

CITY OF PRIEST RIVER

FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

CITY OF PRIEST RIVER

September 30, 2024

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September 30, 2024

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Priest River
Priest River, ID 83856

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the blended component unit, and each major fund of the City of Priest River as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Priest River's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component unit, and each major fund of the City of Priest River, as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Priest River, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Priest River's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Concluded)

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Priest River's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Priest River's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and certain GASB No. 68 pension information as listed in the table of contents, and management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Required Supplementary Information (Concluded)

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Priest River's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2025 on our consideration of the City of Priest River'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Priest River's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Priest River's internal control over financial reporting and compliance.



Magnuson, McHugh, Dougherty CPAs

March 3, 2025

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

City of Priest River

STATEMENT OF NET POSITION September 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 937,393	\$ 836,033	\$ 1,773,426
Receivables	173,546	143,424	316,970
Prepaid items	14,277	7,948	22,225
Restricted assets:			
Cash and investments	-	630,916	630,916
Land	1,469,282	123,481	1,592,763
Construction in process	1,173	5,929	7,102
Capital and intangible assets, net of accumulated depreciation and amortization	6,835,653	14,773,275	21,608,928
Total assets	9,431,324	16,521,006	25,952,330
DEFERRED OUTFLOWS OF RESOURCES			
Proportionate share of collective deferred outflows of resources	124,530	61,683	186,213
Total deferred outflows of resources	124,530	61,683	186,213
LIABILITIES			
Accounts payable and accrued expenses	39,190	73,541	112,731
Accrued payroll and benefits	21,917	9,583	31,500
Accrued interest payable	7,832	89,950	97,782
Deferred revenue	-	24,673	24,673
Bond deposit payable	500	-	500
Current portion of financed purchase	23,195	5,798	28,993
Current portion of long term debt	-	248,641	248,641
Current portion of lease liabilities	21,111	42,224	63,335
Noncurrent liabilities:			
Financed purchase, noncurrent portion	139,930	34,984	174,914
Long term debt, noncurrent portion	-	6,522,671	6,522,671
Lease liabilities, noncurrent portion	67,980	135,958	203,938
Compensated absences	91,830	51,682	143,512
Net pension liability	525,389	266,544	791,933
Total liabilities	938,874	7,506,249	8,445,123
DEFERRED INFLOWS OF RESOURCES			
Proportionate share of collective deferred inflows of resources	(304)	1,117	813
Total deferred inflows of resources	(304)	1,117	813
NET POSITION			
Net investment in capital and intangible assets	8,053,892	7,912,409	15,966,301
Restricted for:			
Debt service	-	587,871	587,871
Grants	-	15,707	15,707
Other	-	27,338	27,338
Unrestricted	563,392	531,998	1,095,390
Total net position	\$ 8,617,284	\$ 9,075,323	\$ 17,692,607

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Priest River

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants
Governmental activities:			
General government	\$ 420,965	\$ 35,085	\$ -
Public safety	656,376	169,505	-
Streets	649,783	10,675	-
Parks and recreation	86,555	16,935	-
Interest on lease liabilities	11,751	-	-
Change in net pension liability	125,078	-	-
Unallocated actual PERSI contributions	(79,147)	-	-
Total governmental activities	1,871,361	232,200	-
Business-type activities:			
Water	881,188	1,000,937	-
Wastewater	852,179	837,175	-
Total business-type activities	1,733,367	1,838,112	-
Total primary government	\$ 3,604,728	\$ 2,070,312	\$ -

General revenues:

Property taxes and special assessments
Franchise fees
Investment earnings
Grants
Intergovernmental revenues
Miscellaneous
Donations of land
Total general revenues

Change in net position

Net position - beginning

Net position - ending

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (385,880)	\$ -	\$ (385,880)
(486,871)	-	(486,871)
(639,108)	-	(639,108)
(69,620)	-	(69,620)
(11,751)	-	(11,751)
(125,078)	-	(125,078)
79,147	-	79,147
(1,639,161)	-	(1,639,161)
-	119,749	119,749
-	(15,004)	(15,004)
-	104,745	104,745
(1,639,161)	104,745	(1,534,416)
1,030,587	-	1,030,587
37,282	-	37,282
33,768	96,167	129,935
30,000	31,217	61,217
506,565	-	506,565
27,079	3,498	30,577
377,000	-	377,000
2,042,281	130,882	2,173,163
403,120	235,627	638,747
8,214,164	8,839,696	17,053,860
\$ 8,617,284	\$ 9,075,323	\$ 17,692,607

City of Priest River

GOVERNMENTAL FUNDS BALANCE SHEET September 30, 2024

	General	Street	Total Governmental Funds
ASSETS			
Cash and investments	\$ 666,251	\$ 271,142	\$ 937,393
Taxes receivable	22,461	7,491	29,952
Accounts receivable	64,973	78,621	143,594
Prepaid items	12,044	2,233	14,277
Total assets	<u>\$ 765,729</u>	<u>\$ 359,487</u>	<u>\$ 1,125,216</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 18,488	\$ 20,702	\$ 39,190
Accrued payroll and benefits	19,123	2,794	21,917
Bond deposit payable	500	-	500
Total liabilities	<u>38,111</u>	<u>23,496</u>	<u>61,607</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	19,462	6,491	25,953
Total deferred inflows of resources	<u>19,462</u>	<u>6,491</u>	<u>25,953</u>
FUND BALANCES			
Non-spendable	12,044	2,233	14,277
Unassigned	696,112	327,267	1,023,379
Total fund balances	<u>708,156</u>	<u>329,500</u>	<u>1,037,656</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 765,729</u>	<u>\$ 359,487</u>	<u>\$ 1,125,216</u>

