



Financial Statements  
September 30, 2019  
City of McCall, Idaho

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## Independent Auditor's Report

Members of the City Council  
City of McCall, Idaho  
McCall, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho (the City) as of and for the year ended September 30, 2019, 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer's share of net pension liability – PERSI, and schedule of employer contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 2020, on our consideration of the City of McCall, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.



Boise, Idaho  
May 7, 2020

As management of the City of McCall, Idaho (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of McCall for the fiscal year ended September 30, 2019. Please use this information in conjunction with the information furnished in the City's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City of McCall exceeded its liabilities and deferred inflows of resources as of September 30, 2019 by \$72,587,433 (net position) in comparison to \$68,269,413 (net position) as of September 30, 2018. Of this amount \$11,638,340 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.
- During fiscal year 2019 the City's total Net Position increased \$4,318,020. Net Position of the governmental activities increased \$3,259,498 and Net Position of business-type activities increased \$1,058,522.
- Total expenses during the year were \$11,880,734 compared to total revenues of \$16,310,843.
- Fund balance of governmental funds at September 30, 2019 totaled \$12,289,177. Of this amount, \$189,132 is nonspendable, \$2,680,143 is restricted, \$4,901,932 is assigned which represents the remaining fund balance of the special revenue funds: 1) \$1,373,593 Streets / Public Works, 2) \$847,571 Airport, 3) \$534,929 Library, 4) \$424,902 Recreation, 5) \$74,544 Capital Projects, and 6) \$1,646,393 Streets Local Option Taxes. The Unassigned portion of fund balance is \$4,517,970 which represents the remaining fund balance of the General Fund.
- The City has \$1,983,362 in long-term debt and compensated absences. In governmental activities, the only balance is compensated absences. In business-type activities, there are balances in compensated absences, a drinking water note payable to the Idaho Department of Environmental Quality, and capital leases for golf carts.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-Wide Financial Statements**

These statements are designed to provide readers with a broad overview of the City of McCall's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

There are two government-wide statements:

**Statement of Net Position**

Reports all of the City's assets and liabilities with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**Statement of Activities**

Reports how the City's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of McCall include City administration, community planning and development, public safety, parks and recreation, library, airport, public works and streets, and local option tax. The business-type activities of the City include the golf course and water system.

The government-wide financial statements include not only the City of McCall itself (known as the primary government), but also two legally separate entities. An urban renewal agency and a library foundation are component units of the City. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

**Fund Financial Statements**

The Fund financial statements provide information about the City's major funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds may be required by law or may be established by the City Council. All of the funds of the City of McCall can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds*

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

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

The City maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the general, airport, street / public works, recreation, library, and local option tax fund. These are considered major funds. Data from the other non-major fund (capital projects) is also included.

#### *Proprietary Funds*

The City of McCall only has one type of propriety fund, the enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in the Proprietary Funds Statement of Net Position and the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position for the golf and water funds, which are considered major funds.

#### **Notes to the Financial Statements**

The notes provide additional information that is necessary to fully understand the data presented in the government-wide and fund financial statements.

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain other required and non-required supplementary information. Budget to actual comparisons are presented as required supplementary information for the General Fund, the Street / Public Works Fund, the Airport Fund, the Recreation Fund, the Library Fund, and the Local Option Tax Fund.

Two additional schedules are included as required supplementary information. The Schedule of Employer's Share of Net Pension Liability – PERSI and the Schedule of Employer Contributions are included as required by Governmental Accounting Standards Board (GASB) No. 68.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Net Position measures the difference between assets and deferred outflows of resources (what the City owns) and liabilities and deferred inflows of resources (what the City owes). The City's combined assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$72,587,433 in 2019. The largest portion of the City's Net Position, 80%, is invested in capital assets, net of related debt. Capital assets include land, buildings, equipment, machinery, and infrastructure. Restricted Net Position equals 4% of total Net Position.

The condensed Statements of Net Position for the years ended September 30, 2019 and 2018 are presented in the table below.

