

CITY OF SANDPOINT

FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

CITY OF SANDPOINT

September 30, 2019

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor’s Report 1 – 3

Management’s Discussion and Analysis 4 – 16

Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Position..... 17

 Statement of Activities..... 18 – 19

 Fund Financial Statements:

 Governmental Funds:

 Balance Sheet.....20

 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net
 Position.....21

 Statement of Revenues, Expenditures and
 Changes in Fund Balances22

 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of
 Activities23

 Proprietary Funds:

 Statement of Net Position24

 Statement of Revenues, Expenses and Changes in Net Position25

 Statement of Cash Flows.....26

 Agency Funds:

 Statement of Net Position27

 Notes to the Basic Financial Statements.....28 – 52

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual – General Fund53

Schedule of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual – Local Options Tax 54

Schedule of Employers’ Share of Net Pension Liability55

Schedule of Employer Contributions55

Schedule of Employers’ Share of Net Pension Liability – FRF56

Schedule of Employer Contributions – FRF56

CITY OF SANDPOINT

September 30, 2019

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds Description -
Debt Service Funds and Special Revenue Funds57

Combining Balance Sheet – Nonmajor Governmental
Funds58

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental
Funds59

Combining Balance Sheet – Nonmajor Debt Service
Funds60 – 61

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Debt Service
Funds62 – 63

Combining Balance Sheet – Nonmajor Special
Revenue Funds64

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Special
Revenue Funds65

REPORT REQUIRED BY THE GAO

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*66 – 67

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council of the
City of Sandpoint
Sandpoint, ID 83864

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 unit, each major fund, and the aggregate remaining fund information of City of Sandpoint, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Sandpoint's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Sandpoint's 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 did not audit the financial statements of Sandpoint Urban Renewal Agency which represent 100 percent, of the assets, net position and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Sandpoint Urban Renewal Agency discretely presented component unit, is based solely on the report of the other auditors. 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions

In our opinion, based on our audit and the report of the other auditors, 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 unit, each major fund, and the aggregate remaining fund information of City of Sandpoint, as of September 30, 2019, 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 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements are the responsibility of management and 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 by us and other auditors. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2020 on our consideration of City of Sandpoint'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 City of Sandpoint's internal control over financial reporting and compliance.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh, & Co., P.A.

January 23, 2020

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

As management of the City of Sandpoint, we offer readers of City of Sandpoint's financial statements this narrative overview and analysis of the financial activities of the City of Sandpoint for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the accompanying *Notes* which are a part of this audit report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Sandpoint exceeded its liabilities at the close of the most recent fiscal year by \$89,980,077. Of this amount \$25,476,398 represents the unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Sandpoint's total net position increased \$6,621,613 from prior year (\$3,920,161 for Governmental Activities and \$2,701,452 for Business-type Activities).
- As of the close of the current fiscal year, the City of Sandpoint's governmental funds reported combined fund balance of \$14,434,955, an increase of \$2,662,477 in comparison with the prior fiscal year.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$2,360,741 or approximately 23% of the total general fund expenditures.
- The Governmental Accounting Standards Board introduced a statement (GASB 68) that requires the City to reflect, on our financial statements, the City's proportionate share of the unfunded actuarial accrued liability of PERSI as a liability. While this directly affects the City's Net Position on our financial statements, it is merely a reporting number and does not directly affect our cash or debt load.
- Due to the voter approved 1% Local Option Tax for the refurbishment of Memorial Field will be bringing in sales tax over the next five years. At the end of the current fiscal year the fund balance was \$1,460,816 and the total expended has been \$3,572,780 towards the community project. The Local Option Tax Fund has been reported as a major fund and tracks the revenues and expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The *government wide financial statements* are designed to provide readers with a broad overview of the City of Sandpoint's finances, in a manner similar to a private-sector business.

City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *statement of net position* presents information on all of the City of Sandpoint's assets and liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Sandpoint is improving or deteriorating.

The *statement of activities* presents information showing how the City of Sandpoint's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sandpoint that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sandpoint include general government, public safety, streets, local sales tax projects, and culture, and recreation. The business-type activities of the City of Sandpoint include water treatment and distribution, sewage collection and treatment, sanitation and street lights.

The government-wide financial statements include not only the City of Sandpoint itself (known as the primary government) but also a legally separate urban renewal agency and a business improvement district for which the City of Sandpoint is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The Government-wide financial statement can be found in the audit section of this report.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sandpoint, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sandpoint can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – *Governmental funds* are used to account for essentially the same functions as those reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for government activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City of Sandpoint maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the local option tax fund, which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* and individual fund statements and schedules section of this report.

City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

The City of Sandpoint adopts an annual appropriated budget for its general fund and parks capital improvement fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20 – 23 of this report.

Proprietary funds –The City of Sandpoint maintains four different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Sandpoint uses enterprise funds to account for its water and sewer operations, sanitation, street lights and bond payment fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and bond payment funds, all of which are considered to be major funds of the City of Sandpoint. The sanitation fund is considered a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 24 – 26 of this report.

Fiduciary funds–Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statement because the resources of those funds are not available to support the City of Sandpoint's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The *Agency fund* reports resources held by the city in a custodial capacity for individual, private organizations and other governments.

The basic fiduciary fund financial statements can be found on page 27 of this report.

Notes to Financial Statements –The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 28 – 52 of this report.

Other Information –In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Sandpoint's budget and actual of the General fund.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 57 – 65 of this report.

City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

GOVERNMENTAL-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Sandpoint, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$89,980,077 at the close of the most recent fiscal year.

Table1

STATEMENTS OF NET POSITION September 30, 2019 and 2018

	Governmental		Business-type		Total	
	activities		activities			
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 16,153,037	\$ 13,492,795	\$ 28,979,782	\$ 27,123,048	\$ 45,132,819	\$ 40,615,843
Capital assets	16,182,140	15,285,030	50,078,156	50,980,229	66,260,296	66,265,259
Total assets	32,335,177	28,777,825	79,057,938	78,103,277	111,393,115	106,881,102
Deferred outflow of resources						
Proportionate share of collective deferred outflows of resources	253,854	419,249	139,934	201,665	393,788	620,914
Total deferred outflow of resources	253,854	419,249	139,934	201,665	393,788	620,914
Long-term liabilities outstanding	959,147	1,105,761	17,854,562	19,187,299	18,813,709	20,293,060
Other liabilities	1,163,551	1,878,594	1,032,957	1,584,267	2,196,508	3,462,861
Total liabilities	2,122,698	2,984,355	18,887,519	20,771,566	21,010,217	23,755,921
Deferred inflow of resources						
Proportionate share of collective deferred inflows of resources	576,111	242,658	220,498	144,973	796,609	387,631
Total deferred inflow of resources	576,111	242,658	220,498	144,973	796,609	387,631
Net position:						
Net investment in capital assets	15,061,767	14,905,962	32,339,566	31,953,241	47,401,333	46,859,203
Restricted	1,803,473	417,742	15,298,873	15,303,220	17,102,346	15,720,962
Unrestricted	13,024,982	10,646,357	12,451,416	10,131,942	25,476,398	20,778,299
Total net position	\$ 29,890,222	\$ 25,970,061	\$ 60,089,855	\$ 57,388,403	\$ 89,980,077	\$ 83,358,464

By far, the largest portion of the City of Sandpoint's net position (53%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City of Sandpoint uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Sandpoint's investments in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Sandpoint's net position (19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance \$25,476,398 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City of Sandpoint is able to report positive balances in all three categories of net position both for government as a whole, as well as its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

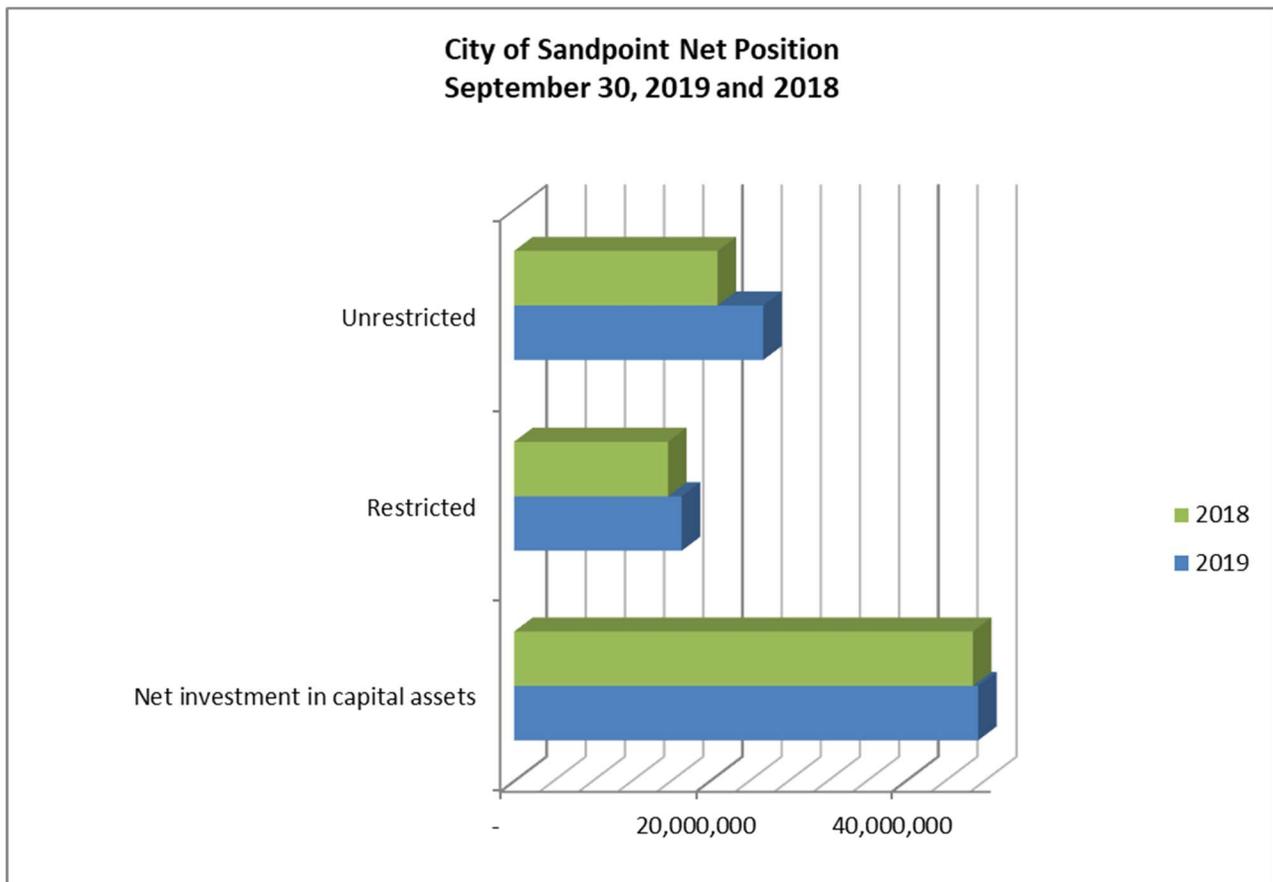
City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

GOVERNMENTAL-WIDE OVERALL FINANCIAL ANALYSIS (CONTINUED)

The City of Sandpoint's overall net position increased \$6,621,613 from the prior fiscal year. The reason for this overall increase is discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for the governmental activities increased 15% or \$3,920,161 from the prior fiscal year for an ending balance of \$29,890,222 compared to prior year's balance of \$25,970,061. This increase is related to cash on hand from the 1% Local Option Tax dedicated to the refurbishment of Memorial Field, increase in Intergovernmental Revenue and the reporting of the City's proportionate share of deferred outflows and inflows related to State's pension plan.



