

CITY OF RUPERT IDAHO

Financial Statements

Year Ended September 30, 2016

CITY OF RUPERT, IDAHO
Financial Statements
For the year ended September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

February 17, 2017

To the City Council
City of Rupert, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rupert, Idaho, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Rupert, Idaho's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rupert, Idaho, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and public employee pension information on pages 3-10 and 35-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

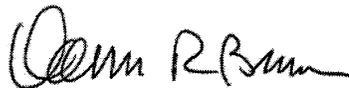
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information on pages 39-41 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information along with the schedule of expenditure 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 February 17, 2017, on our consideration of the City of Rupert, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Rupert, Idaho's internal control over financial reporting and compliance.



DENNIS R BROWN
Certified Public Accountant
Twin Falls, Idaho



624 F Street – PO Box 426 – Rupert, ID 83350 – 208-436-9600 – Fax 208-436-9920

Management's Discussion and Analysis For the Year Ended September 30, 2016

The City of Rupert, Idaho's general purpose external financial statements are presented in this report. The components of the general purpose external financial statements include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Other Required Supplementary Information (RSI).

FINANCIAL HIGHLIGHTS

- The total of all fund assets of the City of Rupert exceeded liabilities at the close of the most recent fiscal year by \$ 23,752,384. Of that amount, \$1,235,923 (unrestricted net position) may be used to meet future obligations and programs.
- Governmental Fund Revenues were \$3,904,865 and expenditures were \$3,948,474.
- Proprietary Fund Operating Revenues were \$9,200,093 and operating expenses were \$9,138,745.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Rupert's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the City's overall financial condition. Changes in the City's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the City's net position changed during the fiscal year is presented in the Statement of Activities.

Fund Financial Statements

Fund financial statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements. Fund financial statements include the statements for governmental and proprietary funds.

**CITY OF RUPERT, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

Table 1: Major Features of the Basic Financial Statements			
	Government-wide	Fund Financial Statements	
	Financial Statements	<i>Governmental Funds</i>	<i>Proprietary Funds</i>
Scope	Entire City government and the City's component unit.	Activities of the City that are not proprietary.	Activities of the City that are operated similar to private businesses
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses, and changes in net position * Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	* Revenues for which cash is received during or soon after the end of the year * Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Refer to Note 1 of the financial statements for more detailed information on the elements of the financial statements. Table 1 above summarizes the major features of the basic financial statements.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

The largest component of the City's net position, \$ 21,633,632, reflects its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and others), less any related debt outstanding that was needed to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net assets are not eligible for future spending. Restricted net position totals \$882,829. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, debt service requirements, or enabling

**CITY OF RUPERT, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

legislation on how they can be used. The remaining portion of net assets, \$1,235,923, is unrestricted and can be used to finance government operations.

Table 2 below presents the City's condensed statement of net position as of September 30, 2016, derived from the government-wide Statement of Net Position.

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>
Current and other assets	\$ 1,167,486	\$ 2,255,211	\$ 3,422,697
Capital assets	4,101,351	32,288,262	36,389,613
Restricted assets	<u>0</u>	<u>1,041,899</u>	<u>1,041,899</u>
Total Assets	<u>5,268,837</u>	<u>35,585,372</u>	<u>40,854,209</u>
Deferred Outflows of Res.	<u>543,622</u>	<u>566,251</u>	<u>1,109,873</u>
Current Liabilities	289,293	1,036,060	1,325,353
Long-term liabilities	<u>1,126,311</u>	<u>15,111,122</u>	<u>16,237,433</u>
Total Liabilities	<u>1,415,604</u>	<u>16,147,182</u>	<u>17,562,786</u>
Deferred Inflows of Res.	<u>304,979</u>	<u>343,933</u>	<u>648,912</u>
Net Position:			
Invested in capital assets-net of related debt	3,922,103	17,711,529	21,633,632
Restricted	0	882,829	882,829
Unrestricted	<u>169,773</u>	<u>1,066,150</u>	<u>1,235,923</u>
Total Net Position	<u>\$ 4,091,876</u>	<u>\$ 19,660,508</u>	<u>\$ 23,752,384</u>

The amount restricted in the Business-type Activities category is for various future water and wastewater projects along with funds restricted in accordance with debt requirements.

Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the fiscal year ended September 30, 2016 as derived from the government-wide Statement of Activities. Over time, increases and decreases in net position measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities increased by \$ 86,461 or 2.11% percent, and the net position of the business-type activities decreased by \$ 343,304 or 1.75%.

CITY OF RUPERT, IDAHO

MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>
Revenue:			
Program revenues			
Charges for services	\$ 221,874	\$ 9,064,182	\$ 9,286,056
Capital grants /contributions	303,263	2,000	305,263
Admin fees paid Utility Funds	<u>1,365,229</u>		<u>1,365,229</u>
Total program revenues	<u>1,890,366</u>	<u>9,066,182</u>	<u>10,956,548</u>
General revenues			
Taxes	849,841		849,841
Franchise, licenses, permits	326,233		326,233
State shared revenues	697,021		697,021
Penalties & interest on delinquencies	52,040		52,040
Gain on sale of assets	196		196
Earnings on investments	14,861	4,223	19,084
Other revenues	<u>96,233</u>	<u>214,708</u>	<u>310,941</u>
Total general revenues	<u>2,036,425</u>	<u>218,931</u>	<u>2,255,356</u>
Total revenues	<u>3,926,791</u>	<u>9,285,113</u>	<u>13,211,904</u>
Program expenses:			
General Government	1,804,412		1,804,412
Public Safety	1,185,122		1,185,122
Highways and Streets	311,297		311,297
Cultural and Recreation	375,190		375,190
Depreciation	164,309		164,309
Admin fees paid Utility Funds		1,365,229	1,365,229
Electric		4,408,562	4,408,562
Water		985,748	985,748
Wastewater		1,826,769	1,826,769
Sanitation		552,437	552,437
Interest, long-term debt		<u>489,672</u>	<u>489,672</u>
Total program expenses	<u>3,840,330</u>	<u>9,628,417</u>	<u>13,468,747</u>
Change in net position	86,461	(343,304)	(256,843)
Beginning net position	4,005,415	20,003,812	24,009,227
Ending net position	\$ <u>4,091,876</u>	\$ <u>19,660,508</u>	\$ <u>23,752,384</u>

**CITY OF RUPERT, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. Overall, program revenues were not sufficient to cover program expenses for governmental activities. The net program expenses of these governmental activities were therefore supported by general revenues, mainly taxes.

**Table 4: Program Expenses and Revenues
for Government Activities
For the Fiscal Year Ended September 30, 2016**

	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Net Expense (Revenues) (a)</u>
General Government	\$ 1,716,239	\$ 1,648,666	\$ (67,573)
Public Safety	1,273,295	103,416	(1,169,879)
Highways and Streets	311,297	0	(311,297)
Cultural and Recreation	375,190	138,284	(236,906)
Depreciation	164,309	0	(164,309)
Totals	<u>\$ 3,840,330</u>	<u>\$ 1,890,366</u>	<u>\$ (1,949,964)</u>

(a) Governmental activities are mainly supported by property taxes, state tax distributions, and other general revenue sources.

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program expenses and revenues for business-type activities. Program revenues generated from business-type activities were sufficient to cover program expenses.

**Table 5: Program Expenses and Revenues
for Business-type Activities
For the Fiscal Year Ended September 30, 2016**

<u>City Programs</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Net Program Expenses (Revenues)</u>
Electric	\$ 5,118,179	\$ 5,197,717	\$ 79,538
Water	1,158,689	969,925	(188,764)
Wastewater	2,188,559	2,219,606	31,047
Sanitation	673,318	678,934	5,616
Interest on long-term debt	489,672	0	(489,672)
Totals	<u>\$ 9,628,417</u>	<u>\$ 9,066,182</u>	<u>\$ (562,235)</u>

**CITY OF RUPERT, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

The City of Rupert, Idaho adopts an annual budget. A budgetary comparison statement of Governmental Funds is provided below. In total, any negative variances are insignificant.