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2019	FY2018	FY2019	FY2018	FY2019	FY2018
Current and Other Assets	\$ 21,203,265	\$ 22,114,353	\$ 4,500,554	\$ 4,651,670	\$ 25,703,819	\$ 26,766,023
Capital Assets	38,601,071	35,097,950	21,072,231	20,030,280	59,673,302	55,128,230
Total Assets	59,804,336	57,212,303	25,572,785	24,681,950	85,377,121	81,894,253
Deferred Outflows of Resources	193,268	284,826	93,469	104,319	286,737	389,145
Total Assets and Deferred Outflows of Resources	59,997,604	57,497,129	25,666,254	24,786,269	85,663,858	82,283,398
Current Liabilities	1,442,209	2,396,865	678,121	576,128	2,120,330	2,972,993
Long-term Liabilities	1,126,102	1,468,191	1,769,814	2,076,178	2,895,916	3,544,369
Total Liabilities	2,568,311	3,865,056	2,447,935	2,652,306	5,016,246	6,517,362
Deferred Inflows of Resources	7,908,159	7,370,437	152,020	126,186	8,060,179	7,496,623
Total Liabilities and Deferred Inflows of Resources	10,476,470	11,235,493	2,599,955	2,778,492	13,076,425	14,013,985
Net Position						
Net investment in Capital Assets	\$ 38,601,071	\$ 35,097,950	\$ 19,667,879	\$ 18,380,150	\$ 58,268,950	\$ 53,478,100
Restricted	2,680,143	2,430,922	-	-	2,680,143	2,430,922
Unrestricted	8,239,920	8,732,764	3,398,420	3,627,627	11,638,340	12,360,391
<b>Total Net Position</b>	<u>49,521,134</u>	<u>46,261,636</u>	<u>23,066,299</u>	<u>22,007,777</u>	<u>72,587,433</u>	<u>68,269,413</u>
	<u>\$ 59,997,604</u>	<u>\$ 57,497,129</u>	<u>\$ 25,666,254</u>	<u>\$ 24,786,269</u>	<u>\$ 85,663,858</u>	<u>\$ 82,283,398</u>



*Changes in Net Position*

The following condensed financial information as presented in the table below was derived from the government-wide Statements of Activities for years ended September 30, 2019 and 2018. During the year the City's financial position increased by \$4,318,020.

	Primary Government					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2019	FY2018	FY2019	FY2019	FY2019	FY2018
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 1,209,418	\$ 1,159,692	\$ 3,708,860	\$ 3,314,184	\$ 4,918,278	\$ 4,473,876
Operating grants and contributions	426,094	323,068	-	-	426,094	323,068
Capital grants and contributions	420,810	3,254,380	6,000	19,392	426,810	3,273,772
General revenue:						
Property taxes	6,101,416	5,610,282	-	-	6,101,416	5,610,282
Franchise fees	315,696	320,387	-	-	315,696	320,387
Sales tax and other governmental	3,624,537	3,174,818	-	-	3,624,537	3,174,818
Unrestricted investment earnings	268,215	158,708	87,439	58,116	355,654	216,824
Other revenue	42,325	82,984	100,033	22,674	142,358	105,658
<b>Total Revenues</b>	<b>12,408,511</b>	<b>14,084,319</b>	<b>3,902,332</b>	<b>3,414,366</b>	<b>16,310,843</b>	<b>17,498,685</b>
<b>Expenses</b>						
General Government						
Executive & Legislative	184,597	195,208	-	-	184,597	195,208
Administration	1,013,830	904,808	-	-	1,013,830	904,808
Public Safety	1,643,147	1,492,233	-	-	1,643,147	1,492,233
Parks	193,090	185,142	-	-	193,090	185,142
Recreation	1,218,555	1,028,477	-	-	1,218,555	1,028,477
Community Services	806,260	719,444	-	-	806,260	719,444
Library	520,836	435,645	-	-	520,836	435,645
Airport	627,179	515,793	-	-	627,179	515,793
Local Option Tax	249,741	270,428	-	-	249,741	270,428
Streets/Public Works	2,389,001	2,206,429	-	-	2,389,001	2,206,429
Enterprise - Golf and Water	-	-	3,034,498	3,232,418	3,034,498	3,232,418
<b>Total Expenses</b>	<b>8,846,236</b>	<b>7,953,607</b>	<b>3,034,498</b>	<b>3,232,418</b>	<b>11,880,734</b>	<b>11,186,025</b>
Excess (deficiency) of revenues over expenditures before transfers	3,562,275	6,130,712	867,834	181,948	4,430,109	6,312,660
Transfers - internal activities	(302,777)	(226,442)	190,688	269,666	(112,089)	43,224
<b>Change in Net Position</b>	<b>3,259,498</b>	<b>5,904,270</b>	<b>1,058,522</b>	<b>451,614</b>	<b>4,318,020</b>	<b>6,355,884</b>
Net Position, Beginning of Year	46,261,636	40,357,366	22,007,777	21,556,163	68,269,413	61,913,529
<b>Net Position, End of Year</b>	<b>\$ 49,521,134</b>	<b>\$ 46,261,636</b>	<b>\$ 23,066,299</b>	<b>\$ 22,007,777</b>	<b>\$ 72,587,433</b>	<b>\$ 68,269,413</b>

