

CITY OF IDAHO CITY, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2020

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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 City of Idaho City, Idaho (the City), as of and for the year ended September 30, 2020, 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
General Fund	Unmodified
Roads and Streets Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified

Basis for Qualified Opinions on Governmental Activities, Business-type Activities, Water Fund, and Sewer Fund

Management has not performed or contracted to perform the actuarial calculations for other post-employment benefits and, accordingly, has not considered the City's other post-employment benefit liability. Accounting principles general accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would initially decrease net position, increase liabilities, and increase expenses in each of the affected opinion units. The amount by which this departure would affect net position, liabilities, and expenses in the affected opinion units is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities, Business-type Activities, Water Fund, and Sewer Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, water fund, and sewer fund of City of Idaho City, Idaho, as of September 30, 2020, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund and the roads and streets fund of City of Idaho City, Idaho, as of September 30, 2020, and the respective changes in financial position 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 schedule of employer's share of net pension liability, schedule of employer contributions, and 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'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 October 11, 2021, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bailey & Co.

Nampa, Idaho
October 11, 2021

City of Idaho City, Idaho
Statement of Net Position
September 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 200,062	\$ 517,518	\$ 717,580
Property Taxes Receivable, Net	116,444	0	116,444
Accounts Receivable, Net	2,927	16,924	19,851
Due from Other Governments	54,685	0	54,685
Prepaid Items	1,607	2,773	4,380
Total Current Assets	375,725	537,215	912,940
Noncurrent Assets:			
Restricted Cash	0	27,063	27,063
Capital Assets:			
Land and Construction in Progress	95,660	3,845,963	3,941,623
Buildings, Net	145,870	268,410	414,280
Equipment, Net	53,685	94,788	148,473
Improvements, Net	709,026	439,622	1,148,648
Total Noncurrent Assets	1,004,241	4,675,846	5,680,087
Total Assets	1,379,966	5,213,061	6,593,027
Deferred Outflows			
Pension	19,304	37,300	56,604
Liabilities			
Current Liabilities:			
Accounts Payable	5,348	16,528	21,876
Salaries and Benefits Payable	1,643	2,415	4,058
Accrued Interest	0	2,188	2,188
Long-term Liabilities:			
Due Within One Year:			
Compensated Absences	494	3,709	4,203
Bonds and Municipal Leases	7,736	19,550	27,286
Due in More than One Year:			
Bonds and Municipal Leases	13,753	2,479,199	2,492,952
Net Pension Liability	45,137	87,215	132,352
Total Liabilities	74,111	2,610,804	2,684,915
Deferred Inflows			
Unavailable Property Taxes	93,642	0	93,642
Pension	1,866	3,607	5,473
Total Deferred Inflows	95,508	3,607	99,115
Net Position			
Net Investment in Capital Assets	982,752	2,150,034	3,132,786
Restricted	114,056	0	114,056
Unrestricted	132,843	485,916	618,759
Total Net Position	\$ 1,229,651	\$ 2,635,950	\$ 3,865,601

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, 2020

	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
Primary Government:							
Governmental Activities:							
General Administration	\$ 90,745	\$ 24,861	\$ 0	\$ 0	\$ (65,884)	\$ 0	\$ (65,884)
Public Safety	140,323	1,000	41,831	0	(97,492)	0	(97,492)
Roads and Streets	47,212	0	0	0	(47,212)	0	(47,212)
Culture and Recreation	47,807	3,396	1	0	(44,410)	0	(44,410)
Interest on Long-term Debt	2,167	0	0	0	(2,167)	0	(2,167)
Total Governmental Activities	328,254	29,257	41,832	0	(257,165)	0	(257,165)
Business-type Activities:							
Water	373,959	274,985	0	0	0	(98,974)	(98,974)
Sewer	165,525	157,198	0	0	0	(8,327)	(8,327)
Total Business-type Activities	539,484	432,183	0	0	0	(107,301)	(107,301)
Total Primary Government	\$ 867,738	\$ 461,440	\$ 41,832	\$ 0	(257,165)	(107,301)	(364,466)
General Revenues and Special Items:							
Property Taxes					143,972	0	143,972
Intergovernmental					89,855	0	89,855
Other					7,125	1,983	9,108
Disposal of Capital Assets					(784)	(3,376)	(4,160)
Unrestricted Investment Earnings					69	1,691	1,760
Total General Revenues and Special Items					240,237	298	240,535
Change in Net Position					(16,928)	(107,003)	(123,931)
Net Position - Beginning					1,246,579	2,742,953	3,989,532
Net Position - Ending					\$ 1,229,651	\$ 2,635,950	\$ 3,865,601