**Table 6: Analysis of Significant Budget Variances
for Government Activities
For the Fiscal Year Ended September 30, 2016**

MD&A Budge/Actual 2016	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Taxes	\$ 850,280	\$ 852,725	\$ 2,445
Franchises, licenses, permits	332,190	326,233	(5,957)
State of Idaho, Counties, and Cities	765,732	779,837	14,105
Fees, fines and charges for services	129,150	145,128	15,978
Miscellaneous	<u>2,672,825</u>	<u>1,800,942</u>	<u>(871,883)</u>
Total Revenue	4,750,177	3,904,865	(845,312)
General Government	1,712,785	1,453,831	258,954
Public Safety	1,302,182	1,216,568	85,614
Streets	418,073	337,727	80,346
Capital outlay	1,150,000	296,017	853,983
Parks and Recreation	396,220	375,190	21,030
Library	205,215	180,968	24,247
Animal Control	<u>91,810</u>	<u>88,173</u>	<u>3,637</u>
Total Expenditures	<u>5,276,285</u>	<u>3,948,474</u>	<u>1,327,811</u>
EXCESS REVENUE (EXPENDITURES)	(526,108)	(43,609)	482,499

BUDGET VARIANCES IN THE GENERAL FUND

The changes made to the budget format have moved the City into compliance with the budget standards developed by the Government Finance Officers of America (GFOA). An analysis of budget variances this year shows that more assets were budgeted for expenditure than were expended during the current operating cycle.

**CITY OF RUPERT, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

**Table 7: Comparison of Statement of Net Position
As of September 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Current Assets	\$ 3,422,697	3,327,508	2.78%
Capital Assets	36,389,613	37,666,029	-3.51%
Restricted Assets	1,041,899	1,037,677	0.41%
Total Assets	<u>40,854,209</u>	<u>42,031,214</u>	<u>-2.88%</u>
Deferred Outflows of Res.	<u>1,109,873</u>	<u>572,733</u>	<u>48.40%</u>
Current Liabilities	1,325,353	1,576,498	-18.95%
Long Term Liabilities	<u>16,237,433</u>	<u>16,192,149</u>	<u>0.28%</u>
Total Liabilities	<u>17,562,786</u>	<u>17,768,647</u>	<u>-1.17%</u>
Deferred Inflows of Res.	<u>648,912</u>	<u>825,973</u>	<u>-27.29%</u>
Net Position:			
Invested in Capital Assets net of related debt	21,633,632	22,281,793	-3.00%
Restricted	882,829	884,645	-0.21%
Unrestricted	<u>1,235,923</u>	<u>842,789</u>	<u>31.81%</u>
Total Net Position	<u>\$ 23,752,384</u>	<u>24,009,227</u>	<u>-1.08%</u>

CAPITAL ASSET AND LONG-TERM, ACTIVITY

Capital Asset Activity

At September 30, 2016, the City reported \$4,101,351 in capital assets for governmental activities and \$32,288,262 in capital assets for business-type activities, for a total of \$36,389,613 in capital assets.

Long-term Debt Activity

See Note 5 of the financial statements for information on the City's long-term debt.

**CITY OF RUPERT, IDAHO
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

**Table 8: Changes in Fixed Assets
for All Funds
For the Fiscal Year Ended September 30, 2016**

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 786,448	0	0	\$ 786,448
Construction in Progress	41,859	214,577	0	256,436
Infrastructure	55,731,037	0	0	55,731,037
Buildings and improvements	4,087,348	0	0	4,087,348
Vehicles and equipment	5,539,024	23,542	0	5,562,566
Totals	<u>66,185,716</u>	<u>238,119</u>	<u>0</u>	<u>66,423,835</u>
Accumulated Depreciation	<u>28,519,687</u>	<u>1,514,535</u>	<u>0</u>	<u>30,034,222</u>
Net Book Value	<u>\$ 37,666,029</u>	<u>-1,276,416</u>	<u>0</u>	<u>\$ 36,389,613</u>

SIGNIFICANT ISSUES

The City experienced no significant issues during the last fiscal year or subsequent to the year through the date of the report.

REQUESTS FOR INFORMATION

Requests for information regarding City finances should be directed to:

City Finance Officer
624 F Street, P.O. Box 426
Rupert, ID 83350
Telephone: (208) 436-9600

CITY OF RUPERT, IDAHO
Statement of Net Position
at September 30, 2016

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit Urban Renewal Agency
<u>ASSETS</u>				
Cash and Deposits	\$ 937,441	\$ 973,997	\$ 1,911,438	
Accounts Receivable		805,348	805,348	
Taxes Receivable	40,575		40,575	
Due From Other Governments	178,346	0	178,346	
Restricted and Assigned Cash	0	1,041,899	1,041,899	\$ 25,897
Other Assets	11,124	475,866	486,990	
Totals	1,167,486	3,297,110	4,464,596	25,897
Capital Assets:				
Land	579,124	207,324	786,448	
Construction in Progress	256,436	0	256,436	
Infrastructure	1,001,190	54,729,847	55,731,037	
Buildings and Improvements	3,406,071	681,277	4,087,348	
Equipment and Vehicles	2,406,002	3,156,564	5,562,566	
Accumulated Deprecation	(3,547,472)	(26,486,750)	(30,034,222)	
Total Capital Assets	4,101,351	32,288,262	36,389,613	0
Total Assets	5,268,837	35,585,372	40,854,209	25,897
Deferred Outflows of Resources:				
Deferred Outflows from Pensions Activity	543,622	566,251	1,109,873	0
<u>LIABILITIES</u>				
Accounts and Payroll Liabilities Payable	229,777	371,196	600,973	
Refundable User Deposits	0	159,070	159,070	
Long-term Liabilities:				
Portion due or payable within one year:				
Loans Payable	59,516	505,794	565,310	
Portion due or payable after one year:				
Loans Payable	119,732	12,731,532	12,851,264	1,030,875
Premium on Bond Refunding		1,339,407	1,339,407	
Net Pension Liability	932,482	958,148	1,890,630	
Compensated Absences	74,097	82,035	156,132	
Total Liabilities	1,415,604	16,147,182	17,562,786	1,030,875
Deferred Inflows of Resources:				
Deferred Inflows from Pensions Activity	304,979	343,933	648,912	0
<u>NET POSITION</u>				
Invested in Capital Assets - net of related debt	3,922,103	17,711,529	21,633,632	
Restricted For:				
Debt Service		882,829	882,829	
Other Purposes	0	0	0	(1,004,978)
Unrestricted	169,773	1,066,150	1,235,923	
Total Net Position	\$ 4,091,876	\$ 19,660,508	\$ 23,752,384	\$ (1,004,978)

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
Statement of Activities
For the Year Ended September 30, 2016

