CITY OF DONNELLY, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2025

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Independent Auditor's Report

Honorable Mayor
and City Council
Donnelly, Idaho

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Donnelly, Idaho (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Donnelly, Idaho, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The City of Donnelly'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; for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions ore events, considered in the aggregate, that raise substantial doubt about the City of Donnelly's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Donnelly, Idaho's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Donnelly, Idaho's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of Net Pension Liability, and the schedule of City contributions on pages 34 through 37 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Donnelly, Idaho's basic financial statements. The supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026, on our consideration of the City of Donnelly, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Donnelly, Idaho's internal control over financial reporting and compliance.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
January 27, 2026

City of Donnelly, Idaho
Statement of Net Position
September 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 605,057	$ 99,731	$ 704,788
Internal Balance	252,056	(252,056)	-
Receivables, Net:			
Property Taxes	10,873	-	10,873
Accounts Receivable	-	26,444	26,444
Intergovernmental	7,518	-	7,518
Noncurrent Assets:			
Restricted Cash	-	145,658	145,658
Capital Assets:			
Land and Nondepreciable Infrastructure	115,595	3,503	119,098
Buildings, Net	354,318	395,504	749,822
Improvements, Net	139,257	1,503,148	1,642,405
Equipment, Net	97,454	120,408	217,862
Total Capital Assets	706,624	2,022,563	2,729,187
Total Assets	1,582,128	2,042,340	3,624,468
Deferred Outflows			
Pension Related Items	15,061	10,041	25,102
Total Deferred Outflows	15,061	10,041	25,102
Liabilities			
Current Liabilities:			
Accounts Payable	-	336	336
Salaries and Benefits Payable	5,432	2,998	8,430
Security Deposits and Refund Payable	1,650	-	1,650
Accrued Interest	-	4,846	4,846
Long-Term Liabilities:			
Due within One Year:			
Compensated Absences	8,284	5,523	13,807
Lease Liability, Current	15,265	8,219	23,484
Bonds and Notes Payable, Current	-	35,149	35,149
Due in More than One Year:			
Bonds and Notes Payable, Net of Current	-	490,270	490,270
Lease Liability, Net of Current	33,894	18,250	52,144
Net Pension Liability	64,918	43,279	108,197
Total Liabilities	129,443	608,870	738,313
Deferred Inflows			
Pension Related Items	28,103	18,736	46,839
Total Deferred Inflows	28,103	18,736	46,839
Net Position			
Invested in Capital Assets, Net of Related Debt	706,624	1,497,144	2,203,768
Restricted	266,124	145,658	411,782
Unrestricted (Deficit) Surplus	466,895	(218,027)	248,868
Total Net Position	$ 1,439,643	$ 1,424,775	$ 2,864,418

The accompanying notes are an integral
part of the financial statements.

City of Donnelly, Idaho
Statement of Activities
For the Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General and Administrative	$ 315,588	$ 23,326	$ 20,522	$ -	$ (271,740)	$ -	$ (271,740)
Public Safety	86	-	-	-	(86)		(86)
Highways and Streets	297,204	-	-	-	(297,204)	-	(297,204)
Parks and Recreation	43,392	-	-	-	(43,392)	-	(43,392)
Depot	3,189	-	-	-	(3,189)	-	(3,189)
Total Governmental Activities	659,459	23,326	20,522	-	(615,611)	-	(615,611)
Business-type Activities:							
Water	378,353	155,623	-	-	-	(222,730)	(222,730)
Sewer	154,590	146,624	-	-	-	(7,966)	(7,966)
Total Business-type Activities	532,943	302,247	-	-	-	(230,696)	(230,696)
Total Primary Government	$ 1,192,402	$ 325,573	$ 20,522	$ -	(615,611)	(230,696)	(846,307)

	Governmental Activities	Business-type Activities	Total
General Revenues:			
Property Taxes	155,362	-	155,362
Local Option Tax	235,169	-	235,169
State Sources	122,364	-	122,364
Other	98,013	-	98,013
Unrestricted Investment Earnings	7,170	13,121	20,291
Total General Revenues and Special Items	618,078	13,121	631,199
Change in Net Position	2,467	(217,575)	(215,108)
Net Position, Beginning of Year, Previously Stated	1,440,840	1,644,793	3,085,633
Prior Period Adjustment	(3,664)	(2,443)	(6,107)
Net Position, Beginning of Year	1,437,176	1,642,350	3,079,526
Net Position, End of Year	$ 1,439,643	$ 1,424,775	$ 2,864,418

The accompanying notes are an integral part of the financial statements.

