

CITY OF IDAHO CITY, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2015

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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 governmental fund of the **City of Idaho City, Idaho** (the City), as of and for the year ended September 30, 2015, 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 10.18%, 19.67%, and 95.54% of the business-type activities' assets, net position, and total revenues, respectively. Utility revenues represent 21.00%, 26.95%, and 95.63% of the Water fund's assets, net position, and total revenues, respectively. Utility revenues represent 26.23%, 28.13%, and 95.39% 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, 2015, 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, 2015, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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 January 10, 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
January 10, 2017

City of Idaho City, Idaho
Statement of Net Position
September 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 267,822	\$ 579,495	\$ 847,317
Property Taxes	13,149	0	13,149
Accounts Receivable	351	87,080	87,431
Due from Other Governments	24,345	31,566	55,911
Prepaid Items	546	308	854
Total Current Assets	<u>306,213</u>	<u>698,449</u>	<u>1,004,662</u>
Noncurrent Assets:			
Restricted Cash	0	27,063	27,063
Capital Assets:			
Land and Nondepreciable Assets	95,660	2,289,136	2,384,796
Buildings, Net	203,265	464,582	667,847
Equipment, Net	50,680	59,480	110,160
Improvements, Net	905,438	622,018	1,527,456
Total Noncurrent Assets	<u>1,255,043</u>	<u>3,462,279</u>	<u>4,717,322</u>
Total Assets	<u>1,561,256</u>	<u>4,160,728</u>	<u>5,721,984</u>
Deferred Outflows			
	<u>0</u>	<u>0</u>	<u>0</u>
Liabilities			
Current Liabilities:			
Accounts Payable	3,089	127,902	130,991
Salaries and Benefits Payable	16,730	24,615	41,345
Accrued Interest	1,006	3,224	4,230
Long-term Liabilities:			
Due Within One Year:			
Compensated Absences	1,375	10,768	12,143
Bonds and Municipal Leases	7,051	17,991	25,042
Due in More than One Year:			
Bonds and Municipal Leases	31,046	1,822,502	1,853,548
Total Liabilities	<u>60,297</u>	<u>2,007,002</u>	<u>2,067,299</u>
Deferred Inflows			
	<u>0</u>	<u>0</u>	<u>0</u>
Net Position			
Net Investment in Capital Assets	1,216,946	1,594,723	2,811,669
Restricted	34,456	27,063	61,519
Unrestricted	249,557	531,940	781,497
Total Net Position	<u>\$ 1,500,959</u>	<u>\$ 2,153,726</u>	<u>\$ 3,654,685</u>

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, 2015

	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	\$ 79,844	\$ 15,025	\$ 1,530	\$ 0	\$ (63,289)	\$ 0	\$ (63,289)
Public Safety	105,104	23,217	0	0	(81,887)	0	(81,887)
Roads and Streets	35,997	0	0	0	(35,997)	0	(35,997)
Culture and Recreation	45,748	1,500	21	0	(44,227)	0	(44,227)
Interest on Long-term Debt	3,530	0	0	0	(3,530)	0	(3,530)
Total Governmental Activities	<u>270,223</u>	<u>39,742</u>	<u>1,551</u>	<u>0</u>	<u>(228,930)</u>	<u>0</u>	<u>(228,930)</u>
Business-type Activities:							
Water	200,250	275,779	0	0	0	75,529	75,529
Sewer	176,758	147,908	0	0	0	(28,850)	(28,850)
Water Bond	0	0	0	337,611	0	337,611	337,611
Total Business-type Activities	<u>377,008</u>	<u>423,687</u>	<u>0</u>	<u>337,611</u>	<u>0</u>	<u>384,290</u>	<u>384,290</u>
Total Primary Government	<u>\$ 647,231</u>	<u>\$ 463,429</u>	<u>\$ 1,551</u>	<u>\$ 337,611</u>	<u>(228,930)</u>	<u>384,290</u>	<u>155,360</u>
General Revenues:							
Property Taxes					125,961	0	125,961
Intergovernmental					60,779	0	60,779
Other					7,169	13,618	20,787
Disposal of Capital Assets					(2,103)	5,990	3,887
Unrestricted Investment Earnings					2	153	155
Total General Revenues and Special Items					<u>191,808</u>	<u>19,761</u>	<u>211,569</u>
Change in Net Position					(37,122)	404,051	366,929
Net Position, Beginning					1,538,081	1,749,675	3,287,756
Net Position, Ending					<u>\$ 1,500,959</u>	<u>\$ 2,153,726</u>	<u>\$ 3,654,685</u>