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

City of Priest River

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION September 30, 2024

Total fund balance at September 30, 2024 - Governmental Funds		\$ 1,037,656
Cost of capital and intangible assets	\$ 14,363,259	
Less: Accumulated depreciation and amortization	<u>(6,057,151)</u>	8,306,108
Elimination of deferred inflows of resources		25,953
Current portion of financed purchase	(23,195)	
Current portion of lease liabilities	<u>(21,111)</u>	(44,306)
Long-term liabilities:		
Accrued interest	(7,832)	
Compensated absences	(91,830)	
Financed purchase, noncurrent portion	(139,930)	
Lease liabilities, noncurrent portion	<u>(67,980)</u>	(307,572)
Items related to GASB 68 and reporting net pension liability:		
Proportionate share of collective deferred outflows of resources	124,530	
Proportionate share of collective deferred inflows of resources	304	
Net pension liability	<u>(525,389)</u>	<u>(400,555)</u>
Net position at September 30, 2024		<u><u>\$ 8,617,284</u></u>

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

City of Priest River

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES For the Year Ended September 30, 2024

	General	Street	Total
REVENUES			
Taxes and special assessments	\$ 744,853	\$ 295,129	\$ 1,039,982
Intergovernmental revenues	255,142	251,423	506,565
User fees and charges	231,600	600	232,200
Grants	-	30,000	30,000
Fines	7,830	-	7,830
Franchise fees	2,729	34,553	37,282
Other	12,782	6,467	19,249
Investment earnings	25,723	8,045	33,768
Total revenues	<u>1,280,659</u>	<u>626,217</u>	<u>1,906,876</u>
EXPENDITURES			
General government	175,087	-	175,087
Police	633,738	-	633,738
Highway and streets	-	367,721	367,721
Recreation	71,000	-	71,000
Code enforcement	27,606	-	27,606
Building and zoning	179,825	-	179,825
Urban renewal	26,398	-	26,398
Capital outlay	10,772	427,202	437,974
Debt service:			
Principal retirement	-	53,897	53,897
Interest expense	-	3,919	3,919
Total expenditures	<u>1,124,426</u>	<u>852,739</u>	<u>1,977,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>156,233</u>	<u>(226,522)</u>	<u>(70,289)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt services	-	196,640	196,640
Total other financing sources (uses)	<u>-</u>	<u>196,640</u>	<u>196,640</u>
Net change in fund balance	156,233	(29,882)	126,351
Fund balances - beginning	<u>551,923</u>	<u>359,382</u>	<u>911,305</u>
Fund balances - ending	<u>\$ 708,156</u>	<u>\$ 329,500</u>	<u>\$ 1,037,656</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Priest River

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2024

Total net changes in fund balances for the year ended September 30, 2024	\$ 126,351
Add: Capital outlay which is considered expenditures	437,974
Add: Donations of land	377,000
Less: Depreciation and amortization expense	(323,072)
Add: Lease principal payments considered as expenditures	20,382
Add: Financed purchase payments considered as expenditures	33,515
Less: Proceeds from debt services	(196,640)
Less: Change in accrued interest expense	(7,832)
Less: Change in compensated absences	(9,232)
Less: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	(9,395)
Less: Change in net pension liability	(125,078)
Add: Unallocated actual PERSI contributions	<u>79,147</u>
Change in net position for year ended September 30, 2024	<u>\$ 403,120</u>

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

City of Priest River

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2024**

	Water	Wastewater	Total
ASSETS			
Current assets:			
Cash and investments	\$ 351,535	\$ 484,498	\$ 836,033
Accounts receivable	78,085	65,339	143,424
Prepaid items	5,864	2,084	7,948
Restricted cash and investments	346,817	284,099	630,916
Total current assets	782,301	836,020	1,618,321
Noncurrent assets:			
Land	120,074	3,407	123,481
Construction in process	-	5,929	5,929
Capital and intangible assets, net of accumulated depreciation and amortization	6,756,096	8,017,179	14,773,275
Total noncurrent assets	6,876,170	8,026,515	14,902,685
Total assets	7,658,471	8,862,535	16,521,006
DEFERRED OUTFLOWS OF RESOURCES			
Proportionate share of collective deferred outflows of resources	38,919	22,764	61,683
Total deferred outflows of resources	38,919	22,764	61,683
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	57,631	15,910	73,541
Accrued payroll and benefits	5,111	4,472	9,583
Accrued interest payable	38,817	51,133	89,950
Deferred revenue	22,673	2,000	24,673
Current portion of financed purchase	2,899	2,899	5,798
Current portion of long term debt	132,966	115,675	248,641
Current portion of lease liabilities	21,112	21,112	42,224
Total current liabilities	281,209	213,201	494,410
Noncurrent liabilities:			
Financed purchase, noncurrent portion	17,492	17,492	34,984
Long term debt, noncurrent portion	3,452,848	3,069,823	6,522,671
Lease liabilities, noncurrent portion	67,979	67,979	135,958
Compensated absences	27,509	24,173	51,682
Net pension liability	153,635	112,909	266,544
Total noncurrent liabilities	3,719,463	3,292,376	7,011,839
Total liabilities	4,000,672	3,505,577	7,506,249
DEFERRED INFLOWS OF RESOURCES			
Proportionate share of collective deferred inflows of resources	(332)	1,449	1,117
Total deferred inflows of resources	(332)	1,449	1,117
NET POSITION			
Net investment in capital and intangible assets	3,180,874	4,731,535	7,912,409
Restricted for:			
Debt service	303,772	284,099	587,871
Grants	15,707	-	15,707
Other	27,338	-	27,338
Unrestricted	169,359	362,639	531,998
Total net position	\$ 3,697,050	\$ 5,378,273	\$ 9,075,323