Activities:	Expenses	Indirect Expense Allocation	Program Revenues		Net (Expense) Revenues and Changes in Net Position			Component Unit - Urban Renewal Agency
			Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
Governmental:								
Administrative	\$ 644,843	\$ (705,826)	\$ 515	\$ 266,366	\$ 327,864		\$ 327,864	
Buildings	280,237	(87,485)			(192,752)		(192,752)	
City Hall Office	369,029	(428,692)			59,663		59,663	
Law Enforcement	910,791			18,475	(892,316)		(892,316)	
Streets	311,297				(311,297)		(311,297)	
Parks and Recreation	257,675		91,146	500	(166,029)		(166,029)	
Pool	117,515		46,638		(70,877)		(70,877)	
Fire Control	274,331				(274,331)		(274,331)	
Shop	159,722	(143,226)			(16,496)		(16,496)	
Library	180,968		6,829	9,727	(164,412)		(164,412)	
Capital Outlay	81,440				(81,440)		(81,440)	
Animal Control	88,173		76,746	8,195	(3,232)		(3,232)	
Depreciation	164,309				(164,309)		(164,309)	
Total Governmental Activities	3,840,330	(1,365,229)	221,874	303,263	(1,949,964)		(1,949,964)	
Business Type:								
Electric	4,408,562	709,617	5,197,717			\$ 79,538	79,538	
Water	985,748	172,941	967,925	2,000		(188,764)	(188,764)	
Wastewater	1,826,769	361,790	2,219,606			31,047	31,047	
Sanitation	552,437	120,881	678,934			5,616	5,616	
Interest - on long-term debt	489,672					(489,672)	(489,672)	
Total Business-type Activities	8,263,188	1,365,229	9,064,182	2,000		(562,235)	(562,235)	
Total City of Rupert, Idaho	\$ 12,103,518	\$ 0	\$ 9,286,056	\$ 305,263	(1,949,964)	(562,235)	(2,512,199)	
Component Units:								
Urban Renewal Agency	\$ 0							\$ 0
Total								0
General Revenues:								
State of Idaho liquor receipts					67,067		67,067	
State highway user collections					263,287		263,287	
State of Idaho shared revenue					187,982		187,982	
State of Idaho sales tax revenue					161,342		161,342	
Highway Road and Bridge tax					17,343		17,343	
Franchises, licenses, permits					326,233		326,233	
City Property Assessments					849,841		849,841	13,434
Penalty collection and delinquent notices					52,040		52,040	
Earnings on investments					14,861	4,223	19,084	0
County court fines					25,966		25,966	
Gain on sale of assets					196		196	
Miscellaneous					45,457	188,884	234,341	
Gain (Loss) on Pension Activity					24,810	25,824	50,634	
Total general revenues and transfers					2,036,425	218,931	2,255,356	13,434
Changes in net position					86,461	(343,304)	(256,843)	13,434
Net Position - Beginning					4,005,415	20,003,812	24,009,227	(1,018,412)
Net Position - Ending					\$ 4,091,876	\$ 19,660,508	\$ 23,752,384	\$ (1,004,978)

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
Balance Sheet
Governmental Funds
for the year ended September 30, 2016

	<u>General Fund</u>	<u>DeMary Library Fund</u>	<u>Other Governmental Animal Control Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Cash Deposits	\$ 838,895	\$ 86,295	\$ 12,251	\$ 937,441
Taxes Receivable	35,422	5,153		40,575
Due From Other Governments	171,643	6,703		178,346
Other Receivables	<u>11,067</u>	<u>57</u>		<u>11,124</u>
Total Assets	<u>\$ 1,057,027</u>	<u>\$ 98,208</u>	<u>\$ 12,251</u>	<u>\$ 1,167,486</u>
LIABILITIES:				
Accounts Payable	\$ 186,425	\$ 5,379	\$ 3,152	\$ 194,956
Accrued Labor Payable	<u>31,863</u>	<u>2,024</u>	<u>934</u>	<u>34,821</u>
Total Liabilities	<u>218,288</u>	<u>7,403</u>	<u>4,086</u>	<u>229,777</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - LID Assessments	11,281	0	0	11,281
Unavailable Revenue - Property Taxes	<u>32,326</u>	<u>4,621</u>	<u>0</u>	<u>36,947</u>
Total Deferred Inflows of Resources	<u>43,607</u>	<u>4,621</u>	<u>0</u>	<u>48,228</u>
FUND BALANCE:				
Non-spendable	0	0	0	0
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	25,293	21,000	0	46,293
Unassigned	<u>769,839</u>	<u>65,184</u>	<u>8,165</u>	<u>843,188</u>
Total Fund Balance	<u>795,132</u>	<u>86,184</u>	<u>8,165</u>	<u>889,481</u>
Total Liabilities and Fund Balance	<u>\$ 1,057,027</u>	<u>\$ 98,208</u>	<u>\$ 12,251</u>	<u>\$ 1,167,486</u>

Amounts reported for governmental activities in the Statement of Net Position (page 11) are different because:

Governmental fund capital assets are not financial resources and therefore are not reported in the funds. The cost of assets is \$ 7,648,823 and the accumulated depreciation is \$ 3,547,472	4,101,351
Long-term liabilities, including bonds and compensated absences are not payable in the current period and therefore are not reported in the governmental funds	(253,345)
Pension activity is not reported in the government funds	(693,839)
Deferred Inflows of Resources are not reported in the Statement of Net Position	<u>48,228</u>
Net Position of Governmental Funds	<u>\$ 4,091,876</u>

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the year ended September 30, 2016

	Other Governmental			Total Governmental Funds
	General Fund	DeMary Library Fund	Animal Control Fund	
REVENUE:				
Property taxes	\$ 720,671	\$ 132,054		\$ 852,725
Franchises, licenses, permits	324,728		1,505	326,233
State of Idaho shared revenue	187,982			187,982
State of Idaho sales tax	137,284	24,058		161,342
State of Idaho liquor receipts	67,067			67,067
State highway user collections	263,287			263,287
Penalty collection and delinquent notices	52,040			52,040
County court fines	25,966			25,966
Highway Road and Bridge tax	17,343			17,343
Fees, fines and charges for services	138,299	6,829	76,746	221,874
Grants and contributions	285,341	9,727	8,195	303,263
Earnings on investments	14,861	0		14,861
Gain on Sale of Assets	196			196
Miscellaneous	42,508	2	2,947	45,457
Administrative costs paid by Utility Funds	1,365,229			1,365,229
Total Revenue	3,642,802	172,670	89,393	3,904,865
EXPENDITURES:				
Administration	644,843			644,843
Buildings	280,237			280,237
City Hall Office	369,029			369,029
Law Enforcement	910,791			910,791
Streets	337,727			337,727
Parks and Recreation	257,675			257,675
Pool	117,515			117,515
Fire Control	305,777			305,777
Shop	159,722			159,722
Capital Outlay	296,017			296,017
Library		180,968		180,968
Animal Control			88,173	88,173
Total Expenditures	3,679,333	180,968	88,173	3,948,474
EXCESS REVENUE (EXPENDITURES)	(36,531)	(8,298)	1,220	(43,609)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				0
Operating transfers (to) other funds				0
NET CHANGE IN FUND BALANCES	(36,531)	(8,298)	1,220	(43,609)
FUND BALANCE - BEGINNING	831,663	94,482	6,945	933,090
FUND BALANCE - ENDING	\$ 795,132	\$ 86,184	\$ 8,165	\$ 889,481

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
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, 2016

Net Change in Fund Balance - Total Governmental Funds (Page 14) \$ (43,609)

Governmental funds report capital outlays as current year expenditures. In the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of current capital outlay for new fixed assets.

This is the amount of current year depreciation. (164,309)

This is the amount of new assets paid in the Government Funds. 214,577

This is the amount of disposed of Governmental Fund assets. 0

Long term liabilities are not recorded in the Governmental funds. Principle and interest paid on capital debt are recorded as expenditures in the Governmental Funds. Principle amounts paid are not recorded as expenditures in the Statement of Net Position.

This is the amount of current year principle payments on capital debt. 57,876

Gain (Loss) on Pension Activity 24,810

Some property taxes will not be collected for several months after the City's fiscal year end. They are not considered available revenues in the governmental funds, but are recorded as deferred tax revenues. However, they are recorded as revenues in the Statement of Activities.