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

City of Idaho City, Idaho
Balance Sheet -
Governmental Funds
September 30, 2015

	General	Roads and Streets	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 249,214	\$ 18,608	\$ 267,822
Property Taxes Receivable, Net	10,086	3,063	13,149
Accounts Receivable, Net	351	0	351
Due from Other Governments	8,279	16,066	24,345
Prepaid Items	495	51	546
Total Assets	<u>268,425</u>	<u>37,788</u>	<u>306,213</u>
Deferred Outflows			
	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows	<u>\$ 268,425</u>	<u>\$ 37,788</u>	<u>\$ 306,213</u>
Liabilities			
Accounts Payable	\$ 2,270	\$ 819	\$ 3,089
Salaries and Benefits Payable	14,268	2,462	16,730
Total Liabilities	<u>16,538</u>	<u>3,281</u>	<u>19,819</u>
Deferred Inflows			
Unavailable Property Taxes	<u>8,264</u>	<u>2,546</u>	<u>10,810</u>
Fund Balances			
Nonspendable	495	51	546
Restricted	0	31,910	31,910
Unassigned	243,128	0	243,128
Total Fund Balances	<u>243,623</u>	<u>31,961</u>	<u>275,584</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 268,425</u>	<u>\$ 37,788</u>	<u>\$ 306,213</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, 2015

Total Fund Balances - Governmental Funds \$ 275,584

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 \$381,727 Accumulated Depreciation	203,265	
Improvements, Net of \$310,262 Accumulated Depreciation	905,438	
Equipment, Net of \$102,265 Accumulated Depreciation	50,680	
		1,255,043

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. 10,810

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	(38,097)	
Compensated Absences	(1,375)	
		(40,478)

Net Position of Governmental Activities \$ 1,500,959

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, 2015

	General	Roads and Streets	Total Governmental Funds
Revenues			
Property Taxes	\$ 99,126	\$ 28,505	\$ 127,631
Licenses and Permits	6,979	0	6,979
Rent	2,850	0	2,850
Intergovernmental	44,626	16,153	60,779
Interest	2	0	2
Other	35,033	3,600	38,633
Total Revenues	<u>188,616</u>	<u>48,258</u>	<u>236,874</u>
Expenditures			
Current:			
General Administration	52,942	0	52,942
Public Safety	87,867	0	87,867
Roads and Streets	0	35,126	35,126
Culture and Recreation	4,176	0	4,176
Debt Service:			
Principal	6,604	1,589	8,193
Interest	2,204	320	2,524
Capital Outlay	6,876	33,510	40,386
Total Expenditures	<u>160,669</u>	<u>70,545</u>	<u>231,214</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>27,947</u>	<u>(22,287)</u>	<u>5,660</u>
Other Financing Sources (Uses)			
Debt Proceeds	2,760	8,279	11,039
Disposal of Capital Assets	1,200	0	1,200
Total Other Financing Sources (Uses)	<u>3,960</u>	<u>8,279</u>	<u>12,239</u>
Net Change in Fund Balances	31,907	(14,008)	17,899
Fund Balances - Beginning	211,716	45,969	257,685
Fund Balances - Ending	<u>\$ 243,623</u>	<u>\$ 31,961</u>	<u>\$ 275,584</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, 2015

Total Net Change in Fund Balance - Governmental Funds \$ 17,899

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	\$ 14,800	
Depreciation	<u>(63,020)</u>	(48,220)

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. (3,303)

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. (1,670)

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	8,193	
Change in Accrued Interest	<u>(1,006)</u>	7,187

Municipal arrangements are considered a source of financing, but the lease obligation is recorded as a liability in the Statement of Net Position. (11,039)

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>2,024</u>
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Change in Net Position of Governmental Activities \$ (37,122)

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

City of Idaho City, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 564,931	\$ 14,564	\$ 0	\$ 579,495
Accounts Receivable, Net	54,831	32,249	0	87,080
Due From Other Governments	0	0	31,566	31,566
Internal Balances	21,576	0	0	21,576
Prepaid Items	154	154	0	308
Total Current Assets	641,492	46,967	31,566	720,025
Noncurrent Assets:				
Restricted Cash	27,063	0	0	27,063
Land and Nondepreciable Assets	12,304	3,217	2,273,615	2,289,136
Depreciable Assets, Net	632,216	513,864	0	1,146,080
Total Noncurrent Assets	671,583	517,081	2,273,615	3,462,279
Total Assets	1,313,075	564,048	2,305,181	4,182,304
Deferred Outflows	0	0	0	0
Liabilities				
Current Liabilities:				
Accounts Payable	1,278	809	125,815	127,902
Salaries and Benefits Payable	12,309	12,306	0	24,615
Internal Balances	0	0	21,576	21,576
Accrued Interest	3,224	0	0	3,224
Compensated Absences	5,384	5,384	0	10,768
Lease Payable	1,214	1,214	0	2,428
Bonds Payable	15,563	0	0	15,563
Total Current Liabilities	38,972	19,713	147,391	206,076
Noncurrent Liabilities:				
Lease Payable	18,503	18,502	0	37,005
Bonds Payable	232,207	0	1,553,290	1,785,497
Total Liabilities	289,682	38,215	1,700,681	2,028,578
Deferred Inflows	0	0	0	0
Net Position				
Net Investment in Capital Assets	377,033	497,365	720,325	1,594,723
Restricted for Debt Service	27,063	0	0	27,063
Unrestricted	619,297	28,468	(115,825)	531,940
Total Net Position	\$ 1,023,393	\$ 525,833	\$ 604,500	\$ 2,153,726

