

**CITY OF IDAHO CITY, IDAHO**

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Report on Audited  
Basic  
Financial Statements  
and  
Supplemental Information

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For the Year Ended September 30, 2016

## Table of Contents

	<u>Page</u>
<b>Independent Auditor's Report</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	11
Statement of Net Position – Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	13
Statement of Cash Flows – Proprietary Funds	14
Notes to Financial Statements	16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary (GAAP Basis) Comparison Schedule:	
General Fund	26
Reconciliation of the Budgetary (GAAP Basis) Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	27
Roads and Streets	28
Notes to Required Supplementary Information	29
<b>SUPPLEMENTAL INFORMATION</b>	
Supplemental Schedule of Revenues by Source – Budget (GAAP Basis) and Actual – General Fund	30

	<u>Page</u>
Supplemental Schedule of Expenditures by Object of Expenditure – Budget (GAAP Basis) and Actual – General Fund	31
 <b>FEDERAL REPORTS</b>	
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 <i>Government Auditing Standards</i>	32
Schedule of Findings and Responses	34

## Independent Auditor's Report

To the City Council  
City of Idaho City, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **City of Idaho City, Idaho** (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Basis for Qualified Opinions on the Business-type Activities, the Water Fund, and the Sewer Fund***

For the business-type activities, the Water fund, and the Sewer fund, there were limitations outside of current management's control, in the form of a lack of reliable records, and inadequate software. Due to these circumstances, we were not able to obtain sufficient appropriate evidence of the utility revenues in the business-type activities, the Water fund, and the Sewer fund. Utility revenues represent 8.99%, 16.72%, and 94.05% of the business-type activities' assets, net position, and total revenues, respectively. Utility revenues represent 20.08%, 25.21%, and 97.10% of the Water fund's assets, net position, and total revenues, respectively. Utility revenues represent 26.85%, 28.85%, and 89.04% of the Sewer fund's assets, net position, and total revenues, respectively.

### ***Qualified Opinions***

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion on the Business-type Activities, the Water Fund, and Sewer Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the **City of Idaho City, Idaho** as of September 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the Water Bond fund of the **City of Idaho City, Idaho**, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison 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.

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Idaho City, Idaho’s** basic financial statements. The supplemental schedule of revenues by source – budget and actual and the supplemental schedule of expenditures by object of expenditure – budget and actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedule of revenues by source – budget and actual and the supplemental schedule of expenditures by object of expenditure – budget and actual have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2017, on our consideration of the **City of Idaho City, 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's internal control over financial reporting and compliance.

*Bailey & Co.*

Nampa, Idaho  
May 4, 2017

**City of Idaho City, Idaho**  
Statement of Net Position  
September 30, 2016

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 228,538	\$ 637,392	\$ 865,930
Property Taxes	12,068	0	12,068
Accounts Receivable	0	59,595	59,595
Due from Other Governments	46,359	152,153	198,512
<b>Total Current Assets</b>	<b>286,965</b>	<b>849,140</b>	<b>1,136,105</b>
Noncurrent Assets:			
Restricted Cash	0	27,063	27,063
Capital Assets:			
Land and Nondepreciable Assets	95,660	2,736,029	2,831,689
Buildings, Net	191,785	420,304	612,089
Equipment, Net	42,575	55,227	97,802
Improvements, Net	865,813	580,266	1,446,079
<b>Total Noncurrent Assets</b>	<b>1,195,833</b>	<b>3,818,889</b>	<b>5,014,722</b>
<b>Total Assets</b>	<b>1,482,798</b>	<b>4,668,029</b>	<b>6,150,827</b>
<b>Deferred Outflows</b>			
	0	0	0
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	6,931	157,691	164,622
Salaries and Benefits Payable	18,112	24,632	42,744
Accrued Interest	1,006	3,036	4,042
Long-term Liabilities:			
Due Within One Year:			
Compensated Absences	1,293	5,948	7,241
Bonds and Municipal Leases	7,535	19,098	26,633
Due in More than One Year:			
Bonds and Municipal Leases	23,222	1,946,303	1,969,525
<b>Total Liabilities</b>	<b>58,099</b>	<b>2,156,708</b>	<b>2,214,807</b>
<b>Deferred Inflows</b>			
	0	0	0
<b>Net Position</b>			
Net Investment in Capital Assets	1,165,076	1,826,425	2,991,501
Restricted	65,626	27,063	92,689
Unrestricted	193,997	657,833	851,830
<b>Total Net Position</b>	<b>\$ 1,424,699</b>	<b>\$ 2,511,321</b>	<b>\$ 3,936,020</b>