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Priest River

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Year Ended September 30, 2024

	Water	Wastewater	Total
OPERATING REVENUES			
Charges for services	\$ 843,739	\$ 666,909	\$ 1,510,648
Hook-up charges	157,198	170,266	327,464
Miscellaneous	174	3,324	3,498
Total operating revenues	1,001,111	840,499	1,841,610
OPERATING EXPENSES			
Wages and payroll burden	251,600	213,276	464,876
Depreciation and amortization	186,404	236,583	422,987
Utilities	86,795	53,322	140,117
Other services and charges	92,210	137,019	229,229
Maintenance	139,435	99,990	239,425
Change in net pension liability	34,459	29,130	63,589
Total operating expenses	790,903	769,320	1,560,223
Operating income	210,208	71,179	281,387
NONOPERATING REVENUES (EXPENSES)			
Interest income	44,337	51,830	96,167
Grant income	31,217	-	31,217
Interest expense	(90,285)	(82,859)	(173,144)
Total nonoperating revenues (expenses)	(14,731)	(31,029)	(45,760)
Income (loss) before contributions and transfers	195,477	40,150	235,627
Transfers in	97,212	25,815	123,027
Transfers out	(25,815)	(97,212)	(123,027)
Total transfers	71,397	(71,397)	-
Change in net position	266,874	(31,247)	235,627
Total net position - beginning	3,430,176	5,409,520	8,839,696
Total net position - ending	\$ 3,697,050	\$ 5,378,273	\$ 9,075,323

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Priest River

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2024**

	Water	Wastewater	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,011,191	\$ 846,210	\$ 1,857,401
Payments to employees	(268,192)	(224,004)	(492,196)
Payments to suppliers	(271,284)	(290,339)	(561,623)
Net cash provided (used) by operating activities	471,715	331,867	803,582
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grants received	31,217	-	31,217
Operating transfers (out) in	71,397	(71,397)	-
Net cash provided (used) by noncapital financing activities	102,614	(71,397)	31,217
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of fixed assets	(565,105)	(366,879)	(931,984)
Proceeds from financed purchase	24,580	24,580	49,160
Repayment of financed purchase	(4,189)	(4,189)	(8,378)
Repayment of long-term debt	(129,716)	(111,921)	(241,637)
Repayment of lease liabilities	(20,382)	(20,382)	(40,764)
Interest paid	(90,285)	(82,859)	(173,144)
Net cash provided (used) by capital and related financing activities	(785,097)	(561,650)	(1,346,747)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	44,337	51,830	96,167
Net cash provided (used) by investing activities	44,337	51,830	96,167
Net increase in cash and investments	(166,431)	(249,350)	(415,781)
Cash and investments, beginning	864,783	1,017,947	1,882,730
Cash and investments, ending	\$ 698,352	\$ 768,597	\$ 1,466,949
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 210,208	\$ 71,179	\$ 281,387
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	186,404	236,583	422,987
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	5,826	3,711	9,537
Prepaid items	7,355	6,473	13,828
Increase (decrease) in:			
Accounts payable and accrued expenses	39,801	(6,481)	33,320
Accrued payroll and benefits	746	1,268	2,014
Deferred revenue	4,254	2,000	6,254
Compensated absences	4,466	6,437	10,903
Items related to net pension liability	12,655	10,697	23,352
Net cash provided (used) by operating activities	\$ 471,715	\$ 331,867	\$ 803,582
Reconciliation of cash to the statement of net position:			
Cash and investments	\$ 351,535	\$ 484,498	\$ 836,033
Restricted cash and investments	346,817	284,099	630,916
	\$ 698,352	\$ 768,597	\$ 1,466,949

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Priest River (the "City") is an incorporated city of the State of Idaho. The City operates under a Mayor/Council form of government. The City's major operations include general government, street maintenance, a sewer system and a municipal water system, and general administrative services.

The financial statements include all operations controlled by the City. A reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of the relationship are such that exclusion would cause the reporting entity's financial statements to be misleading.