### **Governmental Activities**

The City of McCall saw a 10.79% increase in planning and zoning fee revenues, as compared to 2018, an indication that development activity continues to grow within the city and surrounding area. Additionally, the City experienced an increase in interest rates and interest revenue on investments. Governmental activities increased the City's Net Position by \$3,259,498. The streets local option tax generated \$2,084,110 in local sales tax revenue in 2019 as compared to \$1,812,196 in 2018. In 2019 the Downtown Core reconstruction project continued construction with phases 1B and 2A. This project is a multi-year project which began in Summer of 2018 and is estimated to be completed in 2022 and is primarily funded with the streets local option tax revenue. The City continues to aggressively seek grant funding for capital projects to augment city resources for capital related projects.

The Library Board of Trustees embarked upon a capital fund raising campaign to expand the existing library. In 2018 the McCall Public Library Foundation was created to assist in their fund-raising efforts. The plan is to hold a General Obligation Bond election in May 2020.

### **Business-Type Activities**

The business-type activities of the City include Golf and Water in 2019. The City of McCall issued 84 equivalent domestic use permits in the water system in 2019 as compared to 101.5 in 2018. The number of new water connections were down 16.83%. Management believes the decrease is a direct result an increase in system buy-in fees that was effective October 1, 2018. Developers accelerated the purchase of system buy-in fees before September 30, 2019. As a result of the water utility rate study in 2018, the first of three annual increases of 15.6% began October 1, 2019. After the initial three increases, the rate study recommended a rate increase of 2.5% each year thereafter. The implemented rate increase and the move to a block usage rate structure generated a 14.71% increase in water service revenue.

The McCall area produces approximately 50,000 rounds of golf spread over five golf courses with McCall Golf Course attracting 50% the areas rounds played. The level of competition for the rounds of golf played in the area requires the McCall Golf Course to be very competitive when setting fees for playing a round of golf. The Golf Course continues to receive a subsidy from the general fund to help cover personnel costs, assist with capital improvements, and to plow cart paths in the winter to provide the general public a free recreational resource.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **Governmental Funds**

#### *General Fund*

The general fund is the principal fund used for the City's major operations. The fund balance at September 30, 2019 was \$7,120,551, an increase of 9.4% over the fund balance at the end of the prior fiscal year. The City's conservative spending has kept expenditures at or below budget. Fund balance also increased due to the accumulation of Franchise Fees held for undergrounding utilities, staff positions that were vacant at various times during the year, and funding for a five (5) year Capital Improvement Plan.

## General Fund Budgetary Highlights

### *General Fund*

As part of the budget, Council adopts both contingent revenue and expense amounts to allow for the receipt and expenditure of small amounts of unexpected revenues without a formal budget amendment. Throughout the year, several unexpected grants, donations, and other miscellaneous revenues were received. City Council approved budget line item transfers from contingency line items to the appropriate revenue and expense accounts. These transfers did not change the original adopted budget for the fund. Contingency line items are not included in the original budget amounts on the Schedule of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual – General Fund, Street / Public Works Fund, Airport Fund, Recreation Fund, Library Fund and Streets Local Option Tax Fund.

The City of McCall funds a large portion of its Five-Year Capital Improvement Plan (CIP) for the governmental funds through the General Fund. Tax dollars reserved for capital expenditures in the General Fund are internally transferred to the Street / Public Works Fund, Airport Fund, Recreation Fund, Library Fund, and Golf Fund as needed per the CIP and project completion. Funds are retained within the General Fund until expenditures are incurred, and / or the project is completed. The City is constantly looking for ways to leverage limited city funding by actively seeking out grant and potential cost-sharing opportunities.

The Tourism Local Option Tax funds are allocated internally for City programs and services, and externally for programs and non-profit groups to provide for a public benefit to the citizens of McCall. The programs and groups recommended for funding by the LOT commission and approved by the Council for FY 2019 include the following; 1) McCall Area Chamber of Commerce, 2) Valley County Recreation, 3) Payette Lakes Ski Club, 4) MCPAWS Regional Animal Shelter, 5) Treasure Valley Transit, 6) Payette Lakes Community Association, 7) Manchester Ice and Event Center, 8) McCall Winter Sports Club, 9) McCall Hockey/Ice Skating Association, 10) McCall Figure Skating Club, 11) Roots Forest School, Inc., 12) McCall Arts and Humanities Council, 13) Valley County Search and Rescue, and 14) West Central Mountains Housing Trust. The remainder of the Local Option Tax revenue, as recommended by the LOT commission, was transferred to the McCall Public Library. 2019 was first year of a 10-year extension of the local option tax approved by McCall Voters in May 2018.