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

**City of Idaho City, Idaho**  
Statement of Activities  
For the Year Ended September 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Administration	\$ 135,293	\$ 18,572	\$ 242	\$ 0	\$ (116,479)	\$ 0	\$ (116,479)
Public Safety	142,925	12,887	0	0	(130,038)	0	(130,038)
Roads and Streets	34,751	0	22,000	0	(12,751)	0	(12,751)
Culture and Recreation	46,092	1,804	500	9,996	(33,792)	0	(33,792)
Interest on Long-term Debt	2,108	0	0	0	(2,108)	0	(2,108)
<b>Total Governmental Activities</b>	<b>361,169</b>	<b>33,263</b>	<b>22,742</b>	<b>9,996</b>	<b>(295,168)</b>	<b>0</b>	<b>(295,168)</b>
Business-type Activities:							
Water	232,543	276,253	0	0	0	43,710	43,710
Sewer	172,999	153,612	0	15,025	0	(4,362)	(4,362)
Water Bond	0	0	0	316,715	0	316,715	316,715
<b>Total Business-type Activities</b>	<b>405,542</b>	<b>429,865</b>	<b>0</b>	<b>331,740</b>	<b>0</b>	<b>356,063</b>	<b>356,063</b>
<b>Total Primary Government</b>	<b>\$ 766,711</b>	<b>\$ 463,128</b>	<b>\$ 22,742</b>	<b>\$ 341,736</b>	<b>(295,168)</b>	<b>356,063</b>	<b>60,895</b>
General Revenues:							
Property Taxes					125,568	0	125,568
Intergovernmental					75,380	0	75,380
Other					17,956	1,216	19,172
Unrestricted Investment Earnings					2	316	318
<b>Total General Revenues and Special Items</b>					<b>218,906</b>	<b>1,532</b>	<b>220,438</b>
Change in Net Position					(76,262)	357,595	281,333
Net Position - Beginning					1,500,961	2,153,726	3,654,687
Net Position - Ending					<b>\$ 1,424,699</b>	<b>\$ 2,511,321</b>	<b>\$ 3,936,020</b>

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



**City of Idaho City, Idaho**  
 Balance Sheet -  
 Governmental Funds  
 September 30, 2016

	General	Roads and Streets	Total Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 199,646	\$ 28,892	\$ 228,538
Property Taxes Receivable, Net	8,936	3,132	12,068
Due from Other Governments	8,703	37,656	46,359
Total Assets	<u>217,285</u>	<u>69,680</u>	<u>286,965</u>
<b>Deferred Outflows</b>			
	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 217,285</u>	<u>\$ 69,680</u>	<u>\$ 286,965</u>
<b>Liabilities</b>			
Accounts Payable	\$ 5,391	\$ 1,540	\$ 6,931
Salaries and Benefits Payable	15,598	2,514	18,112
Total Liabilities	<u>20,989</u>	<u>4,054</u>	<u>25,043</u>
<b>Deferred Inflows</b>			
Unavailable Property Taxes	<u>6,944</u>	<u>2,546</u>	<u>9,490</u>
<b>Fund Balances</b>			
Restricted	0	63,080	63,080
Unassigned	189,352	0	189,352
Total Fund Balances	<u>189,352</u>	<u>63,080</u>	<u>252,432</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 217,285</u>	<u>\$ 69,680</u>	<u>\$ 286,965</u>

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

**City of Idaho City, Idaho**  
 Reconciliation of the Balance Sheet of the Governmental Funds  
 to the Statement of Net Position  
 September 30, 2016

Total Fund Balances - Governmental Funds	\$	252,432
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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. Capital assets consist of the following:

Land and Nondepreciable Infrastructure	\$	95,660	
Buildings, Net of \$393,207 Accumulated Depreciation		191,785	
Improvements, Net of \$349,887 Accumulated Depreciation		865,813	
Equipment, Net of \$106,373 Accumulated Depreciation		<u>42,575</u>	
			1,195,833

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period expenditures, and therefore, are deferred in the fund statements.		9,490
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Accrued Interest		(1,006)	
Municipal Leases		(30,757)	
Compensated Absences		<u>(1,293)</u>	
			<u>(33,056)</u>

Net Position of Governmental Activities	\$	<u><u>1,424,699</u></u>
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The accompanying notes are an integral  
 part of the financial statements.

**City of Idaho City, Idaho**  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Governmental Funds  
For the Year Ended September 30, 2016

	General	Roads and Streets	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$ 95,791	\$ 31,097	\$ 126,888
Licenses and Permits	9,882	0	9,882
Rent	3,304	0	3,304
Intergovernmental	53,675	21,705	75,380
Interest	2	0	2
Other	48,771	22,000	70,771
<b>Total Revenues</b>	<b>211,425</b>	<b>74,802</b>	<b>286,227</b>
<b>Expenditures</b>			
Current:			
General Administration	111,402	0	111,402
Public Safety	128,547	0	128,547
Roads and Streets	0	34,011	34,011
Culture and Recreation	5,119	0	5,119
Debt Service:			
Principal	6,669	671	7,340
Interest	1,820	288	2,108
Capital Outlay	12,144	8,711	20,855
<b>Total Expenditures</b>	<b>265,701</b>	<b>43,681</b>	<b>309,382</b>
<b>Net Change in Fund Balances</b>	<b>(54,276)</b>	<b>31,121</b>	<b>(23,155)</b>
Fund Balances - Beginning	243,628	31,959	275,587
Fund Balances - Ending	<u>\$ 189,352</u>	<u>\$ 63,080</u>	<u>\$ 252,432</u>

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

**City of Idaho City, 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, 2016

Total Net Change in Fund Balance - Governmental Funds	\$	(23,155)
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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. The amounts in the current year consist of:

Depreciation		(59,209)
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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 unavailable property taxes. They are, however, recorded as revenues in the Statement of Activities.		(1,320)
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Repayment of municipal leases is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position. Accrued interest is also not a current financial use and does not affect fund balance but is reported in the government-wide statements.

Principal Payments		7,340
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This requires an adjustment in the following accounts:

Compensated Absences		<u>82</u>
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Change in Net Position of Governmental Activities	\$	<u><u>(76,262)</u></u>
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The accompanying notes are an integral  
 part of the financial statements.