Component Unit

The accompanying financial statements include financial statements for related organizations as required by Generally Accepted Accounting Principles. Organizations are included if they are financially accountable to the City, or the nature and significance of their relationship with the City are such that exclusion would cause the financial statements to be misleading or incomplete. Inclusion is determined on the basis of the City's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the City (as distinct from legal relationship).

The City is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

Component units can be treated as one of the following:

Blended component units, although legally separate entities, are, in substance, part of the City's operations. Blended component units provide services exclusively or almost exclusively for the City.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize their legal separateness from the City.

The City passed an ordinance which created the Priest River Urban Renewal Agency (the Agency), a legally separate entity from the City. The Priest River Urban Renewal Agency (the "Agency") was established to promote development and improvement in blighted areas in and around the City. The Agency is governed by a Board of Directors, which includes two individuals from the City Council and five others who are appointed by the City Council. Agency revenues consist entirely of tax revenue collected by Bonner County but passing through the City. The relationship between the City and the Urban Renewal Agency is such that the Agency is required to be presented as a blended component unit and is accounted for within the general fund in the accompanying financial statements of the City. Component unit financial statements may be obtained from the City.

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

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Concluded)

The most significant of the City's accounting policies are described below.

B. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. The City, at this time, does not report internal service funds.

C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government'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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

The *Street Fund* is used to account for the revenues and expenditures as they relate to the maintenance and operation of the streets of the City.

The government reports the following major proprietary funds:

The *Water Fund* accounts for the provision of water services to individuals and commercial users. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, maintenance, financing, and related debt service.

The *Wastewater Fund* accounts for the provision of sewer services to individuals and commercial users. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, maintenance, financing, and related debt service.

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

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Fund Financial Statements (Concluded)

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type 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.

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Concluded)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, wastewater and sanitation funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of cap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents

The City has a formal policy regarding allowable depository institutions. The City has not adopted a formal policy regarding allowable investments or other investment risks.

The City's cash in bank checking and savings accounts is covered by FDIC insurance on deposits up to \$250,000 per account that is held with a bank. The cash amounts invested with the State Investment Pool are fully collateralized by investments held in the Pool's name. The City has overnight availability to those funds.

For the purposes of reporting cash flows, cash (unrestricted as well as restricted cash) and cash equivalents include: cash on hand, amount due from banks, and investments with maturities of less than 90 days.

F. Capital and Intangible Assets

Capital and intangible assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible right-of-use lease assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital and intangible assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years for capital assets, and one year for intangible assets.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Capital and Intangible Assets (Concluded)

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 – 35
Improvements	20 – 30
Water and Sewer Systems	20 – 100
Machinery & Equipment	3 – 15
Vehicles	3 – 7

Intangible right-of-use lease assets are recorded at net present value, and the lease liabilities are amortized using the straight-line method over the life of the lease.

G. Compensated Absences

All employees are eligible for vacation and sick leave. Full time employees accrue up to 240 hours of vacation per year and part time employees can accrue up to 120 hours of vacation. Any hours in excess will be forfeited. Upon termination, an employee will be paid for unused vacation.

The City's sick leave policy allows employees to accrue 8 hours of sick pay per month with no maximum. Employees are not paid for unused sick pay on termination.

The City has a "sick leave bank". Employees may "donate" accrued, unused sick leave hours to the bank. Employees who contribute hours to the bank are then eligible to request sick bank hours after using all their vacation and sick time.

H. 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 noncurrent portion of leases, 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 sixty 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.

I. 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. The City only has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide and proprietary funds statement of net position, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources (Concluded)

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 item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has one type of item, which arises under full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, proportionate share of collective deferred inflows of resources, is reported only on the government-wide and proprietary funds statement of net position. The government-wide and proprietary funds statement of net position reports proportionate share of collective deferred inflows of resources from one source: accounting for the net pension obligation, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

J. Fund Balance Classifications

The City has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of September 2011). This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the City to classify and report amounts in the appropriate fund balance classifications. The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

The City reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form—such as inventory or prepaid insurance, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds. Legal enforceability means that the City can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance Classifications (Concluded)

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the City Council. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the City Council. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

K. Fund Balance Flow Assumptions

Sometimes, the City 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 City'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.

L. Net Position Flow Assumptions

Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital and intangible assets, net of related debt consists of capital and intangible assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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 City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

N. Property Taxes

Property Taxes – Property taxes are levied by the board of commissioners on the first Monday in September and become payable on December 20. Taxpayers may pay one-half on December 20, and the remaining half the following June 20. Property taxes are computed from levies and collections verified by inspection of records of the Bonner County auditor's office. Bonner County collects all property tax revenue for the City.

Bonner County – Due from Bonner County are taxes and other county collections allocable to the fiscal year ended September 30, 2024, which were collected and held by the county at September 30, 2024, but not yet remitted to the City until after September 30, 2024.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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 the 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.