City of Donnelly, Idaho
Balance Sheet -
Governmental Funds
September 30, 2025

	General	Local Option Tax	Total Governmental Funds
Assets			
Cash and Cash Equivalents	$ 338,933	$ 266,124	$ 605,057
Internal Balance	252,056	-	252,056
Receivables, Net:			
Property Taxes	10,873	-	10,873
Intergovernmental	7,518	-	7,518
Total Assets	$ 609,380	$ 266,124	$ 875,504
Liabilities			
Salaries and Benefits Payable	$ 5,432	$ -	$ 5,432
Security Deposits	1,650	-	1,650
Total Liabilities	7,082	-	7,082
Deferred Inflows			
Unavailable Revenue - Property Taxes	9,214	-	9,214
Total Deferred Inflows	9,214	-	9,214
Fund Balances			
Restricted for:			
Local Option Tax	-	266,124	266,124
Unassigned	593,084	-	593,084
Total Fund Balances	593,084	266,124	859,208
Total Liabilities, Deferred Inflows and Fund Balances	$ 609,380	$ 266,124	$ 875,504

The accompanying notes are an integral
part of the financial statements.

City of Donnelly, Idaho
Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
September 30, 2025

Total Fund Balances - Governmental Funds		$ 859,208
Amounts reported for governmental activities in the Statement of Net Position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets consist of:		
Land	$ 115,595	
Buildings, net of $508,527 accumulated depreciation	354,318	
Improvements, net of $63,276 accumulated depreciation	139,257	
Equipment, net of $157,860 accumulated depreciation	97,454	
		706,624
Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and, therefore, are deferred in the funds.		9,214
Long-term liabilities, applicable to the City's governmental activities, are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Position.		
Compensated Absences	$ (8,284)	
		(8,284)
Long-term liabilities, including municipal leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Changes in long-term liabilities at year-end consist of:		
Municipal Lease Payment	$ (49,159)	
		(49,159)
The City participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.		
Net Pension Liability	$ (64,918)	
Pension Related Deferred Inflows	(28,103)	
Pension Related Deferred Outflows	15,061	
		(77,960)
Net Position of Governmental Activities		$ 1,439,643

The accompanying notes are an integral
part of the financial statements.

City of Donnelly, Idaho
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2025

	General	Local Option Tax	Total Governmental Funds
Revenues			
Taxes	$ 150,501	$ 235,169	$ 385,670
Licenses and Permits	11,603	-	11,603
Intergovernmental	142,886	-	142,886
Charges for Services	11,723	-	11,723
Other	105,183	-	105,183
Total Revenues	421,896	235,169	657,065
Expenditures			
Current:			
General and Administrative	185,111	113,046	298,157
Public Safety	86	-	86
Roads and Streets	300,722	-	300,722
Parks and Recreation	28,498	-	28,498
Depot Expense	3,189	-	3,189
Total Expenditures	517,606	113,046	630,652
Excess (Deficiency) of Revenues Over Expenditures	(95,710)	122,123	26,413
Other Financing Sources (Uses)			
Transfers In (Out)	62,099	(62,099)	-
Total Other Financing Sources (Uses)	62,099	(62,099)	-
Net Change in Fund Balances	(33,611)	60,024	26,413
Fund Balances - Beginning	626,695	206,100	832,795
Fund Balances - Ending	$ 593,084	$ 266,124	$ 859,208

The accompanying notes are an integral
part of the financial statements.

City of Donnelly, Idaho
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of the
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2025

Total Net Change in Fund Balance - Governmental Funds		$ 26,413
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:		
Capital Outlay	$ 42,271	
Depreciation Expense	(74,469)	
		(32,198)
Long-term liabilities, including municipal leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Changes in long-term liabilities at year-end consist of:		
Municipal Lease Payment	$ 14,244	
		14,244
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.		4,861
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the net change in compensated absences.		(450)
The City participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities.		(10,403)
Change in Net Position of Governmental Activities		$ 2,467

The accompanying notes are an integral
part of the financial statements.