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, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Operating Revenues				
Charges for Services	\$ 275,779	\$ 147,908	\$ 0	\$ 423,687
Other Revenue	9,525	4,093	0	13,618
Total Operating Revenues	285,304	152,001	0	437,305
Operating Expenses				
Personnel Services	61,197	61,256	0	122,453
Personnel Benefits	16,551	16,551	0	33,102
Legal and Professional	8,640	35,330	0	43,970
Supplies	6,691	4,014	0	10,705
Utilities	14,437	6,824	0	21,261
Insurance	3,892	4,587	0	8,479
Other Services and Charges	8,677	4,293	0	12,970
Repairs and Maintenance	10,253	9,143	0	19,396
Depreciation	57,077	33,902	0	90,979
Total Operating Expenses	187,415	175,900	0	363,315
Operating Income (Loss)	97,889	(23,899)	0	73,990
Nonoperating Revenues (Expenses)				
Investment Earnings	90	63	0	153
Interest Expense	(12,835)	(858)	0	(13,693)
Gain on Disposal of Assets	2,995	2,995	0	5,990
Total Nonoperating Revenues (Expenses)	(9,750)	2,200	0	(7,550)
Income (Loss) Before Transfers	88,139	(21,699)	0	66,440
Transfers and Capital Contributions				
Capital Contributions	0	0	337,611	337,611
Net Transfers and Capital Contributions	0	0	337,611	337,611
Change in Net Position	88,139	(21,699)	337,611	404,051
Net Position - Beginning	935,254	547,532	266,889	1,749,675
Net Position - Ending	\$ 1,023,393	\$ 525,833	\$ 604,500	\$ 2,153,726

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, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Water Bond	Total
Cash Flows From Operating Activities				
Cash Receipts From Customers	\$ 265,255	\$ 141,953	\$ 0	\$ 407,208
Payments to Employees for Services	(65,673)	(65,732)	0	(131,405)
Payments to Suppliers for Goods or Services	(51,465)	(63,535)	0	(115,000)
Net Cash Provided (Used) by Operating Activities	148,117	12,686	0	160,803
Cash Flows From Noncapital Financing Activities	0	0	0	0
Cash Flows From Capital and Related Financing Activities				
Purchases and Construction of Capital Assets	0	0	(1,241,153)	(1,241,153)
Capital Contributions	0	0	306,045	306,045
Debt Proceeds	0	0	913,749	913,749
Principal Paid on Capital Debt	(17,267)	(2,362)	0	(19,629)
Interest Paid on Capital Debt	(12,992)	(835)	0	(13,827)
Net Cash Provided (Used) by Capital and Related Financing Activities	(30,259)	(3,197)	(21,359)	(54,815)
Cash Flows From Investing Activities				
Interest and Dividends	90	63	0	153
Net Change in Cash and Cash Equivalents	117,948	9,552	(21,359)	106,141
Cash and Cash Equivalents - Beginning	495,622	5,012	(217)	500,417
Cash and Cash Equivalents - Ending	<u>\$ 613,570</u>	<u>\$ 14,564</u>	<u>\$ (21,576)</u>	<u>\$ 606,558</u>
Displayed As:				
Cash and Cash Equivalents	\$ 564,931	\$ 14,564	\$ 0	\$ 579,495
Restricted Cash	27,063	0	0	27,063
Internal Balances	21,576	0	(21,576)	0
	<u>\$ 613,570</u>	<u>\$ 14,564</u>	<u>\$ (21,576)</u>	<u>\$ 606,558</u>
Schedule of Noncash Transactions:				
Capital asset acquired with debt	\$ 29,780	\$ 29,780	\$ 0	\$ 59,560
Construction in progress incurred but not yet paid for	\$ 0	\$ 0	\$ 125,815	\$ 125,815
Trade-in value of disposed assets	\$ 9,600	\$ 9,600	\$ 0	\$ 19,200
Debt paid off with trade-in value	\$ 1,899	\$ 1,897	\$ 0	\$ 3,796
Capital contributions not yet received	\$ 0	\$ 0	\$ 31,566	\$ 31,566

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, 2015

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Water Bond</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 97,889	\$ (23,899)	\$ 0	\$ 73,990
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	57,077	33,902	0	90,979
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(20,049)	(10,048)	0	(30,097)
(Increase) Decrease in Prepaid Items	(154)	(154)	0	(308)
Increase (Decrease) in Accounts Payable	1,279	810	0	2,089
Increase (Decrease) in Salaries and Benefits Payable	10,231	10,231	0	20,462
Increase (Decrease) in Compensated Absences	1,844	1,844	0	3,688
Net Cash Provided (Used) by Operating Activities	<u>\$ 148,117</u>	<u>\$ 12,686</u>	<u>\$ 0</u>	<u>\$ 160,803</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, 2015

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 - 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.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 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.

