsequent to the measurement date	54,573	-
Total	<u>\$ 222,425</u>	<u>\$ 179,171</u>

\$54,573 reported as deferred outflows of resources related to pensions resulting from City's 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 4.8 years and 4.9 years for the measurement period June 30, 2017.

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 June 30:	
2019	78,039
2020	9,195
2021	(78,668)
2022	(19,883)
2023	-

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS September 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

PERSI BASE 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 July 1, 2018 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%
Cost-of-living (COLA) adjustments	1.00%

*net of pension plan investment expense

**there is an individual additional component of assumed salary grown (on top of the 3.75%) that varies for each individual member based on the years of service.

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.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

PERSI BASE PLAN (continued)

Actuarial Assumptions (continued)

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2018.

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
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%

*Expected arithmetic return net of fees and expenses

City of Rathdrum

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

PERSI BASE PLAN (continued)

Actuarial Assumptions (continued)

Actuarial Assumptions	Expected Real Rate of Return
Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
 Portfolio Arithmetic Mean Return	 8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.45%
Assumed Investment Expenses	0.40%
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 City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.05 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
City's proportionate share of the net pension liability (asset)			
Total Plan	\$ 2,403,183	\$ 960,034	\$ (234,952)

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.

See independent auditors' report.

City of Rathdrum

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

PERSI BASE PLAN (continued)

Payables to the pension plan

At September 30, 2018, the City of Rathdrum reported payables to the defined benefit pension plan of \$5,301 for legally required employer contributions.

NOTE 11 – RISK MANAGEMENT

The City faces a number of risks of loss including damage to and loss of property and contents, professional liability, i.e. errors and omissions, and health insurance costs of employees. The City contracts with an insurance company for property insurance and general liability insurance. There were no significant reductions in insurance coverage from the prior year.

The City's workman's compensation coverage is provided by the Idaho State Insurance Fund.

NOTE 12 – CONTINGENCIES

Intergovernmental Grants – The City receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

Litigation – The City is party to legal claims arising in the ordinary course of its business. In management's opinion, the City has adequate legal defenses or insurance coverage relative to these actions. Management does not believe any actions will materially affect the City's operations or financial position.

NOTE 13 – RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION

Reconciliation of cash to the statement of net position:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,787,604	\$ 892,490	\$ 2,680,094
Restricted cash and cash equivalents	1,993,422	4,514,243	6,507,665
	<u>\$ 3,781,026</u>	<u>\$ 5,406,733</u>	<u>\$ 9,187,759</u>

FINANCIAL SECTION
REQUIRED SUPPLEMENTARY INFORMATION

City of Rathdrum

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL**

For the Year Ended September 30, 2018

	*		
	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES			
Property taxes	\$ 2,545,425	\$ 2,630,335	\$ 84,910
Intergovernmental	1,048,940	1,187,943	139,003
Franchise fees	71,000	108,448	37,448
Licenses and permits	229,450	548,781	319,331
Other revenue	215,520	347,175	131,655
Donations	1,950	4,740	2,790
Grant revenues	23,000	50,663	27,663
Interest and investment earnings	14,500	51,882	37,382
Total revenues	<u>4,149,785</u>	<u>4,929,967</u>	<u>780,182</u>
EXPENDITURES			
Executive and legislative	72,813	63,267	9,546
Financial and administrative	438,429	421,754	16,675
Law enforcement	1,729,551	1,596,575	132,976
Planning and zoning	97,047	79,666	17,381
Building	85,718	84,756	962
Highways and streets	348,343	501,010	(152,667)
Public works	196,340	207,012	(10,672)
Parks and recreation	608,204	543,453	64,751
Engineering	211,028	206,276	4,752
Other	125,235	155,580	(30,345)
Designated expenses	933,620	-	933,620
New city hall development		-	-
Capital outlay	1,146,750	1,029,144	117,606
Debt service			
Principle	18,000	17,120	880
Interest	-	816	(816)
Total expenditures	<u>6,011,078</u>	<u>4,906,429</u>	<u>1,104,649</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>(1,861,293)</u>	<u>23,538</u>	<u>1,884,831</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of Long Term Debt	-	121,223	121,223
Transfers in	-	-	-
Transfers (out)	-	(143,550)	(143,550)
Total other financing sources (uses)	<u>-</u>	<u>(22,327)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(1,861,293)</u>	<u>1,211</u>	<u>1,884,831</u>
FUND BALANCES, beginning	<u>1,861,293</u>	<u>4,272,796</u>	<u>2,411,503</u>
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ 4,274,007</u>	<u>\$ 4,296,334</u>

* Budget was not amended

*See accompanying notes to the financial statements
and independent auditors' report*

City of Rathdrum

**SPECIAL REVENUE FUND - IMPACT FEES CIRCULATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018**

	*		
	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES			
Other revenue	\$ 215,040	\$ 209,891	\$ (5,149)
Interest and investment earnings	10,000	34,244	24,244
	-	111,424	111,424
Total revenues	<u>225,040</u>	<u>355,559</u>	<u>130,519</u>
EXPENDITURES			
Other	-	-	-
Capital outlay	2,542,100	168,314	2,373,786
Total expenditures	<u>2,542,100</u>	<u>168,314</u>	<u>2,373,786</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>(2,317,060)</u>	<u>187,245</u>	<u>2,504,305</u>
NET CHANGE IN FUND BALANCE	(2,317,060)	187,245	2,504,305
FUND BALANCES, beginning	2,317,060	839,868	(1,477,192)
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ 1,027,113</u>	<u>\$ 1,027,113</u>