City of Donnelly, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2025

	Water	Sewer	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	$ -	$ 99,731	$ 99,731
Receivables, Net	13,992	12,452	26,444
Noncurrent Assets:			
Restricted Cash	75,707	69,951	145,658
Capital Assets:			
Land and Nondepreciable Infrastructure	3,503	-	3,503
Buildings, Net	395,504	-	395,504
Improvements, Net	1,467,234	35,914	1,503,148
Equipment, Net	114,145	6,263	120,408
Total Assets	2,070,085	224,311	2,294,396
Deferred Outflows			
Pension Related Items	7,531	2,510	10,041
Total Deferred Outflows	7,531	2,510	10,041
Liabilities			
Current Liabilities:			
Internal Balance	252,056	-	252,056
Accounts Payable	312	24	336
Salaries and Benefits Payable	2,686	312	2,998
Accrued Interest	3,760	1,086	4,846
Compensated Absences	4,142	1,381	5,523
Lease Liability	7,045	1,174	8,219
Current Portion Long-term Debt	22,526	12,623	35,149
Total Current Liabilities	292,527	16,600	309,127
Long-term Liabilities:			
Bonds and Notes Payable	490,270	-	490,270
Net Pension Liability	32,459	10,820	43,279
Lease Liability	15,643	2,607	18,250
Total Liabilities	830,899	30,027	860,926
Deferred Inflows			
Pension Related Items	14,052	4,684	18,736
Total Deferred Inflows	14,052	4,684	18,736
Net Position			
Invested in Capital Assets, Net of Related Debt	1,467,590	29,554	1,497,144
Restricted for Debt Service	75,707	69,951	145,658
Unrestricted	(310,632)	92,605	(218,027)
Total Net Position	$ 1,232,665	$ 192,110	$ 1,424,775

The accompanying notes are an integral
part of the financial statements.

City of Donnelly, Idaho
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2025

	Water	Sewer	Total
Operating Revenues			
Charges for Services	$ 155,623	$ 146,624	$ 302,247
Total Operating Revenues	155,623	146,624	302,247
Operating Expenses			
Wages	86,453	5,064	91,517
Payroll Taxes and Benefits	34,343	3,310	37,653
Utilities	8,164	117	8,281
Professional Services	7,190	405	7,595
Maintenance and Operations	116,152	109,777	225,929
Depreciation	115,275	34,799	150,074
Total Operating Expenses	367,577	153,472	521,049
Operating Income (Loss)	(211,954)	(6,848)	(218,802)
Nonoperating Revenues (Expenses)			
Interest Earned	6,368	6,753	13,121
Interest Expense	(10,776)	(1,118)	(11,894)
Total Nonoperating Revenues (Expenses)	(4,408)	5,635	1,227
Change in Net Position	(216,362)	(1,213)	(217,575)
Net Position - Beginning, Previously Stated	1,450,859	193,934	1,644,793
Prior Period Adjustment	(1,832)	(611)	(2,443)
Net Position - Beginning	1,449,027	193,323	1,642,350
Net Position - Ending	$ 1,232,665	$ 192,110	$ 1,424,775

City of Donnelly, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2025

	Water	Sewer	Total
Cash Flows From Operating Activities			
Receipts from Customers	$ 155,321	$ 147,456	$ 302,777
Payments to Suppliers	(131,506)	(110,299)	(241,805)
Payments to Employees	(118,383)	(6,536)	(124,919)
Net Cash Provided (Used) by Operating Activities	(94,568)	30,621	(63,947)
Cash Flows From Financing Activities			
Principal Paid on Capital Debt	(28,443)	(13,327)	(41,770)
Interest Paid on Capital Debt	(10,776)	(1,118)	(11,894)
Net Cash Used by Capital and Related Financing Activities	(39,219)	(14,445)	(53,664)
Cash Flows From Investing Activities			
Interest and Dividends	6,368	6,753	13,121
Net Cash Provided (Used) by Investing Activities	6,368	6,753	13,121
Net Change in Cash and Cash Equivalents	(127,419)	22,929	(104,490)
Cash and Cash Equivalents - Beginning	(48,930)	146,753	97,823
Cash and Cash Equivalents - Ending	$ (176,349)	$ 169,682	$ (6,667)
Displayed As:			
Cash and Cash Equivalents	$ -	$ 99,731	99,731
Internal Balance	(252,056)	-	(252,056)
Restricted Cash	75,707	69,951	145,658
	$ (176,349)	$ 169,682	$ (6,667)
Schedule of Non-Cash Transactions			
Assets Purchased with Debt	$ -	$ -	$ -

The accompanying notes are an integral
part of the financial statements.