*Capital Assets*

At the end of 2019 the City had \$59,673,302 invested in capital assets (net of accumulated depreciation), compared to \$55,128,230 at the end of 2018. Additional information can be found in Note 5 of the financial statements.

**Capital Assets as of September 30, 2019  
(net of depreciation)**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Land	\$ 9,568,894	\$ 1,142,320	\$ 10,711,214
Buildings and Improvements	1,670,236	6,313,858	7,984,094
Infrastructure	12,042,036	-	12,042,036
Improvements Other Than Buildings	10,329,314	11,485,463	21,814,777
Machinery, Equipment, and Other	1,521,629	824,988	2,346,617
Construction in Progress	3,468,962	1,305,602	4,774,564
<b>Total</b>	<b>\$ 38,601,071</b>	<b>\$ 21,072,231</b>	<b>\$ 59,673,302</b>

The City recorded current year depreciation of \$1,446,668 in governmental activities and \$935,555 in business-type activities.

*Long-Term Debt*

Business-type activity outstanding debt includes \$1,704,456 in a note payable to the Idaho Department of Environmental Quality. The City is allowed a general obligation debt limit of 2% of market valuation of real and personal property in its taxing area. As of September 30, 2019, based on valuations from Valley County, the limit would be \$30.88M. The City did not issue any new debt in 2019. Detailed information on the City's long-term debt can be found in Note 7 of the financial statements.

**FY20 Budgetary Considerations**

The 2020 budget includes several capital projects including implementation of the City's campus facility development plans, pathway improvement, and continued emphasis on pavement rehabilitation in the Governmental Funds. In the Enterprise funds the 2020 budget includes continued water line replacement, implementation of the water master plan and the second annual water utility rate increase, reconstruction of the golf club house parking lot, and a lease for new golf maintenance equipment. The City is moving forward with the taxiway relocation at the McCall Municipal Airport. Construction costs are funded by an FAA grant that will cover 100% of the construction costs in summer of 2020. The Library Board is moving forward with their capital campaign for the Library Expansion project. The board has hired a construction manager / general contractor for the project and a May 2020 General Obligation bond election was referred to voters by the McCall City Council.

Evaluating revenue generation and receipts, as well as expenditures will be the focus for the last half of fiscal year 2020. The corona virus (COVID-19) pandemic and subsequent stay at home order the shutdown of all non-essential services for the entire month of April and the 4 stage reopening plan during May and June has the potential to severely impact the City of McCall's local sales taxes, shared highway user revenue, as well as, state shared sales tax revenue. The events surrounding the COVID-19 pandemic are unprecedented which makes it imperative that management closely monitor both revenues and expenditures through the end of fiscal 2020 and the foreseeable future to determine the budgetary impacts of COVID-19.

The McCall City Council reviewed and updated the Fund Balance Policy to incorporate a Housing Policy Implementation Fund in the Assigned Funds fund balance classification in the General Fund. The Housing Policy Implementation Fund will be calculated as of September 30 each fiscal year after all other minimum fund balances are satisfied. The Housing Implementation Fund is for uses approved by the City Council to implement the City's adopted Housing Policy.

### **Requests for Information**

This report is designed to provide a general overview of the City of McCall's finances for our citizens and customers. If you have questions about this report or need additional financial information contact the Finance Office: 216 East Park Street, McCall, Idaho 83638, (208) 634-2103.