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

City of Idaho City, Idaho
Balance Sheet -
Governmental Funds
September 30, 2020

	General	Roads and Streets	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 136,305	\$ 63,757	\$ 200,062
Property Taxes Receivable, Net	70,909	45,535	116,444
Accounts Receivable, Net	2,927	0	2,927
Due from Other Governments	48,745	5,940	54,685
Prepaid Items	1,417	190	1,607
Total Assets	<u>260,303</u>	<u>115,422</u>	<u>375,725</u>
Deferred Outflows			
	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 260,303</u>	<u>\$ 115,422</u>	<u>\$ 375,725</u>
Liabilities			
Accounts Payable	\$ 4,269	\$ 1,079	\$ 5,348
Salaries and Benefits Payable	1,546	97	1,643
Total Liabilities	<u>5,815</u>	<u>1,176</u>	<u>6,991</u>
Deferred Inflows			
Unavailable Grant Revenue	34,757	0	34,757
Unavailable Property Taxes	67,910	44,454	112,364
Total Deferred Inflows	<u>102,667</u>	<u>44,454</u>	<u>147,121</u>
Fund Balances			
Nonspendable	1,417	190	1,607
Restricted	0	69,602	69,602
Unassigned	150,404	0	150,404
Total Fund Balances	<u>151,821</u>	<u>69,792</u>	<u>221,613</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 260,303</u>	<u>\$ 115,422</u>	<u>\$ 375,725</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, 2020

Total Fund Balances - Governmental Funds	\$	221,613
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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 Construction in Progress	\$	95,660	
Buildings, Net of \$439,122 Accumulated Depreciation		145,870	
Improvements, Net of \$506,674 Accumulated Depreciation		709,026	
Equipment, Net of \$86,033 Accumulated Depreciation		53,685	
			1,004,241

Certain property taxes and grants receivable will be collected in the next year, but are not available soon enough to pay for current period expenditures and, therefore, are considered unavailable in the funds.		53,479
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In the government-wide statements, deferred inflows represent acquisitions of net position that are applicable to a future reporting period and deferred outflows represent the consumption of resources that are applicable to a future reporting period. These deferrals consist of:

Deferred Outflows Related to Net Pension Liability	19,304		
Deferred Inflows Related to Net Pension Liability		(1,866)	
			17,438

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:

Municipal Leases	(21,489)		
Compensated Absences		(494)	
Net Pension Liability		(45,137)	
			(67,120)

Net Position of Governmental Activities	\$	1,229,651
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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, 2020

	General	Roads and Streets	Total Governmental Funds
Revenues			
Property Taxes	\$ 99,899	\$ 46,524	\$ 146,423
Licenses and Permits	16,692	0	16,692
Rents	4,396	0	4,396
Intergovernmental	68,108	21,747	89,855
Grants and Contributions	7,075	0	7,075
Interest	69	0	69
Other	15,257	37	15,294
Total Revenues	<u>211,496</u>	<u>68,308</u>	<u>279,804</u>
Expenditures			
Current:			
General Administration	75,173	0	75,173
Public Safety	121,987	0	121,987
Roads and Streets	0	42,673	42,673
Debt Service:			
Principal	1,582	16,815	18,397
Interest	10	2,395	2,405
Capital Outlay	11,552	0	11,552
Total Expenditures	<u>210,304</u>	<u>61,883</u>	<u>272,187</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,192</u>	<u>6,425</u>	<u>7,617</u>
Other Financing Sources (Uses)			
Disposal of Capital Assets	2,250	6,750	9,000
Total Other Financing Sources (Uses)	<u>2,250</u>	<u>6,750</u>	<u>9,000</u>
Net Change in Fund Balances	3,442	13,175	16,617
Fund Balances - Beginning	148,379	56,617	204,996
Fund Balances - Ending	<u>\$ 151,821</u>	<u>\$ 69,792</u>	<u>\$ 221,613</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, 2020

Total Net Change in Fund Balance - Governmental Funds	\$	16,617
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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:

Capital Outlay	\$	0	
Depreciation		<u>(61,818)</u>	(61,818)

Losses on the sale of capital assets are not reported in governmental funds as expenditures. However in the statement of activities, the loss on the sale of capital assets is an expense.		(9,784)
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Because some revenues 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 revenues. They are, however, recorded as revenues in the statement of activities.		32,306
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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	18,397		
Change in Accrued Interest		<u>238</u>	18,635

Some expenses 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.