City of Donnelly, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2025

	Water	Sewer	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (211,954)	$ (6,848)	$ (218,802)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	115,275	34,799	150,074
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(302)	832	530
(Increase) Decrease in Deferred Outflows	2,806	936	3,742
Increase (Decrease) in Salaries and Benefits Payable	(3,012)	28	(2,984)
Increase (Decrease) in Compensated Absences	225	75	300
Increase (Decrease) in Net Pension Liability	(9,921)	(3,306)	(13,227)
Increase (Decrease) in Deferred Inflows	12,315	4,105	16,420
Net Cash Provided (Used) by Operating Activities	$ (94,568)	$ 30,621	$ (63,947)

The accompanying notes are an integral
part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the City of Donnelly, Idaho (the City), which has responsibility and control over all activities related to public safety, highways and streets, parks and recreation, planning and zoning, and water and sewer services within the City. The City receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the City's reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the City, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each identifiable activity of the business-type activities of the City and for each function of the City's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

- Indirect expenses are expenses of the general government related to the administration and support of the City's programs, such as personnel and accounting (but not interest on long-term debt) and are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

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

The City reports the following major governmental funds:

- *General fund.* This is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- *Local Option Tax fund.* This fund was stablished to account for the revenue and expenditures of the Local Option Tax.

Proprietary fund operating revenues and expenses are related to providing water and sewer services to the residents and businesses of the City and providing services to other parts of the City government. Revenues and expenses that arise from capital and non-capital financing activities and from investing activities are presented as non-operating revenues or expenses.

The City has the following major enterprise funds:

- *Water fund.* This fund accounts for the activities of the City's water supply system, pumping stations, and collection systems.
- *Sewer fund.* This fund accounts for the activities of the City's sewage treatment plant and collection systems.

<u>Basis of Accounting</u>

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The City uses the following fund balance categories in the governmental fund financial statements:

- *Nonspendable.* Prepaid items that are permanently precluded from conversion to cash.
- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

The remaining fund balance classifications (committed, and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the City Council, the City's highest level of decision-making authority, through a formal action. The City Council would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position/fund balances available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the City's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

C. Assets and Liabilities

Cash Equivalents

Cash received by the City is deposited into the various cash and investment accounts for each fund and is presented as "Cash and Cash Equivalents" on the Statement of Net Position and governmental fund Balance Sheet by activity or fund.

For presentation in the financial statements, investments in the investment pool and others with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents.

Property Tax Calendar

The City levies its real property taxes through the county on or before the 2nd Monday of September. One-half of the real property taxes are due on or before the 20th of December. The remaining one-half of the real property tax is due on or before June 20th the following year. Property taxes are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are shown below:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Buildings and Improvements	$5,000	Straight-Line	15 – 47 Years
Equipment and Vehicles	$5,000	Straight-Line	5 – 15 Years

General infrastructure assets acquired prior to October, 2003 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Accounts Receivable

The City has created an allowance for doubtful accounts for water and sewer balances deemed uncollectible. The amount in the allowance is currently $0.

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are not over 60 days past due.

Pensions

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

Use of Estimates

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

Adoption of New Standard

The City implemented GASB Statement No. 101, *Compensated Absences*, in the current fiscal year. This statement establishes a single model for accounting for compensated absences. The nature of the change in accounting principle is described in note 3.

For the year ended September 30, 2025, the City early adopted Governmental Accounting Standards Board (GASB) Statement No. 103. Financial Reporting Model Improvements. The objective of this standard is to enhance the effectiveness of the financial reporting model by making targeted improvements. The impact on the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2025, the carrying amount of the City's deposits was $389,072 and the respective bank balances totaled $432,957. The entire bank balance was insured or collateralized with pool securities held by the pledging institution in the name of the City.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2025, all of the City's deposits were covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus were not exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk for deposits. The City had $250 of cash on hand at the end of the year.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The City voluntarily participates in the State of Idaho Investment Pool which is not rated. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the City's investment in the pool is the same as the value of the pool shares.