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- 1) Prior to September 1, the City prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted at the city hall to obtain taxpayer comments.
- 3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- 4) The City Council by following the same budgetary procedures used to adopt the original budget may amend it to a greater amount if additional revenue will accrue to the City as a result of increases in state or federal grants or allocations, as a result of an increase in revenues from any source other than ad valorem tax revenues or as a result of an increase in enterprise funds to finance the operation and maintenance of governmental facilities and services which are entirely or predominantly self-supporting by user charges.
- 5) Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and capital project funds.
- 6) Budgets for the general and special revenue funds are adopted on a basis that differs with generally accepted accounting principles (GAAP) as applied to government units. Generally accepted accounting principles require that the total cost of equipment purchased through capital leases for the current year be recorded as an expenditure. The City budgets for the payment on these capital leases only and not the total cost of the equipment.
- 7) Budgeted amounts are as originally adopted or as amended by the City Council.

The City does not use the encumbrance method of accounting.

NOTE 3: CASH AND INVESTMENTS

General:

State statutes authorize the City's deposits and investments. The City 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 during the year.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 3: CASH AND INVESTMENTS (CONCLUDED)

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, 2024, the City's deposits and investments were not exposed to custodial credit risk as follows:

Deposits without exposure to custodial credit risk:

Amount insured by FDIC	\$ 250,000
Amount collateralized with securities held in trust, but not to the City's name	<u>2,096,634</u>
Total deposits without exposure to custodial credit risk	<u>2,346,634</u>

Deposits with exposure to custodial credit risk:

Amount not insured by FDIC	<u>88,432</u>
Total deposits with exposure to custodial credit risk	<u>88,432</u>
Total deposits	<u>\$ 2,435,066</u>

The following is a recap of the carrying amount:

Statement of net position:	
Cash and investments	\$ 1,773,426
Restricted cash	<u>630,916</u>
	<u>\$ 2,404,342</u>

Fair value:

The City invests in a 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 City considers funds held in the Idaho State Investment Pool to be cash equivalents, as the City is able to liquidate their account at any time.

Credit risk:

The Idaho State Investment Pool does not have an established credit rating but invests in entities with credit ratings as stipulated by Idaho code. The City does not have a formal policy for credit risk. Financial information on the Idaho State Investment Pool can be obtained by contacting the Idaho State Treasurer.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 4: CHANGES IN FIXED ASSETS

Land, construction-in-process, capital assets and accumulated depreciation are as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Nondepreciable capital assets:					
Land	\$ 1,412,282	\$ 57,000	\$ -	\$ -	\$ 1,469,282
Construction in progress	366,339	-	-	(365,166)	1,173
Total nondepreciable capital assets	1,778,621	57,000	-	(365,166)	1,470,455
Capital and intangible assets, being depreciated and amortized:					
Right-of-use lease asset	148,147	-	-	-	148,147
Buildings and improvements	1,070,753	320,000	-	-	1,390,753
Machinery and equipment	1,291,135	207,412	(22,748)	49,307	1,525,106
Infrastructure	9,282,377	230,562	-	315,859	9,828,798
Total capital and intangible assets, being depreciated and amortized	11,792,412	757,974	(22,748)	365,166	12,892,804
Less accumulated depreciation and amortization:					
Accumulated amortization	42,328	21,164	-	-	63,492
Accumulated depreciation	5,714,499	301,908	(22,748)	-	5,993,659
Less total accumulated depreciation and amortization:	5,756,827	323,072	(22,748)	-	6,057,151
Total capital and intangible assets, being depreciated and amortized, net	6,035,585	434,902	-	365,166	6,835,653
Governmental activities capital and intangible assets, net	\$ 7,814,206	\$ 491,902	\$ -	\$ -	\$ 8,306,108
Business-type activities:					
Nondepreciable capital assets:					
Land	\$ 123,481	\$ -	\$ -	\$ -	\$ 123,481
Construction in progress	112,473	5,929	-	(112,473)	5,929
Total nondepreciable capital assets	235,954	5,929	-	(112,473)	129,410
Capital and intangible assets, being depreciated and amortized:					
Right-of-use lease asset	329,114	-	-	-	329,114
Buildings and improvements	6,968,141	-	-	-	6,968,141
Machinery and equipment	207,867	109,676	-	-	317,543
Infrastructure	11,240,526	816,379	-	112,473	12,169,378
Total capital and intangible assets, being depreciated and amortized	18,745,648	926,055	-	112,473	19,784,176
Less accumulated depreciation and amortization:					
Accumulated amortization	117,475	42,328	-	-	159,803
Accumulated depreciation	4,470,439	380,659	-	-	4,851,098
Less total accumulated depreciation and amortization:	4,587,914	422,987	-	-	5,010,901
Total capital and intangible assets, being depreciated and amortized, net	14,157,734	503,068	-	112,473	14,773,275
Business type activities capital and intangible assets net	\$ 14,393,688	\$ 508,997	\$ -	\$ -	\$ 14,902,685

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 4: CHANGES IN FIXED ASSETS (CONCLUDED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$	5,300
Streets		279,579
Public Safety		22,638
Parks and recreation		15,555
Total depreciation and amortization expense - governmental activities	\$	<u>323,072</u>

Business-type activities:

Wastewater	\$	236,583
Water		186,404
Total depreciation and amortization expense - business-type activities	\$	<u>422,987</u>

NOTE 5: LONG-TERM DEBT

USDA loans consisted of the following at September 30, 2024:

In 2001 the City obtained a sewer revenue bond (USDA 92-05) with an original debt balance of \$1,140,300. The bond is payable in 30 annual installments of \$70,015, including interest of 4.50%.