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.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Balance Reporting in Governmental Funds

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

The City uses the following fund balance categories in the governmental fund Balance Sheet:

- *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 (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.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

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 amount 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.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2015, the carrying amount of the City's deposits was \$796,448 and the respective bank balances totaled \$812,161. \$272,140 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, 2015, \$540,021 of the City's deposits were not covered by the federal depository insurance or by collateral held by

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

2. CASH AND INVESTMENTS (continued)

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.

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 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, 2015, are summarized below:

Investment	Fair Value	<u>Maturity (in Years)</u>
		Less than 1
External Investment Pool	\$ 77,582	\$ 77,582

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

2. CASH AND INVESTMENTS (continued)

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	\$ 265,397	\$ 531,401	\$ 796,798
Investments categorized as deposits	<u>2,425</u>	<u>75,157</u>	<u>77,582</u>
	<u>\$ 267,822</u>	<u>\$ 606,558</u>	<u>\$ 874,380</u>

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units (State of Idaho) consist of a DEQ capital contribution of \$31,566, highway revenue tax of \$16,066, liquor apportionment of \$3,591, and state revenue sharing of \$4,688 for a total of \$55,911.

4. 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, 2015, are as follows:

	9/30/2014	Increase	Decrease	9/30/2015	Current Portion
Governmental Activities	\$ 3,399	\$ 1,444	\$ (3,468)	\$ 1,375	\$ 1,375
Business-type Activities	<u>7,080</u>	<u>7,106</u>	<u>(3,418)</u>	<u>10,768</u>	<u>10,768</u>
	<u>\$ 10,479</u>	<u>\$ 8,550</u>	<u>\$ (6,886)</u>	<u>\$ 12,143</u>	<u>\$ 12,143</u>

5. DEFERRED COMPENSATION PLAN (457)

Permanent employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until withdrawal at a later date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

5. DEFERRED COMPENSATION PLAN (457) (continued)

The City has no liability for losses under the plan but it does have the obligation of due care in selecting the third party administrator. The deferred compensation plan is administered by AIG VALIC, an unrelated organization. All amounts of compensation deferred under the plan are in possession of the administrator and not available to the City. These amounts are set aside in trust for the exclusive benefit of the employee, and are not available to the employer's creditors, even before such time that the amounts are paid or made available to the employee. For the years ended September 30, 2014, 2013, and 2012 the City made employer contributions to the plan in the amounts of \$5,720, \$5,488, and \$5,651, respectively. There were no employer contributions made in 2015.

6. 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.

7. 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>(15,437)</u>
	<u>\$ 105,255</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, 2015, \$2,105,300 had been drawn down but \$552,010 had already been forgiven, leaving a net draw down of \$1,553,290. The amount forgiven is considered a capital contribution. Another \$248,700 is available to be drawn down. Upon the completion of the project, the loan amount to be repaid will be \$1,763,388 with \$590,612 of principal forgiveness. Payments will be biannual installments over 30 years, at 0% interest.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

7. LONG-TERM OBLIGATIONS (continued)

A summary of long-term debt activity for the year ended September 30, 2015, is as follows:

<u>Governmental Activities:</u>	<u>Maturity</u>	<u>Rate</u>	<u>Required Reserve</u>	<u>9/30/2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2015</u>	<u>Current Portion</u>
Loader (20% split)	2015	4.55%	N/A	\$ 937	\$ 0	\$ (937)	\$ 0	\$ 0
Tahoe Lease	2019	5.94%	N/A	34,314	0	(6,074)	28,240	6,445
Backhoe Lease (20% split)	2020	4.00%	N/A	0	11,039	(1,182)	9,857	606
				<u>\$ 35,251</u>	<u>\$ 11,039</u>	<u>\$ (8,193)</u>	<u>\$ 38,097</u>	<u>\$ 7,051</u>

<u>Business-type Activities:</u>	<u>Maturity</u>	<u>Rate</u>	<u>Required Reserve</u>	<u>9/30/2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2015</u>	<u>Current Portion</u>
Loader (80% split)	2015	4.55%	N/A	\$ 3,748	\$ 0	\$ (3,748)	\$ 0	\$ 0
Backhoe Lease (80% split)	2020	4.00%	N/A	0	44,157	(4,724)	39,433	2,428
N/P Water - RD 06	2026	4.50%	\$17,272	157,461	0	(10,185)	147,276	10,624
N/P Water - RD 08	2023	5.25%	2,142	14,048	0	(1,405)	12,643	1,476
N/P Water - RD 09	2032	4.75%	7,649	91,169	0	(3,318)	87,851	3,463
N/P Water Improvement - DEQ	N/A	N/A	0	639,541	913,749	0	1,553,290	0
				<u>\$27,063</u>	<u>\$905,967</u>	<u>\$ (23,380)</u>	<u>\$ 1,840,493</u>	<u>\$17,991</u>