**City of Idaho City, Idaho**  
Statement of Net Position -  
Proprietary Funds  
September 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 630,038	\$ 7,354	\$ 0	\$ 637,392
Accounts Receivable, Net	31,800	27,795	0	59,595
Due From Other Governments	0	10,609	141,544	152,153
Internal Balances	64,141	0	0	64,141
<b>Total Current Assets</b>	<b>725,979</b>	<b>45,758</b>	<b>141,544</b>	<b>913,281</b>
Noncurrent Assets:				
Restricted Cash	27,063	0	0	27,063
Land and Nondepreciable Assets	12,304	34,863	2,688,862	2,736,029
Depreciable Assets, Net	575,487	480,310	0	1,055,797
<b>Total Noncurrent Assets</b>	<b>614,854</b>	<b>515,173</b>	<b>2,688,862</b>	<b>3,818,889</b>
<b>Total Assets</b>	<b>1,340,833</b>	<b>560,931</b>	<b>2,830,406</b>	<b>4,732,170</b>
<b>Deferred Outflows</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	4,271	5,754	147,666	157,691
Salaries and Benefits Payable	12,321	12,311	0	24,632
Internal Balances	0	0	64,141	64,141
Accrued Interest	3,036	0	0	3,036
Compensated Absences	2,974	2,974	0	5,948
Lease Payable	1,392	1,392	0	2,784
Bonds Payable	16,314	0	0	16,314
<b>Total Current Liabilities</b>	<b>40,308</b>	<b>22,431</b>	<b>211,807</b>	<b>274,546</b>
Noncurrent Liabilities:				
Lease Payable	16,534	16,533	0	33,067
Bonds Payable	215,852	0	1,697,384	1,913,236
<b>Total Liabilities</b>	<b>272,694</b>	<b>38,964</b>	<b>1,909,191</b>	<b>2,220,849</b>
<b>Deferred Inflows</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Position</b>				
Net Investment in Capital Assets	337,699	497,248	991,478	1,826,425
Restricted for Debt Service	27,063	0	0	27,063
Unrestricted	703,377	24,719	(70,263)	657,833
<b>Total Net Position</b>	<b>\$ 1,068,139</b>	<b>\$ 521,967</b>	<b>\$ 921,215</b>	<b>\$ 2,511,321</b>

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

**City of Idaho City, Idaho**  
Statement of Revenues, Expenses, and Changes  
in Fund Net Position - Proprietary Funds  
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
<b>Operating Revenues</b>				
Charges for Services	\$ 276,253	\$ 153,612	\$ 0	\$ 429,865
Other Revenue	851	365	0	1,216
<b>Total Operating Revenues</b>	<u>277,104</u>	<u>153,977</u>	<u>0</u>	<u>431,081</u>
<b>Operating Expenses</b>				
Personnel Services	59,311	59,886	0	119,197
Personnel Benefits	25,284	25,288	0	50,572
Legal and Professional	14,677	17,979	0	32,656
Supplies	6,472	8,347	0	14,819
Utilities	15,459	7,079	0	22,538
Insurance	4,309	4,309	0	8,618
Other Services and Charges	6,950	5,015	0	11,965
Repairs and Maintenance	31,315	10,776	0	42,091
Depreciation	56,729	33,554	0	90,283
<b>Total Operating Expenses</b>	<u>220,506</u>	<u>172,233</u>	<u>0</u>	<u>392,739</u>
<b>Operating Income (Loss)</b>	<u>56,598</u>	<u>(18,256)</u>	<u>0</u>	<u>38,342</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Earnings	184	132	0	316
Interest Expense	(12,037)	(766)	0	(12,803)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(11,853)</u>	<u>(634)</u>	<u>0</u>	<u>(12,487)</u>
<b>Income (Loss) Before Transfers</b>	<u>44,745</u>	<u>(18,890)</u>	<u>0</u>	<u>25,855</u>
<b>Transfers and Capital Contributions</b>				
Capital Contributions	0	15,025	316,715	331,740
<b>Net Transfers and Capital Contributions</b>	<u>0</u>	<u>15,025</u>	<u>316,715</u>	<u>331,740</u>
<b>Change in Net Position</b>	44,745	(3,865)	316,715	357,595
Net Position - Beginning	1,023,394	525,832	604,500	2,153,726
<b>Net Position - Ending</b>	<u>\$ 1,068,139</u>	<u>\$ 521,967</u>	<u>\$ 921,215</u>	<u>\$ 2,511,321</u>