This is the change in deferred revenue in the current year. (2,884)

Change in Net Position of Governmental Activities (Page 12) \$ 86,461

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
Statement of Net Position
Proprietary Funds
at September 30, 2016

Assets:	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
Current Assets:					
Cash and Deposits	\$ 395,183	\$	\$ 574,699	\$ 89,759	\$ 1,059,641
Accts receivable - customers	486,484	87,530	177,651	53,683	805,348
Inventory	328,699	104,295	42,872	0	475,866
	<u>1,210,366</u>	<u>191,825</u>	<u>795,222</u>	<u>143,442</u>	<u>2,340,855</u>
Restricted Current Assets:					
Cash and Deposits	185,387	118,314	738,198	0	1,041,899
	<u>1,395,753</u>	<u>310,139</u>	<u>1,533,420</u>	<u>143,442</u>	<u>3,382,754</u>
Capital Assets:					
Plant and equipment	10,083,653	7,441,584	40,478,606	771,169	58,775,012
Accumulated depreciation	(5,917,845)	(3,182,523)	(16,797,987)	(588,395)	(26,486,750)
	<u>4,165,808</u>	<u>4,259,061</u>	<u>23,680,619</u>	<u>182,774</u>	<u>32,288,262</u>
Total Assets	<u>5,561,561</u>	<u>4,569,200</u>	<u>25,214,039</u>	<u>326,216</u>	<u>35,671,016</u>
Deferred Outflows of Resources:					
Deferred Outflows from Pensions	229,721	89,741	134,612	112,177	566,251
	<u>229,721</u>	<u>89,741</u>	<u>134,612</u>	<u>112,177</u>	<u>566,251</u>
Liabilities:					
Current Liabilities:					
Cash Deficit		85,644			85,644
Accounts and Interest Payable	243,403	51,834	36,939	4,147	336,323
Accrued Payroll Payable	13,757	5,969	8,480	6,667	34,873
Customer Deposits	159,070				159,070
Current portion long-term debt	0	45,000	460,794	0	505,794
	<u>416,230</u>	<u>188,447</u>	<u>506,213</u>	<u>10,814</u>	<u>1,121,704</u>
Noncurrent Liabilities:					
Bonds and Capital Leases Payable	0	990,000	11,741,532		12,731,532
Premium on Bond Refunding		155,708	1,183,699		1,339,407
Net Pension Liability	387,241	152,242	228,363	190,302	958,148
Compensated Absences Payable	40,594	8,371	20,738	12,332	82,035
	<u>427,835</u>	<u>1,306,321</u>	<u>13,174,332</u>	<u>202,634</u>	<u>15,111,122</u>
Total Liabilities	<u>844,065</u>	<u>1,494,768</u>	<u>13,680,545</u>	<u>213,448</u>	<u>16,232,826</u>
Deferred Inflows of Resources:					
Deferred Inflows from Pensions	136,509	55,313	82,969	69,142	343,933
	<u>136,509</u>	<u>55,313</u>	<u>82,969</u>	<u>69,142</u>	<u>343,933</u>
Net Position:					
Investment in capital assets net of related debt	4,165,808	3,068,353	10,294,594	182,774	17,711,529
Restricted	26,317	118,314	738,198	0	882,829
Unrestricted	618,583	(77,807)	552,345	(26,971)	1,066,150
	<u>4,810,708</u>	<u>3,108,860</u>	<u>11,585,137</u>	<u>155,803</u>	<u>19,660,508</u>
Total Net Position	<u>\$ 4,810,708</u>	<u>\$ 3,108,860</u>	<u>\$ 11,585,137</u>	<u>\$ 155,803</u>	<u>\$ 19,660,508</u>

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
for the year ended September 30, 2016

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
Operating Revenues:					
Charges for services	\$ 5,197,717	\$ 967,925	\$ 2,219,606	\$ 678,934	\$ 9,064,182
Miscellaneous	91,870	4,588	29,593	9,860	135,911
Total Operating Revenue	<u>5,289,587</u>	<u>972,513</u>	<u>2,249,199</u>	<u>688,794</u>	<u>9,200,093</u>
Operating Expenses:					
Salaries and benefits	731,556	305,517	439,789	409,226	1,886,088
Administrative and supplies	46,360	50,080	26,778	3,998	127,216
Operations and maintenance	3,380,978	421,311	509,436	98,262	4,409,987
Administrative fees to General Fund	709,617	172,941	361,790	120,881	1,365,229
Depreciation	249,668	208,840	850,766	40,951	1,350,225
Total Operating Expenses	<u>5,118,179</u>	<u>1,158,689</u>	<u>2,188,559</u>	<u>673,318</u>	<u>9,138,745</u>
Net Operating Income	<u>171,408</u>	<u>(186,176)</u>	<u>60,640</u>	<u>15,476</u>	<u>61,348</u>
Nonoperating Revenues (Expenses):					
Interest Income	751	480	2,992	0	4,223
Interest Expense		(44,702)	(444,162)	(808)	(489,672)
Grants		2,000	0		2,000
Premium Earned on refinancing		6,770	46,203		52,973
Gain on Sale of Assets					
Gain (Loss) on Pension Activity	10,633	4,051	6,076	5,064	25,824
Total Nonoperating	<u>11,384</u>	<u>(31,401)</u>	<u>(388,891)</u>	<u>4,256</u>	<u>(404,652)</u>
Income before transfers	<u>182,792</u>	<u>(217,577)</u>	<u>(328,251)</u>	<u>19,732</u>	<u>(343,304)</u>
Transfers in					0
Transfers out					0
Net Income	182,792	(217,577)	(328,251)	19,732	(343,304)
Total Net Position - Beginning	4,627,916	3,326,437	11,913,388	136,071	20,003,812
Total Net Position - Ending	<u>\$ 4,810,708</u>	<u>\$ 3,108,860</u>	<u>\$ 11,585,137</u>	<u>\$ 155,803</u>	<u>\$ 19,660,508</u>

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
Statement of Cash Flows
Proprietary Funds
for the year ended September 30, 2016

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:					
Receipts from customers	\$ 5,256,445	\$ 966,778	\$ 2,252,231	\$ 687,237	\$ 9,162,691
Payments to suppliers	(3,659,011)	(474,112)	(558,408)	(123,381)	(4,814,912)
Payments to employees	(731,556)	(305,517)	(439,789)	(409,226)	(1,886,088)
Payments to General Fund for Administration	(709,617)	(172,941)	(361,790)	(120,881)	(1,365,229)
Other receipts					0
Net cash provided (used) by operations	<u>156,261</u>	<u>14,208</u>	<u>892,244</u>	<u>33,749</u>	<u>1,096,462</u>
Cash Flows From Capital and Related Financing Activities:					
Purchase and construction of capital assets	0	(23,542)	0	0	(23,542)
Principal paid on capital debt	0	(45,000)	(443,905)	(28,501)	(517,406)
Interest paid on capital debt	0	(44,702)	(444,162)	(808)	(489,672)
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>(113,244)</u>	<u>(888,067)</u>	<u>(29,309)</u>	<u>(1,030,620)</u>
Cash Flows From Investing Activities:					
Grant Income		2,000			2,000
Interest Income	751	480	2,992	0	4,223
Net cash provided (used) by investing	<u>751</u>	<u>2,480</u>	<u>2,992</u>	<u>0</u>	<u>6,223</u>
Net Increase (Decrease) in Cash and Deposits	157,012	(96,556)	7,169	4,440	72,065
Balances - Beginning of the year	<u>423,558</u>	<u>129,226</u>	<u>1,305,728</u>	<u>85,319</u>	<u>1,943,831</u>
Balances - Ending of the year	<u>\$ 580,570</u>	<u>32,670</u>	<u>\$ 1,312,897</u>	<u>\$ 89,759</u>	<u>\$ 2,015,896</u>
Displayed as:					
Pooled Cash and Investments	395,183	(85,644)	574,699	89,759	973,997
Restricted Assets	185,387	118,314	738,198	0	1,041,899
Balances - Ending of the year	<u>\$ 580,570</u>	<u>32,670</u>	<u>\$ 1,312,897</u>	<u>\$ 89,759</u>	<u>\$ 2,015,896</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income	171,408	(186,176)	60,640	15,476	61,348
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	249,668	208,840	850,766	40,951	1,350,225
Changes in assets and liabilities:					
Receivables, net	(33,142)	(5,736)	3,032	(1,557)	(37,403)
Accounts and other payables	(231,673)	(2,720)	(22,194)	(21,121)	(277,708)
Transfers in (out)		0	0	0	0
Customer deposits	0	0			0
Net Cash Provided (Used) by Operating Activities:	<u>\$ 156,261</u>	<u>14,208</u>	<u>\$ 892,244</u>	<u>\$ 33,749</u>	<u>\$ 1,096,462</u>