City of McCall, Idaho  
Statement of Net Position  
September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Urban Renewal
Assets and Deferred Outflows of Resources				
Current Assets				
Deposits and investments	\$ 10,514,137	\$ 3,726,298	\$ 14,240,435	\$ 594,767
Receivables				
Taxes	6,418,342	-	6,418,342	789,143
Intergovernmental	245,484	-	245,484	-
Accounts, net of allowance	580,389	400,138	980,527	-
Grants	136,806	-	136,806	-
Other	-	-	-	1,704
Prepays	23,728	7,800	31,528	-
Internal and component unit balances	113,049	(9,887)	103,162	(103,162)
Inventory	80,404	76,485	156,889	-
Total current assets	<u>18,112,339</u>	<u>4,200,834</u>	<u>22,313,173</u>	<u>1,282,452</u>
Noncurrent Assets				
Restricted deposits and investments	3,005,926	384,720	3,390,646	488,281
Long-term internal balances	85,000	(85,000)	-	-
Capital assets				
Land and construction in progress, not depreciated	13,037,856	2,447,922	15,485,778	293,115
Buildings, improvements and equipment, net of depreciation	25,563,215	18,624,309	44,187,524	1,131,150
Total noncurrent assets	<u>41,691,997</u>	<u>21,371,951</u>	<u>63,063,948</u>	<u>1,912,546</u>
Deferred Outflows of Resources				
Deferred net pension	193,268	93,469	286,737	-
Deferred amounts on refundings	-	-	-	197
Total assets and deferred outflows of resources	<u>\$ 59,997,604</u>	<u>\$ 25,666,254</u>	<u>\$ 85,663,858</u>	<u>\$ 3,195,195</u>

City of McCall, Idaho  
Statement of Net Position  
September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Urban Renewal
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Vouchers and interest payable	\$ 1,174,869	\$ 285,519	\$ 1,460,388	\$ 14,751
Payroll payable	231,970	46,119	278,089	-
Advanced revenue	35,370	-	35,370	-
Capital lease obligations, current portion	-	19,033	19,033	-
Current portion of long-term liabilities	-	327,450	327,450	435,354
Total current liabilities	1,442,209	678,121	2,120,330	450,105
Noncurrent Liabilities				
Net pension liability	977,487	281,550	1,259,037	-
Compensated absences payable	148,615	45,675	194,290	-
Capital lease obligations, non-current	-	65,583	65,583	-
Other long-term debt, non-current	-	1,377,006	1,377,006	-
Total liabilities	2,568,311	2,447,935	5,016,246	450,105
Deferred Inflows of Resources				
Deferred net pension	532,373	152,020	684,393	-
Unavailable revenue	6,299,352	-	6,299,352	776,286
Irrevocable split-interest agreement	1,076,434	-	1,076,434	-
Total deferred inflows of resources	7,908,159	152,020	8,060,179	776,286
Net Position				
Net invested in capital assets	38,601,071	19,667,879	58,268,950	1,477,192
Restricted for				
Local option tax	465,554	-	465,554	-
Franchise fees	2,090,566	-	2,090,566	-
Library	81,980	-	81,980	-
Highways	42,043	-	42,043	-
Urban renewal	-	-	-	491,612
Unrestricted	8,239,920	3,398,420	11,638,340	-
Total net position	49,521,134	23,066,299	72,587,433	1,968,804
	\$ 59,997,604	\$ 25,666,254	\$ 85,663,858	\$ 3,195,195

See Notes to Financial Statements

City of McCall, Idaho  
Statement of Activities  
Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities								
General government								
Executive and legislative	\$ 184,597	\$ -	\$ -	\$ -	\$ (184,597)	\$ -	\$ (184,597)	\$ -
Administrative	1,013,830	50,295	-	-	(963,535)	-	(963,535)	-
Public safety	1,643,147	38,694	74,819	-	(1,529,634)	-	(1,529,634)	-
Parks and recreation								
Parks	193,090	-	-	200	(192,890)	-	(192,890)	-
Recreation	1,218,555	52,346	101,891	-	(1,064,318)	-	(1,064,318)	-
Community services								
Community services	806,260	673,315	4,458	-	(128,487)	-	(128,487)	-
Library	520,836	12,965	12,702	30,611	(464,558)	-	(464,558)	-
Airport	627,179	227,658	70,270	212,661	(116,590)	-	(116,590)	-
Local Option Tax	249,741	-	-	177,338	(72,403)	-	(72,403)	-
Streets/Public Works	2,389,001	154,145	161,954	-	(2,072,902)	-	(2,072,902)	-
Total Governmental Activities	<u>8,846,236</u>	<u>1,209,418</u>	<u>426,094</u>	<u>420,810</u>	<u>(6,789,914)</u>	<u>-</u>	<u>(6,789,914)</u>	<u>-</u>
Business-type Activities								
Water	2,030,812	2,981,522	-	-	-	950,710	950,710	-
Golf	1,003,686	727,338	-	-	-	(276,348)	(276,348)	-
Total Business-type Activities	<u>3,034,498</u>	<u>3,708,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>674,362</u>	<u>674,362</u>	<u>-</u>
Total Primary Government	<u>\$ 11,880,734</u>	<u>\$ 4,918,278</u>	<u>\$ 426,094</u>	<u>\$ 420,810</u>	<u>(6,789,914)</u>	<u>674,362</u>	<u>(6,115,552)</u>	<u>-</u>
Component Unit								
Urban Renewal	<u>\$ 400,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (400,458)</u>