In 2012 the City obtained a water revenue bond (USDA 91-07) with an original debt balance of \$3,680,000. The bond is payable in 30 annual installments of \$181,756, including interest of 2.75%.

In 2018 the City obtained a sewer revenue bond (USDA 92-11) with an original debt balance of \$2,650,000. The bond is payable in 40 annual installments of \$101,177, including interest of 2.25%.

In 2020 the City obtained a sewer revenue bond (USDA 92-13) with an original debt balance of \$550,000. The bond is payable in 40 annual installments of \$19,668, including interest of 1.875%.

In 2022 the City obtained a water revenue bond (USDA 91-15) with an original debt balance of \$1,075,000. The bond is payable in 40 annual installments of \$34,325, including interest of 1.25%.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 5: LONG-TERM DEBT (CONCLUDED)

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2025	\$ 248,641	\$ 158,300
2026	255,872	151,069
2027	263,338	143,603
2028	259,272	135,894
2029	208,462	128,464
2030-2034	1,120,596	564,034
2035-2039	1,263,661	420,969
2040-2044	1,056,213	263,930
2045-2049	595,625	180,225
2050-2054	656,631	119,219
2055-2059	723,739	51,668
2060-2062	119,262	2,865
	<u>\$ 6,771,312</u>	<u>\$ 2,320,241</u>

NOTE 6: LEASES

The City entered into a lease agreement as lessee for a Vactor combo truck in August 2021. The lease is for 7 years with annual payments of \$72,903.04 and an interest rate of 3.580%.

Future minimum lease payments are as follows:

For the year ended,	Equipment	
	Principal	Interest
2025	\$ 63,335	\$ 9,568
2026	65,602	7,301
2027	67,951	4,952
2028	70,385	2,520
	<u>\$ 267,273</u>	<u>\$ 24,341</u>

NOTE 7: FINANCED PURCHASE

The City entered into a 7-year lease purchase agreement which includes a John Deere Loader with a snowplow attachment for \$245,800, with annual payments of \$41,894.41, and an interest rate of 6.15%.

Future minimum payments are as follows:

Governmental activities:

For the year ended,	Principal	Interest	Total
2025	\$ 23,195	\$ 10,321	\$ 33,516
2026	24,663	8,853	33,516
2027	26,223	7,293	33,516
2028	27,882	5,634	33,516
2029	29,646	3,870	33,516
Thereafter	31,516	2,000	33,516
	<u>\$ 163,125</u>	<u>\$ 37,971</u>	<u>\$ 201,096</u>

Business-type activities:

For the year ended,	Principal	Interest	Total
2025	\$ 5,798	\$ 2,580	\$ 8,378
2026	6,166	2,212	8,378
2027	6,556	1,822	8,378
2028	6,970	1,408	8,378
2029	7,412	966	8,378
Thereafter	7,880	498	8,378
	<u>\$ 40,782</u>	<u>\$ 9,486</u>	<u>\$ 50,268</u>

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 8: CHANGES IN LONG-TERM DEBT AND LEASES

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 82,598	\$ 9,232	\$ -	\$ 91,830	\$ -
Financed purchase	-	196,640	33,515	163,125	23,195
Lease liabilities	109,473	-	20,382	89,091	21,111
	<u>\$ 192,071</u>	<u>\$ 205,872</u>	<u>\$ 53,897</u>	<u>\$ 344,046</u>	<u>\$ 44,306</u>
Business-type activities:					
Compensated absences	\$ 40,779	\$ 10,903	\$ -	\$ 51,682	\$ -
Financed purchase	-	49,160	8,378	40,782	5,798
USDA loans payable	7,012,949	-	241,637	6,771,312	248,641
Lease liabilities	218,946	-	40,764	178,182	42,224
	<u>\$ 7,272,674</u>	<u>\$ 60,063</u>	<u>\$ 290,779</u>	<u>\$ 7,041,958</u>	<u>\$ 296,663</u>

NOTE 9: INTERFUND TRANSACTIONS:

Interfund transfers during the fiscal year ended September 30, 2024 were as follows:

	Transfers In	Transfers Out
Water Fund	\$ 97,212	\$ 25,815
Sewer Fund	25,815	97,212
	<u>\$ 123,027</u>	<u>\$ 123,027</u>

Transfers consist of reallocating Coronavirus State and Local Fiscal Recovery Funds in the amount of \$25,815 from Water to Sewer, and \$97,212 from Sewer to Water for Meter replacement project.

NOTE 10: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Priest River 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.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. Amounts in parenthesis represent police/firefighters.

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 74% for police and firefighters. As of June 30, 2024, it was 6.71% for general employees and 9.83% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for police and firefighters. The City's contributions were \$119,385 for the year ended September 30, 2024.

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

At September 30, 2024, the City reported a liability for its proportionate share on the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024 the City's proportion was 0.02117102 percent.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended September 30, 2024, the City of Priest River recognized pension expense (offset) of \$(119,385). At September 30, 2024 the City of Priest River 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	\$ -	\$ (14,375)
Changes of assumptions	31,372	-
Net difference between projected and actual earnings on pension plan investments	126,083	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	15,188
City of Priest River contributions subsequent to the measurement"	28,758	-
Total	<u>\$ 186,213</u>	<u>\$ 813</u>

\$28,758 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2025.