City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

GOVERNMENTAL-WIDE OVERALL FINANCIAL ANALYSIS (CONTINUED)

Table 2

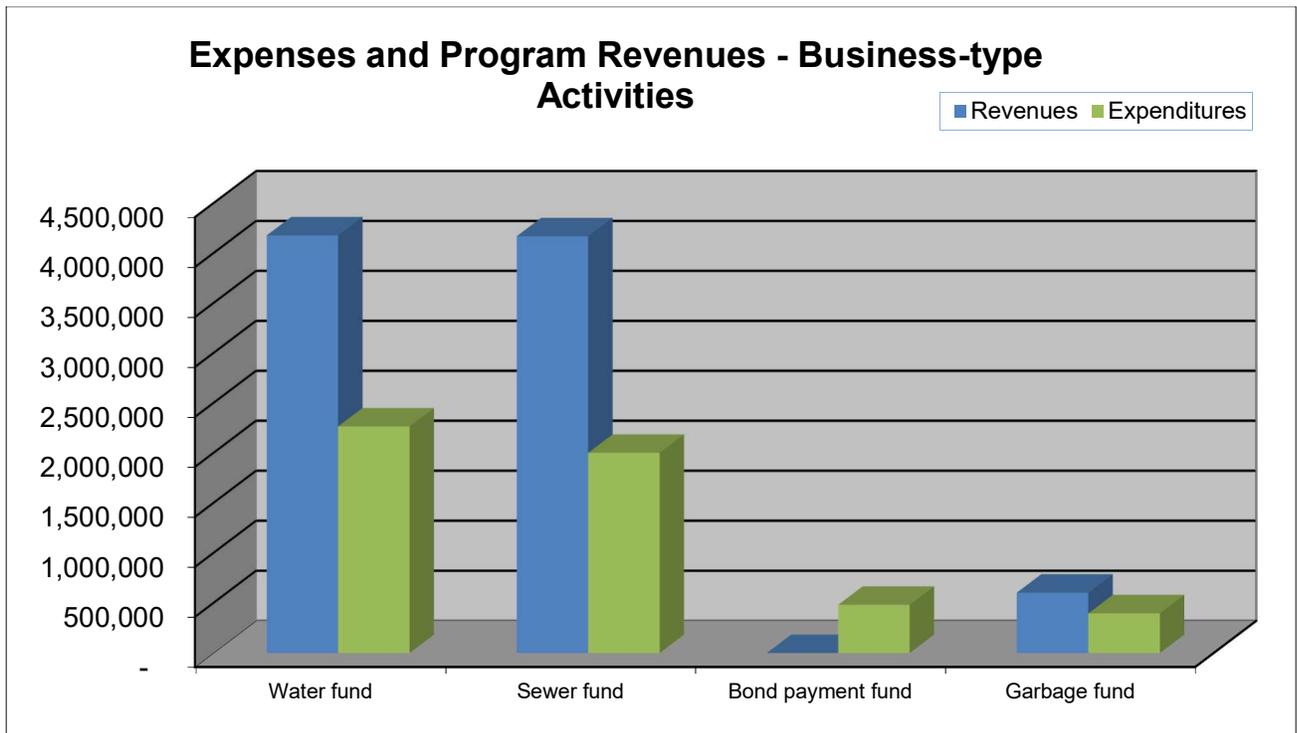
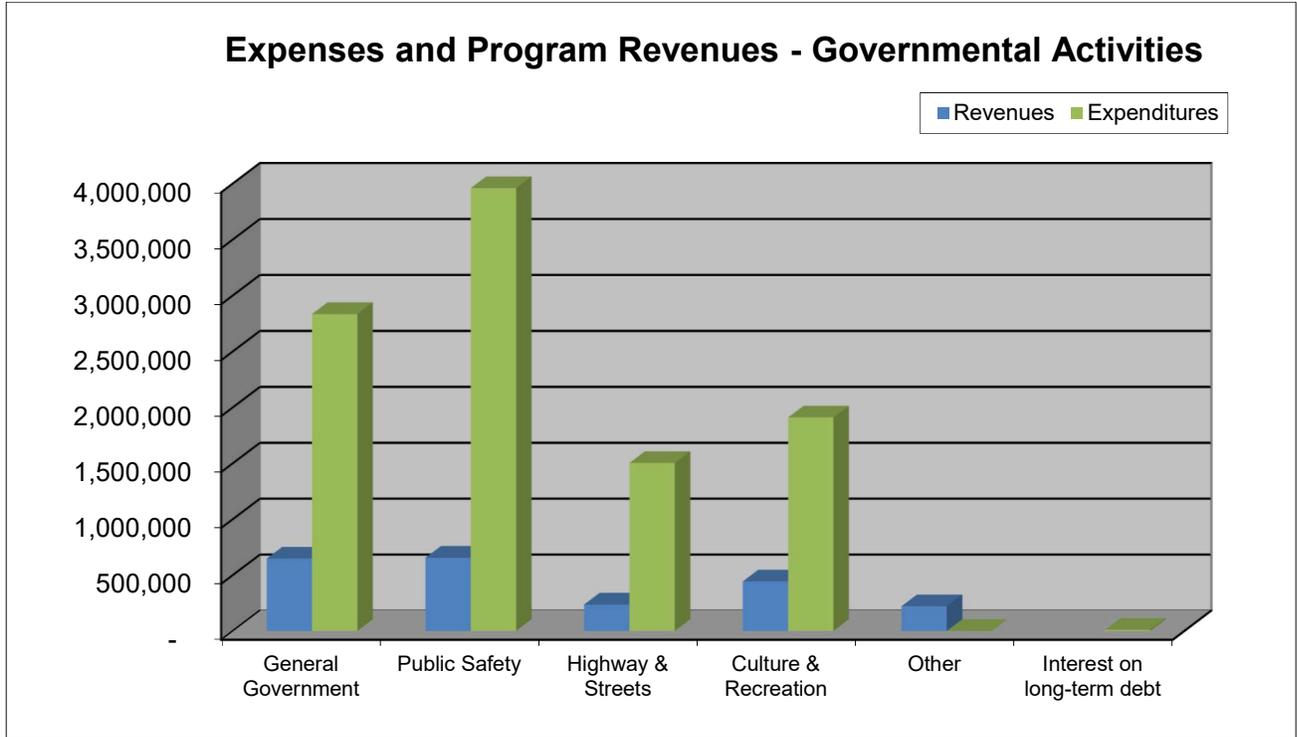
CHANGES IN NET POSITION September 30, 2019 and 2018

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,734,060	\$ 1,714,564	\$ 8,478,488	\$ 8,584,826	\$ 10,212,548	\$ 10,299,390
Capital Grants	468,826	2,032,896	475,189	620,940	944,015	2,653,836
General revenues:						
Property taxes & special assessments	6,321,842	6,068,311	-	-	6,321,842	6,068,311
Investment Earnings	271,606	178,219	593,783	379,592	865,389	557,811
Miscellaneous	-	-	-	-	-	-
Intergovernmental	3,399,297	4,364,645	-	-	3,399,297	4,364,645
Gain on disposal of assets	1,700	-	700	-	2,400	-
Total revenues	12,197,331	14,358,635	9,548,160	9,585,358	21,745,491	23,943,993
Expenses:						
General government	2,840,370	3,125,116	-	-	2,840,370	3,125,116
Public safety	3,948,904	3,926,052	-	-	3,948,904	3,926,052
Highways & streets	1,517,847	1,700,615	-	-	1,517,847	1,700,615
Culture & recreation	1,898,370	1,614,015	-	-	1,898,370	1,614,015
Other	-	1,061,517	-	-	-	1,061,517
Interest on long-term debt	10,247	18,113	-	-	10,247	18,113
Change in net pension liability	232,579	(114,757)	-	-	232,579	(114,757)
Unallocated actual PERSI contributions	(472,490)	(427,944)	-	-	(472,490)	(427,944)
Water	-	-	2,266,351	1,989,105	2,266,351	1,989,105
Sewer	-	-	2,002,261	1,974,341	2,002,261	1,974,341
Bond payment fund	-	-	482,259	508,344	482,259	508,344
Other proprietary funds	-	-	397,180	348,065	397,180	348,065
Total expenses	9,975,827	10,902,727	5,148,051	4,819,855	15,123,878	15,722,582
(Decreases) Increases in net assets before transfers	2,221,504	3,455,908	4,400,109	4,765,503	6,621,613	8,221,411
Transfers	1,698,657	1,653,565	(1,698,657)	(1,653,565)	-	-
Increase in net position	3,920,161	5,109,473	2,701,452	3,111,938	6,621,613	8,221,411
Net position – beginning	25,970,061	20,860,588	57,388,403	54,276,465	83,358,464	75,137,053
Net position – ending	\$ 29,890,222	\$ 25,970,061	\$ 60,089,855	\$ 57,388,403	\$ 89,980,077	\$ 83,358,464

City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

GOVERNMENTAL-WIDE OVERALL FINANCIAL ANALYSIS (CONTINUED)



City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

GOVERNMENTAL-WIDE OVERALL FINANCIAL ANALYSIS (CONCLUDED)

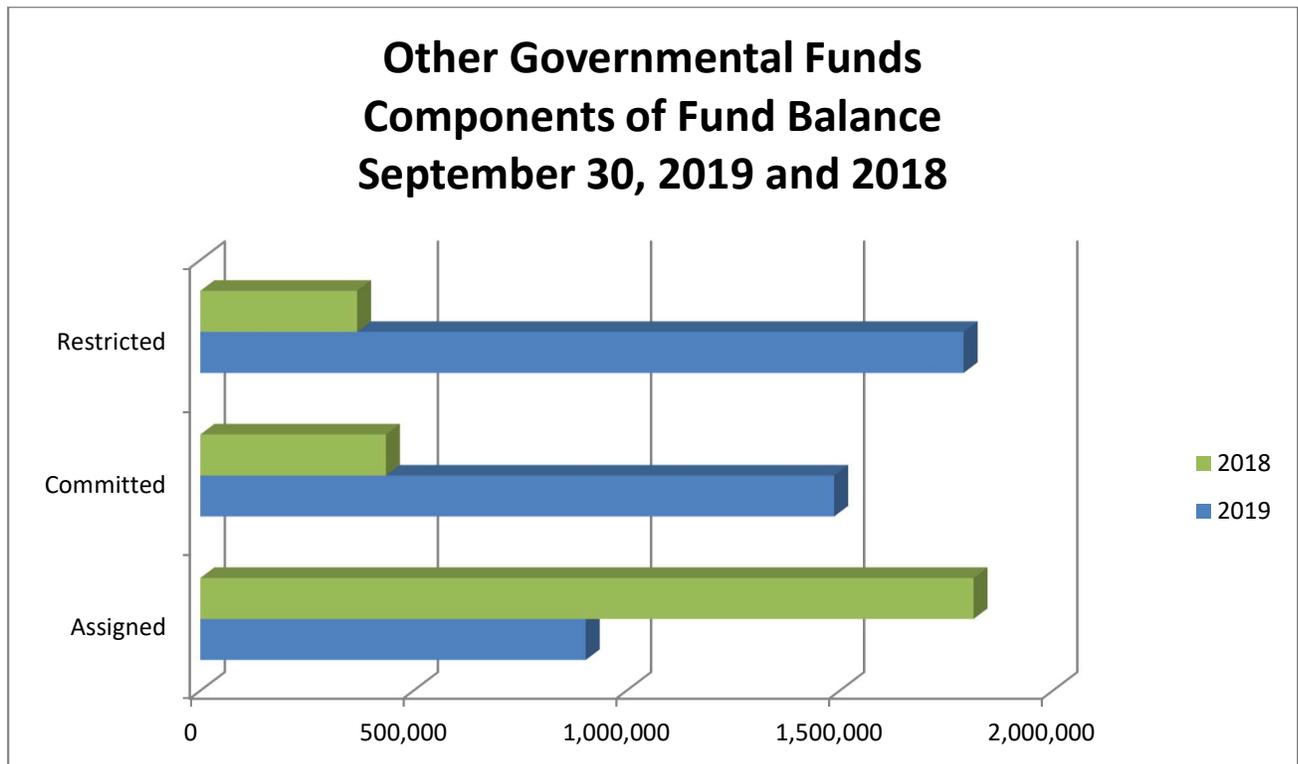
Business-type activities. For the City of Sandpoint's business-type activities, the results for the current fiscal year were positive in that the overall net position at fiscal year-end was \$60,089,855. The total increase in net position for business-type activities (water, sewer, bond payment, and garbage) was \$2,701,452 or 5% from the prior fiscal year. The growth, in large part, is attributed to increases in our reserves due to delays in major projects and improvements to the wastewater treatment plant pending renewal of permits.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds – The focus of the City of Sandpoint's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Sandpoint's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Sandpoint itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the City of Sandpoint's Council.

At September 30, 2019 the City of Sandpoint's governmental funds reported combined fund balances of \$14,434,955, an increase of \$2,662,477 in comparison with the prior year. Approximately 16% of this amount \$2,360,741 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for a particular purpose \$1,803,473, 4) committed for particular purposes \$2,420,517 or 5) assigned for particular purposes \$7,849,065.