Compensated Absences Liability Changes	51		
Net Pension Liability and Related Deferral Changes		<u>(12,935)</u>	(12,884)

Change in Net Position of Governmental Activities	\$	<u><u>(16,928)</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, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 434,659	\$ 82,859	\$ 517,518
Accounts Receivable, Net	3,306	13,618	16,924
Prepaid Items	2,085	688	2,773
Total Current Assets	<u>440,050</u>	<u>97,165</u>	<u>537,215</u>
Noncurrent Assets:			
Restricted Cash	27,063	0	27,063
Land and Construction in Progress	3,770,910	75,053	3,845,963
Depreciable Assets, Net	378,981	423,839	802,820
Total Noncurrent Assets	<u>4,176,954</u>	<u>498,892</u>	<u>4,675,846</u>
Total Assets	<u>4,617,004</u>	<u>596,057</u>	<u>5,213,061</u>
Deferred Outflows			
Pension	<u>26,764</u>	<u>10,536</u>	<u>37,300</u>
Liabilities			
Current Liabilities:			
Accounts Payable	14,080	2,448	16,528
Salaries and Benefits Payable	1,756	659	2,415
Accrued Interest	2,188	0	2,188
Compensated Absences	2,713	996	3,709
Bonds Payable	19,550	0	19,550
Total Current Liabilities	<u>40,287</u>	<u>4,103</u>	<u>44,390</u>
Noncurrent Liabilities:			
Bonds Payable	2,479,199	0	2,479,199
Net Pension Liability	62,580	24,635	87,215
Total Liabilities	<u>2,582,066</u>	<u>28,738</u>	<u>2,610,804</u>
Deferred Inflows			
Pension	<u>2,588</u>	<u>1,019</u>	<u>3,607</u>
Net Position			
Net Investment in Capital Assets	1,651,142	498,892	2,150,034
Unrestricted	407,972	77,944	485,916
Total Net Position	<u>\$ 2,059,114</u>	<u>\$ 576,836</u>	<u>\$ 2,635,950</u>

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, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Operating Revenues			
Charges for Services	\$ 274,985	\$ 157,198	\$ 432,183
Other Revenue	1,983	0	1,983
Total Operating Revenues	<u>276,968</u>	<u>157,198</u>	<u>434,166</u>
Operating Expenses			
Personnel Services	122,183	47,605	169,788
Personnel Benefits	67,878	24,855	92,733
Legal and Professional	24,696	5,525	30,221
Supplies	11,492	5,979	17,471
Utilities	17,112	6,276	23,388
Insurance	6,143	5,972	12,115
Other Services and Charges	13,712	6,203	19,915
Repairs and Maintenance	60,350	25,600	85,950
Depreciation	42,244	37,499	79,743
Total Operating Expenses	<u>365,810</u>	<u>165,514</u>	<u>531,324</u>
Operating Income (Loss)	<u>(88,842)</u>	<u>(8,316)</u>	<u>(97,158)</u>
Nonoperating Revenues (Expenses)			
Investment Earnings	1,290	401	1,691
Interest Expense	(8,149)	(11)	(8,160)
Loss on Disposal of Assets	(1,688)	(1,688)	(3,376)
Total Nonoperating Revenues (Expenses)	<u>(8,547)</u>	<u>(1,298)</u>	<u>(9,845)</u>
Change in Net Position	(97,389)	(9,614)	(107,003)
Net Position - Beginning	2,156,503	586,450	2,742,953
Net Position - Ending	<u>\$ 2,059,114</u>	<u>\$ 576,836</u>	<u>\$ 2,635,950</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, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Cash Flows From Operating Activities			
Cash Receipts From Customers	\$ 290,021	\$ 161,901	\$ 451,922
Other Cash Receipts	1,983	0	1,983
Payments to Employees for Services	(168,507)	(65,743)	(234,250)
Payments to Suppliers for Goods or Services	(133,512)	(49,428)	(182,940)
Net Cash Provided (Used) by Operating Activities	<u>(10,015)</u>	<u>46,730</u>	<u>36,715</u>
Cash Flows From Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities			
Purchases and Construction of Capital Assets	(241,343)	(3,461)	(244,804)
Debt Proceeds	311,965	0	311,965
Principal Paid on Capital Debt	(18,699)	0	(18,699)
Interest Paid on Capital Debt	(8,359)	0	(8,359)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>43,564</u>	<u>(3,461)</u>	<u>40,103</u>
Cash Flows From Investing Activities			
Interest and Dividends	<u>1,290</u>	<u>401</u>	<u>1,691</u>
Net Change in Cash and Cash Equivalents	34,839	43,670	78,509
Cash and Cash Equivalents - Beginning	<u>426,883</u>	<u>39,189</u>	<u>466,072</u>
Cash and Cash Equivalents - Ending	<u>\$ 461,722</u>	<u>\$ 82,859</u>	<u>\$ 544,581</u>
Displayed As:			
Cash and Cash Equivalents	\$ 434,659	\$ 82,859	\$ 517,518
Restricted Cash	27,063	0	27,063
	<u>\$ 461,722</u>	<u>\$ 82,859</u>	<u>\$ 544,581</u>
Schedule of Noncash Transactions:			
Trade-in value of disposed assets	\$ 18,000	\$ 18,000	\$ 36,000
Debt paid off with trade-in value	\$ 12,739	\$ 12,740	\$ 25,479