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, 2022, the beginning of the measurement period ended June 30, 2023 is 4.6 and 4.6 for the measurement period June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended September 30:

2025	39,087
2026	147,658
2027	(25,463)
2028	(18,201)

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return-net of investment fees	6.35%
Cost-of-living (COLA) adjustments	1.00%

Contributing members, service retirement members, and beneficiaries:

- General employees and all beneficiaries – Males Pub 2010 General Tables, increased 11%.
- General employees and all beneficiaries – Females Pub 2010 General Tables, increased 21%.
- Teachers – Males Pub 2010 Teacher Tables, increased 12%.
- Teachers – Females Pub 2010 Teacher Tables, increased 21%.
- Fire and police – Males Pub 2010 Safety Tables, increased 21%.
- Fire and police – Females Pub 2010 Safety Tables, increased 26%.
- Disabled members – Males Pub 2010 Disabled Tables, increased 38%.
- Disabled members – Females Pub 2010 Disabled Tables, increased 36%.

An experience study was performed for the period July 1, 2015, through June 30, 2020, which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2024 is based on the results of an actuarial valuation date July 1, 2024.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS September 30, 2024

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Concluded)

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 2024.

2024		
Asset Class	DB Plans	Sick Leave
Fixed Income	30.0%	50.0%
US/Global Equity	55.0%	39.3%
International Equity	15.0%	10.7%
Cash	0.0%	0.0%
Total	100%	100%

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.35 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
City's net pension liability (asset)	\$ 1,504,919	\$ 791,933	\$ 209,605

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.

(Continued)

City of Priest River

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

NOTE 10: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

Payables to the Pension Plan

At September 30, 2024, the City reported no payables to the defined benefit pension plan for legally required employer contributions and no payables for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 11: CONTINGENCIES

The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement from 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.

NOTE 12: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City is a member of the Idaho Counties Risk Management Program (ICRMP).

NOTE 13: EXCESS ACTUAL EXPENDITURES OVER BUDGET

The following is a schedule of excess expenditures over appropriations for the year ended September 30, 2024.

<u>Fund</u>	<u>Final Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess of Budgeted Expenditures</u>	<u>Actual Revenues</u>
Street Fund	\$ 814,270	\$ 852,739	\$ (38,469)	\$ 626,217

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

City of Priest River

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL GENERAL FUND For the Year Ended September 30, 2024

	Original Budget Amounts*	Actual Amounts	Variance With Final Budget
REVENUES			
Taxes and special assessments	\$ 743,715	\$ 744,853	\$ 1,138
Intergovernmental revenues	269,131	255,142	(13,989)
User fees and charges	137,011	231,600	94,589
Fines	10,950	7,830	(3,120)
Franchise fees	3,000	2,729	(271)
Other	4,600	12,782	8,182
Investment earnings	19,220	25,723	6,503
Total revenues	<u>1,187,627</u>	<u>1,280,659</u>	<u>93,032</u>
EXPENDITURES			
General government	195,598	175,087	20,511
Police	666,820	633,738	33,082
Recreation	105,478	71,000	34,478
Code enforcement	30,377	27,606	2,771
Building and zoning	136,638	179,825	(43,187)
Urban renewal	5,222	26,398	(21,176)
Capital outlay	142,156	10,772	131,384
Total expenditures	<u>1,282,289</u>	<u>1,124,426</u>	<u>157,863</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,662)</u>	<u>156,233</u>	<u>250,895</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	18,200	-	(18,200)
Total other financing sources (uses)	<u>18,200</u>	<u>-</u>	<u>(18,200)</u>
Net change in fund balances	(76,462)	156,233	232,695
Fund balances - beginning	<u>76,462</u>	<u>551,923</u>	<u>475,461</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 708,156</u>	<u>\$ 708,156</u>

* The original budget was not amended.

City of Priest River

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

For the Year Ended September 30, 2024

	Original Budget Amounts*	Actual Amounts	Variance With Final Budget
REVENUES			
Taxes and special assessments	\$ 284,138	\$ 295,129	\$ 10,991
Intergovernmental revenues	231,232	251,423	20,191
User fees and charges	1,000	600	(400)
Grants	-	30,000	30,000
Franchise fees	34,500	34,553	53
Other	500	6,467	5,967
Investment earnings	3,800	8,045	4,245
Total revenues	<u>555,170</u>	<u>626,217</u>	<u>71,047</u>
EXPENDITURES			
Highway and streets	494,927	367,721	127,206
Capital outlay	260,000	427,202	(167,202)
Debt service:			
Principal retirement	43,316	53,897	(10,581)
Interest expense	16,027	3,919	12,108
Total expenditures	<u>814,270</u>	<u>852,739</u>	<u>(38,469)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(259,100)</u>	<u>(226,522)</u>	<u>32,578</u>
OTHER FINANCING SOURCES (USES)			
Proceed from debt services	-	196,640	196,640
Transfers in	259,100	-	(259,100)
Total other financing sources (uses)	<u>259,100</u>	<u>196,640</u>	<u>(62,460)</u>
Net change in fund balances	-	(29,882)	(29,882)
Fund balances - beginning	-	359,382	359,382
Fund balances - ending	<u>\$ -</u>	<u>\$ 329,500</u>	<u>\$ 329,500</u>

* The original budget was not amended.