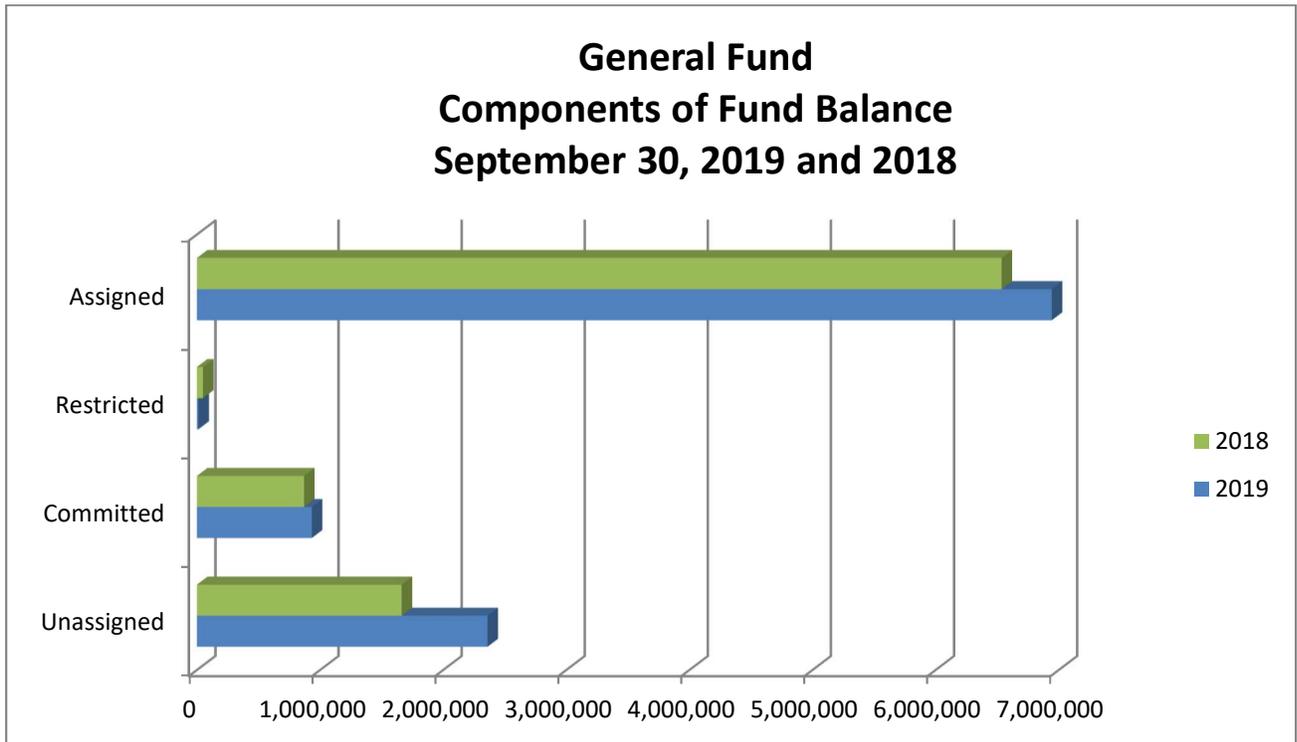
City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONCLUDED)

The general fund is the chief operating fund of the City of Sandpoint. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,360,741 while the total fund balance reached \$10,252,549. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23% of the total general fund expenditures, while total fund balance represents 99% of that same amount.

The fund balance of the City of Sandpoint's general fund increased by \$1,097,346 during the current fiscal year. This is due to an increase in interest income, and an increase in the City's hotel-motel occupancy tax.



City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there was no need for any significant amendments to increase the original budgeted appropriations.

REVENUE SOURCE	ESTIMATED REVENUES	ACTUAL REVENUES	DIFFERENCE
Taxes and special assessments	4,707,940	4,714,719	6,779
Licenses and permits	249,610	315,044	65,434
Grants	3,227,872	468,826	(2,759,046)
Intergovernmental revenues	4,008,228	3,399,297	(608,931)
Interest	25,185	194,724	169,539
Charges for services	295,801	365,525	69,724
Fines and forfeits	101,620	120,535	18,915
Miscellaneous revenues	3,027,286	267,744	(2,759,542)
EXPENSES	ESTIMATED EXPENSES	ACTUAL EXPENSES	DIFFERENCE
General Government	3,158,395	2,748,565	409,830
Public Safety	4,010,139	3,788,256	221,883
Highway and Sreets	1,665,255	1,311,780	353,475
Culture and recreation	1,003,033	912,871	90,162
Capital outlay	7,382,376	1,539,624	5,842,752
Debt service:			
Principal retirement	79,406	79,440	(34)
Interest expense	9,130	8,970	160

Final budget compared to actual results. The most significant differences between estimated expenses and revenues and actual expenses and revenues were as follows:

The shortfalls in the above revenue sources were caused for various reasons. In the Grants category, as well as Intergovernmental revenues, the shortfall was specific to grants/projects that were delayed or not awarded to the City. Miscellaneous revenues difference is related to donations and the use of beginning cash.

Excess revenues are reported in Taxes and Special Assessments which directly correlates to increased revenue in the form of resort city taxes. Increases were also seen in Sales Tax and Street related M&O.

Over the last decade the City of Sandpoint has worked to identify and implement more charges for various programs and activities. This has included licenses and permits, charges for services, rental rates for community buildings and moorage, and parking fines. The goal of this effort was to increase the percentage of total revenues that are provided for these services that have been generally funded or subsidized by property taxes in the past. In light, of the declining revenues from the State of Idaho and the building and construction industry, this was an appropriate measure to be able to maintain the current and accustomed level of service to Sandpoint's citizens.

Expense variances are apparent in all categories where the actual expenditures are less than estimated. This is in part due to the lack of grant/intergovernmental funding and or delay for several capital outlay projects. Some projects were not able to be completed by September 30 and were moved the next fiscal year. Public safety savings were experienced due to employee turnover resulting in a salary savings and throughout all of the categories there were lower costs in professional services.

City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS (CONCLUDED)

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

Unrestricted net position of the Water Fund at the end of the year was \$9,435,001 and the Sewer Fund was \$2,534,710. The total growth in net position for both funds was \$541,907 and \$748,546, respectively. As noted earlier in the discussion of business-type activities, the increase for the Water Fund results from an increase in current assets (cash and receivables) due to delays in projects and capital improvements waiting for permitting reviews.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Sandpoint's investment in capital assets for its governmental and business-type activities as of September 30, 2019 decreased to \$66,260,296 (net of accumulated depreciation) from \$66,265,259. This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, right-of-ways and the water and sewer treatment facilities. The total decrease in capital assets for the current fiscal year was less than 1% or \$4,963.

Table 3

CITY OF SANDPOINT'S CAPITAL ASSETS (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
	Land	\$ 2,369,186	\$ 2,369,186	\$ 6,311,579	\$ 6,311,579	\$ 8,680,765
Construction in progress	3,320,412	2,079,179	307,175	737,136	3,627,587	2,816,315
Buildings	1,329,700	1,374,321	300,731	310,894	1,630,431	1,685,215
Other Improvements	7,632,090	7,995,772	18,723	10,824	7,650,813	8,006,596
Machinery and equipment	1,399,388	1,332,984	737,610	755,104	2,136,998	2,088,088
Infrastructure	131,364	133,588	42,402,338	42,854,692	42,533,702	42,988,280
Total	<u>\$ 16,182,140</u>	<u>\$ 15,285,030</u>	<u>\$ 50,078,156</u>	<u>\$ 50,980,229</u>	<u>\$ 66,260,296</u>	<u>\$ 66,265,259</u>

Major capital asset purchased during the current fiscal year included the following:

- Downtown Revitalization project \$1,041,416
- Sidewalks and pathways \$168,188
- Rectangular Rapid Flash Beacon replacement Boyer and Larch roundabout \$55,263
- Fiber infrastructure project \$199,817
- Loader for Street, Water/Sewer Services \$239,086
- Miscellaneous equipment for General Fund/Sewer Services and a fence at the Water Treatment Plant \$25,980
- Servers and server backup \$27,420
- Three Public Safety vehicles - Police \$100,587
- Memorial grandstand and field project \$11,095
- Ford F-350 truck and Dodge Ram 1500 truck for Parks and Water/Sewer Services, respectively \$77,418
- Downtown sewer main replacement projects \$196,135
- Cured-in-Place-Pipe Lining Project \$78,994
- Wastewater facility bridge project \$49,372

City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Additional information on the City of Sandpoint capital assets can be found in the Note section of this report.

Long-term Debt –At the end of the current fiscal year, the total City of Sandpoint principal bond indebtedness was \$17,709,333. Of this amount, \$17,655,743 is backed by the full faith and credit of the government and \$53,590 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Sandpoint's long-term debt obligations comprises of compensated absences and capital leases.

Table 4

CITY OF SANDPOINT'S OUTSTANDING DEBT

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
	Compensated absences	\$ 682,294	\$ 726,693	\$ 115,972	\$ 160,310	\$ 798,266
Special assessments	53,590	76,365	-	-	53,590	76,365
Lease purchase contracts	223,263	302,703	82,847	108,772	306,110	411,475
Revenue bonds	-	-	17,655,743	18,918,217	17,655,743	18,918,217
Total	<u>\$ 959,147</u>	<u>\$ 1,105,761</u>	<u>\$ 17,854,562</u>	<u>\$ 19,187,299</u>	<u>\$ 18,813,709</u>	<u>\$ 20,293,060</u>

The City of Sandpoint's total indebtedness decreased by \$1,479,351, (8%) during the current fiscal year. The reason for the decrease is due to regular annual payments that reduced the principal.

Additional information on the City of Sandpoint's long-term debt can be found in the Note section of this report.

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS, AND RATES

The following economic factors currently affect the City of Sandpoint and were considered in developing the 2019-2020 fiscal year budgets.

- Health care and manufacturing jobs that include aerospace and high tech businesses have been major players in the City of Sandpoint's job market. Kochava, Biomedical Innovations, Daher (formerly Quest), Litehouse and Tamarack have remained consistent or increased their workforce.
- In July 2017 the Council adopted the Fiscal Policies for Fund Balance, Reserves and Use of One-time Resources and Construction Reserve Policies. As of the end of the FY 2019 the City has \$2,663,850 million assigned for Operating Reserve \$1,141,650 assigned for an Emergency Reserve and \$3,000,000 assigned for the Construction Reserve. The Construction Reserve will fund the construction of the SURA Funded Downtown Street Project. This construction began in FY 2018 and will continue through FY 2021 (or longer) with the SURA funding to occur through FY 2029.

City of Sandpoint

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2019

ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES (CONCLUDED)

- The City began construction of the Memorial Field Grandstands during FY 2017. This project has been funded by the 1% Local Option Tax that was approved by the voters in 2016 and will be collected over a 5-year period. Project life to date expenditures are \$3,572,780 and life to date revenues collected from the Local Option Tax are \$5,033,596.
- The City continues phase two in bringing dark fiber to Sandpoint. IRU and leasing fees have been established and franchise agreements have been brought to City Council for the various telecommunication companies that the City is providing fiber to. These are both in the commercial and residential zones.
- The 2019-2020 Budget was adopted at \$39,314,035, a decrease of \$5,224,904 from the past fiscal year's budget of \$44,538,939. The budget includes \$8,411,768 of beginning cash to fund the budget, over 58% of the beginning cash is from water and sewer reserves to upgrade infrastructure.
- Property taxes were budgeted for the 2019-2020 fiscal year at \$4,385,949, an increase of \$227,851 over last year's property tax amount to fund increases in recurring expenditures and obligations.

Requests for Information

This financial report is designed to provide a general overview of the City of Sandpoint's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Sarah Lynds
City of Sandpoint Treasurer
1123 Lake Street
Sandpoint, Idaho 83864**

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

City of Sandpoint

STATEMENT OF NET POSITION
September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Sandpoint Urban Renewal Agency
ASSETS				
Cash and investments	\$ 12,451,402	\$ 14,006,253	\$ 26,457,655	\$ 2,606,463
Receivables, net	2,301,077	1,352,548	3,653,625	1,162,491
Internal balances	-	-	-	-
Inventory	-	103,835	103,835	-
Prepays	1,158	-	1,158	-
Restricted assets:				
Cash and investments	1,399,400	13,517,146	14,916,546	128,182
Capital assets not being depreciated:				
Land	2,369,186	6,311,579	8,680,765	-
Construction in progress	3,320,412	307,176	3,627,588	-
Capital assets, net of accumulated depreciation	10,492,542	43,459,401	53,951,943	-
Total assets	<u>32,335,177</u>	<u>79,057,938</u>	<u>111,393,115</u>	<u>3,897,136</u>
DEFERRED OUTFLOWS OF RESOURCES				
Proportionate share of collective deferred outflows of resources	253,854	139,934	393,788	-
Total deferred outflows of resources	<u>253,854</u>	<u>139,934</u>	<u>393,788</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses	1,463,304	279,610	1,742,914	40
Unearned property taxes	-	-	-	1,109,695
Payable from restricted assets:				
Customer deposits	136,223	1,734	137,957	-
Accrued interest payable	7,555	227,196	234,751	-
Compensated absences - current portion	502,409	100,782	603,191	-
Capital leases payable - current portion	49,309	26,755	76,064	355,311
Special assessment bonds - current portion	4,311	-	4,311	-
Revenue bonds - current portion	-	1,288,257	1,288,257	-
Noncurrent liabilities:				
Compensated absences - noncurrent portion	179,885	15,190	195,075	-
Capital leases payable - noncurrent portion	173,954	56,092	230,046	-
Special assessment bonds - noncurrent portion	49,279	-	49,279	-
Revenue bonds - noncurrent portion	-	16,367,486	16,367,486	1,395,659
Net pension liability (asset)	(443,531)	524,417	80,886	-
Total liabilities	<u>2,122,698</u>	<u>18,887,519</u>	<u>21,010,217</u>	<u>2,860,705</u>
DEFERRED INFLOWS OF RESOURCES				
Proportionate share of collective deferred inflows of resources	576,111	220,498	796,609	-
Total deferred inflows of resources	<u>576,111</u>	<u>220,498</u>	<u>796,609</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	15,061,767	32,339,566	47,401,333	-
Restricted for:				
Contributions	27,181	-	27,181	-
Debt	261,217	2,550,009	2,811,226	-
Capital improvements	1,515,075	9,916,696	11,431,771	-
Inflow and infiltration	-	2,177,827	2,177,827	-
Kootenai/Ponderay	-	312,423	312,423	-
Watershed protection	-	86,795	86,795	-
Other	-	255,123	255,123	-
Downtown district	-	-	-	(1,137,839)
Northern district	-	-	-	2,174,270
Unrestricted	13,024,982	12,451,416	25,476,398	-
Total net position	<u>\$ 29,890,222</u>	<u>\$ 60,089,855</u>	<u>\$ 89,980,077</u>	<u>\$ 1,036,431</u>