Debt service requirements on long-term debt at September 30, 2015, are as follows:

Governmental Activities:

<u>Year Ending</u>	<u>Municipal Leases</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 30, 2016	\$ 7,051	\$2,077	\$ 9,128
2017	7,768	1,680	9,448
2018	8,223	1,224	9,447
2019	8,706	1,086	9,792
2020	6,349	85	6,434
	<u>\$38,097</u>	<u>\$6,152</u>	<u>\$44,249</u>

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

7. LONG-TERM OBLIGATIONS (continued)

Business-type Activities:

Year Ending September 30,	Bonds and Notes			Municipal Leases		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 15,563	\$11,500	\$ 27,063	\$ 2,428	\$1,407	\$ 3,835
2017	16,314	10,749	27,063	3,718	1,396	5,114
2018	17,069	9,994	27,063	3,869	1,244	5,113
2019	17,859	9,204	27,063	4,027	1,086	5,113
2020-2024	98,633	32,951	131,584	25,391	85	25,476
2025-2029	61,358	11,465	72,823			
2030-2032	20,974	1,915	22,889			
	<u>\$247,770</u>	<u>\$87,778</u>	<u>\$335,548</u>	<u>\$39,433</u>	<u>\$5,218</u>	<u>\$44,651</u>

The amount of interest incurred on long term obligations for the year ending September 30, 2015, for business-type activities was \$13,693.

8. 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
2016	\$ 2,280
2017	2,280
2018	2,280
2019	2,280
2020	2,090
	<u>\$ 11,210</u>

Lease expenditures for the year ended September 30, 2015, totaled \$1,372.

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

9. 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 2015. Future minimum lease revenues are shown below:

Year Ending September 30,	Amount
2016	\$ 1,000
2017	1,000
2018	1,000
2019	<u>333</u>
	<u>\$ 3,333</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>

10. INTERNAL BALANCES

Balances due to/from other funds at September 30, 2015, consist of the following:

\$ 21,576 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, 2015

11. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2015, was as follows:

	<u>9/30/2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2015</u>
<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	141,448	14,800	(3,303)	152,945
Total Historical Cost	<u>1,942,140</u>	<u>14,800</u>	<u>(3,303)</u>	<u>1,953,637</u>
Less: Accumulated Depreciation				
Buildings	368,749	12,978	0	381,727
Improvements	270,638	39,624	0	310,262
Equipment	91,847	10,418	0	102,265
Total Acc. Depr.	<u>731,234</u>	<u>63,020</u>	<u>0</u>	<u>794,254</u>
Net Depreciable Assets	<u>1,210,906</u>	<u>(48,220)</u>	<u>(3,303)</u>	<u>1,159,383</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 1,306,566</u>	<u>\$ (48,220)</u>	<u>\$ (3,303)</u>	<u>\$ 1,255,043</u>

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

General Administration	\$ 3,340
Public Safety	17,237
Roads and Streets	870
Culture and Recreation	41,573
	<u>\$ 63,020</u>

City of Idaho City, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2015

11. CAPITAL ASSETS (continued)

	9/30/2014	Additions	Disposals	9/30/2015
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 51,311	\$ 20,430	\$ 0	\$ 71,741
Construction in Progress	<u>870,857</u>	<u>1,346,538</u>	<u>0</u>	<u>2,217,395</u>
	<u>922,168</u>	<u>1,366,968</u>	<u>0</u>	<u>2,289,136</u>
Capital Assets Being Depreciated:				
Buildings	1,817,673	0	0	1,817,673
Improvements	1,300,152	0	0	1,300,152
Equipment	<u>99,637</u>	<u>59,560</u>	<u>(29,200)</u>	<u>129,997</u>
Total Historical Cost	<u>3,217,462</u>	<u>59,560</u>	<u>(29,200)</u>	<u>3,247,822</u>
Less: Accumulated Depreciation				
Buildings	1,308,813	44,278	0	1,353,091
Improvements	636,382	41,752	0	678,134
Equipment	<u>81,558</u>	<u>4,949</u>	<u>(15,990)</u>	<u>70,517</u>
Total Acc. Depr.	<u>2,026,753</u>	<u>90,979</u>	<u>(15,990)</u>	<u>2,101,742</u>
Net Depreciable Assets	<u>1,190,709</u>	<u>(31,419)</u>	<u>(13,210)</u>	<u>1,146,080</u>
Business-type Activities - Net	<u>\$ 2,112,877</u>	<u>\$ 1,335,549</u>	<u>\$ (13,210)</u>	<u>\$ 3,435,216</u>