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, 2020

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (88,842)	\$ (8,316)	\$ (97,158)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	42,244	37,499	79,743
Pension Income (Expense)	22,291	7,133	29,424
Noncash Portion of Operating Lease Payments	5,261	5,260	10,521
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	15,036	4,703	19,739
(Increase) Decrease in Prepaid Items	(1,222)	(205)	(1,427)
Increase (Decrease) in Accounts Payable	(4,046)	1,072	(2,974)
Increase (Decrease) in Salaries and Benefits Payable	(2,654)	(1,116)	(3,770)
Increase (Decrease) in Compensated Absences	1,917	700	2,617
Net Cash Provided (Used) by Operating Activities	<u>\$ (10,015)</u>	<u>\$ 46,730</u>	<u>\$ 36,715</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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying financial statements present the activities of 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. Council 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.

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.

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.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

- *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) were not in use. 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, such as a resolution. The City Council would also have the authority to assign funds or authorize another official to do so.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 is a voluntary participant in the State of Idaho Local Government Investment Pool (LGIP).

Investments are stated at fair value as determined by the fair value hierarchy, except certificates of deposit (which are non-participating contracts and are, therefore, carried at amortized cost).

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:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 5,000	Straight-Line	15 - 40 Years
Equipment and Vehicles	\$ 5,000	Straight-Line	5 - 15 Years

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Accounts Receivable

Accounts receivable consists of utility billings. The City estimates \$6,069 of water receivables and \$6,713 of sewer receivables are doubtful they will be collected. Doubtful accounts are determined on a case-by-case basis.

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.

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 the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2020, the carrying amount of the City's deposits were \$461,140 and the respective bank balances totaled \$482,877. \$250,000 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, 2020, \$232,877 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.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

2. CASH AND INVESTMENTS (continued)

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 State Treasurer must operate and invest the funds of the pool for the benefit of the participants. They make investments in accordance with Idaho Code, Sections 67-1210 and 67-1210A. The pool is not rated and is not registered with the Securities and Exchange Commission or any other regulatory body. The pool is valued using the Net Asset Value (NAV) per share method. Investments using the NAV per share method do not have readily obtainable fair values and are, instead, valued based on the City's pro-rata share of the pool's net position. The City values these investments based on the State of Idaho Treasurer's Office. The State Treasurer does not provide any legally binding guarantees to support the value of the shares to participants. Participants have overnight availability to their funds up to \$10 million. Withdrawals of more than \$10 million require three business day's notification.

As of September 30, 2020, the City's investments had the following maturities:

	Fair	<u>Investment Maturities (in Years)</u>	
	Value	Less than 1	1-5
External Investment Pool	\$ 283,502	\$ 283,502	\$ 0

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

	<u>Governmental</u>	<u>Business-type</u>	
	Activities	Activities	Total
Cash and cash equivalents	\$ 190,260	\$ 270,881	\$ 461,141
Investments categorized as deposits	9,802	273,700	283,502
	<u>\$ 200,062</u>	<u>\$ 544,581</u>	<u>\$ 744,643</u>

3. LEASE REVENUE

The City leases a building to East Boise County Ambulance District for \$1,000 per year; the lease agreement will expire in February 2024. The City leases the Fire Station to the Idaho City Fire District for \$1,000 per year; the lease renews automatically unless terminated by the City or the Fire District. The City leases a storage shed to Idaho Power; this is a year-to-year lease.