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

City of Sandpoint

**STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2019**

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Capital Grants
Governmental activities:			
General government	\$ 2,840,370	\$ 426,202	\$ 221,099
Public safety	3,948,904	643,650	11,484
Highways and streets	1,517,847	-	236,243
Culture and recreation	1,898,370	443,261	-
Other	-	220,947	-
Interest on long-term debt	10,247	-	-
Change in net pension liability	232,579	-	-
Unallocated actual PERSI contributions	(472,490)	-	-
Total governmental activities	9,975,827	1,734,060	468,826
Business-type activities:			
Water	2,266,351	3,928,844	250,105
Sewer	2,002,261	3,945,638	225,084
Bond payment fund	482,259	-	-
Other proprietary funds	397,180	604,006	-
Total business-type activities	5,148,051	8,478,488	475,189
Total primary government	\$ 15,123,878	\$ 10,212,548	\$ 944,015

Component units:

Community development
Interest expense
Total component unit

General revenues:
Property taxes and special assessments
Investment earnings
Miscellaneous
Intergovernmental revenue
Gain on disposal of assets
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning
Net position - ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	Sandpoint Urban Renewal Agency
\$ (2,193,069)	\$ -	\$ (2,193,069)	\$ -
(3,293,770)	-	(3,293,770)	-
(1,281,604)	-	(1,281,604)	-
(1,455,109)	-	(1,455,109)	-
220,947	-	220,947	-
(10,247)	-	(10,247)	-
(232,579)	-	(232,579)	-
472,490	-	472,490	-
<u>(7,772,941)</u>	<u>-</u>	<u>(7,772,941)</u>	<u>-</u>
-	1,912,598	1,912,598	-
-	2,168,461	2,168,461	-
-	(482,259)	(482,259)	-
-	206,826	206,826	-
<u>-</u>	<u>3,805,626</u>	<u>3,805,626</u>	<u>-</u>
<u>(7,772,941)</u>	<u>3,805,626</u>	<u>(3,967,315)</u>	<u>-</u>
			436,349
			71,650
			<u>507,999</u>
6,321,842	-	6,321,842	1,138,522
271,606	593,783	865,389	-
-	-	-	13,507
3,399,297	-	3,399,297	-
1,700	700	2,400	-
1,698,657	(1,698,657)	-	-
<u>11,693,102</u>	<u>(1,104,174)</u>	<u>10,588,928</u>	<u>1,152,029</u>
3,920,161	2,701,452	6,621,613	644,030
<u>25,970,061</u>	<u>57,388,403</u>	<u>83,358,464</u>	<u>392,401</u>
<u>\$ 29,890,222</u>	<u>\$ 60,089,855</u>	<u>\$ 89,980,077</u>	<u>\$ 1,036,431</u>

City of Sandpoint

**GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2019**

	General	Local Option Tax	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,169,371	\$ 1,326,108	\$ 1,495,330	\$ 11,990,809
Receivables	1,742,382	135,218	118,046	1,995,646
Prepaid items	1,158	-	-	1,158
Due from other governments	305,431	-	-	305,431
Restricted assets:				
Cash and investments	12,545	-	1,386,855	1,399,400
Total assets	<u>\$ 11,230,887</u>	<u>\$ 1,461,326</u>	<u>\$ 3,000,231</u>	<u>\$ 15,692,444</u>
LIABILITIES				
Vouchers payable	\$ 743,072	\$ 510	\$ 259,129	\$ 1,002,711
Payable from restricted assets:				
Customer deposits	136,223	-	-	136,223
Total liabilities	<u>879,295</u>	<u>510</u>	<u>259,129</u>	<u>1,138,934</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	99,043	-	4,667	103,710
Unavailable revenue-special assessments	-	-	14,845	14,845
Total deferred inflows of resources	<u>99,043</u>	<u>-</u>	<u>19,512</u>	<u>118,555</u>
FUND BALANCES:				
Non-spendable for:				
Prepays	1,158	-	-	1,158
Restricted for:				
Historic Commission Donation	5,286	-	-	5,286
Art Contributions	2,500	-	-	2,500
Economic Development	500	-	-	500
Tennis Court Donations	-	-	14,636	14,636
Citizen's pride Contributions	100	-	-	100
Parks Non-Res Dev Fee	-	-	54,259	54,259
Memorial Field Enhancements	-	1,460,816	-	1,460,816
Debt Service	-	-	261,217	261,217
Police Contributions	4,159	-	-	4,159
Committed to:				
Grant projects	99,885	-	-	99,885
Downtown Parking Dedicated Funds	52,089	-	-	52,089
In Lieu of Sidewalk Dedicated Funds	5,460	-	-	5,460
Memorial Field	-	-	98,424	98,424
Memorial Field Maintenance	-	-	50,493	50,493
Memorial Field Replacement	-	-	54,191	54,191
FY19 Recreation Budget	-	-	387,140	387,140
FY19 Capital Improvement Fund (impact fees)	-	-	730,977	730,977
FY19 Parks Improvement Fund Budget	-	-	165,874	165,874
FY19 General Fund Budget	775,984	-	-	775,984
Assigned to:				
Byway Pump	60,000	-	-	60,000
Healthcare	79,187	-	-	79,187
Recreation Fund	-	-	118,828	118,828
Operating Reserve	2,663,850	-	-	2,663,850
Emergency Reserve	1,141,650	-	-	1,141,650
Construction Reserve	3,000,000	-	-	3,000,000
Capital Improvement Fund (impact fees)	-	-	328,281	328,281
Parks Capital Improvement Fund	-	-	574,766	574,766
Fiber Optic Fund	-	-	(117,496)	(117,496)
Unassigned:				
General fund	2,360,741	-	-	2,360,741
Total fund balances	<u>10,252,549</u>	<u>1,460,816</u>	<u>2,721,590</u>	<u>14,434,955</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,230,887</u>	<u>\$ 1,461,326</u>	<u>\$ 3,000,231</u>	<u>\$ 15,692,444</u>

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

City of Sandpoint

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION September 30, 2019

Total fund balance at September 30, 2019 - Governmental Funds		\$ 14,434,955
Cost of capital assets at September 30, 2019	\$ 25,460,383	
Less: Accumulated depreciation as of September 30, 2019		
Buildings	(1,126,127)	
Other improvements	(4,313,298)	
Machinery and equipment	(3,830,464)	
Infrastructure	<u>(8,354)</u>	16,182,140
Elimination of deferred inflows of resources		118,555
Long-term liabilities at September 30, 2019		
Accrued interest	(7,555)	
Capital leases payable	(223,263)	
Compensated absences	(682,294)	
Special assessment bond payable	<u>(53,590)</u>	(966,702)
Items related to GASB 68 and reporting net pension liability:		
Proportionate share of collective deferred outflows of resources	253,854	
Proportionate share of collective deferred inflows of resources	(576,111)	
Net pension liability	<u>443,531</u>	<u>121,274</u>
Net position at September 30, 2019		<u>\$ 29,890,222</u>

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

City of Sandpoint

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES For the Year Ended September 30, 2019

	General	Local Option Tax	Other Governmental Funds	Total
REVENUES				
Taxes and special assessments	\$ 4,714,719	\$ 1,417,809	\$ 217,519	\$ 6,350,047
Licenses and permits	315,044	-	-	315,044
Grants	468,826	-	-	468,826
Intergovernmental revenue	3,399,297	-	-	3,399,297
Interest	194,724	15,545	61,337	271,606
Impact fees	-	-	220,947	220,947
Charges for services	365,525	-	441,123	806,648
Fines and forfeits	120,535	-	-	120,535
Miscellaneous revenues	267,744	-	3,142	270,886
Total revenues	<u>9,846,414</u>	<u>1,433,354</u>	<u>944,068</u>	<u>12,223,836</u>
EXPENDITURES				
General government	2,748,565	-	42,541	2,791,106
Public safety	3,788,256	-	-	3,788,256
Highways and streets	1,311,780	-	-	1,311,780
Culture and recreation	912,871	16,178	518,666	1,447,715
Capital outlay	1,539,624	11,095	257,424	1,808,143
Debt service:				
Principal retirement	79,440	-	22,775	102,215
Interest expense	8,970	-	3,531	12,501
Total expenditures	<u>10,389,506</u>	<u>27,273</u>	<u>844,937</u>	<u>11,261,716</u>
(Deficiency) excess of revenues over (under) expenditures	<u>(543,092)</u>	<u>1,406,081</u>	<u>99,131</u>	<u>962,120</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	1,700	-	-	1,700
Transfers in	1,744,853	-	108,220	1,853,073
Transfers (out)	(106,115)	-	(48,301)	(154,416)
Total other financing sources (uses)	<u>1,640,438</u>	<u>-</u>	<u>59,919</u>	<u>1,700,357</u>
Net change in fund balance	1,097,346	1,406,081	159,050	2,662,477
Fund balances - beginning	<u>9,155,203</u>	<u>54,735</u>	<u>2,562,540</u>	<u>11,772,478</u>
Fund balances - ending	<u>\$ 10,252,549</u>	<u>\$ 1,460,816</u>	<u>\$ 2,721,590</u>	<u>\$ 14,434,955</u>

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

City of Sandpoint

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, 2019

Total net changes in fund balances for the year ended September 30, 2019	\$ 2,662,477
Add: Capital outlay which is considered expenditures	1,808,143
Less: Depreciation expense for the year ended September 30, 2019	(911,033)
Add: Special assessment debt and lease principal payments considered as expenditures	102,215
Add: Change in accrued interest expense	2,254
Add: Change in compensated absences	44,399
Less: Difference between revenue earned on property taxes on modified accrual basis versus revenue on property taxes on accrual basis	(28,205)
Less: Change in net pension liability	(232,579)
Add: Unallocated actual PERSI contributions	472,490
Change in net position for year ended September 30, 2019	<u>\$ 3,920,161</u>

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

City of Sandpoint

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2019**

	Water	Sewer	Bond Payment Fund	Sanitation*	Total
ASSETS					
Current assets:					
Cash and investments	\$ 10,182,100	\$ 3,322,729	\$ -	\$ 501,424	\$ 14,006,253
Receivables	665,203	611,000	1,678	74,667	1,352,548
Inventory	103,835	-	-	-	103,835
Restricted cash and investments	2,606,173	9,887,568	1,023,405	-	13,517,146
Total current assets	<u>13,557,311</u>	<u>13,821,297</u>	<u>1,025,083</u>	<u>576,091</u>	<u>28,979,782</u>
Noncurrent assets:					
Land	5,121,649	1,189,930	-	-	6,311,579
Construction in progress	-	307,176	-	-	307,176
Capital assets, net of accumulated depreciation	29,012,553	14,446,848	-	-	43,459,401
Total noncurrent assets	<u>34,134,202</u>	<u>15,943,954</u>	<u>-</u>	<u>-</u>	<u>50,078,156</u>
Total assets	<u>47,691,513</u>	<u>29,765,251</u>	<u>1,025,083</u>	<u>576,091</u>	<u>79,057,938</u>
DEFERRED OUTFLOWS OF RESOURCES					
Proportionate share of collective deferred outflows of resources	79,223	60,711	-	-	139,934
Total deferred outflows of resources	<u>79,223</u>	<u>60,711</u>	<u>-</u>	<u>-</u>	<u>139,934</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	110,405	139,821	-	29,384	279,610
Payable from restricted assets:					
Customer deposits	1,734	-	-	-	1,734
Accrued interest payable	-	-	227,196	-	227,196
Compensated absences - current portion	54,514	46,268	-	-	100,782
Capital lease payable - current portion	-	26,755	-	-	26,755
Revenue bonds - current portion	-	-	1,288,257	-	1,288,257
Total current liabilities	<u>166,653</u>	<u>212,844</u>	<u>1,515,453</u>	<u>29,384</u>	<u>1,924,334</u>
Noncurrent:					
Revenue bonds - noncurrent portion	-	-	16,367,486	-	16,367,486
Capital lease payable - noncurrent portion	-	56,092	-	-	56,092
Compensated absences - noncurrent portion	10,625	4,565	-	-	15,190
Net pension liability	317,474	206,943	-	-	524,417
Total noncurrent liabilities	<u>328,099</u>	<u>267,600</u>	<u>16,367,486</u>	<u>-</u>	<u>16,963,185</u>
Total liabilities	<u>494,752</u>	<u>480,444</u>	<u>17,882,939</u>	<u>29,384</u>	<u>18,887,519</u>
DEFERRED INFLOWS OF RESOURCES					
Proportionate share of collective deferred inflows of resources	127,231	93,267	-	-	220,498
Total deferred inflows of resources	<u>127,231</u>	<u>93,267</u>	<u>-</u>	<u>-</u>	<u>220,498</u>
NET POSITION					
Net investment in capital assets	34,134,202	15,861,107	(17,655,743)	-	32,339,566
Restricted for:					
Debt	973,377	778,745	797,887	-	2,550,009
Capital improvements	2,206,955	7,709,741	-	-	9,916,696
Inflow and filtration	-	2,177,827	-	-	2,177,827
Watershed protection	312,423	-	-	-	312,423
Ponderay impact	86,795	-	-	-	86,795
Other	-	190,121	-	65,002	255,123
Unrestricted	9,435,001	2,534,710	-	481,705	12,451,416
Total net position	<u>\$ 47,148,753</u>	<u>\$ 29,252,251</u>	<u>\$ (16,857,856)</u>	<u>\$ 546,707</u>	<u>\$ 60,089,855</u>