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

**City of Idaho City, Idaho**  
**Statement of Cash Flows -**  
**Proprietary Funds**  
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
<b>Cash Flows From Operating Activities</b>				
Cash Receipts From Customers	\$ 299,284	\$ 158,066	\$ 0	\$ 457,350
Other Cash Receipts	851	365	0	1,216
Payments to Employees for Services	(86,993)	(87,579)	0	(174,572)
Payments to Suppliers for Goods or Services	(76,035)	(48,406)	0	(124,441)
Net Cash Provided (Used) by Operating Activities	<u>137,107</u>	<u>22,446</u>	<u>0</u>	<u>159,553</u>
<b>Cash Flows From Noncapital Financing Activities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases and Construction of Capital Assets	0	(31,646)	(393,396)	(425,042)
Capital Contributions	0	4,416	206,737	211,153
Debt Proceeds	0	0	144,094	144,094
Principal Paid on Capital Debt	(17,395)	(1,791)	0	(19,186)
Interest Paid on Capital Debt	(12,225)	(766)	0	(12,991)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(29,620)</u>	<u>(29,787)</u>	<u>(42,565)</u>	<u>(101,972)</u>
<b>Cash Flows From Investing Activities</b>				
Interest and Dividends	<u>184</u>	<u>132</u>	<u>0</u>	<u>316</u>
Net Change in Cash and Cash Equivalents	107,671	(7,209)	(42,565)	57,897
<b>Cash and Cash Equivalents - Beginning</b>	<u>613,571</u>	<u>14,563</u>	<u>(21,576)</u>	<u>606,558</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 721,242</u>	<u>\$ 7,354</u>	<u>\$ (64,141)</u>	<u>\$ 664,455</u>
<b>Displayed As:</b>				
Cash and Cash Equivalents	\$ 630,038	\$ 7,354	\$ 0	\$ 637,392
Restricted Cash	27,063	0	0	27,063
Internal Balances	64,141	0	(64,141)	0
	<u>\$ 721,242</u>	<u>\$ 7,354</u>	<u>\$ (64,141)</u>	<u>\$ 664,455</u>
<b>Schedule of Noncash Transactions:</b>				
Construction in progress incurred but not yet paid for	\$ 0	\$ 0	\$ 147,666	\$ 147,666
Capital contributions not yet received	\$ 0	\$ 10,609	\$ 141,544	\$ 152,153

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

**City of Idaho City, Idaho**  
Statement of Cash Flows -  
Proprietary Funds (continued)  
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 56,598	\$ (18,256)	\$ 0	\$ 38,342
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	56,729	33,554	0	90,283
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	23,031	4,454	0	27,485
(Increase) Decrease in Prepaid Items	154	154	0	308
Increase (Decrease) in Accounts Payable	2,993	4,945	0	7,938
Increase (Decrease) in Salaries and Benefits Payable	12	5	0	17
Increase (Decrease) in Compensated Absences	(2,410)	(2,410)	0	(4,820)
Net Cash Provided (Used) by Operating Activities	<u>\$ 137,107</u>	<u>\$ 22,446</u>	<u>\$ 0</u>	<u>\$ 159,553</u>

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



**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the **City of Idaho City, Idaho** (the City), which has responsibility and control over all activities related to public safety; roads, streets, and parks; 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 by the Governmental Accounting Standards Board.

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. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each 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 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) 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.

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.
- *Roads and Streets fund.* This fund accounts for the activities related to the City's roads and streets.

**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City reports 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 operations and collections of the City's sewer system.
- *Water Bond Fund.* This fund accounts for the activities of the City's water bond project.

Basis of Accounting

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, intergovernmental revenues, 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. Intergovernmental revenues are recognized in the period of collection by other agencies.

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 Balance Sheet:

- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The remaining fund balance classifications (nonspendable, committed, and assigned) are either not applicable or no formal policy has 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 balance available for use. It is the City'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

The City requires all cash belonging to the City to be placed in custody of the Clerk. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. Cash and cash equivalents are defined as investments with an original maturity of one year or less, and those funds in the local government investment pool. See Note 2.

Property Tax Calendar

The City levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July. Property taxes are due in two installments on December 20 and June 20 and 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:

**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Buildings and Improvements	\$ 5,000	Straight-Line	15 - 40 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 2003.

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

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.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2016, the carrying amount of the City's deposits was \$815,095 and the respective bank balances totaled \$893,861. \$276,155 of the total bank balance was insured or collateralized with pooled 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, 2016, \$617,706 of the City's deposits were not 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 exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk for deposits.

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.

**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

2. CASH AND INVESTMENTS (continued)

Investments

The City voluntarily participates in the State of Idaho Investment Pool which has not been 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's cost in the pool also approximates fair value. 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, 2016, are summarized below:

Investment	Cost/Fair Value	Maturity (in Years)
		Less than 1
External Investment Pool	\$ 77,898	\$ 77,898

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	\$ 226,113	\$ 588,982
Investments categorized as deposits	2,425	75,473	77,898
	\$ 228,538	\$ 664,455	\$ 892,993

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units (State of Idaho) consist of a DEQ capital contribution of \$9,212, a DEQ Water Facility grant of \$10,609, a CDBG from the Department of Commerce of \$132,332, highway revenue tax of \$37,656, liquor apportionment of \$3,642, and state revenue sharing of \$5,062 for a total of \$198,513.

4. 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.

**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

5. COMPENSATED ABSENCES

Vacation leave is granted to all regular City employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. Changes in compensated absences for the year ended September 30, 2016, are as follows:

	10/1/2015	Increase	Decrease	9/30/2016	Current Portion
Governmental Activities	\$ 1,375	\$ 3,637	\$ (3,719)	\$ 1,293	\$ 1,293
Business-type Activities	10,768	11,662	(16,482)	5,948	5,948
	<u>\$ 12,143</u>	<u>\$ 15,299</u>	<u>\$ (20,201)</u>	<u>\$ 7,241</u>	<u>\$ 7,241</u>

6. LONG-TERM OBLIGATIONS

The City leases buildings and improvements under long term lease agreements. Certain leases have been recorded as municipal leases and others as operating leases. The municipal leases consist of a loader that is split between the funds and a police vehicle. The cost and related depreciation are as follows:

Equipment	\$ 120,692
Less: accumulated amortization (included as depreciation on the accompanying financial statements)	<u>(27,014)</u>
	<u>\$ 93,678</u>

Notes payable have also been issued to provide funds for sewer projects. A new loan was entered into with DEQ during the 2012 fiscal year. As of September 30, 2016, \$2,319,654 had been drawn down with \$622,270 considered forgiven, leaving a net draw down of \$1,697,384. Of the total forgiven debt, \$70,460 was forgiven in fiscal year 2016 and another \$9,212 is in receivables for a total of \$79,672 shown as a capital contribution. Payments will be biannual installments over 30 years, at 0% interest.