Lease payments to the City were \$1,800 for the year ended September 30, 2020. Future minimum lease revenues are:

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

3. LEASE REVENUE (continued)

Year Ending September 30,	Amount
2021	\$ 1,000
2022	1,000
2023	1,000
2024	333
	<u>\$ 3,333</u>

The carrying amount of the leased buildings is shown below:

Cost	\$ 339,992
Accumulated Depreciation	<u>(216,657)</u>
Carrying Amount	<u>\$ 123,335</u>

4. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of amounts due from the State of Idaho for highway revenue tax of \$5,940, liquor apportionment of \$5,936, state revenue sharing of \$8,052, and the Coronavirus Rebound grant of \$34,757 for a total of \$54,685.

5. 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, and e) worker's compensation, i.e. employee injuries. Commercial insurance policies are purchased to transfer the risk of loss.

6. PENSION PLAN

Plan Description

The City contributes to the Base Plan, which is a cost-sharing multiple-employer defined benefit pension plan administered by the 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 and are 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

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

6. PENSION PLAN (continued)

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 police and firefighters. As of June 30, 2020, it was 7.16% for general employees and 8.81% for police and firefighters. The employer contribution rate as a percent of covered of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The City's employer contributions were \$24,668 for the year ended September 30, 2020.

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

At September 30, 2020, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2020, the City's proportion was .0056996%.

For the year ended September 30, 2020, the City recognized pension expense of \$67,025. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,341	\$ 4,322
Changes in assumptions or other inputs	2,238	0
Net difference between projected and actual earnings on pension plan investments	15,170	0
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	22,611	1,151
City's contributions subsequent to the measurement date	<u>6,244</u>	<u>0</u>
Total	<u>\$ 56,604</u>	<u>\$ 5,473</u>

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

6. PENSION PLAN (continued)

\$6,244 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, 2021.

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, 2019, the beginning of the measurement period ended June 30, 2020 is 4.7 years and 4.8 years for the measurement period June 30, 2019.

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

Year Ended September 30,			
2021	\$	18,137	
2022	\$	9,697	
2023	\$	7,242	
2024	\$	9,812	

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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

An experience study was performed for the period July 1, 2013 through June 30, 2017, which reviewed all economic and demographic assumptions other than mortality. The total pension liability as of June 30, 2020 is based on the results of an actuarial valuation date of July 1, 2020.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

6. PENSION PLAN (continued)

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 the 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 assumptions are as follows:

Capital Market Assumptions from Callan 2020

Asset Class	Target Allocation	Long-term Expected Nominal Rate of Return (Arithmetic)	Long-term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	0.55%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%

Investment Policy Assumptions from PERSI November 2019

Portfolio Long-term Expected Real Rate of Return, Net of Investment Expenses	4.19%
Portfolio Standard Deviation	14.16%

Economic/Demographic Assumptions from Milliman 2018

Valuation Assumptions Chosen by PERSI Board	
Long-term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	3.00%
Long-term Expected Geometric Rate of Return, Net of Investment Expenses	7.05%

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

6. PENSION PLAN (continued)

Discount Rate

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.05%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.05%) or 1% higher (8.05%) than the current rate:

	1% Decrease 6.05%	Current Discount Rate (7.05%)	1% Increase 8.05%
City's proportionate share of the net pension liability (asset)	\$ 271,418	\$ 132,352	\$ 17,367

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.

7. 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, 2020, are as follows:

	10/1/2019	Increase	Decrease	09/30/2020	Current Portion
Governmental Activities	\$ 545	\$ 2,678	\$ (2,729)	\$ 494	\$ 494
Business-type Activities	1,092	15,505	(12,888)	3,709	3,709
	\$ 1,637	\$ 18,183	\$ (15,617)	\$ 4,203	\$ 4,203

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

8. 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 at year-end consist of a grader lease in the Roads and Streets fund. The cost and related depreciation are as follows:

Equipment	\$ 59,238
Less: accumulated amortization (included as depreciation on the accompanying financial statements)	<u>(10,531)</u>
	<u>\$ 48,707</u>

Notes payable have also been issued to provide funds for water projects. A loan was entered into with DEQ during the 2012 fiscal year. As of September 30, 2020, \$2,968,007 had been drawn down with \$631,482 considered forgiven, leaving a net draw down of \$2,336,525. When the City is required to start making payments (when the project is complete), biannual installments will be due over 30 years, at 0% interest.