*Not a major fund

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

City of Sandpoint

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2019**

	Water	Sewer	Bond Payment Fund	Sanitation*	Total
OPERATING REVENUES					
Charges for services	\$ 3,675,956	\$ 3,896,481	\$ -	\$ 604,006	\$ 8,176,443
Equipment and meter sales	29,322	20,159	-	-	49,481
Miscellaneous	223,566	28,998	-	-	252,564
Total operating revenues	<u>3,928,844</u>	<u>3,945,638</u>	<u>-</u>	<u>604,006</u>	<u>8,478,488</u>
OPERATING EXPENSES					
Personal services	889,407	572,079	-	-	1,461,486
Contractual services	282,266	274,030	-	386,952	943,248
Other services and charges	330,523	208,901	-	10,228	549,652
Heat, lights, and power	73,706	113,229	-	-	186,935
Depreciation	594,837	769,862	-	-	1,364,699
Change in net pension liability	95,612	60,675	-	-	156,287
Total operating expenses	<u>2,266,351</u>	<u>1,998,776</u>	<u>-</u>	<u>397,180</u>	<u>4,662,307</u>
Operating income	<u>1,662,493</u>	<u>1,946,862</u>	<u>-</u>	<u>206,826</u>	<u>3,816,181</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	271,712	289,614	22,355	10,102	593,783
Interest expense	-	(3,485)	(482,259)	-	(485,744)
Gain (loss) on sale of capital assets	700	-	-	-	700
Total nonoperating revenues (expenses)	<u>272,412</u>	<u>286,129</u>	<u>(459,904)</u>	<u>10,102</u>	<u>108,739</u>
Income (loss) before contributions and transfers	<u>1,934,905</u>	<u>2,232,991</u>	<u>(459,904)</u>	<u>216,928</u>	<u>3,924,920</u>
Capital contributions - cap fees	250,105	225,084	-	-	475,189
Transfers in	139,356	9,263	1,754,455	-	1,903,074
Transfers out	<u>(1,782,459)</u>	<u>(1,718,792)</u>	<u>(15,005)</u>	<u>(85,475)</u>	<u>(3,601,731)</u>
Total transfers	<u>(1,643,103)</u>	<u>(1,709,529)</u>	<u>1,739,450</u>	<u>(85,475)</u>	<u>(1,698,657)</u>
Change in net position	541,907	748,546	1,279,546	131,453	2,701,452
Total net position - beginning	<u>46,606,846</u>	<u>28,503,705</u>	<u>(18,137,402)</u>	<u>415,254</u>	<u>57,388,403</u>
Total net position - ending	<u>\$ 47,148,753</u>	<u>\$ 29,252,251</u>	<u>\$ (16,857,856)</u>	<u>\$ 546,707</u>	<u>\$ 60,089,855</u>

*Not a major fund

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

City of Sandpoint
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2019

	Water	Sewer	Bond Payment	Sanitation*	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 3,968,127	\$ 4,017,460	\$ -	\$ 602,727	\$ 8,588,314
Payments to employees	(963,587)	(635,047)	-	-	(1,598,634)
Payments to suppliers	(596,502)	(1,102,864)	-	(397,612)	(2,096,978)
Net cash provided by operating activities	<u>2,408,038</u>	<u>2,279,549</u>	<u>-</u>	<u>205,115</u>	<u>4,892,702</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Additional contributed capital	250,105	225,084	-	-	475,189
Amounts from other funds	68,263	-	-	-	68,263
Operating transfers (out) in	(1,643,103)	(1,709,529)	1,739,450	(85,475)	(1,698,657)
Net cash (used) provided by noncapital financing activities	<u>(1,324,735)</u>	<u>(1,484,445)</u>	<u>1,739,450</u>	<u>(85,475)</u>	<u>(1,155,205)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of fixed assets	(67,653)	(394,973)	-	-	(462,626)
Proceeds from disposition of assets	700	-	-	-	700
Principal paid on bonds and leases	(93,585)	(25,925)	(1,262,473)	-	(1,381,983)
Interest paid	-	(3,485)	(491,982)	-	(495,467)
Net cash (used) by capital and related financing activities	<u>(160,538)</u>	<u>(424,383)</u>	<u>(1,754,455)</u>	<u>-</u>	<u>(2,339,376)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	271,712	289,614	22,464	10,102	593,892
Net cash provided by investing activities	<u>271,712</u>	<u>289,614</u>	<u>22,464</u>	<u>10,102</u>	<u>593,892</u>
Net increase in cash and investments	1,194,477	660,335	7,459	129,742	1,992,013
Cash and investments, beginning	11,593,796	12,549,962	1,015,946	371,682	25,531,386
Cash and investments, ending	<u>\$ 12,788,273</u>	<u>\$ 13,210,297</u>	<u>\$ 1,023,405</u>	<u>\$ 501,424</u>	<u>\$ 27,523,399</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 1,662,493	\$ 1,946,862	\$ -	\$ 206,826	\$ 3,816,181
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	594,837	769,862	-	-	1,364,699
Changes in assets and liabilities:					
(Increase) decrease in:					
Receivables	39,283	71,822	-	(1,279)	109,826
Inventory	(42,919)	-	-	-	(42,919)
Increase (decrease) in:					
Vouchers payable	132,912	(522,597)	-	(432)	(390,117)
Items related to net pension liability	21,432	13,600	-	-	35,032
Customer deposits	-	-	-	-	-
Net cash provided by operating activities	<u>\$ 2,408,038</u>	<u>\$ 2,279,549</u>	<u>\$ -</u>	<u>\$ 205,115</u>	<u>\$ 4,892,702</u>
Reconciliation of cash to the statement of net position:					
Cash/investments	\$ 10,182,100	\$ 3,322,729	\$ -	\$ 501,424	\$ 14,006,253
Restricted cash/investments	2,606,173	9,887,568	1,023,405	-	13,517,146
	<u>\$ 12,788,273</u>	<u>\$ 13,210,297</u>	<u>\$ 1,023,405</u>	<u>\$ 501,424</u>	<u>\$ 27,523,399</u>

*Not a major fund

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

City of Sandpoint

**AGENCY FUND
STATEMENT OF NET POSITION
September 30, 2019**

	Business Improvement District Agency Fund
ASSETS	
Cash and cash equivalents	\$ 47,863
Accounts receivable	<u>43,136</u>
 Total assets	 <u><u>\$ 90,999</u></u>
 LIABILITIES	
Accounts payable	\$ 1,179
Due to Business Improvement District	<u>89,820</u>
 Total liabilities	 <u><u>\$ 90,999</u></u>

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

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Sandpoint (the "City") is an incorporated city of the State of Idaho. The City of Sandpoint, Idaho operates under a Mayor/Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture - recreation, public improvements, planning and zoning, and general administrative services.

The City is governed by an elected Mayor and City Council. The City provides a wide range of municipal services that include police, fire, and other services. Water, sewer, bond payment, street lights, and sanitation services are provided by the City and are accounted for as enterprise funds.

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

The Sandpoint Urban Renewal Agency (the "Agency") was established to promote urban development and improvement in deteriorated areas within the Agency's boundaries. The Agency is governed by a five-member Board of Commissioners appointed by the Mayor of the City and confirmed by the City Council. The City Council has the ability to appoint, reassign or dismiss the board members of the Agency. The Agency is considered a discretely presented component unit of the City and is reported in the discretely presented component unit column in the government wide financial statements to emphasize it is legally separate from the City. Complete financial statements for the Agency can either be obtained at the clerk's office or at the following location:

**515 Pine Street
Suite D
Sandpoint ID 83864**

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

B. Basis of Presentation – Government-wide Financial Statements

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

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

The *Local Options Tax Fund* is used to account for collected taxes restricted for the development of public properties devoted to parks and recreation.

The government reports the following major proprietary funds:

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

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

The *Bond Payment Fund* accounts for the payment of bond debt associated with the proprietary funds.

The government reports the following nonmajor proprietary fund:

The *Sanitation Fund* accounts for the provision of sanitation services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations and maintenance.

Additionally, the government reports the following fund type:

The *Agency Fund* accounts for amounts collected and remitted to the business improvement district.

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

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Concluded)

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

E. Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

For purposes of reporting cash flows, cash (unrestricted as well as restricted cash) and cash equivalents include: Cash on hand, amount due from banks, and investments with maturities of less than 90 days. If maturity is greater than 90 days, the certificates of deposit are classified as cash equivalents since they are part of the City's cash management activity, short-term and readily convertible to known amounts of cash. Investments are stated at cost, which approximates market. Investments on hand at September 30, 2019 meet the guidelines as set by regulations of the State of Idaho.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City contracted with an independent appraisal firm to perform a complete inventory of fixed assets in June of 2004. Assets were valued at estimated historical costs, when original costs were not available. The City continues to update this inventory. Donated fixed assets are capitalized at fair value on the date donated. Assets valued at \$5,000 or more which have a useful life of more than one year are capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment	5-15
Infrastructure	75
Other improvements	20

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences

Newly hired employees will start to earn paid time off (“PTO”) time at the rate of 14 hours per month. Accrual rates increase with an employee’s years of service and cannot exceed two times the annual accrual rate. Employees must have five years of experience to request a cash out of PTO balances in excess of the required minimum balance of 160 hours. Upon separation from service for any reason other than retirement, employees will be cashed out at 100% of their PTO balance.

Employees must be in paid status for more than one-half (1/2) of their scheduled work days during the month to earn credit for PTO time. Employees working percentage time (permanent part-time) will accrue PTO time on a pro-rated basis.

H. Accrued Liabilities and Long-term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of capital leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide and proprietary funds statement of net position, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources (Concluded)

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

J. Fund Balance Classifications

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

The City reports the following classifications:

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

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

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

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Balance Classifications (Concluded)

Assigned Fund Balance — Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the City Treasure, or (b) an appointed body (e.g., a budget or finance committee) or official to which the City Council have delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

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

K. Fund Balance Flow Assumptions

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

L. Net Position Flow Assumptions

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

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

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

M. Estimates

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

N. Property Taxes

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

Bonner County – Due from Bonner County are taxes and other county collections allocable to the fiscal year ended September 30, 2019, which were collected and held by the county at September 30, 2019, but not yet remitted to the City until after September 30, 2019.

O. Pensions

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

For purposes of measuring the net pension asset and pension expense (revenue), information about the fiduciary net position of the Firefighters' Retirement Fund Plan (FRF) and additions to/deductions from FRF's fiduciary net position have been determined on the same basis as they are reported by the FRF. 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.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- 1) Prior to September 1, the Finance Director, City Administrator, the Mayor, and the City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted at the city hall to obtain taxpayer comments.
- 3) Prior to October 1, the budget is legally enacted through passage of an ordinance.

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONCLUDED)

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

The City does not use the encumbrance method of accounting.