* Budget was not amended

*See accompanying notes to the financial statements
and independent auditors' report*

City of Rathdrum

**SPECIAL REVENUE FUND - IMPACT FEES PARKS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2018**

	*		
	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES			
Other revenue	\$ 197,760	\$ 194,489	\$ (3,271)
Interest and investment earnings	3,000	9,181	6,181
Total revenues	200,760	203,670	2,910
EXPENDITURES			
Other	-	250	(250)
Capital outlay	1,019,237	169,089	850,148
Total expenditures	1,019,237	169,339	849,898
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(818,477)	34,331	852,808
NET CHANGE IN FUND BALANCE	(818,477)	34,331	852,808
FUND BALANCES, beginning	818,477	206,948	(611,529)
FUND BALANCES, ending	\$ -	\$ 241,279	\$ 241,279

* Budget was not amended

*See accompanying notes to the financial statements
and independent auditors' report*

City of Rathdrum

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION September 30, 2018

NOTE 1: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the general fund. 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 as an extension of formal budgetary integration in the general fund.

This is in conformance with Idaho State Statutes, which require that appropriations lapse at the end of a fiscal year and are not available to be carried forward to be used in addition to the succeeding year's appropriation. The budget was not amended in the current fiscal year.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) The City publishes a proposed budget for public review.
- b) Public hearings are set to obtain taxpayer comments.
- c) Prior to October 1, the budget is adopted by resolution of the City Council and published.

Lapsing of Appropriations – At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.

The City properly prepared and published its budget for the year, as required by US generally accepted accounting principles and Idaho Code 33-2713A. The budget is adopted on a modified accrual basis, consistent with the fund financial statements and was not amended during the year ended September 30, 2018.

City of Rathdrum

SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY PERSI - Base Plan Last 10 - Fiscal Years *

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
City of Rathdrum's portion of the net pension liability	0.0650863%	0.0625098%	0.0612017%	0.0631923%
City of Rathdrum's proportionate share of the net pension liability	\$ 960,034	\$ 982,547	\$ 1,240,651	\$ 832,140
City of Rathdrum's covered-employee payroll	\$ 2,094,152	\$ 2,019,392	\$ 1,804,744	\$ 1,746,575
City of Rathdrum's proportional share of the net pension liability as a percentage of it's covered-employee payroll	45.84%	48.66%	68.74%	47.64%
Plan fiduciary net position as a percentage of the total pension liability	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, City of Rathdrum will present information for those to use for which information is available.

Data reported is measured as of June 30, 2018 (measurement date)

SCHEDULE OF CITY'S CONTRIBUTIONS PERSI - Base Plan Last 10 - Fiscal Years *

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Statutorily required contribution	\$ 252,757	\$ 210,791	\$ 181,930	\$ 206,703
Contributions in relation to the statutorily required contribution	\$ (240,259)	\$ (222,765)	\$ (204,435)	\$ (212,080)
Contribution (deficiency) excess	\$ 12,498	\$ (11,974)	\$ (22,505)	\$ (5,376)
City's covered-employee payroll	\$ 2,094,152	\$ 2,019,392	\$ 1,804,744	\$ 1,746,575
Contributions as a percentage of covered-employee payroll	11.47%	11.03%	11.33%	12.14%

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

Data reported is measured as of June 30, 2018 (measurement date)

FINANCIAL SECTION
SUPPLEMENTARY INFORMATION

City of Rathdrum
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2018

	Impact Fees Police	Cemetery	Total Non-Major Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 83,835	\$ 83,835
Due from other funds	133,715	65,750	199,465
Total assets	<u>\$ 133,715</u>	<u>\$ 149,585</u>	<u>\$ 283,300</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	133,715	-	133,715
Assigned	-	149,585	149,585
Total fund balances	<u>133,715</u>	<u>149,585</u>	<u>283,300</u>
Total liabilities and fund balances	<u>\$ 133,715</u>	<u>\$ 149,585</u>	<u>\$ 283,300</u>

*See accompanying notes to the financial statements
and independent auditors' report*

City of Rathdrum

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2018**

	Impact Fees Police	Cemetery	Total Non-Major Special Revenue Funds
REVENUES			
Other revenue	\$ -	\$ 18,464	\$ 18,464
Donations	-	1,480	1,480
Interest and investment earnings	-	1,238	1,238
Total revenues	<u>-</u>	<u>21,182</u>	<u>21,182</u>
EXPENDITURES			
Other	-	4,350	4,350
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>4,350</u>	<u>4,350</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>-</u>	<u>16,832</u>	<u>16,832</u>
NET CHANGE IN FUND BALANCES			
	-	16,832	16,832
FUND BALANCES, beginning	133,715	132,753	266,468
FUND BALANCES, ending	<u>\$ 133,715</u>	<u>\$ 149,585</u>	<u>\$ 283,300</u>

*See accompanying notes to the financial statements
and independent auditors' report*

FINANCIAL SECTION
REPORT REQUIRED BY GAO



1810 E Schneidmiller Ave. Ste. 310
Post Falls, Idaho 83854
208-777-1099 (phone) 208-773-5108 (fax)

**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**

To the Honorable Mayor and City Council
City of Rathdrum
Rathdrum, ID 83858

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rathdrum, Idaho, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Rathdrum's basic financial statements and have issued our report thereon dated August 21, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Anderson Bros. CPAs
Post Falls, Idaho
August 21, 2019