A summary of long-term debt activity for the year ended September 30, 2016, are as follows:

Governmental Activities:	Maturity	Rate	Required Reserve	Required	Increase	Decrease	9/30/2016	Current Portion	
				10/1/2015					
Tahoe Lease	2019	5.94%	N/A	\$ 28,240	\$ 0	\$ (6,445)	\$ 21,795	\$ 6,839	
Backhoe Lease - (20% split)	2020	4.00%	N/A	9,857	0	(895)	8,962	696	
				<u>\$ 38,097</u>	<u>\$ 0</u>	<u>\$ (7,340)</u>	<u>\$ 30,757</u>	<u>\$ 7,535</u>	
Business-type Activities:									
Backhoe Lease - (80% split)	2020	4.00%	N/A	\$ 39,433	\$ 0	\$ (3,582)	\$ 35,851	\$ 2,784	
N/P Water - RD 06	2026	4.50%	\$17,272	147,276	0	(10,649)	136,627	11,120	
N/P Water - RD 08	2023	5.25%	2,142	12,643	0	(1,477)	11,166	1,555	
N/P Water - RD 09	2032	4.75%	7,649	87,851	0	(3,478)	84,373	3,639	
N/P Water Improvement - DEQ	N/A	N/A	N/A	1,553,290	144,094	0	1,697,384	0	
				<u>\$27,063</u>	<u>\$1,840,493</u>	<u>\$144,094</u>	<u>\$ (19,186)</u>	<u>\$1,965,401</u>	<u>\$19,098</u>

**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

6. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at September 30, 2016, are as follows:

Governmental Activities:

Year Ending September 30,	Municipal Leases		
	Principal	Interest	Total
2017	\$ 7,535	\$ 1,594	\$ 9,129
2018	8,217	1,230	9,447
2019	8,699	748	9,447
2020	6,306	22	6,328
	\$ 30,757	\$ 3,594	\$ 34,351

Business-type Activities:

Year Ending September 30,	Bonds and Notes			Municipal Leases		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 16,314	\$ 10,749	\$ 27,063	\$ 2,784	\$ 1,051	\$ 3,835
2018	17,069	9,994	27,063	3,844	1,270	5,114
2019	17,859	9,204	27,063	4,000	1,113	5,113
2020	18,663	8,400	27,063	25,223	85	25,308
2021	19,550	7,513	27,063			
2022-2026	103,558	23,775	127,333			
2027-2031	31,812	6,433	38,245			
2032	7,341	251	7,592			
	\$ 232,166	\$ 76,319	\$ 308,485	\$ 35,851	\$ 3,519	\$ 39,370

The amount of interest incurred on long term obligations for the year ending September 30, 2016, for business-type activities was \$12,803.

7. LEASE COMMITMENTS

The City began leasing a copier under an operating lease in September 2015. The lease is for 60 months at \$190/mo. Future minimum lease payments are as follows:

Year Ending September 30,	Amount
2017	\$ 2,280
2018	2,280
2019	2,280
2020	2,090
	\$ 8,930

Lease expenditures for the year ended September 30, 2016, totaled \$2,488.

**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

8. LEASE REVENUE

The City of Idaho City leases a building to an independent taxing district and political division of the State of Idaho. The lease agreement will expire in February 2019. The lease may be renewed pending a new lease agreement between the City and the lessee. Another lease exists between the City and Idaho Power for the lease of a storage shed. This is a year-to-year lease.

Lease payments to the City were \$1,500 in fiscal year 2016. Future minimum lease revenues are shown below:

Year Ending September 30,	Amount
2017	\$ 1,000
2018	1,000
2019	333
	<u>\$ 2,333</u>

The cost and carrying amount of the leased building is shown below:

Cost	\$ 60,000
Accumulated Depreciation	<u>(60,000)</u>
Carrying Amount	<u>\$ 0</u>

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2016, was as follows:

	10/1/2015	Additions	Disposals	9/30/2016
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 95,660	\$ 0	\$ 0	\$ 95,660
Capital Assets Being Depreciated:				
Buildings	584,992	0	0	584,992
Improvements	1,215,700	0	0	1,215,700
Equipment	148,948	0	0	148,948
Total Historical Cost	<u>1,949,640</u>	<u>0</u>	<u>0</u>	<u>1,949,640</u>
Less: Accumulated Depreciation				
Buildings	381,727	11,480	0	393,207
Improvements	310,263	39,624	0	349,887
Equipment	98,268	8,105	0	106,373
Total Acc. Depr.	<u>790,258</u>	<u>59,209</u>	<u>0</u>	<u>849,467</u>
Net Depreciable Assets	<u>1,159,382</u>	<u>(59,209)</u>	<u>0</u>	<u>1,100,173</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 1,255,042</u>	<u>\$ (59,209)</u>	<u>\$ 0</u>	<u>\$ 1,195,833</u>



**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

9. CAPITAL ASSETS (continued)

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

General Administration	\$ 3,118
Public Safety	14,378
Roads and Streets	740
Culture and Recreation	40,973
	\$ 59,209