A summary of long-term debt activity (all direct borrowings) for the year ended September 30, 2020, are as follows:

Governmental Activities:

Debt Type	Maturity	Rate	Required Reserve	10/1/2019	Increase	Decrease	09/30/2020	Current Portion
Loader Backhoe	2020	4.00%	N/A	\$ 6,305	\$ 0	\$ (6,305)	\$ 0	\$ 0
Volvo G720B Grader	2022	6.50%	N/A	33,581	0	(12,092)	21,489	7,736
				<u>\$ 39,886</u>	<u>\$ 0</u>	<u>\$ (18,397)</u>	<u>\$ 21,489</u>	<u>\$ 7,736</u>

Business-type Activities:

Debt Type	Maturity	Rate	Required Reserve	10/1/2019	Increase	Decrease	09/30/2020	Current Portion
Loader Backhoe	2020	4.00%	N/A	\$ 25,222	\$ 0	\$ (25,222)	\$ 0	\$ 0
N/P Water - RD 06	2026	4.50%	\$17,272	101,739	0	(12,694)	89,045	13,260
N/P Water - RD 08	2023	5.25%	2,142	6,251	0	(1,815)	4,436	1,909
N/P Water - RD 09	2032	4.75%	7,649	72,928	0	(4,185)	68,743	4,381
N/P Water Improvement - DEQ	N/A	N/A	N/A	2,024,560	311,965	0	2,336,525	0
				<u>\$27,063</u>	<u>\$2,230,700</u>	<u>\$311,965</u>	<u>\$2,498,749</u>	<u>\$19,550</u>

Events of default, termination events, and subjective acceleration clauses (if creditor can accelerate the payment schedule for reasons that are not objectively determinable)

The City shall be in default under the agreement for the Volvo G720B Grader if any of the following occurs 1) failure to pay when due any of the obligations, 2) The City or any guarantor dies, ceases to exist, becomes insolvent or subject of bankruptcy, insolvency or liquidation proceedings, attempts to or does remove, sell, transfer, further encumber, part with possession of any equipment, 3) fails to maintain insurance, 4) any other event occurs that causes Assignee, in good faith, to consider that payment or performances of the obligation is impaired or at risk, 5) the equipment is impounded or seized by any

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

8. LONG-TERM OBLIGATIONS (continued)

federal, state, local government authority or third party, 6) failure to produce collateral for inspection or 7) lessee breaches any of the other terms of the agreement or any other agreement with or assigned to the assignee.

Once the repayment of the DEQ commences, defaults in payment will cause the entire loan to become due immediately.

Debt service requirements on long-term debt at September 30, 2020, are as follows:

Governmental Activities:

Year Ending September 30,	Municipal Leases		
	Principal	Interest	Total
2021	\$ 7,736	\$ 924	\$ 8,660
2022	10,915	631	11,546
2023	2,838	48	2,886
	\$ 21,489	\$ 1,603	\$ 23,092

Business-type Activities:

Year Ending September 30,	Bonds and Notes		
	Principal	Interest	Total
2021	\$ 19,550	\$ 7,513	\$ 27,063
2022	20,455	6,608	27,063
2023	19,809	5,664	25,473
2024	20,154	4,767	24,921
2025	21,087	3,834	24,921
2026-2030	46,870	8,647	55,517
2031-2032	14,299	1,009	15,308
	\$ 162,224	\$ 38,042	\$ 200,266

The amount of interest incurred and expensed on long-term obligations for the year ending September 30, 2020, for business-type activities was \$8,160.

9. LEASE COMMITMENTS

The City leases a copier under an operating lease beginning in October 2019. The lease is for 60 months at \$201/mo. The City also began leasing a backhoe loader under an operating lease in October 2019. This lease is due quarterly at \$2,451 per quarter and end in fiscal year 2024. Future minimum lease payments are as follows:

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

9. LEASE COMMITMENTS (continued)

Year Ending September 30,	Amount
2021	\$ 9,761
2022	12,211
2023	12,211
2024	12,212
	<u>\$ 46,395</u>

Lease expenditures for the year ended September 30, 2020, totaled \$14,580.

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2020, was as follows:

Governmental Activities:

	10/1/2019	Additions	Disposals	09/30/2020
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		1,215,700
Equipment	154,518	0	(14,800)	139,718
Total Historical Cost	1,955,210	0	(14,800)	1,940,410
Less: Accumulated Depreciation				
Buildings	427,643	11,479	0	439,122
Improvements	467,651	39,023	0	506,674
Equipment	79,732	11,316	(5,015)	86,033
Total Acc. Depr.	975,026	61,818	(5,015)	1,031,829
Net Depreciable Assets	980,184	(61,818)	(9,785)	908,581
Governmental Activities				
Capital Assets - Net	\$ 1,075,844	\$ (61,818)	\$ (9,785)	\$ 1,004,241