NOTE 3: CASH AND INVESTMENTS

General:

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

Custodial credit risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the City's deposits and investments may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2019, the City's deposits and investments were not exposed to custodial credit risk as follows:

Deposits without exposure to custodial credit risk:

Amount insured by FDIC	\$ 250,000
Amount collateralized with securities held in trust, but not to the City's name	<u>41,656,082</u>
Total deposits without exposure to custodial credit risk	<u>\$41,906,082</u>

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 3: CASH AND INVESTMENTS (CONCLUDED)

The following is a recap of the carrying amount:

Statement of net position:	
Cash and investments	\$26,457,655
Restricted cash	14,916,546
Agency fund:	
Fiduciary fund cash	47,863
	<u>\$41,422,064</u>

Fair value:

The City invests in a two 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's office and consist of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

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

Credit risk:

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

NOTE 4: ACCOUNTS RECEIVABLE

Enterprise accounts receivable consist of the following as of September 30, 2019:

Receivables	Water	Sewer	Bond Payment	Sanitation	Total
Accounts	\$ 644,240	\$ 589,343	\$ -	\$ 73,845	\$ 1,307,428
Interest	20,963	21,657	1,678	822	45,120
	665,203	611,000	1,678	74,667	1,352,548
Gross receivables	665,203	611,000	1,678	74,667	1,352,548
Less: Allowance for uncollectible	-	-	-	-	-
Net receivables	\$ 665,203	\$ 611,000	\$ 1,678	\$ 74,667	\$ 1,352,548

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 5: CHANGES IN FIXED ASSETS

Plant and equipment and accumulated depreciation are as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,369,186	\$ -	\$ -	\$ -	\$ 2,369,186
Construction in progress	2,079,179	1,241,233	-	-	3,320,412
Total capital assets, not being depreciated	<u>4,448,365</u>	<u>1,241,233</u>	<u>-</u>	<u>-</u>	<u>5,689,598</u>
Capital assets, being depreciated:					
Buildings	2,455,827	-	-	-	2,455,827
Improvements other than buildings	11,705,733	239,655	-	-	11,945,388
Machinery and equipment	4,960,381	327,255	(57,784)	-	5,229,852
Infrastructure	139,718	-	-	-	139,718
Total capital assets being depreciated	<u>19,261,659</u>	<u>566,910</u>	<u>(57,784)</u>	<u>-</u>	<u>19,770,785</u>
Less accumulated depreciation for:					
Buildings	(1,081,506)	(44,621)	-	-	(1,126,127)
Other improvements	(3,709,961)	(603,337)	-	-	(4,313,298)
Machinery and equipment	(3,627,397)	(260,851)	57,784	-	(3,830,464)
Infrastructure	(6,130)	(2,224)	-	-	(8,354)
Total accumulated depreciation	<u>(8,424,994)</u>	<u>(911,033)</u>	<u>57,784</u>	<u>-</u>	<u>(9,278,243)</u>
Total capital assets, being depreciated, net	<u>10,836,665</u>	<u>(344,123)</u>	<u>-</u>	<u>-</u>	<u>10,492,542</u>
Governmental activities capital assets, net	<u>\$ 15,285,030</u>	<u>\$ 897,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,182,140</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 6,311,579	\$ -	\$ -	\$ -	\$ 6,311,579
Construction in progress	737,136	49,372	-	(479,333)	307,175
Total capital assets, not being depreciated	<u>7,048,715</u>	<u>49,372</u>	<u>-</u>	<u>(479,333)</u>	<u>6,618,754</u>
Capital assets, being depreciated:					
Buildings	527,400	-	-	-	527,400
Infrastructure	56,405,042	275,128	-	479,333	57,159,503
Machinery and equipment	2,416,863	129,100	(110,850)	-	2,435,113
Improvements other than buildings	15,000	9,026	-	-	24,026
Total capital assets, being depreciated	<u>59,364,305</u>	<u>413,254</u>	<u>(110,850)</u>	<u>479,333</u>	<u>60,146,042</u>
Less accumulated depreciation for:					
Buildings	(216,506)	(10,163)	-	-	(226,669)
Infrastructure	(13,550,350)	(1,206,815)	-	-	(14,757,165)
Machinery and equipment	(1,661,759)	(146,594)	110,850	-	(1,697,503)
Improvements	(4,176)	(1,127)	-	-	(5,303)
Total accumulated depreciation	<u>(15,432,791)</u>	<u>(1,364,699)</u>	<u>110,850</u>	<u>-</u>	<u>(16,686,640)</u>
Total capital assets, being depreciated, net	<u>43,931,514</u>	<u>(951,445)</u>	<u>-</u>	<u>479,333</u>	<u>43,459,402</u>
Business type activities capital assets net	<u>\$ 50,980,229</u>	<u>\$ (902,073)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,078,156</u>

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 5: CHANGES IN FIXED ASSETS (CONCLUDED)

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

Governmental activities:	
General government	\$ 93,157
Public safety	160,648
Highways and streets, including depreciation of general infrastructure assets	206,067
Culture and recreation	451,161
Total depreciation expense - governmental activities	\$ 911,033
Business -type activities:	
Water	\$ 594,837
Sewer	769,862
Total depreciation expense - business-type activities	\$ 1,364,699

NOTE 6: BONDS PAYABLE

On December 14, 2016, the City advance refunded the 2007A Sewer Revenue Bonds in the amount of \$5,645,000. To completely prepay and defease the current 2007A Sewer Revenue Bonds, the City used the proceeds of the new 2016 Series Sewer Refunding Bonds in the amount of \$4,230,000 in addition to cash contributions of \$1,672,421 (including existing debt service reserves of \$692,421). The aforementioned proceeds were place into escrow and completely paid off during the fiscal year. The new 2016 Series Sewer Revenue Bonds were issued at par value. As a result, the refunded bonds are considered to be defeased and the prior liability of the 2007A Sewer Revenue Bonds has been removed from the Statement of Net Position. The advance refunding was undertaken to reduce future debt service payments. The old bonds carried interest rates ranging from 4.0% to 4.25%. The new bonds were issued with an interest rate of 1.69%. The refunding resulted in substantially reduced cash flow savings and an economic gain of \$596,577.

Bonds payable at September 30, 2019 are comprised of the following individual revenue bond issues:

<u>1997 Water Revenue Bonds</u>	
Payable in annual installments of \$146,624 including interest at 4.5%.	\$ 1,064,917
<u>2012 Water Facility Improvement Bonds</u>	
Payable in annual installments of \$444,510 including 2.75% interest	7,501,797
<u>2013 Water Facility Improvement Bonds</u>	
Payable in annual installments of \$382,240 including 2.50% interest	6,835,899
<u>2016 Sewer Revenue Refunding Bonds</u>	
Payable in annual installments ranging from \$584,608 to \$778,398 including 1.69% interest	2,253,129
	\$ 17,655,743

(Continued)

City of Sandpoint

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019**

NOTE 6: BONDS PAYABLE (CONCLUDED)

The above outstanding bonds are secured by a first lien on net revenues earned by enterprise funds. Net revenues are defined in the bond agreements. The enterprise funds are required to establish bond reserves in the amounts of \$444,510, \$146,624, and \$382,240. The required reserve is on hand. The enterprise funds are also required to establish user fees and rates that will yield net revenues equal to at least 1.4 times the debt service that will become due in the following year.

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,288,257	\$ 463,863
2021	1,314,532	434,801
2022	1,344,449	405,162
2023	598,638	374,737
2024	616,502	356,872
2025-2029	3,223,006	1,495,959
2030-2034	3,072,593	1,061,157
2035-2039	3,499,242	634,508
2040-2043	2,698,524	161,670
	<u>\$ 17,655,743</u>	<u>\$ 5,388,729</u>

NOTE 7: SPECIAL ASSESSMENT DEBT

	<u>Maturity Date</u>	Interest	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
		<u>Rate</u>			
LID #32	2020	4.75%	\$ 4,311	\$ 2,546	\$ 6,857
	2021	4.75%	4,516	2,341	6,857
	2022	4.75%	4,730	2,126	6,856
	2023	4.75%	4,955	1,902	6,857
	2024	4.75%	5,190	1,666	6,856
	2025-2029	4.75%	29,888	4,390	34,278
			<u>\$ 53,590</u>	<u>\$ 14,971</u>	<u>\$ 68,561</u>

Total special assessment bonds payable

The City is fully obligated for the local improvement debt, placing liens against the property owners to ensure payment to the City. The LID Guarantee Fund was established by ordinance to provide additional security for the local improvement district bondholders.

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 8: CAPITAL LEASES

The City of Sandpoint was involved in five capital lease agreements in the current audit period. These leases include a 2018 Kubota Tractor, with annual lease payments of \$10,662 through February 2020; a Western Star Dump Truck with annual lease payments of \$29,410 through February 2022; a Ford F-150 Fire Command Vehicle with annual lease payments of \$7,422.36 through November 2019; Rosenbauer Fire Apparatus with annual lease payments of \$37,977.23 through November 2024; Street Department Western Star Dump Truck with annual lease payments of \$32,471.12 thru March 2019. The Street Department Western Star Dump Truck lease was paid off in the year ended September 30, 2019.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities	Total
Asset:			
Machinery and equipment	\$ 656,772	\$ 141,772	\$ 798,544
Less: accumulated depreciation	(108,484)	(17,269)	(125,753)
Total	<u>\$ 548,288</u>	<u>\$ 124,503</u>	<u>\$ 672,791</u>
Future minimum lease payments are as follows:			
2020	\$ 56,061	\$ 29,410	\$ 85,471
2021	37,977	29,410	67,387
2022	37,977	29,410	67,387
2023	37,977	-	37,977
2024-2025	75,954	-	75,954
	245,946	88,230	334,176
Less amount representing interest	(22,683)	(5,383)	(28,066)
Total	<u>\$ 223,263</u>	<u>\$ 82,847</u>	<u>\$ 306,110</u>

NOTE 9: CHANGES IN LONG-TERM DEBT

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 726,693	\$ -	\$ 44,399	\$ 682,294	\$ 502,409
Special assessment bonds payable	76,365	-	22,775	53,590	4,311
Lease purchase contracts payable	302,703	-	79,440	223,263	49,309
Governmental activities long-term liabilities	<u>\$ 1,105,761</u>	<u>-</u>	<u>\$ 146,614</u>	<u>\$ 959,147</u>	<u>\$ 556,029</u>
Business-type activities:					
Revenue bonds payable	\$ 18,918,216	\$ -	\$ 1,262,473	\$ 17,655,743	\$ 1,288,257
Lease purchase contracts payable	108,772	-	25,925	82,847	26,755
Compensated absences	160,310	-	44,338	115,972	100,782
Business-type activities long-term liabilities	<u>\$ 19,187,298</u>	<u>\$ -</u>	<u>\$ 1,332,736</u>	<u>\$ 17,854,562</u>	<u>\$ 1,415,794</u>

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 10: SEGMENT INFORMATION FOR CERTAIN ENTERPRISE FUNDS

The government issued revenue bonds to finance its water and sewer departments. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the water department and sewer department is presented as follows:

	Water Funds	Sewer Funds
Condensed statement of net position:		
Assets:		
Current assets	\$ 10,951,138	\$ 3,933,729
Restricted assets - cash investments	2,606,173	9,887,568
Capital assets	34,134,202	15,943,954
Total assets	47,691,513	29,765,251
Deferred outflows of resources:		
Proportionate share of collective deferred outflows of resources	79,223	60,711
Liabilities:		
Current liabilities	166,653	212,844
Noncurrent liabilities	328,099	267,600
Total liabilities	494,752	480,444
Deferred inflows of resources:		
Proportionate share of collective deferred inflows of resources	127,231	93,267
Net position:		
Net investment in capital assets	34,134,202	15,861,107
Restricted	3,579,550	10,856,434
Unrestricted	9,435,001	2,534,710
Total net position	\$ 47,148,753	\$ 29,252,251
	Water Funds	Sewer Funds
Condensed statement of revenues, expenses and changes in net position:		
Operating revenues	\$ 3,928,844	\$ 3,945,638
Operating expenses	(2,266,351)	(1,998,776)
Operating income	1,662,493	1,946,862
Nonoperating revenues (expenses)	272,412	286,129
Capital contributions - cap fees	250,105	225,084
Net transfers in/(out)	(1,643,103)	(1,709,529)
	(1,120,586)	(1,198,316)
Change in net position	541,907	748,546
Beginning net position	46,606,846	28,503,705
Ending net position	\$ 47,148,753	\$ 29,252,251
Condensed statement of cash flows:		
Net cash provided (used) by:		
Operating activities	\$ 2,408,038	\$ 2,279,549
Noncapital financing activities	(1,324,735)	(1,484,445)
Capital and related financial activities	(160,538)	(424,383)
Investing activities	271,712	289,614
Net increase	1,194,477	660,335
Beginning cash and cash equivalents	11,593,796	12,549,962
Ending cash and cash equivalents	\$ 12,788,273	\$ 13,210,297

(Continued)

City of Sandpoint

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019**

NOTE 11: INTERFUND TRANSACTIONS

Interfund transfers (net) during the fiscal year ended September 30, 2019 were as follows:

	Transfers In	Transfers Out
General fund	\$ 1,744,853	\$ 106,115
Nonmajor governmental funds	106,115	46,196
Enterprise funds	1,903,074	3,516,256
Nonmajor enterprise funds	-	85,475
Debt service funds	2,105	2,105
	\$ 3,756,147	\$ 3,756,147

The principal purposes for the transfer of funds from the Enterprise Funds to the General Fund are to cover the administration costs of operating the City's utility division and payment of revenue bonds.