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

Water	\$ 57,077
Sewer	<u>33,902</u>
	<u>\$ 90,979</u>

12. SUBSEQUENT EVENTS

In March 2016, Mayor Obland was recalled by the citizens of the City. In April of 2016, the City Clerk was placed on administrative leave and later terminated. 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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 92,511	\$ 92,511	\$ 99,126	\$ 6,615
Licenses and Permits	8,605	8,605	6,979	(1,626)
Rents	5,000	5,000	2,850	(2,150)
Intergovernmental	47,600	47,600	44,626	(2,974)
Interest	250	250	2	(248)
Other	38,675	38,675	34,862	(3,813)
Total Revenues	<u>192,641</u>	<u>192,641</u>	<u>188,445</u>	<u>(4,196)</u>
Expenditures				
Current:				
General Administration	64,411	64,411	52,942	11,469
Public Safety	89,378	89,378	87,867	1,511
Debt Service:				
Principal	6,604	6,604	6,604	0
Interest	2,204	2,204	2,204	0
Capital Outlay	22,383	22,383	6,876	15,507
Total Expenditures	<u>184,980</u>	<u>184,980</u>	<u>156,493</u>	<u>28,487</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>7,661</u>	<u>7,661</u>	<u>31,952</u>	<u>24,291</u>
Other Financing Sources (Uses)				
Debt Proceeds	0	0	2,760	2,760
Disposal of Capital Assets	0	0	1,200	1,200
Transfers Out	(7,661)	(7,661)	0	7,661
Total Other Financing Sources (Uses)	<u>(7,661)</u>	<u>(7,661)</u>	<u>3,960</u>	<u>11,621</u>
Net Change in Fund Balances	0	0	35,912	35,912
Fund Balances - Beginning	0	0	203,712	203,712
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 239,624</u>	<u>\$ 239,624</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, 2015

	General	Culture and Recreation	Total
Revenues			
Property Taxes	\$ 99,126	\$ 0	\$ 99,126
Licenses and Permits	6,979	0	6,979
Rents	2,850	0	2,850
Intergovernmental	44,626	0	44,626
Interest	2	0	2
Other	34,862	171	35,033
Total Revenues	<u>188,445</u>	<u>171</u>	<u>188,616</u>
Expenditures			
Current:			
General Administration	52,942	0	52,942
Public Safety	87,867	0	87,867
Culture and Recreation	0	4,176	4,176
Debt Service:			
Principal	6,604	0	6,604
Interest	2,204	0	2,204
Capital Outlay	6,876	0	6,876
Total Expenditures	<u>156,493</u>	<u>4,176</u>	<u>160,669</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>31,952</u>	<u>(4,005)</u>	<u>27,947</u>
Other Financing Sources (Uses)			
Debt Proceeds	2,760	0	2,760
Disposal of Capital Assets	1,200	0	1,200
Total Other Financing Sources (Uses)	<u>3,960</u>	<u>0</u>	<u>3,960</u>
Net Change in Fund Balances	35,912	(4,005)	31,907
Fund Balances - Beginning	203,712	8,004	211,716
Fund Balances - Ending	<u>\$ 239,624</u>	<u>\$ 3,999</u>	<u>\$ 243,623</u>

City of Idaho City, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Roads and Streets
 For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 33,095	\$ 33,095	\$ 28,505	\$ (4,590)
Intergovernmental	15,504	15,504	16,153	649
Interest	3	3	0	(3)
Other	0	0	3,600	3,600
Total Revenues	<u>48,602</u>	<u>48,602</u>	<u>48,258</u>	<u>(344)</u>
Expenditures				
Current:				
Personnel Services	15,285	15,285	14,066	1,219
Supplies and Other Charges	21,630	21,630	21,060	570
Debt Service:				
Principal	860	860	1,589	(729)
Interest	127	127	320	(193)
Capital Outlay	10,700	10,700	33,510	(22,810)
Total Expenditures	<u>48,602</u>	<u>48,602</u>	<u>70,545</u>	<u>(21,943)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(22,287)</u>	<u>(22,287)</u>
Other Financing Sources (Uses)				
Debt Proceeds	<u>0</u>	<u>0</u>	<u>8,279</u>	<u>8,279</u>
Net Change in Fund Balances	0	0	(14,008)	(14,008)
Fund Balances - Beginning	0	0	45,969	45,969
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,961</u>	<u>\$ 31,961</u>

City of Idaho City, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2015

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 30 to show how these funds were combined.

3. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures were in excess of appropriations in the Roads and Streets fund by \$21,943. This was a result of not amending the budget for additional capital outlays and the corresponding use of fund balance carryover.