City of McCall, Idaho  
Statement of Activities  
Year Ended September 30, 2019

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
General revenues				
Property taxes, levied for				
General purposes	3,661,576	-	3,661,576	743,645
Recreation	257,885	-	257,885	-
Library	436,647	-	436,647	-
Airport	55,947	-	55,947	-
Street/Public Works	1,689,361	-	1,689,361	-
Franchise fees	315,696	-	315,696	-
Local option tax	2,736,286	6,000	2,742,286	-
Sales tax and other governmental	888,251	-	888,251	-
Investment earnings	268,215	87,439	355,654	21,591
Miscellaneous	42,325	100,033	142,358	-
Transfers	(302,777)	190,688	(112,089)	(9,203)
Total General Revenues and Transfers	<u>10,049,412</u>	<u>384,160</u>	<u>10,433,572</u>	<u>756,033</u>
Change in Net Position	3,259,498	1,058,522	4,318,020	355,575
Net Position, Beginning of Year	<u>46,261,636</u>	<u>22,007,777</u>	<u>68,269,413</u>	<u>1,613,229</u>
Net Position, End of Year	<u>\$ 49,521,134</u>	<u>\$ 23,066,299</u>	<u>\$ 72,587,433</u>	<u>\$ 1,968,804</u>

City of McCall, Idaho  
Balance Sheet – Governmental Funds  
September 30, 2019

	General	Street / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
<b>Assets</b>								
Deposits and investments	\$ 5,019,900	\$ 1,441,672	\$ 728,436	\$ 497,227	\$ 787,030	\$ 2,046,056	\$ -	\$ 10,520,321
Receivables								
Taxes	3,818,986	1,763,582	88,623	271,505	475,646	-	-	6,418,342
Intergovernmental	186,165	42,043	17,276	-	-	-	-	245,484
Accounts	168,587	5,786	7,997	335	3,599	393,834	251	580,389
Grants	3,486	-	130,832	-	-	-	2,488	136,806
Prepays	23,728	-	-	-	-	-	-	23,728
Due from other funds and component units	-	5,703	-	86,448	2,986	-	77,989	173,126
Interfund loans receivable	85,000	-	-	-	-	-	-	85,000
Inventory	-	80,404	-	-	-	-	-	80,404
Restricted deposits and investments	2,087,498	-	-	-	918,428	-	-	3,005,926
	<u>\$ 11,393,350</u>	<u>\$ 3,339,190</u>	<u>\$ 973,164</u>	<u>\$ 855,515</u>	<u>\$ 2,187,689</u>	<u>\$ 2,439,890</u>	<u>\$ 80,728</u>	<u>\$ 21,269,526</u>

City of McCall, Idaho  
Balance Sheet – Governmental Funds  
September 30, 2019

	General	Street / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>								
<b>Liabilities</b>								
Deficit in deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,184	\$ 6,184
Accounts payable	282,025	37,416	22,145	34,573	8,559	790,151	-	1,174,869
Payroll payable	130,292	50,565	7,160	28,203	12,404	3,346	-	231,970
Due to other funds	60,077	-	-	-	-	-	-	60,077
Advanced revenue	-	-	-	35,370	158,006	-	-	193,376
<b>Total liabilities</b>	<b>472,394</b>	<b>87,981</b>	<b>29,305</b>	<b>98,146</b>	<b>178,969</b>	<b>793,497</b>	<b>6,184</b>	<b>1,666,476</b>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue	3,800,405	1,755,169	96,288	270,200	473,383	-	-	6,395,445
Irrevocable split- interest agreement	-	-	-	-	918,428	-	-	918,428
<b>Total deferred inflows of resources</b>	<b>3,800,405</b>	<b>1,755,169</b>	<b>96,288</b>	<b>270,200</b>	<b>1,391,811</b>	<b>-</b>	<b>-</b>	<b>7,313,873</b>
<b>Fund Balances</b>								
Nonspendable	108,728	80,404	-	-	-	-	-	189,132
Restricted	2,493,853	42,043	-	62,267	81,980	-	-	2,680,143
Assigned	-	1,373,593	847,571	424,902	534,929	1,646,393	74,544	4,901,932
Unassigned	4,517,970	-	-	-	-	-	-	4,517,970
<b>Total fund balances</b>	<b>7,120,551</b>	<b>1,496,040</b>	<b>847,571</b>	<b>487,169</b>	<b>616,909</b>	<b>1,646,393</b>	<b>74,544</b>	<b>12,289,177</b>
	<b>\$ 11,393,350</b>	<b>\$ 3,339,190</b>	<b>\$ 973,164</b>	<b>\$ 855,515</b>	<b>\$ 2,187,689</b>	<b>\$ 2,439,890</b>	<b>\$ 80,728</b>	<b>\$ 21,269,526</b>