NOTE 12: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Sandpoint 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.

The City also contributes to the FRF which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers a closed group of firefighters who were hired before October 1, 1980, and who received benefits in addition to those provided under the PERSI Base Plan. The cost to administer the plan is financed through the contributions and investment earnings of the FRF. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. 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 and the FRF is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Responsibility for administration of the Base Plan and the FRF 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 and FRF provide 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 in the Base Plan become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

In the FRF, a firefighter must have 5 years of service to be eligible for a lifetime retirement allowance at age 60. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance is based on Idaho Code Title 72 Chapter 14.

The benefit payments for the Base Plan and FRF 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 Retirement Board has the authority to provide higher PERSI Base Plan 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.

The cost of living increase for the FRF is based on the increase in the statewide average firefighter's wage for employer units who belong in the FRF plan.

Member and Employer Contributions

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

The Base Plan contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2019, 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% general employees and 11.66% for police and firefighters. The City's contributions were \$554,406 for the year ended September 30, 2019.

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of June 30, 2019, the total FRF employer rate was 25.31% which includes the lower employer excess rate of 13.65% plus the PERSI class 2 firefighters rate of 11.66%. The FRF member rate for the year for class B is 11.45% which is 3.09% above the class 2 rate of 8.36%. The City's contributions were \$39,338 for the year ended September 30, 2019.

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

At September 30, 2019, the City reported a liability (net of the net pension asset with the FRF plan) for its proportionate share on the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019 the City's proportion was 0.1332440 percent.

At September 30, 2019, the City reported an asset (netted against the net pension liability with the Base Plan) for its proportionate share on the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on the City's share of contributions in the FRF pension plan relative to the total contributions of all participating FRF employers. At June 30, 2019 the City's proportion was 1.0017533 percent.

For the year ended September 30, 2019, the City of Sandpoint recognized pension revenue of \$38,972. At September 30, 2019 the City of Sandpoint 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	\$ -	\$ 518,141
Changes of assumptions	84,604	-
Net difference between projected and actual earnings on pension plan investments	141,348	259,456
Changes in the City's proportion and differences between the City's contributions and the City's proportionate contributions	55,126	19,012
City of Sandpoint's contributions subsequent to the measurement date	112,710	-
Total	\$ 393,788	\$ 796,609

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$112,710 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, 2020.

In the Base Plan, 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, 2018 the beginning of the measurement period ended June 30, 2018 is 4.8 and 4.8 for the measurement period June 30, 2019.

In the FRF Plan, 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, 2018 the beginning of the measurement period ended June 30, 2019 is 1.0 year and 1.0 year for the measurement period June 30, 2018.

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

Year ended June 30:

2020	\$ (69,276)
2021	\$(288,289)
2022	\$(133,149)
2023	\$ (76,813)
2024	\$ -

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.

Unfunded actuarial accrued liability for FRF is the difference between the actuarial present value of the FRF benefits not provided by the Base Plan and the FRF assets. Currently FRF assets exceed this actuarial present value; therefore there is not an unfunded liability to amortize at this time. The maximum amortization period for the FRF permitted under Section 59-1394, Idaho Code, is 50 years.

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial assumptions - Base Plan

Inflation	3.00%
Salary increases*	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expenses
Cost-of-living adjustments	1.00%

Actuarial assumptions - FRF

Inflation	3.00%
Salary increases*	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expenses
Cost-of-living adjustments	3.18%

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

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

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

An experience study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2019 is based on the results of an actuarial valuation date July 1, 2019.

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

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

(Continued)

City of Sandpoint

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019**

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

(Continued)

City of Sandpoint

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019**

NOTE 12: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

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

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
City's net pension liability (asset)	\$ 3,430,707	\$ 80,886	\$ (2,696,721)

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.

NOTE 13: CONTINGENCIES

The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement from grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial. The City is a party to legal actions arising in the ordinary course of its business. In management's opinion, the City has adequate legal defenses and/or insurance coverage regarding these legal actions and does not believe that they will materially affect the City's operations or financial position.

NOTE 14: DEFERRED COMPENSATION PLANS

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and defer paying taxes on such portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

(Continued)

City of Sandpoint

NOTES TO THE FINANCIAL STATEMENTS September 30, 2019

NOTE 14: DEFERRED COMPENSATION PLANS (CONCLUDED)

A financial advisor, unrelated to the City, administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the City, subject only to the claims of the general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the City, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The City believes that it is unlikely that plan assets will be needed to satisfy any claims of general creditors. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

NOTE 15: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance.

NOTE 16: DEFICIT FUND BALANCES

A deficit balance exists in the following individual funds:

	<u>Deficit Net Position Balance</u>
Bond Payment Fund	\$(16,857,856)
Fiber Optic Network Fund	\$ (117,496)

NOTE 17: COMPONENT UNIT – SANDPOINT URBAN RENEWAL AGENCY

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits held in checking and money market accounts with a local bank. Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. At September 30, 2019, the Agency's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Both the carrying amount of cash and cash equivalents on the Agency's books, and bank balances at September 30, 2019, totaled \$2,734,645 including restricted cash and cash equivalents). A summary of the total insured and uninsured bank balances at September 30, 2019 is as follows:

Total bank balances	\$2,734,645
Portion insured by FDIC	<u>(250,000)</u>
Uninsured bank balances	<u>\$2,484,645</u>

(Continued)

City of Sandpoint

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019**

NOTE 17: COMPONENT UNIT – SANDPOINT URBAN RENEWAL AGENCY (CONTINUED)

RECEIVABLES

Receivables at September 30, 2019 are summarized as follows:

Unearned property taxes receivable	\$1,109,695
Property taxes receivable	3,951
Delinquent property taxes receivable	<u>48,845</u>
	<u>\$1,162,491</u>

Unearned property taxes receivable consist of property taxes levied for the next fiscal year. These amounts have been offset by unearned property tax revenue in the entity-wide and governmental funds financial statements. Property taxes receivable consist of property taxes received within the first 60 days after the end of the Agency's fiscal year end that relate to taxes levied for the current or prior fiscal years. Delinquent property taxes receivable consist of property taxes levied for the current and prior fiscal years, which were not collected within the current period or within 60 days after the end of the Agency's fiscal year. These amounts have been offset by deferred revenue in the governmental funds financial statements.

LONG-TERM OBLIGATIONS

Revenue Allocation Note Payable

On August 8, 2011, the Agency issued a \$2,000,000 revenue allocation note, with an interest rate of 3.50% per annum. The purpose of the note is for the acquisition, construction and installation of public improvements within the Downtown District. The note, which originally required semi-annual payments of approximately \$125,435 including interest, required an initial payment beginning on March 15, 2012, and matures on March 15, 2021. During 2016, the interest rate on the note was adjusted to 3.11%, and the semi-annual payments were adjusted to \$124,149 including interest.

In addition, on September 7, 2018, the Agency issued a \$1,500,000 revenue allocation note, with an interest rate of 3.63% per annum. The purpose of the note is for the acquisition, construction and installation of public improvements within the Downtown District. The note, which requires semi-annual payments of approximately \$83,378 including interest, required an initial payment beginning on March 15, 2019, and matures on September 15, 2029.

At September 30, 2019, the Agency had restricted cash of \$128,182, which is held in a separate debt service payment account. The use of this cash is restricted to paying the semi-annual installments on the note.

(Continued)

City of Sandpoint

**NOTES TO THE FINANCIAL STATEMENTS
September 30, 2019**

NOTE 17: COMPONENT UNIT – SANDPOINT URBAN RENEWAL AGENCY (CONCLUDED)

The annual requirements to pay the above revenue allocation notes are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 355,311	\$ 59,743	\$ 415,054
2021	245,391	47,618	293,009
2022	125,579	41,177	166,756
2023	130,243	36,513	166,756
2024	134,989	31,767	166,756
2025-2029	<u>759,457</u>	<u>79,337</u>	<u>838,794</u>
Total	<u>\$1,750,970</u>	<u>\$296,155</u>	<u>\$2,047,125</u>

A summary of changes in long-term obligations of the Agency for the year ended September 30, 2019 as follows:

	<u>Long-Term Obligations September 30, 2018</u>	<u>Long-Term Obligations Incurred</u>	<u>Long-Term Obligations Paid</u>	<u>Long-Term Obligations September 30, 2019</u>	<u>Due Within One Year</u>
Revenue allocation note	<u>\$2,094,374</u>	<u>\$ -</u>	<u>\$ (343,404)</u>	<u>\$1,750,970</u>	<u>\$ 55,311</u>

COMMITMENTS AND CONTINGENCIES (SURA)

As of September 30, 2019, the Agency was having discussions with several interested parties on future urban development projects, although none of these projects had been formalized and the Agency had not entered into any agreements to provide funding for the projects. It is anticipated that such projects will be funded through the Agency and tax increment financing in the future.

During 2018, the Agency entered into an agreement with the City to provide funding for Phase II of the downtown street improvements. The agreement called for the Agency's Downtown District to provide funding of up to \$400,000, as work is completed. During 2019, the Agency provided funding of \$400,000 related to the project, resulting in zero remaining commitment on the project at September 30, 2019.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

City of Sandpoint

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

For the Year Ended September 30, 2019

	Original Budget Amounts *	Actual Amounts	Variance With Final Budget
REVENUES			
Taxes	\$ 4,707,940	\$ 4,714,719	\$ 6,779
Licenses and permits	249,610	315,044	65,434
Grants	3,227,872	468,826	(2,759,046)
Intergovernmental revenue	4,008,228	3,399,297	(608,931)
Interest	25,185	194,724	169,539
Charges for services	295,801	365,525	69,724
Fines and forfeits	101,620	120,535	18,915
Miscellaneous revenues	3,027,286	267,744	(2,759,542)
Total revenues	<u>15,643,542</u>	<u>9,846,414</u>	<u>(5,797,128)</u>
EXPENDITURES			
General government	3,158,395	2,748,565	409,830
Public safety	4,010,139	3,788,256	221,883
Highways and streets	1,665,255	1,311,780	353,475
Culture and recreation	1,003,033	912,871	90,162
Capital outlay	7,382,376	1,539,624	5,842,752
Debt service:			
Principal retirement	79,406	79,440	(34)
Interest expense	9,130	8,970	160
Total expenditures	<u>17,307,734</u>	<u>10,389,506</u>	<u>6,918,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,664,192)</u>	<u>(543,092)</u>	<u>1,121,100</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	2,000	1,700	(300)
Capital leases	-	-	-
Transfers in	1,700,652	1,744,853	44,201.00
Transfers (out)	(38,460)	(106,115)	(67,655)
Total other financing sources (uses)	<u>1,664,192</u>	<u>1,640,438</u>	<u>(23,754)</u>
Net change in fund balances	-	1,097,346	1,097,346
Fund balances - beginning	<u>-</u>	<u>9,155,203</u>	<u>9,155,203</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 10,252,549</u>	<u>\$ 10,252,549</u>

* The original budget was not amended.

City of Sandpoint

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL LOCAL OPTIONS TAX For the Year Ended September 30, 2019

	Original Budget Amounts *	Actual Amounts	Variance With Final Budget
REVENUES			
Taxes and special assessments	\$ 1,235,000	\$ 1,417,809	\$ 182,809
Interest	-	15,545	15,545
Total revenues	<u>1,235,000</u>	<u>1,433,354</u>	<u>198,354</u>
EXPENDITURES			
General government	20,827	-	20,827
Culture and recreation	-	16,178	(16,178)
Capital outlay	2,200,000	11,095	2,188,905
Debt service:			
Principal retirement	1,108,713	-	1,108,713
Interest expense	5,460	-	5,460
Total expenditures	<u>3,335,000</u>	<u>27,273</u>	<u>3,307,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,100,000)</u>	<u>1,406,081</u>	<u>3,506,081</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>2,100,000</u>	-	<u>(2,100,000)</u>
Total other financing sources (uses)	<u>2,100,000</u>	-	<u>(2,100,000)</u>
Net change in fund balances	-	1,406,081	1,406,081
Fund balances - beginning	-	54,735	54,735
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,460,816</u>	<u>\$ 1,460,816</u>

* The original budget was not amended.