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

General Administration	\$ 3,216
Public Safety	13,618
Roads and Streets	4,011
Culture and Recreation	40,973
	\$ 61,818

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

10. CAPITAL ASSETS (continued)

Business-type Activities:

	<u>10/1/2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>09/30/2020</u>
Capital Assets Not Being Depreciated:				
Land	\$ 71,741	\$ 0	\$ 0	\$ 71,741
Construction in Progress	3,540,972	233,250	0	3,774,222
	<u>3,612,713</u>	<u>233,250</u>	<u>0</u>	<u>3,845,963</u>
Capital Assets Being Depreciated:				
Buildings	1,817,673	0	0	1,817,673
Improvements	1,321,012	0	0	1,321,012
Equipment	226,733	11,560	(59,560)	178,733
Total Historical Cost	<u>3,365,418</u>	<u>11,560</u>	<u>(59,560)</u>	<u>3,317,418</u>
Less: Accumulated Depreciation				
Buildings	1,517,645	31,618	0	1,549,263
Improvements	841,415	39,975	0	881,390
Equipment	95,979	8,150	(20,184)	83,945
Total Acc. Depr.	<u>2,455,039</u>	<u>79,743</u>	<u>(20,184)</u>	<u>2,514,598</u>
Net Depreciable Assets	<u>910,379</u>	<u>(68,183)</u>	<u>(39,376)</u>	<u>802,820</u>
Business-type Activities - Net	<u>\$ 4,523,092</u>	<u>\$ 165,067</u>	<u>\$ (39,376)</u>	<u>\$ 4,648,783</u>

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

Water	\$ 42,244
Sewer	<u>37,499</u>
	<u>\$ 79,743</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017
Employer's portion of the net pension liability	0.0056996%	0.0057204%	0.0058245%	0.0040908%
Employer's proportionate share of the net pension liability	\$ 132,352	\$ 65,297	\$ 85,912	\$ 64,300
Employer's covered payroll	\$ 202,045	\$ 192,900	\$ 186,064	\$ 126,245
Employer's proportional share of the net pension liability as a percentage of its covered payroll	65.51%	33.85%	46.17%	50.93%
Plan fiduciary net position as a percentage of the total pension liability	88.22%	93.79%	91.69%	90.68%

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

Data reported is measured as of June 30, 2020.

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

	2020	2019	2018	2017
Statutorily required contribution	\$ 24,668	\$ 22,966	\$ 21,573	\$ 18,861
Contributions in relation to the statutorily required contribution	(24,668)	(22,966)	(21,573)	(18,861)
Contribution (deficiency) excess	\$ 0	\$ 0	\$ 0	\$ 0
Employer's covered payroll	\$ 205,254	\$ 199,254	\$ 189,187	\$ 165,549
Contributions as a percentage of covered payroll	12.02%	11.53%	11.40%	11.39%

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

Data is reported as of September 30, 2020.

City of Idaho City, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 104,910	\$ 104,910	\$ 99,899	\$ (5,011)
Licenses and Permits	20,985	20,985	16,692	(4,293)
Rents	7,500	7,500	4,396	(3,104)
Intergovernmental	63,402	63,402	68,108	4,706
Grants and Contributions	8,500	8,500	7,075	(1,425)
Interest	400	400	69	(331)
Other	24,150	24,150	15,257	(8,893)
Total Revenues	<u>229,847</u>	<u>229,847</u>	<u>211,496</u>	<u>(18,351)</u>
Expenditures				
Current:				
General Administration	113,818	113,818	75,173	38,645
Public Safety	113,229	113,229	121,987	(8,758)
Debt Service:				
Principal	0	0	1,582	(1,582)
Interest	0	0	10	(10)
Capital Outlay	3,300	3,300	11,552	(8,252)
Total Expenditures	<u>230,347</u>	<u>230,347</u>	<u>210,304</u>	<u>20,043</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(500)</u>	<u>(500)</u>	<u>1,192</u>	<u>1,692</u>
Other Financing Sources (Uses)				
Disposal of Capital Assets	0	0	2,250	2,250
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>2,250</u>	<u>2,250</u>
Net Change in Fund Balances	(500)	(500)	3,442	3,942
Fund Balances - Beginning	0	0	148,379	148,379
Fund Balances - Ending	<u>\$ (500)</u>	<u>\$ (500)</u>	<u>\$ 151,821</u>	<u>\$ 152,321</u>