City of McCall, Idaho  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 September 30, 2019

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Fund balance - total governmental funds		\$ 12,289,177
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		38,601,071
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.		96,093
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(148,615)
Net pension liabilities applicable to the City's governmental funds are not reported as fund liabilities.		(977,487)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to pensions:		
Differences between expected and actual experience	54,446	
Changes in assumptions	57,679	
Contributions made subsequent to measurement date	39,003	
Changes in proportionate share	42,140	
	193,268	193,268
Deferred inflows of resources related to pensions:		
Net difference between projected and actual investment earnings on pension plan investments	(324,094)	
Differences between expected and actual experience	(208,279)	
	(532,373)	(532,373)
Net position of governmental activities		\$ 49,521,134

City of McCall, Idaho  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended September 30, 2019

	General	Street / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
<b>Revenues</b>								
Property taxes	\$ 3,663,656	\$ 1,690,019	\$ 71,225	\$ 257,984	\$ 436,814	\$ -	\$ -	\$ 6,119,698
Local option tax	617,176	15,000	-	20,000	-	2,084,110	-	2,736,286
Interest	131,423	28,905	11,238	6,415	15,700	71,332	-	265,013
Licenses and permits	400,660	-	-	7,270	-	-	3,202	411,132
Intergovernmental	967,528	161,954	212,661	52,896	30,611	177,338	-	1,602,988
Fines and forfeitures	34,069	-	-	-	2,168	-	-	36,237
Charges for services	1,452,649	49,075	282,328	45,076	10,797	-	-	1,839,925
Miscellaneous	13,056	6,932	7,444	13,523	1,371	-	-	42,326
<b>Total revenues</b>	<b>7,280,217</b>	<b>1,951,885</b>	<b>584,896</b>	<b>403,164</b>	<b>497,461</b>	<b>2,332,780</b>	<b>3,202</b>	<b>13,053,605</b>
<b>Expenditures</b>								
<b>Current</b>								
General government	1,611,639	-	-	-	-	-	-	1,611,639
Public safety	1,622,489	-	-	-	-	-	-	1,622,489
Parks and recreation	25,000	-	-	-	-	-	-	25,000
City clerk	253,571	-	-	-	-	-	-	253,571
Community services	930,373	-	-	-	518,534	-	-	1,448,907
Streets	-	1,671,251	-	-	-	-	-	1,671,251
Airport	-	-	324,618	-	-	-	-	324,618
Recreation	-	-	-	1,050,804	-	-	-	1,050,804
Local Option Tax	-	-	-	-	-	249,432	-	249,432
Capital outlay	733,211	154,876	244,290	605,917	-	3,211,495	-	4,949,789
<b>Total expenditures</b>	<b>5,176,283</b>	<b>1,826,127</b>	<b>568,908</b>	<b>1,656,721</b>	<b>518,534</b>	<b>3,460,927</b>	<b>-</b>	<b>13,207,500</b>
<b>Excess (Deficiency) of Revenues over (under) expenditures</b>	<b>2,103,934</b>	<b>125,758</b>	<b>15,988</b>	<b>(1,253,557)</b>	<b>(21,073)</b>	<b>(1,128,147)</b>	<b>3,202</b>	<b>(153,895)</b>

City of McCall, Idaho  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended September 30, 2019