The City follows Idaho Statute that outlines qualifying investment options as follows:

> Idaho Code authorizes the City to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The City's investments at September 30, 2025, are summarized below:

		Investment Maturities (in Years)	
Investment	Fair Value	Less than 1	1 - 5
External Investment Pool	$ 461,124	$ 461,124	$ -

At year-end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 707,369	$ (318,047)	$ 389,322
Restricted Cash	-	145,658	145,658
Investments categorized as deposits	149,744	165,722	315,466
	$ 857,113	$ (6,667)	$ 850,446

3. COMPENSATED ABSENCES

The City presently accumulates unused vacation days and sick leave calculated on an individual basis according to an employee's total years worked and total hours-per-week worked. In the event of termination, an employee is reimbursed for accumulated leave. A summary of the current year activity and year-end liability for the government-wide financial statements is as follows:

Governmental Activities	9/30/2024	Change	9/30/2025	Current Portion
Vacation & Comp	$ 4,170	$ 819	$ 4,989	$ 4,989
Sick Leave	3,664	(369)	3,295	3,295
	$ 7,834	$ 450	$ 8,284	$ 8,284

Business-type Activities	9/30/2024	Change	9/30/2025	Current Portion
Vacation & Comp	$ 2,780	$ 547	$ 3,327	$ 3,327
Sick Leave	2,443	(247)	2,196	2,196
	$ 5,223	$ 300	$ 5,523	$ 5,523
Total	$ 13,057	$ 750	$ 13,807	$ 13,807

4. PROPERTY TAXES

The City receives property tax revenue from Valley County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the City by the County as of September 30, 2025, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2025, are not considered available for use by the City and are recorded as deferred revenue.

5. PENSION PLAN

Plan Description

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

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

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for public safety. As of June 30, 2025 it was 7.18% for general employees and 10.36% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.96% for general employees and 13.48% for public safety. The City of Donnelly, Idaho's contributions were $25,856 for the year ended September 30, 2025.

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

At September 30, 2025, the City of Donnelly, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Donnelly, Idaho's proportion of the net pension liability was based on the City of Donnelly, Idaho'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, 2025, the City of Donnelly, Idaho's proportion was 0.00447429 percent.

For the year ended September 30, 2025, the City of Donnelly, Idaho recognized pension expense/(revenue) of $43,193. At September 30, 2025, the City of Donnelly, Idaho 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	$ 20,389	$ -
Changes in assumptions or other inputs	-	19,026
Net difference between projected and actual earnings on pension plan investments	-	27,813
City of Donnelly, Idaho's contributions subsequent to the measurement date	4,713	-
Total	$ 25,102	$ 46,839

$4,713 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2025.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2025, the beginning of the measurement period ended June 30, 2024, is 4.6 and 4.6 for measurement period June 30, 2025.

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:

For the Year Ended September 30:	PERSI
2026	$ 23,218
2027	(18,083)
2028	(16,548)
2029	(10,324)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year’s earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued

liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.15%
Salary inflation	3.15%
Investment rate of return	6.35 %, net of investment expense
Cost-of-living	1%

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries – Males	Pub-2010 General Tables, increased 11%
General Employees and All Beneficiaries – Females	Pub-2010 General Tables, increased 21%
Teachers – Males	Pub-2010 Teacher Tables, increased 12%
Teachers – Females	Pub-2010 Teacher Tables, increased 21%
Fire & Police – Males	Pub-2010 Safety Tables, increased 21%
Fire & Police – Females	Pub-2010 Safety Tables, increased 26%
	5% of Fire and Police activity member deaths are assumed to be duty related. This assumption was adopted July 1, 2021
Disabled Members – Males	Pub-2010 Disabled Tables, increase 38%
Disabled Members – Females	Pub-2010 Disabled Tables, increased 36%

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability (Asset) as of June 30, 2025 is based on the results of an actuarial valuation date of July 1, 2025.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2025.

Fixed Income	30.00%
US/Global Equity	55.00%
International Equity	15.00%
Cash	0.00%
Total	100.00%

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.55%. 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 (asset). The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the Employer's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.55 percent, as well as what the Employer's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.55 percent) or 1-percentage-point higher (7.55 percent) than the current rate:

	1% Decrease (5.55%)	**Current Discount Rate (6.55%)**	**1% Increase (7.55%)**
Employer's proportionate share of the net pension liability (asset)	$ 260,319	$ 108,197	$ (16,083)

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.

6. RESTRICTED ASSETS

As of September 30, 2025, $145,658 was restricted for debt service.

7. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units (State of Idaho) consist of state revenue sharing of $7,518.

8. RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) worker's compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2025, was as follows:

	Balance 9/30/2024	Additions	Disposals	Balance 9/30/2025
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 115,595	$ -	$ -	$ 115,595
Capital Assets Being Depreciated:				
Buildings	862,845	-	-	862,845
Improvements	175,283	27,250	-	202,533
Equipment	240,293	15,021	-	255,314
Total Depreciable Assets	1,278,421	42,271	-	1,320,692
Less: Accumulated Depreciation				
Buildings	483,165	25,362	-	508,527
Improvements	49,244	14,032	-	63,276
Equipment	122,785	35,075	-	157,860
Total Acc. Depr.	655,194	74,469	-	729,663
Net Depreciable Assets	623,227	(32,198)	-	591,029
Governmental Activities Capital Assets – Net	$ 738,822	$ (32,198)	$ -	$ 706,624

	Balance 9/30/2024	Additions	Disposals	Balance 9/30/2025
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 3,503	$ -	$ -	$ 3,503
Total Non Deprec. Assest	3,503	-	-	3,503
Capital Assets Being Depreciated:				
Buildings	578,380	-	-	578,380
Improvements	3,661,528	-	-	3,661,528
Equipment	236,307	-	-	236,307
Total Depreciable Assets	4,476,215	-	-	4,476,215
Less: Accumulated Depreciation				
Buildings	166,397	16,479	-	182,876
Improvements	2,048,570	109,810	-	2,158,380
Equipment	92,114	23,785	-	115,899
Total Acc. Depr.	2,307,081	150,074	-	2,457,155
Net Depreciable Assets	2,169,134	(150,074)	-	2,019,060
Business-type Activities Capital Assets – Net	$ 2,172,637	$ (150,074)	$ -	$ 2,022,563

Depreciation expense was charged to the functions of the City as follows:

Governmental Activities:	
General and Administrative	$ 44,681
Highways and Streets	14,894
Parks and Recreation	14,894
	$ 74,469
Business-Type Activities:	
Water	$ 115,275
Sewer	34,799
	$ 150,074

10. LESSOR AGREEMENTS

The City leases business space known as the Donnelly Depot Center to various business owners. All leases at the Donnelly Depot Center are year to year. The city entered in to a lease with Horizon Tower, LLC for a parcel of land for their communication tower beginning in 2019. This lease is for 5 years and will automatically renew for 6 additional 5-year terms, unless agreed upon by tenant and the city per the terms of the contract.

Lease income for the year ended September 30, 2025 was $62,850.

Future lease payments expected to be received for years ending:

Future lease payments

Year Ending September 30,	Amount
2026	$17,525
	$ 17,525

11. INTERFUND TRANSFERS

Amounts transferred between funds consisted of:

Transfers	
$ 62,099	Transfer from LOT fund to General Fund
$ 62,099	

12. LONG-TERM OBLIGATIONS

Business-type Activities:

Bonds and notes payable have been issued to provide funds for water and sewer improvement projects.

Changes in long-term obligations for the year ended September 30, 2025, are as follows:

Description	Maturity	Rate	Required Reserve	9/30/2024	Increase	Decrease	9/30/2025	Current Portion
Governmental Activities:								
2021 Caterpillar	2028	7.17%	N/A	$ 63,403	$ -	$ (14,244)	$ 49,159	$ 15,265
				$ 63,403	$ -	$ (14,244)	$ 49,159	$ 15,265
Business-Type Activities								
1998 Revenue Bonds	2026	5.00%	$ 13,012	$ 24,085	$ -	$ (11,808)	$ 12,277	$ 12,277
1998 Revenue Bonds	2026	4.50%	13,349	24,853	-	(12,230)	12,623	12,623
2021 Caterpillar	2028	7.17%	N/A	34,139	-	(7,670)	26,469	8,219
USDA RD Loan	2060	1.88%	7,853	510,581	-	(10,062)	500,519	10,249
			$ 34,214	$ 593,658	$ -	$ (41,770)	$ 551,888	$ 43,368

Debt service requirements on long-term debt at September 30, 2025, are as follows:

Year Ending	Business-type Activities		Governmental Activities	
September 30,	Principal	Interest	Principal	Interest
2026	$ 43,368	$ 12,741	$ 15,265	$ 3,525
2027	19,249	10,502	16,360	2,431
2028	20,077	9,674	17,534	1,257
2029	10,836	8,797	-	-
2030	11,039	8,594	-	-
2031-2035	58,377	39,788	-	-
2036-2040	64,059	34,106	-	-
2041-2045	70,294	27,871	-	-
2046-2050	77,136	21,029	-	-
2051-2055	84,644	13,521	-	-
2056-2060	92,809	5,283	-	-
	$ 551,888	$ 191,906	$ 49,159	$ 7,213

Interest incurred on long-term obligations totaled $11,894 , all of which was expensed. No interest was capitalized during the year.