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rupert, Idaho became an incorporated city under the laws of the State of Idaho on April 12, 1906. The accounting policies of the City of Rupert, Idaho conform to generally accepted accounting principles as applicable to governmental units. The financial statements of the City of Rupert, Idaho have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities (enterprise funds) provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies:

(A) Basis of Presentation – Basis of Accounting

Basis of Presentation:

For this reporting period, the City has conformed its financial statement model to *Governmental Auditing Standards Board (GASB) Statement No. 34*. This model presents the financial statements as follows:

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City). These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

-Continued

The City reports the following governmental funds:

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

The City reports the following enterprise funds:

Electric, Water, Wastewater, and Sanitation Funds. These funds account for the operation, maintenance, and development of the City's electrical distribution system, water and waste-water facilities, and sanitation collection.

Discretely Presented Component Unit

The Component unit column in the financial statements includes the financial data of the City's only discretely presented component unit, the Rupert Urban Renewal Agency. It is reported in a separate column to emphasize that it is separate from the City's operations. Complete financial statements of the Rupert Urban Renewal Agency can be requested.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgets and Budgetary Accounting. The City adheres to City budget requirements in Title 50, Chapter 10 of the Idaho Code. The provisions of this chapter include the following procedures to establish budgetary data which is reflected in these financial statements:

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

-continued

- A. Prior to certifying the tax levy to the County Commissioners, and prior to passing the annual appropriation ordinance, a public meeting shall be held to adopt a budget by a favorable vote of a majority of the members of the council.
- B. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. Uncommitted appropriations lapse at year end.
- C. There are no provisions in Title 50, Chapter 10 for budget augmentations.

Entity Classifications.

- A. City-Wide Financial Statements – The City reports net position in three categories – invested in capital assets, restricted and unrestricted.
- B. Fund Financial Statements – The City has adopted GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54) which defines how fund balances of the governmental funds are presented in the financial statements. There are five classifications of fund balances as presented below:

Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. In this category, one would see inventory, long-term receivables, unless proceeds are restricted, committed, or assigned and legally or contractually required to be maintained intact (corpus or a permanent fund).

Restricted – These funds are governed by externally enforceable restrictions. In this category, one would see restricted purpose grant funds, debt service or capital projects.

Committed – Fund balances in this category are limited by the governments’ highest level of decision making. Any changes of designation must be done in the same manner that it was implemented and should occur prior to end of the fiscal year, though the exact amount may be determined subsequently.

Assigned – These funds are intended to be used for specific purposes, intent is expressed by governing body or an official delegated by the governing body.

Unassigned – This classification is the default for all funds that do not fit into the other categories. This, however, should not be a negative number for the general fund. If it is, the assigned fund balance must be adjusted.

Order of Use of Fund Balance – The City’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

-Continued

Allocation of Indirect Expenses. The City allocates indirect expense, primarily comprised of central governmental services, to operating functions and programs benefiting from those services. Central services include overall City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions with public services and parks.

(B) Assets, Liabilities, and Equity

Deposits and Investments

The cash balances of substantially all funds are pooled and deposited in either US Bank or the funds individually invest in the State of Idaho Treasurer's Office for the purpose of increasing earnings through investment activities. The State Investment Pool amounts are reported at fair value at September 30 of each year based on market prices. The individual funds' portions of the bank balance and fair value of the State Investment Pool are presented as "Cash and Deposits". Earnings from the State Investments Pool are credited each month in the individual funds where the account is reported.

Cash and Deposits

The City considers cash and deposits in proprietary funds to be cash on hand. In addition, because the State Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a deposit.

Receivables and Payable

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property Tax Calendar

Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The Minidoka County Assessor establishes assessed values. Property tax payments are due in one-half installments in December and June. Property taxes become a lien on the property when it is levied.

Budgetary Data

Prior to September 1, the City Administrator submits to the City Council 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. After reviewing the preliminary budget, the Council sets a public budget hearing to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance.

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

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Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. Budget revisions at this level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval. All annual appropriations lapse at year end. Budgetary data is prepared on the basis of accounting used by a particular fund as explained above. However, only current period payments on capital leases are budgeted, not the full capitalized lease amounts. Depreciation for the proprietary funds is not budgeted; however, an allowance for capital outlay is included in budgeted expenditures.

Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Use of Estimates

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

Inventory

Inventories in governmental funds are considered to be immaterial and are not reported. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis.

Capital Assets

Purchased or constructed capital assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. They are reported net of accumulated depreciation on the Statement of Net Assets. The City capitalizes assets in excess of \$5,000.

Under the requirements of *GASB Statement No. 34*, the City is considered a Phase 3 government, as its total annual revenues are less than \$10 million. Such governments are not required to report major general infrastructure assets retroactively. Accordingly, the City has determined not to retroactively report this type of capital asset.

Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office and Other Equipment	3-15
Computer Equipment	3-15

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

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Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Pensions

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

Deferred Outflows/Inflows of Resources

In 2007, the Governmental Accounting Standards Board (GASB) released Concepts Statement No. 4 *Elements of Financial Statements* which provides a framework for determining the nature of financial accounting or reporting issues. Since the release of the framework, GASB has been looking at the assets and liabilities on the balance sheet to determine if they should continue to be reflected as such. GASB has concluded that, in order to improve financial reporting, there are assets and liabilities that no longer should be reflected as assets and liabilities. These changes are included in the recently-issued GASB Statement No. 65, *Items Previously Reported as Asset and Liabilities*.

These changes include two new items that are reflected on the Statement of Net Position.

- Deferred outflow of resources – the current *consumption* of net assets that is applicable to a *future* reporting period.
- Deferred inflows of resources – the current *acquisition* of net assets that is applicable to a *future* reporting period.

The City's financial statements may report a separate section for deferred inflows of resources which reflects an increase in resources that applies to a future period.

NOTE 2 – CASH AND DEPOSITS

Deposits: Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial credit risk. At year end, none of the City's bank balances were exposed to custodial credit risk because it was insured by the FDIC.

Investments: Custodial credit risk, in the case of investments, is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the City held the following investments:

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

Continued

Investment Type

Idaho State Local Government Investment Pool \$ 2,448,414

These investments are unrated external investment pools sponsored by the Idaho State Treasurer's Office. They are classified as "Investments in an External Investment Pool" and are exempt from custodial credit risk and concentration of credit risk reporting. Interest rate risk is summarized as follows: Asset-backed securities are reported using weighted average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

The elected Idaho State Treasurer, following Idaho Code, Section 67-2328, is authorized to sponsor an investment pool in which the City voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the Pool is with the State Treasurer, and Idaho Code defines allowable investments. All investments are entirely insured or collateralized with securities held by the Pool or by its agent in the Pool's name. The fair value of the City's position in the external investment Pool is the same as the value of the Pool shares.

Credit Risk: The City's policy is to comply with Idaho State statutes which authorize the City to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

Interest rate risk and concentration of credit risk: The City has no policy regarding these two investment risk categories.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is presented on the combined balance sheet as "Cash and Deposits".