	10/1/2015	Additions	Disposals	9/30/2016
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 71,741	\$ 0	\$ 0	\$ 71,741
Construction in Progress	2,217,395	446,893	0	2,664,288
	2,289,136	446,893	0	2,736,029
Capital Assets Being Depreciated:				
Buildings	1,817,673	0	0	1,817,673
Improvements	1,300,152	0	0	1,300,152
Equipment	129,997	0	0	129,997
Total Historical Cost	3,247,822	0	0	3,247,822
Less: Accumulated Depreciation				
Buildings	1,353,091	44,278	0	1,397,369
Improvements	678,134	41,752	0	719,886
Equipment	70,517	4,253	0	74,770
Total Acc. Depr.	2,101,742	90,283	0	2,192,025
Net Depreciable Assets	1,146,080	(90,283)	0	1,055,797
Business-type Activities - Net	\$ 3,435,216	\$ 356,610	\$ 0	\$ 3,791,826

Depreciation expense was charged to the business-type activities of the City as follows:

Water	\$ 56,729
Sewer	33,554
	\$ 90,283

10. INTERNAL BALANCES

Balances due to/from other funds at September 30, 2016, consist of the following:

\$ 64,141 Due to the Water fund from the Water Bond fund, representing cash overdrafts.

**City of Idaho City, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

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11. SUBSEQUENT EVENTS

The City's fire department will become its own taxing district in fiscal year 2017 and will no longer be a part of the City.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Idaho City, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 General Fund  
 For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 97,261	\$ 97,261	\$ 95,791	\$ (1,470)
Licenses and Permits	7,975	7,975	9,882	1,907
Rents	4,000	4,000	3,304	(696)
Intergovernmental	45,836	45,836	53,675	7,839
Interest	250	250	2	(248)
Other	44,675	44,675	48,271	3,596
<b>Total Revenues</b>	<u>199,997</u>	<u>199,997</u>	<u>210,925</u>	<u>10,928</u>
<b>Expenditures</b>				
Current:				
General Administration	65,026	65,026	111,402	(46,376)
Public Safety	103,895	103,895	128,547	(24,652)
Debt Service:				
Principal	6,669	6,669	6,669	0
Interest	1,820	1,820	1,820	0
Capital Outlay	9,927	9,927	12,144	(2,217)
<b>Total Expenditures</b>	<u>187,337</u>	<u>187,337</u>	<u>260,582</u>	<u>(73,245)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
	<u>12,660</u>	<u>12,660</u>	<u>(49,657)</u>	<u>(62,317)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(8,000)	(8,000)	0	8,000
<b>Total Other Financing Sources (Uses)</b>	<u>(8,000)</u>	<u>(8,000)</u>	<u>0</u>	<u>8,000</u>
<b>Net Change in Fund Balances</b>	4,660	4,660	(49,657)	(54,317)
Fund Balances - Beginning	(4,660)	(4,660)	239,629	244,289
<b>Fund Balances - Ending</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 189,972</u>	<u>\$ 189,972</u>

**City of Idaho City, Idaho**  
 Reconciliation of the Budgetary (GAAP Basis) Comparison Schedule to the  
 Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund  
 For the Year Ended September 30, 2016

	General	Culture and Recreation	Total
<b>Revenues</b>			
Property Taxes	\$ 95,791	\$ 0	\$ 95,791
Licenses and Permits	9,882	0	9,882
Rents	3,304	0	3,304
Intergovernmental	53,675	0	53,675
Interest	2	0	2
Other	48,271	500	48,771
<b>Total Revenues</b>	<u>210,925</u>	<u>500</u>	<u>211,425</u>
<b>Expenditures</b>			
Current:			
General Administration	111,402	0	111,402
Public Safety	128,547	0	128,547
Culture and Recreation	0	5,119	5,119
Debt Service:			
Principal	6,669	0	6,669
Interest	1,820	0	1,820
Capital Outlay	12,144	0	12,144
<b>Total Expenditures</b>	<u>260,582</u>	<u>5,119</u>	<u>265,701</u>
 Net Change in Fund Balances	 (49,657)	 (4,619)	 (54,276)
 Fund Balances - Beginning	 239,629	 3,999	 243,628
Fund Balances - Ending	<u>\$ 189,972</u>	<u>\$ (620)</u>	<u>\$ 189,352</u>

**City of Idaho City, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Roads and Streets  
 For the Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 32,305	\$ 32,305	\$ 31,097	\$ (1,208)
Intergovernmental	19,463	19,463	21,705	2,242
Grants and Contributions	0	0	22,000	22,000
Total Revenues	<u>51,768</u>	<u>51,768</u>	<u>74,802</u>	<u>23,034</u>
<b>Expenditures</b>				
Current:				
Personnel Services	19,902	19,902	15,088	4,814
Supplies and Other Charges	23,440	23,440	18,923	4,517
Debt Service:				
Principal	671	671	671	0
Interest	316	316	288	28
Capital Outlay	21,000	21,000	8,711	12,289
Total Expenditures	<u>65,329</u>	<u>65,329</u>	<u>43,681</u>	<u>21,648</u>
Net Change in Fund Balances	(13,561)	(13,561)	31,121	44,682
Fund Balances - Beginning	13,561	13,561	31,959	18,398
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,080</u>	<u>\$ 63,080</u>

**City of Idaho City, Idaho**  
Notes to Required Supplementary Information  
For the Year Ended September 30, 2016

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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. **RECONCILIATION TO FUND STATEMENT**

The City accounts for Culture and Recreation as a separate fund. According to the Governmental Accounting Standards Board, Culture and Recreation does not meet the requirements to be considered a special revenue fund. Therefore, in the fund statements, Culture and Recreation is included in the General fund. The City has provided a reconciliation on page 27 to show how these funds were combined.