City of Idaho City, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Roads and Streets
 For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 35,490	\$ 35,490	\$ 46,524	\$ 11,034
Intergovernmental	15,780	15,780	21,747	5,967
Grants and Contributions	4,939	4,939	0	(4,939)
Other	0	0	37	37
Total Revenues	<u>56,209</u>	<u>56,209</u>	<u>68,308</u>	<u>12,099</u>
Expenditures				
Current:				
Personnel Services	13,417	13,417	13,884	(467)
Supplies and Other Charges	28,577	28,577	28,789	(212)
Debt Service:				
Principal	10,344	10,344	16,815	(6,471)
Interest	2,190	2,190	2,395	(205)
Contingency	1,681	1,681	0	1,681
Total Expenditures	<u>56,209</u>	<u>56,209</u>	<u>61,883</u>	<u>(5,674)</u>
Other Financing Sources (Uses)				
Disposal of Capital Assets	0	0	6,750	6,750
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>6,750</u>	<u>6,750</u>
Net Change in Fund Balances	0	0	13,175	13,175
Fund Balances - Beginning	0	0	56,617	56,617
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,792</u>	<u>\$ 69,792</u>

City of Idaho City, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2020

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. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The Roads and Streets fund expended more than appropriated by \$5,674.

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, 2020

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 104,110	\$ 97,109	\$ (7,001)
Penalties and Interest	800	2,790	1,990
Total Taxes	104,910	99,899	(5,011)
Licenses and Permits			
Beer Licenses	975	1,163	188
Liquor Licenses	1,200	1,200	0
Wine Licenses	975	1,050	75
Business Licenses	3,075	3,208	133
Building Permits	12,000	6,741	(5,259)
Vendor Permits	1,760	2,674	914
Catering Permits	200	160	(40)
Animal Licenses	800	496	(304)
Total Licenses and Permits	20,985	16,692	(4,293)
Rents	7,500	4,396	(3,104)
Intergovernmental			
State Liquor Apportionment	19,600	26,572	6,972
Court Revenue	10,000	1,178	(8,822)
State Sales Tax	12,072	9,538	(2,534)
State Revenue Sharing	21,730	30,820	9,090
Total Intergovernmental	63,402	68,108	4,706
Interest Earned	400	69	(331)
Other			
Cemetery Lots	5,000	1,625	(3,375)
Copy Fees	25	0	(25)
Franchise Fees	7,325	6,544	(781)
Donations	0	221	221
Grants	8,500	6,854	(1,646)
Law Contract	8,000	0	(8,000)
Other	3,800	7,088	3,288
Total Other	32,650	22,332	(10,318)
Other Financing Sources			
Disposal of Capital Assets	0	2,250	2,250
Total Other Financing Sources	0	2,250	2,250
Total Revenue	\$ 229,847	\$ 213,746	\$ (16,101)

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, 2020

	Budget	Actual	Variance
General Administration			
Personnel Services	\$ 32,258	\$ 20,203	\$ 12,055
Personnel Benefits	10,008	7,244	2,764
Legal and Professional	7,100	7,800	(700)
Supplies	11,690	4,178	7,512
Utilities	9,800	8,027	1,773
Insurance	1,179	1,365	(186)
Other Services and Charges	31,783	18,193	13,590
Repairs and Maintenance	10,000	8,163	1,837
Capital Outlay	0	6,834	(6,834)
Total General Administration	<u>113,818</u>	<u>82,007</u>	<u>31,811</u>
Public Safety			
Law Enforcement			
Personnel Services	78,652	87,681	(9,029)
Personnel Benefits	20,651	19,936	715
Supplies	1,525	2,555	(1,030)
Insurance	2,801	3,012	(211)
Other Services and Charges	9,400	8,672	728
Repairs and Maintenance	200	131	69
Capital Outlay	3,300	4,718	(1,418)
Total Law Enforcement	<u>116,529</u>	<u>126,705</u>	<u>(10,176)</u>
Total Public Safety	<u>116,529</u>	<u>126,705</u>	<u>(10,176)</u>
Debt Service			
Principal	0	1,582	(1,582)
Interest	0	10	(10)
Total Debt Service	<u>0</u>	<u>1,592</u>	<u>(1,592)</u>
Total Expenditures	<u>\$ 230,347</u>	<u>\$ 210,304</u>	<u>\$ 20,043</u>

INTERNAL CONTROLS AND COMPLIANCE REPORT



Certified Public Accountants

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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***

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 City of Idaho City, Idaho (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statement and have issued our report thereon dated October 11, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
October 11, 2021