13. PRIOR PERIOD ADJUSTMENT

The City adopted GASB 101 during the year. This caused accrued sick time to be recorded on the government wide statements. This caused Net Position to be restated as follows:

	Governmental Activities
Net Position, Beginning - As Previously Stated	$ 1,440,840
Decrease in Net Position due to adoption of GASB 101	(3,664)
Net Position, Beginning - Restated	$ 1,437,176

	Business-type Activities
Net Position, Beginning - As Previously Stated	$ 1,644,793
Decrease in Net Position due to adoption of GASB 101	(2,443)
Net Position, Beginning - Restated	$ 1,642,350

REQUIRED SUPPLEMENTARY INFORMATION

City of Donnelly, Idaho
Budgetary (GAAP Basis) Comparison Schedule
General Fund
For the Year Ended September 30, 2025

	Budgeted Amounts				
	Original	Amendments	Final	Actual	Variance
Revenues					
Taxes	$ 163,607	$ -	$ 163,607	$ 150,501	$ (13,106)
Licenses and Permits	16,175	-	16,175	11,603	(4,572)
Intergovernmental	296,671	-	296,671	142,886	(153,785)
Charges for Services	11,900	-	11,900	11,723	(177)
Other	242,775	-	242,775	105,183	(137,592)
Total Revenues	731,128	-	731,128	421,896	(309,232)
Expenditures					
Current:					
General and Administrative	326,389	-	326,389	185,111	141,278
Public Safety	4,000	-	4,000	86	3,914
Roads and Streets	609,902	-	609,902	300,722	309,180
Parks and Recreation	89,038	-	89,038	28,498	60,540
Depot Expense	38,250	-	38,250	3,189	35,061
Total Expenditures	1,067,579	-	1,067,579	517,606	549,973
Excess (Deficiency) of Revenues Over Expenditures	(336,451)	-	(336,451)	(95,710)	240,741
Other Financing Sources (Uses)					
Transfers In (Out)	-	-	-	62,099	62,099
Total Other Financing Sources (Uses)	-	-	-	62,099	62,099
Net Change in Fund Balances	(336,451)	-	(336,451)	(33,611)	302,840
Fund Balances - Beginning	336,451	-	336,451	626,695	290,244
Fund Balances - Ending	$ -	$ -	$ -	$ 593,084	$ 593,084

City of Donnelly, Idaho
Budgetary (GAAP Basis) Comparison Schedule
Local Option Tax
For the Year Ended September 30, 2025

	Budgeted Amounts				
	Original	Amendments	Final	Actual	Variance
Revenues					
Taxes	$ 238,000	$ -	$ 238,000	$ 235,169	$ (2,831)
Total Revenues	238,000		238,000	235,169	(2,831)
Expenditures					
Current:					
General and Administrative	350,000	-	350,000	113,046	236,954
Total Expenditures	350,000		350,000	113,046	236,954
Excess (Deficiency) of Revenues Over Expenditures	(112,000)	-	(112,000)	122,123	234,123
Other Financing Sources (Uses)					
Transfers Out	-	-	-	(62,099)	(62,099)
Total Other Financing Sources (Uses)	-	-	-	(62,099)	(62,099)
Net Change in Fund Balances	(112,000)	-	(112,000)	60,024	172,024
Fund Balances - Beginning	112,000	-	112,000	206,100	94,100
Fund Balances - Ending	$ -	$ -	$ -	$ 266,124	$ 266,124

1. BUDGETS AND BUDGETARY ACCOUNTING

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

A. Prior to September 1, the City Clerk, Mayor, and 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.

B. Public hearings are conducted at the City Hall to obtain taxpayer comments.

C. Prior to October 1, the budget is legally enacted through passage of an ordinance.

D. The City is authorized to transfer budgeted amounts between departments within any fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for enterprise funds may also be revised in the same manner as those situations involving federal and state grants.

E. Formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue funds.

2. ACTUAL BUDGET RESULTS

BUDGETARY REVENUES

Variance – final budget to actual

The City budgeted for intergovernmental revenues based on prior experience. The City received less in grant revenue. This caused intergovernmental revenues to be under budget by $153,785.

The City budgeted pass thru income from LOT based on prior years tourism. Slower tourism year in 2025 caused other revenues to be under budget by $137,592.

Amendments – original budget to final budget

There were no amendments to the budget.