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, 2015

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 89,011	\$ 97,233	\$ 8,222
Penalties and Interest	3,500	1,893	(1,607)
Total Taxes	92,511	99,126	6,615
Licenses and Permits			
Beer Licenses	890	925	35
Liquor Licenses	675	675	0
Wine Licenses	600	600	0
Business Licenses	2,860	3,070	210
Building Permits	1,500	761	(739)
Vendor Permits	1,000	165	(835)
Catering Permits	180	140	(40)
Animal Licenses	750	570	(180)
Copy Fees	150	73	(77)
Total Licenses and Permits	8,605	6,979	(1,626)
Rents	5,000	2,850	(2,150)
Intergovernmental			
State Liquor Apportionment	20,000	17,957	(2,043)
Court Revenue	2,000	1,406	(594)
State Sales Tax	8,530	8,601	71
State Revenue Sharing	17,070	16,662	(408)
Total Intergovernmental	47,600	44,626	(2,974)
Interest Earned	250	2	(248)
Other			
Cemetery Lots	900	850	(50)
Franchise Fees	5,000	5,696	696
Donations	3,975	1,530	(2,445)
Grants	17,000	0	(17,000)
Fire Department Revenue	5,000	23,217	18,217
Other	6,800	3,569	(3,231)
Total Other	38,675	34,862	(3,813)
Other Financing Sources			
Debt Proceeds	0	2,760	2,760
Disposal of Capital Assets	0	1,200	1,200
Total Other Financing Sources	0	3,960	3,960
Total Revenue	\$ 192,641	\$ 192,405	\$ (236)

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, 2015

	Budget	Actual	Variance
General Administration			
Personnel Services	\$ 26,326	\$ 24,513	\$ 1,813
Personnel Benefits	3,710	4,347	(637)
Legal and Professional	1,850	960	890
Supplies	4,400	3,462	938
Utilities	6,000	8,668	(2,668)
Insurance	2,100	2,085	15
Other Services and Charges	11,425	6,788	4,637
Repairs and Maintenance	8,300	2,119	6,181
Election	300	0	300
Capital Outlay	4,352	3,954	398
Total General Administration	68,763	56,896	11,867
Public Safety			
Law Enforcement			
Personnel Services	46,089	46,508	(419)
Personnel Benefits	18,573	14,256	4,317
Supplies	600	589	11
Insurance	2,660	2,641	19
Other Services and Charges	6,450	5,875	575
Repairs and Maintenance	300	0	300
Capital Outlay	18,031	2,922	15,109
Total Law Enforcement	92,703	72,791	19,912
Fire Department			
Personnel Services	1,258	881	377
Personnel Benefits	316	178	138
Supplies	300	175	125
Utilities	3,800	1,801	1,999
Other Services and Charges	6,932	10,543	(3,611)
Repairs and Maintenance	2,100	4,420	(2,320)
Total Fire Department	14,706	17,998	(3,292)
Total Public Safety	107,409	90,789	16,620
Debt Service			
Principal	6,604	6,604	0
Interest	2,204	2,204	0
Total Debt Service	8,808	8,808	0
Other Financing Uses			
Transfers Out	7,661	0	7,661
Total Expenditures	\$ 192,641	\$ 156,493	\$ 36,148

City of Idaho City, Idaho
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2015

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Program Expenditures</u>
<u>Environmental Protection Agency</u> Capitalization Grants for Drinking Water State Revolving Funds - ARRA	66.468	None	<u>\$ 1,089,519</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,089,519</u></u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

FEDERAL REPORTS



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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 the **City of Idaho City, Idaho**, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statement and we have issued our report thereon dated January 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **City of Idaho City, Idaho’s** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’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 questioned costs, 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 questioned costs to be material weaknesses [2015-001, 2015-002]

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 questioned costs to be a significant deficiency [2015-003].

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 questioned costs as items 2015-003, 2015-004, 2015-005.

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 questioned costs. 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
January 10, 2017



Certified Public Accountants

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Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the City Council
City of Idaho City, Idaho

Report on Compliance for Each Major Federal Program

We have audited the **City of Idaho City, Idaho’s** (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended September 30, 2015. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the **City of Idaho City, Idaho**, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bailey & Co.

Nampa, Idaho
January 10, 2017

Section II - Financial Statement Findings

2015-001: Segregation of Duties

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.

Condition:

During the year under audit, the City Clerk performed duties that involved recording, custody, and authorization.

Cause:

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

Effect:

This resulted in bank reconciliations not being performed, late or missing filings of reports and payments, untimely deposits, potentially misappropriated city funds, potentially unauthorized account write-offs, and potentially other unidentified issues.

Other Information:

In June 2016, to avoid independence issues with the audit firm, another CPA was asked to come in and help get the City's bank accounts reconciled.

Recommendation:

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

Response:

See Corrective Action Plan.

2015-002: Utility Revenues

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.

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. Dates on receipt records were often much different than the actual deposit date. Little to no evidence could be found that the input of the meter readings were being checked for errors. Many months showed no late fee billings. 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.

Cause:

This is a result of a lack of segregation of duties where the City Clerk prepared and mailed billings, received payments, recorded payments, had authorization to adjust customer's utility accounts, and was making the deposits. The City's financial software is also very outdated.