3. **EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Expenditures were in excess of appropriations in the General fund by \$73,245. This was a result of not amending the budget for additional revenues and the corresponding expenses.

**SUPPLEMENTAL INFORMATION**



**City of Idaho City, Idaho**  
Supplemental Schedule of Revenues by Source -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended September 30, 2016

	Budget	Actual	Variance
<b>Taxes</b>			
Property Taxes	\$ 93,761	\$ 94,063	\$ 302
Penalties and Interest	3,500	1,728	(1,772)
<b>Total Taxes</b>	<u>97,261</u>	<u>95,791</u>	<u>(1,470)</u>
<b>Licenses and Permits</b>			
Beer Licenses	890	195	(695)
Liquor Licenses	675	1,745	1,070
Wine Licenses	600	225	(375)
Business Licenses	2,800	2,560	(240)
Building Permits	1,000	2,910	1,910
Vendor Permits	1,000	435	(565)
Catering Permits	160	160	0
Animal Licenses	700	1,150	450
Copy Fees	150	502	352
<b>Total Licenses and Permits</b>	<u>7,975</u>	<u>9,882</u>	<u>1,907</u>
<b>Rents</b>	<u>4,000</u>	<u>3,304</u>	<u>(696)</u>
<b>Intergovernmental</b>			
State Liquor Apportionment	18,000	18,449	449
Court Revenue	2,000	7,592	5,592
State Sales Tax	8,890	9,417	527
State Revenue Sharing	16,946	18,217	1,271
<b>Total Intergovernmental</b>	<u>45,836</u>	<u>53,675</u>	<u>7,839</u>
<b>Interest Earned</b>	<u>250</u>	<u>2</u>	<u>(248)</u>
<b>Other</b>			
Cemetery Lots	900	500	(400)
Franchise Fees	5,000	6,690	1,690
Donations	1,725	242	(1,483)
Grants	5,500	9,996	4,496
Fire Department Revenue	27,000	12,887	(14,113)
Other	4,550	17,956	13,406
<b>Total Other</b>	<u>44,675</u>	<u>48,271</u>	<u>3,596</u>
<b>Total Revenue</b>	<u>\$ 199,997</u>	<u>\$ 210,925</u>	<u>\$ 10,928</u>

**City of Idaho City, Idaho**  
Supplemental Schedule of Expenditures by Object of Expenditure -  
Budget (GAAP Basis) and Actual - General Fund  
For the Year Ended September 30, 2016

	Budget	Actual	Variance
<b>General Administration</b>			
Personnel Services	\$ 24,380	\$ 26,449	\$ (2,069)
Personnel Benefits	7,396	37,079	(29,683)
Legal and Professional	1,850	7,440	(5,590)
Supplies	2,150	1,586	564
Utilities	7,000	7,164	(164)
Insurance	2,100	716	1,384
Other Services and Charges	11,100	25,119	(14,019)
Repairs and Maintenance	8,900	5,849	3,051
Election	150	0	150
Capital Outlay	2,896	3,504	(608)
Total General Administration	<u>67,922</u>	<u>114,906</u>	<u>(46,984)</u>
<b>Public Safety</b>			
Law Enforcement			
Personnel Services	53,591	71,377	(17,786)
Personnel Benefits	14,594	11,896	2,698
Supplies	350	80	270
Insurance	2,660	2,925	(265)
Other Services and Charges	5,200	6,426	(1,226)
Repairs and Maintenance	500	1,787	(1,287)
Capital Outlay	7,031	8,640	(1,609)
Total Law Enforcement	<u>83,926</u>	<u>103,131</u>	<u>(19,205)</u>
Fire Department			
Personnel Services	1,258	1,265	(7)
Personnel Benefits	318	172	146
Supplies	800	69	731
Utilities	3,800	2,164	1,636
Other Services and Charges	15,824	27,447	(11,623)
Repairs and Maintenance	5,000	2,939	2,061
Total Fire Department	<u>27,000</u>	<u>34,056</u>	<u>(7,056)</u>
Total Public Safety	<u>110,926</u>	<u>137,187</u>	<u>(26,261)</u>
<b>Debt Service</b>			
Principal	6,669	6,669	0
Interest	1,820	1,820	0
Total Debt Service	<u>8,489</u>	<u>8,489</u>	<u>0</u>
<b>Other Financing Uses</b>			
Transfers Out	<u>8,000</u>	<u>0</u>	<u>8,000</u>
Total Expenditures	<u>\$ 195,337</u>	<u>\$ 260,582</u>	<u>\$ (65,245)</u>

**FEDERAL REPORTS**

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

To the City Council  
City of Idaho City, 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, and each major fund of the **City of Idaho City, Idaho**, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statement and have issued our report thereon dated May 4, 2017.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2016-001, 2016-002].

*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. We consider the deficiency described in the accompany schedule of findings and responses to be a significant deficiency [2016-003].

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the **City of Idaho City, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-003 and 2016-004.

### **City of Idaho City, Idaho's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Bailey & Co.*

Nampa, Idaho  
May 4, 2017

**City of Idaho City, Idaho**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2016

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2016-001: Segregation of Duties

*Condition:* The City Clerk performed duties that involved recording, custody, and authorization.

*Effect:* This resulted in bank reconciliations not being performed timely, late filings of reports and payments, untimely deposits, potentially misappropriated City funds, potentially unauthorized account write-offs, and possible other unidentified issues.