Cash and Deposits are comprised of the following at the financial statement date:

Cash on Hand	\$ 2,415
Deposits with financial institutions:	
Demand deposits	502,508
State of Idaho Investment Pool	<u>2,448,414</u>
Total	<u>\$ 2,953,337</u>

NOTE 3 – DELINQUENT TAXES RECEIVABLE

Property taxes are levied in November of each year and due in two equal installments at December 20 and June 20 following the levy date. If payment is not received upon the due dates, a 2% penalty is charged and taxes are classified as past due subject to 12% interest.

Delinquent taxes not paid within 60 days of year-end are recorded as deferred revenue in the governmental fund financial statements. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected. Although small amounts of delinquent taxes are

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

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collected within 60 days following the close of the City's fiscal year, the City feels secure in the right of the County to take tax deeds on property for the collection of real property taxes. Therefore, an allowance for uncollectible taxes receivable has not been established and would be immaterial.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the current year ended was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 579,124	\$	\$	\$ 579,124
Construction in Progress	41,859	214,577	0	256,436
Total	<u>620,983</u>	<u>214,577</u>	<u>0</u>	<u>835,560</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	3,406,071			3,406,071
Infrastructure	1,001,190			1,001,190
Vehicles and Equipment	2,406,002			2,406,002
Total	6,813,263	0	0	6,813,263
Less: Accumulated Depreciation:	3,383,163	164,309	0	3,547,472
Total Net Depreciated Assets	<u>3,430,100</u>	<u>(164,309)</u>	<u>0</u>	<u>3,265,791</u>
 Governmental capital assets, net	 \$ <u>4,051,083</u>	 \$ <u>50,268</u>	 \$ <u>0</u>	 \$ <u>4,101,351</u>
 Business-type activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 207,324	\$	\$	\$ 207,324
Construction in Progress	0			0
Total	<u>207,324</u>	<u>0</u>	<u>0</u>	<u>207,324</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	681,277			681,277
Infrastructure	54,729,847			54,729,847
Vehicles and Equipment	3,133,022	23,542		3,156,564
Total	58,544,146	23,542	0	58,567,688
Less: Accumulated Depreciation	25,136,524	1,350,226		26,486,750
Total Net Depreciated Assets	<u>33,407,622</u>	<u>(1,326,684)</u>	<u>0</u>	<u>32,080,938</u>
 Business-type capital assets, net	 \$ <u>33,614,946</u>	 \$ <u>(1,326,684)</u>	 \$ <u>0</u>	 \$ <u>32,288,262</u>

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

- Continued

NOTE 5 - BONDS PAYABLE

In December, 2012 the City signed documents to refinance the Sewer Bond Series 1088, 2001, 2008A, 2008B, 2008C, and 2009 by using Idaho Bond Bank Authority Revenue Bonds, Series 2012.

The Wastewater Parity Lien Revenue Refunding Bond is at the par amount of \$10,570,000 plus a premium of \$1,390,324 less underwriter discount of \$40,070, for a net purchase price of \$11,920,254. Proceeds from the municipal bond were used to pay off the prior bonds in the amount of \$11,804,674, plus fees and costs of \$114,315. The City was to transfer \$408,100 of funds held in the reserve funds for the prior bonds, for a total reserve of \$732,369. Bond repayment is scheduled to be complete in September 2038, with total interest expense of \$5,316,977 over the full term of repayment. Interest rates vary from 2% to 5%. The bond premium will be amortized on a straight line basis over the life of the bonds at the rate of \$53,474 per year.

Repayment of the bonds is scheduled in a later section of these financial statements.

In September 2013, the City issued the Wastewater Parity Lien Revenue Bond for the purpose of financing improvements to the wastewater system. At that time interim financing in the amount of \$3,351,000 plus interest was paid off. Interest in the amount of \$41,173 was capitalized and added to the project cost. The interim financing was paid upon completion of the sewer improvement project with funds provided by a USDA Rural Development Bond in the amount of \$3,452,000 at an interest rate of 2.125%.

Repayment of the bond is scheduled in a later section of these financial statements.

In December of 2012 the City signed documents to refinance the Water Revenue Bond Series 2002 by issuing Idaho Bond Bank Authority Revenue Bonds, Series 2012.

The Water Revenue Refunding Bond is at the par amount of \$1,225,000 plus a premium of \$191,149 less underwriter discount of \$4,614, for a net purchase price of \$1,411,535. Proceeds from the municipal bond were used to pay off the prior bond in the amount of \$1,387,421, plus fees and costs of \$21,001. Of the \$117,423 held in the reserve fund for the prior bond, \$92,700 was applied to fund the new Reserve Fund, with the balance to be used in part to pay the prior bond. Bond repayment is scheduled to be complete in September of 2032 with total interest expense of \$579,652 over the full term of repayment. Interest rates vary from 2% to 5%. The bond premium will be amortized on a straight line basis over the life of the bonds at the rate of \$9,557 per year.

Repayment of the bond is scheduled in a later section of these financial statements.

NOTE 6 – CAPITAL LEASES

The City has entered into municipal lease agreements for the purchase of a 2011 Pierce Peterbilt Pumper Fire Truck to be used by the General Fund of the City, as well as a 2013 International Leach Truck to be used by the Sanitation Fund (a Proprietary Fund). The obligations are recorded in the respective funds. Annual lease payments are paid in advance. Unless sooner terminated as set forth in the lease, ownership will transfer to the City upon expiration of the lease. Depreciation expense has been computed on assets acquired under municipal lease agreements.

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

Capital Leases – Continued

Detail of the Capital Leases follows:

	Equip Cost	2017	2018	2019	2020	Total
Governmental Activities						
2014 Elgin Pelican Street Sweeper						
Mountain West Bank	196,415	30,565	30,565	30,565	30,565	122,260
Less Interest 2.95%	<u>(3,356)</u>	<u>(2,553)</u>	<u>(1,727)</u>	<u>(876)</u>	<u>(876)</u>	<u>(8,512)</u>
Due 10/28	196,415	27,209	28,012	28,838	29,689	113,748
2011 Pierce Pumper						
Oshkosh Capital	194,099	34,102	34,102			68,204
Less Interest 2.74%	<u>(1,795)</u>	<u>(909)</u>	<u>(909)</u>	<u>(909)</u>	<u>(909)</u>	<u>(2,704)</u>
Due 10/15	<u>194,099</u>	<u>32,307</u>	<u>33,193</u>	<u>0</u>	<u>0</u>	<u>65,500</u>
Total Governmental	390,514	59,516	61,205	28,838	29,689	179,248
Business-Type Activities						
						0
						<u>0</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Leases	\$ <u>390,514</u>	\$ <u>59,516</u>	\$ <u>61,205</u>	\$ <u>28,838</u>	\$ <u>29,689</u>	\$ <u>179,248</u>

NOTE 7 – OPERATING LEASES

The City is obligated under a lease for three Police 2014 Ford Taurus Interceptor vehicles under an operating lease. Operating leases do not give rise to property rights or purchase obligations, and therefore the results of the lease agreements are not reflected in the City's capital assets. The City is obligated for three annual payments of \$8,572 per vehicle for a total payment of \$25,716. The final payment was due September 1, 2016.

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

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NOTE 8 – LITIGATION

The City, at the financial statement date, is not involved in any material litigation as either defendant or plaintiff.

NOTE 9 – RESTRICTED NET ASSETS

The ordinance authorizing the Enterprise Fund revenue bonds requires that the City establish certain restricted cash accounts to be used in the retirement of the bonds and improvements to the water and waste-water systems. In addition, certain cash amounts are restricted for use in law enforcement, zoning ordinance enforcement, and for other restrictions imposed by the City Council in the general fund; and for debt retirement in the long-term debt group of accounts. The City's policy is to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. These restricted amounts are as follows:

	<u>General Fund</u>	<u>Enterprise Funds</u>
General Fund Leases	\$ 0	
Water Revenue Bond Debt Service		\$ 118,314
Wastewater Bonds Debt Service	<u> </u>	<u>738,198</u>
Totals	<u>\$ 0</u>	<u>\$ 856,512</u>

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; injuries to the general public; and natural disasters. The City carries commercial insurance coverage for these risks to the extent deemed prudent by the City Council. The City is also protected by the Idaho Tort Claims Act, which limits exposure to tort claims against the City.