Effect:

Results of our testing could not definitively prove misappropriation of funds but suggests this could have been the case. At the very least, the reports provided from the monthly billings, adjustments, and collections, are not accurate. If we were to assume the monthly reports are correct, revenues reported in the general ledger system are short by at least \$23,000.

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.

Response:

See Corrective Action Plan.

2015-003: Payroll Compliance

Criteria:

Payroll reports and taxes are to be filed and paid by their due dates and 941 taxes are to be paid electronically.

Condition:

It was discovered that several payroll reports and taxes were either filed and paid late or were not filed and paid at all. 941 payments were paid by check.

Cause:

Primarily, this was due to a lack of proper segregation of duties and oversight.

Effect:

This resulted in penalties and interest imposed by both the IRS and the Idaho State Tax Commission.

Other Information:

By the time we completed this audit, both the IRS and the Idaho State Tax Commission had begun sending notices to the City about the late or missing reports and payments.

Recommendation:

We recommend reports and taxes are filed and paid on time and the Mayor and City Council provide additional oversight. We also recommend that the Mayor and City Council ensure that the individuals who are responsible for these duties are knowledgeable about filing and payment requirements related to payroll.

Response:

See Corrective Action Plan.

2015-004: Budget Compliance

Criteria:

Idaho Code Section 50-1006 requires that the City's actual expenditures not exceed appropriations. If additional funds are expected beyond property taxes, along with a corresponding expenditure, Idaho Code suggests the budget should be amended during the year.

Condition:

The City's expenditures in the Roads and Streets fund exceeded appropriations by \$21,943.

Cause:

This was a result of not amending the budget for additional capital outlays and the corresponding use of fund balance carryover.

Effect:

Potentially, the State of Idaho could impose a liability on the responsible officials for the violation.

Recommendation:

We recommend that whenever transactions are to be entered into where the City is not sure of the proper accounting and/or legal treatment, that they contact those knowledgeable in those areas to determine the proper course of action in order to avoid compliance issues.

Response:

See Corrective Action Plan.

2015-005: Audit Compliance

Criteria:

Idaho Code Section 67-450B requires that the City submit audited financial statements to the Idaho State Legislative Auditor's Office within nine months of year-end.

Condition:

The audit was not completed within nine months of year-end.

Cause:

The information necessary to complete the FY2014 audit was not given to the auditors until well after the nine month deadline, this in turn held up the FY2015 audit.

Recommendation:

We recommend the Mayor and/or the City Council monitor management to help ensure future audits will be completed within nine months of year-end.

Response:

See Corrective Action Plan.

Section III - Findings and Questioned Costs for Federal Awards

None reported.

City of Idaho City, Idaho
Corrective Action Plan
For the Year Ended September 30, 2015

2015-001: Segregation of Duties

During the year under audit, the City Clerk performed duties that involved recording, custody, and authorization.

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.

2015-002: Utility Revenues

There were inadequate checks and balances in the utility billing system to provide a proper internal control system over billings and cash receipts. Limitations of the utility billing software also hindered the ability to provide historical information.

Utilities billing 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. 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. Any adjustments the clerk has made to an account have been signed off by a council member (this was just recently put in place).

As 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. The City Clerk is responsible for online transactions and insuring the monthly deposits match the monthly receipts.

2015-003: Payroll Compliance

Several payroll reports and taxes were either filed and paid late or were not filed and paid at all. 941 payments that were made, were paid by check, instead of the required electronic payment method.

City of Idaho City, Idaho
Corrective Action Plan
For the Year Ended September 30, 2015

The City Clerk has set up a schedule to pay all taxes and retirement bi-weekly and monthly to insure no late fees or cancellations are incurred. Payments are also now made electronically.

2015-004: Budget Compliance

The City's expenditures in the Roads and Streets fund exceeded appropriations by \$21,943.

The budget is closely watched by the council. The City Clerk will provide the council and mayor an updated printout at each council meeting to allow for the council to approve bill paying. Bill paying is also done in a timely manner twice a month after each council meeting. The council is provided with all bills and what funds they should be paid from. Invoices are signed at each meeting; bills are initialed and the checks are dispersed, signed, and authorized by positive pay. This allows for all monies spent through the City to be approved by more than one person. Monies received are also monitored by the council and budget workshops are scheduled to allow for the extra monies received, insuring all funds stay within the year's original or amended budget, as appropriate.

2015-005 Audit Compliance

The audit was not completed within nine months of year-end.

Now that other areas of the City's internal controls are being addressed, the bi-product of this should result in the ability to provide information to the auditors in a timely manner. The City will also be receiving newer/updated software. This should allow for information to be up-to-date and the ability to provide the information needed in a more timely manner. This will also allow for reports in all areas concerning the City to be accessed electronically. The City currently does not have the ability to download or upload reports to those needing them.

If there are any questions regarding the above corrective actions, please contact the City at (208) 392-4584.