*Cause:* This was a result of staffing limitations common to cities of this size.

*Criteria:* A proper system of internal control includes a segregation of duties among management and staff involving custody, e.g. those who receive payments, write checks, make deposits, etc.; recording, e.g. those who make entries into receipt booklets, entries into the accounting system, etc.; and authorization, e.g. those who perform oversight and reconciliations, provide approvals, etc.

*Recommendation:* We recommend that duties are separated wherever possible, duties are performed timely, and the Mayor and City Council provide additional oversight.

*Views of Responsible Officials:* The City is currently working on a policy for procedures in all departments to segregate duties. Considering the City has one full-time clerk and one part-time deputy clerk, the segregation of duties is divided up to the best of their ability. However, the Council and Mayor have taken on a larger role in overseeing these duties. Workshops have been provided to the Council and Mayor explaining their larger role in overseeing duties performed by the clerk and office personnel.

2016-002: Utility Revenues

*Condition:* Total amounts shown as billed (net of adjustments) in the utility billing system did not tie to the utility revenues in the general ledger system. No evidence was found of approval for account adjustments. Collections of utility revenue shown in the utility system were difficult to tie back to receipt records or could not be tied back to receipt records. Little evidence could be found that the input of the meter readings were being checked for errors. The software used for the utility billings also does not allow historical reports to be printed in order to see if the printed records done at the time of the billings still match the system.

*Effect:* Results of our testing could not definitively prove misappropriation of funds but suggests this could have been the case. The condition of the utility billing records likely resulted in several account write-offs that may not have occurred otherwise.

*Cause:* This was a result of the lack of segregation of duties and the City's financial software is also very outdated.

*Criteria:* Processes and controls in place for tracking utility revenues should provide sufficient appropriate evidence that would verify the existence, completeness, accuracy, cutoff, and the City's right to such revenues.

*Recommendation:* We recommend that the final utility billing report for each month, as well as all adjustments, and collections, is reviewed and initialed by a Council member or the Mayor. We also recommend that a second person review the input of the meter readings and initial and date their review.

*Views of Responsible Officials:* Utility billings are now being done in a timely manner (billing out before the 5th of the month), allowing citizens to stay current on payments. The City is also now able to accept credit and debit cards through Access Idaho, again allowing for payments to stay current. These payments are entered into the proper water accounts in a timely manner. Accounts that are past due and in noncompliance with Idaho City 9-1-29C and 9-2-31C are followed through with contacts negotiated with the customer. These are brought to the Council's attention on a monthly basis. The City Clerk will take on the recommendation to have a Council member

**City of Idaho City, Idaho**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2016

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or Mayor review and initial the accounts past due and in contract with the City. Any adjustments the clerk has made to an account are currently being reviewed and signed by a Council member. The City Clerk will take on the recommendation of having a second person review the meter readings and initial and date.

For cash receipts, the deputy clerk has been receiving monies as they come into the office and providing receipts for those monies. Deposits are done in a timely manner, coinciding with the monies brought in. The City now has an electronic deposit set up through US Bank to insure these deposits are done on a regular basis. Any cash monies brought into the City are done through a separate deposit and sent to town with the City's Chief of Police, allowing these deposits to be done on a regular basis. This will keep the cash on hand down to a minimum for safety and reliability.

2016-003: Payroll Compliance

*Condition:* Several payroll reports and taxes were filed and paid late.

*Effect:* This resulted in penalties and interest imposed by the IRS and the Idaho State Tax Commission.

*Cause:* This was due to a lack of proper segregation of duties and oversight.

*Criteria:* Payroll reports and taxes are to be filed and paid by their due dates.

*Recommendation:* Payroll reports and taxes need to be filed and paid on time. The Mayor and City Council should provide additional oversight to ensure this is happening and that the individuals who are responsible for these duties are knowledgeable about the filing and payment requirements related to payroll.

*Views of Responsible Officials:* The City Clerk has set up a schedule to pay all taxes and retirement bi-weekly to insure no late fees or cancellations are incurred. Payments are now made electronically. The City Council and Mayor are now provided with a monthly calendar of all reports required from the City. This will provide the Council and Mayor the proper proof of such reports being done on time.

2016-004: Budget Compliance

*Condition:* Expenditures in the General fund exceeded appropriations by \$73,245.

*Effect:* The State of Idaho could impose a liability on the responsible officials for the violation.

*Cause:* This was a result of not amending the budget for unexpected revenues and the corresponding expenditures.

*Criteria:* Idaho Code Section 50-1006 requires that the City's actual expenditures not exceed appropriations.

*Recommendation:* The City should monitor their budget to actual throughout the year and amend the budget as necessary. If the City enters into a transaction that they are unaware of the proper accounting and/or legal treatment, they should consult with experts about the matter.

*Views of Responsible Officials:* A new Mayor and City Clerk were appointed halfway through this 2016 fiscal year. It has taken most of that fiscal year and this 2017 fiscal year to catch up on bank reconciliations that were not being performed timely, late filings of reports and payments, untimely deposits, finding potentially misappropriated City funds, finding potentially unauthorized account write-offs, and possible other unidentified issues. Monthly and quarterly reports are now provided to the Council and Mayor by the City Clerk. The City has implemented many new procedures (recommended by previous audits done this year). This has allowed for the Council and Mayor to closely monitor all areas in the City's financials and budget and amend as necessary. At the conclusion of the 2016 audit, the City plans to amend the 2017 budget with the up to date financial reports and findings.