NOTE 11 – RUPERT URBAN RENEWAL AGENCY

The component unit column in the combined financial statements includes the financial data of the Rupert Urban Renewal Agency, the City's only discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the City in accordance with State Urban Renewal law. The Agency has authority to construct public improvements including the acquisition of public right-of-way within the blighted area legally designated as the redevelopment district. The City appoints the governing board of the Agency. The Agency derives its funding from tax increment financing.

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

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NOTE 12 – ANIMAL CONTROL FACILITY JOINT VENTURE

Effective October 1, 2013, the City has agreed to accept the responsibility of handling operation of the animal control facility, including hiring of personnel and administration of financial and operational activities. Cash and capital assets were transferred to the City at that time. The City has a 29.1% ownership interest in the animal control facility improvements located on real property owned by the City of Paul, Idaho. The City of Rupert's current contribution to the operating costs under this agreement is \$39,442. In the event of terminating its participation in the agreement, the City would retain an ownership interest in the animal control facility, but all personal property acquired would remain in place for use by the remaining parties. In the event of complete termination, all joint property would be sold, with the proceeds to be distributed in proportion to each entity's contribution.

NOTE 13 – EMPLOYEE RETIREMENT PLAN

Plan Description

The City of Rupert contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age and highest average salary. Members become fully vested in their retirement benefits with five years of credited services (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

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Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of employer rate for general employees and 72% for police and firefighters. As of June 30, 2016, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City's contributions were \$ 298,283 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.0938767 percent.

For the year ended September 30, 2016, the City recognized pension expense (revenue) of (\$50,634). At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 470,086	\$ 189,622
Changes in assumptions or other inputs	\$ 42,303	
Net difference between projected and actual earnings on pension plan investments	\$ 432,783	\$ 459,290
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$ 94,811	
City's contributions subsequent to the measurement date	\$ 69,890	
Total	\$ 1,109,873	\$ 648,912

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

-Continued

\$ 69,890 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, 2017.

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, 2016 the beginning of the measurement period ended June 30, 2016 is 4.9 and 5.5 for the measurement period June 30, 2016.

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, 2016:

2017	\$ 1,934
2018	\$ 1,934
2019	\$ 220,783
2020	\$ 121,487
2021 and Therafter	\$ 0

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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

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An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

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Capital Market Assumptions

	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities:			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income:	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%
	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
Total Fund				
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions:

Assumed Inflation - Standard Deviation	3.25%
Portfolio Arithmetic Mean Return	2.00% 8.42%
Portfolio Long-Term Expected Geometric Rate of Return	
Assumed Investment Expenses	7.50%
Long-Term Expected Geometric Rate of Return Net of Investment Expenses	<u>0.40%</u>
	7.10%

CITY OF RUPERT, IDAHO
Notes to the Financial Statements
September 30, 2016

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Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$2,079,693	\$1,890,630	\$1,701,567

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov

Payables to the pension plan

At September 30, 2016, the City reported payables to the defined benefit pension plan of \$ 11,055 for legally required employer contributions and \$ 8,596 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events were evaluated through the audit report date, February 17, 2017.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF RUPERT, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- General Fund
for the year ended September 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property Taxes	\$ 717,280	\$ 720,671	\$ 3,391
Franchises, licenses, permits	331,190	324,728	(6,462)
State of Idaho shared revenue	186,080	187,982	1,902
State of Idaho sales tax	153,200	137,284	(15,916)
State of Idaho liquor receipts	66,112	67,067	955
State highway user collections	238,140	263,287	25,147
Penalty collection and delinquent notices	47,000	52,040	5,040
County court fines	25,000	25,966	966
Highway Road and Bridge tax	16,500	17,343	843
Fees, fines, and charges for services	122,900	138,299	15,399
Grants and contributions	1,202,193	285,341	(916,852)
Earnings on investments		14,861	14,861
Gain on Sale of Assets		196	196
Miscellaneous	23,700	42,508	18,808
Administrative costs paid by Utility Funds	1,363,857	1,365,229	1,372
Total Revenue	<u>4,493,152</u>	<u>3,642,802</u>	<u>(850,350)</u>
EXPENDITURES:			
Administration	733,826	644,843	88,983
Buildings	337,485	280,237	57,248
City Hall Office	428,692	369,029	59,663
Law Enforcement	1,011,332	910,791	100,541
Streets	418,073	337,727	80,346
Parks and Recreation	293,543	257,675	35,868
Pool	102,677	117,515	(14,838)
Fire Control	290,850	305,777	(14,927)
Shop	212,782	159,722	53,060
Capital outlay	1,150,000	296,017	853,983
Total Expenditures	<u>4,979,260</u>	<u>3,679,333</u>	<u>1,299,927</u>
EXCESS REVENUE (EXPENDITURES)	(486,108)	(36,531)	449,577
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			0
Operating transfers (to) other funds			0
NET CHANGE IN FUND BALANCES	(486,108)	(36,531)	449,577
FUND BALANCE - BEGINNING	<u>831,663</u>	<u>831,663</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 345,555</u>	<u>\$ 795,132</u>	<u>\$ 449,577</u>

CITY OF RUPERT, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- DeMary Memorial Library
for the year ended September 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property Taxes	\$ 133,000	\$ 132,054	\$ (946)
County Sales tax	17,690	24,058	6,368
County membership	5,700	6,070	370
Fees, fines, and charges for services	6,250	6,829	579
Grants and contributions	2,550	3,657	1,107
Earnings on investments	0	0	0
Miscellaneous	25	2	(23)
Total Revenue	<u>165,215</u>	<u>172,670</u>	<u>7,455</u>
EXPENDITURES:			
Personnel expense	117,776	100,850	16,926
Operations and Maintenance	47,439	46,840	599
Capital outlay	40,000	33,278	6,722
Contingency	0	0	0
Total Expenditures	<u>205,215</u>	<u>180,968</u>	<u>24,247</u>
EXCESS REVENUE (EXPENDITURES)	(40,000)	(8,298)	31,702
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			0
Operating transfers (to) other funds			0
NET CHANGE IN FUND BALANCES	(40,000)	(8,298)	31,702
FUND BALANCE - BEGINNING	<u>94,482</u>	<u>94,482</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 54,482</u>	<u>\$ 86,184</u>	<u>\$ 31,702</u>

CITY OF RUPERT, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Animal Control Fund
for the year ended September 30, 2016

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property Taxes	\$ 0	\$ 0	\$ 0
Franchises, licenses, permits	1,000	1,505	505
City Joint Power Agreements	72,310	71,551	(759)
Minidoka County fees	10,000	5,195	(4,805)
Fees, fines, and charges for services	0	0	0
Grants and contributions	0	8,195	8,195
Miscellaneous	8,500	2,947	(5,553)
Total Revenue	<u>91,810</u>	<u>89,393</u>	<u>(2,417)</u>
EXPENDITURES:			
Personnel expense	47,519	36,194	11,325
Operations and Maintenance	44,291	51,979	(7,688)
Capital outlay	0	0	0
Contingency	0	0	0
Total Expenditures	<u>91,810</u>	<u>88,173</u>	<u>3,637</u>
EXCESS REVENUE (EXPENDITURES)	0	1,220	1,220
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	0	0	0
Operating transfers (to) other funds	0	0	0
NET CHANGE IN FUND BALANCES	0	1,220	1,220
FUND BALANCE - BEGINNING	<u>6,945</u>	<u>6,945</u>	<u>0</u>
FUND BALANCE - ENDING	<u>\$ 6,945</u>	<u>\$ 8,165</u>	<u>\$ 1,220</u>