City of Sandpoint

**GASB 68 Required Supplementary Information
For the Year Ended September 30, 2019**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	0.1332440%	0.1348010%	0.1249960%	0.1529441%	0.1536525%
Employer's proportionate share of the net pension liability	\$ 1,520,943	\$ 1,988,338	\$ 1,964,722	\$ 3,100,412	\$ 2,023,353
Employer's covered-employee payroll	\$ 4,115,964	\$ 4,429,874	\$ 3,937,266	\$ 3,810,467	\$ 3,672,792
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	36.95%	44.88%	49.90%	81.37%	55.09%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%	90.68%	87.26%	91.38%

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

Data reported is measured as of June 30, 2019.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 554,406	\$ 505,362	\$ 449,242	\$ 434,757	\$ 419,176
Contributions in relation to the statutorily required contribution	554,406	505,362	449,242	434,757	419,176
Contribution deficiency (excess)	<u>\$ -</u>				
Employer's covered-employee payroll of its covered employee payroll	\$ 4,115,964	\$ 4,429,874	\$ 3,937,266	\$ 3,810,467	\$ 3,672,792
Contributions as a percentage of covered-employee payroll	13.47%	11.41%	11.41%	11.41%	11.41%

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

Data reported is measured as of September 30, 2019.

City of Sandpoint

**GASB 68 Required Supplementary Information
For the Year Ended September 30, 2019**

**Schedule of Employers's Share of Net Pension Liability
FRF
Last 10 - Fiscal Years ***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	1.00175333%	0.94235888%	0.8313845%	0.9377482%	0.8906485%
Employer's proportionate share of the net pension asset	\$ 1,440,057	\$ 1,066,469	\$ 713,292	\$ 504,025	\$ 481,045
Employer's covered-employee payroll	\$ 236,122	\$ 211,741	\$ 623,257	\$ 439,502	\$ 629,835
Employer's proportional share of the net pension asset as a percentage of its covered employee payroll	609.88%	503.67%	114.45%	114.68%	76.38%
Plan fiduciary net position as a percentage of the total pension liability	152.74%	140.15%	129.65%	118.42%	112.01%

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

Data reported is measured as of June 30, 2019.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 39,338	\$ 35,276	\$ 102,809	\$ 73,221	\$ 122,514
Contributions in relation to the statutorily required contribution	39,338	35,276	102,809	73,221	122,514
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll of its covered employee payroll	\$ 236,122	\$ 211,741	\$ 623,257	\$ 439,502	\$ 629,835
Contributions as a percentage of covered-employee payroll	16.66%	16.66%	16.50%	16.66%	19.45%

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

Data reported is measured as of September 30, 2019.

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

City of Sandpoint

NONMAJOR GOVERNMENTAL FUNDS September 30, 2019

Activities

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources and payments of special assessment bond principal and interest from special assessment levies.

LID #32 – accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID #2002-02 – accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID #2006-01 – accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID #2007-01 – accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID Guarantee – accounts for the additional security for the LID Bonds. This is established by ordinance.

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

Recreation – This fund is used to account for tax levies and program revenues committed and/or assigned to the administration and development of recreation programs.

Impact Fees – This fund is used to account for impact fee revenue committed and/or assigned for the development as identified in the City's "Development Impact Fee Program/Capital Improvement Plan".

Parks Improvement – This fund is used to account for impact fees, user fees, program fees and private donations restricted for the development of public properties devoted to parks and recreation.

Fiber Optic Network – This fund is used to account for program revenues committed and/or assigned to the administration and use of the fiber optic network.

City of Sandpoint

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2019**

	Debt Service Funds	Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ -	\$ 1,495,330	\$ 1,495,330
Receivables	15,626	102,420	118,046
Restricted assets:			
Cash and investments	<u>260,436</u>	<u>1,126,419</u>	<u>1,386,855</u>
Total assets	<u>\$ 276,062</u>	<u>\$ 2,724,169</u>	<u>\$ 3,000,231</u>
LIABILITIES			
Vouchers payable	\$ -	\$ 259,129	\$ 259,129
Total liabilities	<u>-</u>	<u>259,129</u>	<u>259,129</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	-	4,667	4,667
Unavailable revenue-special assessments	14,845	-	14,845
Total deferred inflows of resources	<u>14,845</u>	<u>4,667</u>	<u>19,512</u>
FUND BALANCES			
Restricted	261,217	68,895	330,112
Committed	-	1,487,099	1,487,099
Assigned	-	904,379	904,379
Total fund balance	<u>261,217</u>	<u>2,460,373</u>	<u>2,721,590</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 276,062</u>	<u>\$ 2,724,169</u>	<u>\$ 3,000,231</u>

City of Sandpoint

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2019**

	Debt Service Funds	Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES			
Special assessments and taxes	\$ 25,342	\$ 192,177	\$ 217,519
Impact fees	-	220,947	220,947
Interest	5,818	55,519	61,337
Charges for services	-	441,123	441,123
Miscellaneous revenues	-	3,142	3,142
Total revenues	<u>31,160</u>	<u>912,908</u>	<u>944,068</u>
EXPENDITURES			
General government	484	42,057	42,541
Culture and recreation	-	518,666	518,666
Capital outlay	-	257,424	257,424
Debt service:			
Principal retirement	22,775	-	22,775
Interest expense	3,531	-	3,531
Total expenditures	<u>26,790</u>	<u>818,147</u>	<u>844,937</u>
(Deficiency) excess of revenues (under) over expenditures	<u>4,370</u>	<u>94,761</u>	<u>99,131</u>
OTHER FINANCING SOURCES (USES)			
Contributions to local municipalities	-	-	-
Transfers in	2,105	106,115	108,220
Transfers (out)	(2,105)	(46,196)	(48,301)
Total other financing sources (uses)	<u>-</u>	<u>59,919</u>	<u>59,919</u>
Net change in fund balances	4,370	154,680	159,050
Fund balances - beginning	<u>256,847</u>	<u>2,305,693</u>	<u>2,562,540</u>
Fund balances - ending	<u>\$ 261,217</u>	<u>\$ 2,460,373</u>	<u>\$ 2,721,590</u>

City of Sandpoint

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
September 30, 2019**

	<u>LID #32</u>	<u>LID #2002-02</u>	<u>LID #2006-01</u>
ASSETS			
Receivables:			
Special assessments	\$ 12,392	\$ -	\$ 2,454
Interest	472	-	232
Restricted assets:			
Cash and investments	207,585	-	5,914
Total assets	<u>\$ 220,449</u>	<u>\$ -</u>	<u>\$ 8,600</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-special assessments	\$ 12,391	\$ -	\$ 2,454
Total deferred inflows of resources	<u>12,391</u>	<u>-</u>	<u>2,454</u>
FUND BALANCES			
Restricted for debt service	<u>208,058</u>	<u>-</u>	<u>6,146</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 220,449</u>	<u>\$ -</u>	<u>\$ 8,600</u>

<u>LID #2007-01</u>	<u>LID Guarantee</u>	<u>Total</u>
\$ -	\$ -	\$ 14,846
21	55	780
13,105	33,832	260,436
<u>\$ 13,126</u>	<u>\$ 33,887</u>	<u>\$ 276,062</u>
\$ -	\$ -	\$ 14,845
-	-	14,845
13,126	33,887	261,217
<u>\$ 13,126</u>	<u>\$ 33,887</u>	<u>\$ 276,062</u>

City of Sandpoint
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the Year Ended September 30, 2019

	LID #32	LID # 2002-02	LID # 2006-01
REVENUES			
Special assessments	\$ 1,380	\$ 9,172	\$ 5,833
Interest	4,639	21	81
Total revenues	<u>6,019</u>	<u>9,193</u>	<u>5,914</u>
EXPENDITURES			
General government	(128)	-	612
Debt service:			
Principal	4,115	10,656	-
Interest	2,742	639	-
Total expenditures	<u>6,729</u>	<u>11,295</u>	<u>612</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(710)</u>	<u>(2,102)</u>	<u>5,302</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,105	-
Transfers (out)	-	-	-
Total other financing sources	<u>-</u>	<u>2,105</u>	<u>-</u>
Net change in fund balances	(710)	3	5,302
Fund balances - beginning	<u>208,768</u>	<u>(3)</u>	<u>844</u>
Fund balances - ending	<u>\$ 208,058</u>	<u>\$ -</u>	<u>\$ 6,146</u>

LID # 2007-01	LID Guarantee	Total
\$ 8,957	\$ -	\$ 25,342
294	783	5,818
<u>9,251</u>	<u>783</u>	<u>31,160</u>
-	-	484
8,004	-	22,775
150	-	3,531
<u>8,154</u>	<u>-</u>	<u>26,790</u>
<u>1,097</u>	<u>783</u>	<u>4,370</u>
-	-	2,105
-	(2,105)	(2,105)
-	(2,105)	-
1,097	(1,322)	4,370
<u>12,029</u>	<u>35,209</u>	<u>256,847</u>
<u>\$ 13,126</u>	<u>\$ 33,887</u>	<u>\$ 261,217</u>

City of Sandpoint

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2019**

	<u>Recreation</u>	<u>Impact Fees</u>	<u>Parks Improvement</u>	<u>Fiber Optic Network</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 534,800	\$ -	\$ 960,530	\$ -	\$ 1,495,330
Receivables:					
Taxes	5,566	-	-	-	5,566
Accounts	4,547	1,734	28,653	61,920	96,854
Restricted assets:					
Cash and investments, at cost	-	1,057,524	68,895	-	1,126,419
Total assets	<u>\$ 544,913</u>	<u>\$ 1,059,258</u>	<u>\$ 1,058,078</u>	<u>\$ 61,920</u>	<u>\$ 2,724,169</u>
LIABILITIES					
Vouchers payable	\$ 34,278	\$ -	\$ 45,435	\$ 179,416	\$ 259,129
Due to other funds	-	-	-	-	-
Total liabilities	<u>34,278</u>	<u>-</u>	<u>45,435</u>	<u>179,416</u>	<u>259,129</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	4,667	-	-	-	4,667
Total deferred inflows of resources	<u>4,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,667</u>
FUND BALANCES					
Restricted	-	-	68,895	-	68,895
Committed	387,140	730,977	368,982	-	1,487,099
Assigned	118,828	328,281	574,766	(117,496)	904,379
Total fund balances	<u>505,968</u>	<u>1,059,258</u>	<u>1,012,643</u>	<u>(117,496)</u>	<u>2,460,373</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 544,913</u>	<u>\$ 1,059,258</u>	<u>\$ 1,058,078</u>	<u>\$ 61,920</u>	<u>\$ 2,724,169</u>

City of Sandpoint

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended September 30, 2019**

	<u>Recreation</u>	<u>Impact Fees</u>	<u>Parks Improvement</u>	<u>Fiber Optic Network</u>	<u>Total</u>
REVENUES					
Property taxes	\$ 192,177	\$ -	\$ -	\$ -	\$ 192,177
Impact fees	-	220,947	-	-	220,947
Interest	11,776	21,334	23,199	(790)	55,519
Charges for services	99,245	-	332,074	9,804	441,123
Grants	-	-	-	-	-
Miscellaneous revenues	-	-	-	3,142	3,142
Total revenues	<u>303,198</u>	<u>242,281</u>	<u>355,273</u>	<u>12,156</u>	<u>912,908</u>
EXPENDITURES					
General government	-	-	-	42,057	42,057
Public safety	-	-	-	-	-
Culture and recreation	306,676	-	211,990	-	518,666
Capital outlay	-	5,789	51,818	199,817	257,424
Debt service					
Principal retirement	-	-	-	-	-
Interest expense	-	-	-	-	-
Total expenditures	<u>306,676</u>	<u>5,789</u>	<u>263,808</u>	<u>241,874</u>	<u>818,147</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(3,478)</u>	<u>236,492</u>	<u>91,465</u>	<u>(229,718)</u>	<u>94,761</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	38,460	-	-	67,655	106,115
Transfers (out)	<u>(1,995)</u>	<u>(33,766)</u>	<u>(10,435)</u>	<u>-</u>	<u>(46,196)</u>
Total other financing sources (uses)	<u>36,465</u>	<u>(33,766)</u>	<u>(10,435)</u>	<u>67,655</u>	<u>59,919</u>
Net change in fund balances	32,987	202,726	81,030	(162,063)	154,680
Fund balances - beginning	<u>472,981</u>	<u>856,532</u>	<u>931,613</u>	<u>44,567</u>	<u>2,305,693</u>
Fund balances - ending	<u>\$ 505,968</u>	<u>\$ 1,059,258</u>	<u>\$ 1,012,643</u>	<u>\$ (117,496)</u>	<u>\$ 2,460,373</u>

REPORT REQUIRED BY GAO

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Sandpoint
Sandpoint, Idaho 83864

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Sandpoint as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Sandpoint's basic financial statements, and have issued our report thereon dated January 23, 2020. Our report includes a reference to other auditors who audited the financial statements of Sandpoint Urban Renewal Agency, as described in our report on City of Sandpoint's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sandpoint'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 City of Sandpoint's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sandpoint'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sandpoint'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 ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONCLUDED)

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.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh & Co., P.A.

January 23, 2020