BUDGETARY EXPENDITURES

Variance – final budget to actual

The City budgets for 2 full-time employees. The City lost employees during the year. This caused The City to be under budget on General and Administrative by $14,278 and Roads and Streets by $309,180 as well as $236,954 under budget in the LOT fund.

Amendments – original budget to final budget

There were no amendments to the budget.

City of Donnelly
Schedules of Required Supplementary Information
Public Employees Retirement System of Idaho
Last 10 - Fiscal Years

Schedule of the City of Donnelly's Share of Net Pension Liability (Asset)

Year	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered-employee payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2025	0.0044743%	$ 108,197	$ 215,577	50.19%	90.89%
2024	0.0037765%	141,265	198,938	71.01%	85.54%
2023	0.0030437%	121,462	138,059	87.98%	83.83%
2022	0.0033117%	130,439	128,931	101.17%	83.09%
2021	0.0030439%	(2,404)	114,914	-2.09%	100.36%
2020	0.0031437%	73,001	108,827	67.08%	88.22%
2019	0.0045910%	52,405	150,501	34.82%	93.79%
2018	0.0046689%	68,867	147,629	46.65%	91.69%
2017	0.0051699%	81,264	157,940	51.45%	90.68%
2016	0.0048457%	98,230	157,573	62.34%	87.26%

Data reported is measured as of June 30, 2025

Schedule of the City of Donnelly's Contributions

Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contributions deficiency (excess)	City's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2025	$ 25,856	$ 25,856	$ -	$ 215,577	11.99%
2024	22,697	22,697	-	198,938	11.41%
2023	16,257	16,257	-	138,059	11.78%
2022	15,394	15,394	-	128,931	11.94%
2021	13,721	13,721	-	114,914	11.94%
2020	12,994	12,994	-	108,827	11.94%
2019	17,194	17,194	-	150,501	11.42%
2018	16,728	16,728	-	147,629	11.33%
2017	17,895	17,895	-	157,940	11.33%
2016	17,852	17,852	-	157,573	11.33%

Data reported is measured as of September 30, 2025

SUPPLEMENTAL INFORMATION

City of Donnelly, Idaho

Supplemental Schedule of Revenues by Source -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2025

	Budget	Actual	Variance
Taxes			
Property Taxes	$ 155,107	$ 142,616	$ (12,491)
Franchise Fees	8,500	7,885	(615)
Total Taxes	163,607	150,501	(13,106)
Licenses & Permits			
Licenses & Permits	2,750	3,400	650
Business License	2,250	1,750	(500)
Alcohol Permits	2,500	2,125	(375)
Catering Permits	25	25	-
Community Center Rental	500	980	480
Building Permits	7,500	2,868	(4,632)
Dog Licenses	100	15	(85)
Sign Permits	550	440	(110)
Total Licenses and Permits	16,175	11,603	(4,572)
Intergovernmental			
Grant Revenue	180,000	20,522	(159,478)
State Revenue Sharing	25,870	28,425	2,555
County Revenue Sharing	2,276	4,028	1,752
State Highway Users	19,685	20,557	872
State Liquor Fees	67,940	68,457	517
Airport Revenue	900	897	(3)
Total Intergovernmental	296,671	142,886	(153,785)
Charges for Services			
Parks and Rec Fees	11,900	11,723	(177)
Total Other	11,900	11,723	(177)
Other			
Interest Income	5,275	7,170	1,895
Depot Rental	52,250	54,500	2,250
Land Lease	10,750	11,851	1,101
Miscellaneous	174,500	31,662	(142,838)
Total Other	242,775	105,183	(137,592)
Total Revenue	$ 731,128	$ 421,896	$ (309,232)

City of Donnelly, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2025

	Budget	Actual	Variance
General and Administrative			
Personnel	$ 110,934	$ 66,043	$ 44,891
Administration	215,455	119,068	96,387
Total General and Administrative	326,389	185,111	141,278
Public Safety	4,000	86	3,914
Roads and Streets	609,902	300,722	309,180
Parks and Recreation	89,038	28,498	60,540
Depot Expenses	38,250	3,189	35,061
Total Expenditures	$ 1,067,579	$ 517,606	$ 549,973

FEDERAL REPORTS

ZJ
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor
and City Council
Donnelly, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Donnelly, Idaho, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Donnelly, Idaho's basic financial statements and have issued our report thereon dated January 27, 206.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
January 27, 2026