**CITY OF RUPERT, IDAHO
PUBLIC EMPLOYEE PENSION INFORMATION
For the year ended September 30, 2016**

Required Supplementary Information

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

	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	0.0938767%	.0941238%
Employer's proportionate share of the net pension liability	\$ 1,890,630	\$ 1,227,063
Employer's covered-employee payroll	\$ 2,619,948	\$ 2,651,290
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	72.16%	216.07%
Plan fiduciary net position as a percentage of the total pension liability	1256.32%	1950.45%

* GASB Statement No. 68 required 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, 2016

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

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 298,283	\$ 301,861
Contributions in relation to the statutorily required contribution	\$ (298,283)	\$ (301,861)
Contribution (deficiency) excess	\$ 0	\$ 0
Employer's covered-employee payroll	\$ 2,619,948	\$ 2,651,290
Contributions as a percentage of covered-employee payroll	11.39%	11.39%

**OTHER
SUPPLEMENTARY INFORMATION**

CITY OF RUPERT, IDAHO
Note and Bond-Future Principal and Interest Requirements
at September 30, 2016

				Annual Payment			
				Date	Interest Payment	Principal Payment	Balance
Revenue Bond:							
Water Revenue Refunding Bonds, Series 2012							
\$ 1,225,000 December 2012							\$ 1,035,000
2.00 - 5.00%				3/15/2017	\$ 21,425		\$ 1,035,000
			9/15/2017	21,425	45,000		990,000
			3/15/2018	20,525			990,000
			9/15/2018	20,525	50,000		940,000
			3/15/2019	20,025			940,000
			9/15/2019	20,025	50,000		890,000
			3/15/2020	19,025			890,000
			9/15/2020	19,025	50,000		840,000
			3/15/2021	18,025			840,000
			9/15/2021	18,025	55,000		785,000
			3/15/2022	16,925			785,000
			9/15/2022	16,925	55,000		730,000
			3/15/2023	16,100			730,000
			9/15/2023	16,100	60,000		670,000
			3/15/2024	14,600			670,000
			9/15/2024	14,600	60,000		610,000
			3/15/2025	13,100			610,000
			9/15/2025	13,100	65,000		545,000
			3/15/2026	11,475			545,000
			9/15/2026	11,475	65,000		480,000
			3/15/2027	9,850			480,000
			9/15/2027	9,850	70,000		410,000
			3/15/2028	8,100			410,000
			9/15/2028	8,100	75,000		335,000
			3/15/2029	6,225			335,000
			9/15/2029	6,225	80,000		255,000
			3/15/2030	4,625			255,000
			9/15/2030	4,625	80,000		175,000
			3/15/2031	2,625			175,000
			9/15/2031	2,625	85,000		90,000
			3/15/2032	1,350			90,000
			9/15/2032	1,350	90,000		0
				\$ 408,000	\$ 1,035,000		

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
Note and Bond-Future Principal and Interest Requirements
at September 30, 2016

	Annual Payment			Balance
	Date	Interest Payment	Principal Payment	
Revenue Bond:				
	3/15/2017	\$ 180,834		\$ 9,095,000
Wastewater Parity Lien Revenue Refunding	9/15/2017	180,834	\$ 370,000	8,725,000
Bonds Series 2012	3/15/2018	173,434		8,725,000
\$ 10,570,000 issued December 2012	9/15/2018	173,434	385,000	8,340,000
2.00% - 5.00%	3/15/2019	169,584		8,340,000
	9/15/2019	169,584	390,000	7,950,000
	3/15/2020	161,784		7,950,000
	9/15/2020	161,784	405,000	7,545,000
	3/15/2021	153,684		7,545,000
	9/15/2021	153,684	420,000	7,125,000
	3/15/2022	145,284		7,125,000
	9/15/2022	145,284	440,000	6,685,000
	3/15/2023	138,684		6,685,000
	9/15/2023	138,684	455,000	6,230,000
	3/15/2024	127,309		6,230,000
	9/15/2024	127,309	475,000	5,755,000
	3/15/2025	115,434		5,755,000
	9/15/2025	115,434	500,000	5,255,000
	3/15/2026	102,934		5,255,000
	9/15/2026	102,934	525,000	4,730,000
	3/15/2027	89,809		4,730,000
	9/15/2027	89,809	550,000	4,180,000
	3/15/2028	76,059		4,180,000
	9/15/2028	76,059	575,000	3,605,000
	3/15/2029	61,684		3,605,000
	9/15/2029	61,684	560,000	3,045,000
	3/15/2030	50,484		3,045,000
	9/15/2030	50,484	355,000	2,690,000
	3/15/2031	41,609		2,690,000
	9/15/2031	41,609	370,000	2,320,000
	3/15/2032	36,059		2,320,000
	9/15/2032	36,059	305,000	2,015,000
	3/15/2033	31,484		2,015,000
	9/15/2033	31,484	310,000	1,705,000
	3/15/2034	26,641		1,705,000
	9/15/2034	26,641	320,000	1,385,000
	3/15/2035	21,641		1,385,000
	9/15/2035	21,641	330,000	1,055,000
	3/15/2036	16,484		1,055,000
	9/15/2036	16,484	340,000	715,000
	3/15/2037	11,172		715,000
	9/15/2037	11,172	350,000	365,000
	3/15/2038	5,703		365,000
	9/15/2038	5,703	365,000	0
		\$ <u>3,875,588</u>	\$ <u>9,095,000</u>	

The accompanying notes are a part of these financial statements.

CITY OF RUPERT, IDAHO
Note and Bond-Future Principal and Interest Requirements
at September 30, 2016

	Annual Payment			
Date	Interest Payment	Principal Payment	Balance	
Revenue Bond:				
Wastewater Parity Lien Revenue Bond 2012				
\$ 3,452,000 September 17, 2012			\$ 3,107,326	
2.125%				
9/17/2017	\$ 66,031	\$ 90,794	3,016,532	
9/17/2018	64,101	92,724	2,923,808	
9/17/2019	62,131	94,694	2,829,114	
9/17/2020	60,119	96,706	2,732,408	
9/17/2021	58,064	98,761	2,633,647	
9/17/2022	55,965	100,860	2,532,787	
9/17/2023	53,822	103,003	2,429,784	
9/17/2024	51,633	105,192	2,324,592	
9/17/2025	49,398	107,427	2,217,165	
9/17/2026	47,115	109,710	2,107,455	
9/17/2027	44,783	112,042	1,995,413	
9/17/2028	42,402	114,423	1,880,990	
9/17/2029	39,971	116,854	1,764,136	
9/17/2030	37,488	119,337	1,644,799	
9/17/2031	34,952	121,873	1,522,926	
9/17/2032	32,362	124,463	1,398,463	
9/17/2033	29,717	127,108	1,271,355	
9/17/2034	27,016	129,809	1,141,546	
9/17/2035	24,258	132,567	1,008,979	
9/17/2036	21,441	135,384	873,595	
9/17/2037	18,564	138,261	735,334	
9/17/2038	15,626	141,199	594,135	
9/17/2039	12,625	144,200	449,935	
9/17/2040	9,561	147,264	302,671	
9/17/2041	6,432	150,393	152,278	
9/17/2042	3,236	152,278	0	
	\$ 968,813	\$ 3,107,326		

The accompanying notes are a part of these financial statements.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

February 17, 2017

To the City Council
City of Rupert, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rupert, Idaho, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Rupert, Idaho's basic financial statements, and have issued our report thereon dated February, 17 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rupert, Idaho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rupert, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rupert, Idaho's internal control.

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

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

Compliance and Other Matters

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

Report Continued—

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Dennis R. Brown". The signature is written in a cursive style with a large initial "D".

DENNIS R. BROWN
Certified Public Accountant
Twin Falls, Idaho