City of Priest River

GASB 68 Required Supplementary Information For the Year Ended September 30, 2024

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

	2024	2023
Employer's portion of the net pension liability	0.02117102%	0.0219458%
Employer's proportionate share of the net pension liability	\$ 791,933	\$ 875,785
Employer's covered-employee payroll	\$ 993,419	\$ 960,192
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	79.72%	91.21%
Plan fiduciary net position as a percentage of the total pension liability	85.54%	83.83%

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

Data reported is measured as of June 30, 2024.

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

	2024	2023
Statutorily required contribution	\$ 119,385	\$ 115,590
Contributions in relation to the statutorily required contribution	119,385	115,590
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll of its covered employee payroll	\$ 993,419	\$ 960,192
Contributions as a percentage of covered-employee payroll	12.02%	12.04%

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

Data reported is reported as of September 30, 2024.

2022	2021	2020	2019	2018	2017	2016
0.0224187%	0.0214610%	0.0206217%	0.0218684%	0.0220506%	0.0227466%	0.0214788%
\$ 883,021	\$ 16,948	\$ 478,863	\$ 249,622	\$ 325,250	\$ 357,537	\$ 435,408
\$ 911,706	\$ 818,119	\$ 750,561	\$ 749,388	\$ 716,265	\$ 689,299	\$ 641,885
96.85%	2.07%	63.80%	33.31%	45.41%	51.87%	67.83%
83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%

2022	2021	2020	2019	2018	2017	2016
\$ 106,281	\$ 98,397	\$ 90,456	\$ 85,705	\$ 81,032	\$ 78,071	\$ 73,467
106,281	98,397	90,092	85,705	81,032	78,071	73,084
\$ -	\$ -	\$ 364	\$ -	\$ -	\$ -	\$ 383
\$ 911,706	\$ 818,119	\$ 750,561	\$ 749,388	\$ 716,265	\$ 689,299	\$ 641,885
11.66%	12.03%	12.00%	11.44%	11.31%	11.33%	11.39%

REPORT REQUIRED BY GAO



**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**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Priest River
Priest River, ID 83856

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of the governmental activities, the business-type activities, the blended component unit, and each major fund of the City of Priest River as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Priest River's basic financial statements, and have issued our report thereon dated March 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Priest River's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Priest River's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Priest River'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 City of Priest River'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 or significant deficiencies may exist that were not identified.

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 (CONCLUDED)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Priest River's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 City of Priest River'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.

Magnuson, McHugh, Dougherty CPAs

Magnuson, McHugh, Dougherty CPAs

March 3, 2025

SINGLE AUDIT SECTION



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Priest River
Priest River, ID 83856

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Priest River's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Priest River's major federal programs for the year ended September 30, 2024. The City of Priest River's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Priest River complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Priest River and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Priest River's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Priest River's federal programs.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (CONTINUED)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Priest River's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Priest River's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Priest River's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Priest River's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Priest River's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (CONCLUDED)

Report on Internal Control Over Compliance (Concluded)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Magnuson, McHugh, Dougherty CPAs

Magnuson, McHugh, Dougherty CPAs

March 3, 2025

City of Priest River

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2024

Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture - Rural Development</u>			
Direct Award			
<i>Water and Waste Disposal Systems for Rural Communities</i>	10.760		
Loan program			<u>\$ 1,054,113</u>
Total loans			<u>1,054,113</u>
Grant program - water			<u>31,217</u>
Total U.S. Department of Agriculture			<u>1,085,330</u>
<u>U.S. Department of Treasury</u>			
Passed through the Idaho Department of Commerce			
Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	<u>407,177</u>
Total U.S. Department of Treasury			<u>407,177</u>
Total Federal Awards Expended			<u>\$ 1,492,507</u>

The accompanying "Notes to the Schedule of Expenditures of Federal Awards" are an integral part of this statement.

City of Priest River

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2024

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Priest River under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Priest River, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Priest River.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through entity identifying numbers are presented where available.

NOTE 3: LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The federal loan programs listed subsequently are administered directly by the Government, and balances and transactions relating to these programs are included in the City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loans outstanding at September 30, 2024 consist of:

Assistance Listing Number	Program	Outstanding Balance at 9/30/2024
10.760	Water and Waste Disposal Systems for Rural Communities	1,032,964

City of Priest River

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2024

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es) ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

10.760

Water and Waste Disposal Systems for Rural Communities

21.027

Coronavirus State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

City of Priest River

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2024

Section II - Findings – Financial Statement Audit

We noted no findings relating to the financial statements, which are required to be reported in accordance with generally accepted *Government Auditing Standards*.

Section III - Findings and Questioned Costs – Major Federal Award Programs Audit

We noted no findings relating to the Federal Awards Programs, which are required to be reported in accordance with generally accepted *Government Auditing Standards*.

Section IV – Summary of Prior Year Audit Findings Relating to Federal Awards

There were no findings in the prior period.