	General	Street / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
Other Financing Sources (Uses)								
Contributions	200	-	-	48,995	12,702	-	-	61,897
Transfers in	-	121,292	7,200	1,129,109	60,000	84,996	-	1,402,597
Transfers out	(1,491,886)	(84,996)	-	(7,200)	-	-	-	(1,584,082)
Total other financing sources (uses)	(1,491,686)	36,296	7,200	1,170,904	72,702	84,996	-	(119,588)
Net Change in Fund Balance	612,248	162,054	23,188	(82,653)	51,629	(1,043,151)	3,202	(273,483)
Fund Balance, Beginning of Year	6,508,303	1,333,986	824,383	569,822	565,280	2,689,544	71,342	12,562,660
Fund Balance, End of Year	<u>\$ 7,120,551</u>	<u>\$ 1,496,040</u>	<u>\$ 847,571</u>	<u>\$ 487,169</u>	<u>\$ 616,909</u>	<u>\$ 1,646,393</u>	<u>\$ 74,544</u>	<u>\$ 12,289,177</u>

City of McCall, Idaho

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended September 30, 2019

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Net change in fund balances - total governmental funds	\$ (273,483)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of (\$4,949,789) exceeded depreciation (\$1,446,668) in the current period.	3,503,121
Some property tax and special assessment revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,682)
Compensated absences are not recorded in the governmental funds because they are not a use of current financial resources. However, in the statement of activities, the change is recorded as a revenue (expense).	(9,771)
Pension revenues (expenses) are not recorded in the governmental funds because they are not a use of current financial resources. However, in the statement of activities, the change is recorded as a revenue (expense).	<u>42,313</u>
Change in Net Position	<u><u>\$ 3,259,498</u></u>

City of McCall, Idaho  
Statement of Net Position – Proprietary Funds  
September 30, 2019

	Enterprise Funds		
	Water	Golf	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Deposits and investments	\$ 3,357,890	\$ 368,408	\$ 3,726,298
Receivables			
Accounts, net of allowance	387,715	12,423	400,138
Prepays	-	7,800	7,800
Inventory	76,485	-	76,485
Total current assets	<u>3,822,090</u>	<u>388,631</u>	<u>4,210,721</u>
Noncurrent Assets			
Restricted deposits and investments	384,720	-	384,720
Capital assets			
Land	562,326	579,994	1,142,320
Buildings	12,000,457	952,595	12,953,052
Improvements other than buildings	17,598,216	3,746,178	21,344,394
Equipment	867,168	511,559	1,378,727
Construction in progress	1,305,602	-	1,305,602
Less accumulated depreciation	<u>(13,847,776)</u>	<u>(3,204,088)</u>	<u>(17,051,864)</u>
Total noncurrent assets	<u>18,870,713</u>	<u>2,586,238</u>	<u>21,456,951</u>
Deferred Outflows of Resources			
Deferred net pension	<u>70,864</u>	<u>22,605</u>	<u>93,469</u>
Total assets and deferred outflows of resources	<u>\$ 22,763,667</u>	<u>\$ 2,997,474</u>	<u>\$ 25,761,141</u>



City of McCall, Idaho  
Statement of Net Position – Proprietary Funds  
September 30, 2019

	Enterprise Funds		
	Water	Golf	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts and interest payable	\$ 249,834	\$ 35,685	\$ 285,519
Payroll payable	22,348	23,771	46,119
Due to other funds	4,184	5,703	9,887
Capital lease obligations, current portion	-	19,033	19,033
Current portion of long-term liabilities	327,450	-	327,450
Total current liabilities	603,816	84,192	688,008
Long-Term Debt			
Net pension liability	208,378	73,172	281,550
Compensated absences payable	26,495	19,180	45,675
Capital lease obligations, non-current	-	65,583	65,583
Other long-term debt, non-current	1,377,006	-	1,377,006
Long-term interfund loans payable	-	85,000	85,000
Total liabilities	2,215,695	327,127	2,542,822
Deferred Inflows of Resources			
Deferred net pension	107,609	44,411	152,020
Net Position			
Net invested in capital assets	17,166,257	2,501,622	19,667,879
Unrestricted	3,274,106	124,314	3,398,420
Total net position	20,440,363	2,625,936	23,066,299
	\$ 22,763,667	\$ 2,997,474	\$ 25,761,141

City of McCall, Idaho  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended September 30, 2019

	Enterprise Funds		
	Water	Golf	Total
Operating Revenues			
Charges for services	\$ 2,501,921	\$ 727,338	\$ 3,229,259
Local option tax	-	6,000	6,000
Other	80,093	19,940	100,033
Total operating revenues	<u>2,582,014</u>	<u>753,278</u>	<u>3,335,292</u>
Operating Expenses			
Personnel services	655,405	516,862	1,172,267
Contractual services	166,457	27,529	193,986
Materials and supplies	97,331	91,852	189,183
Utilities	170,987	124,855	295,842
Repairs and maintenance	127,270	66,701	193,971
Depreciation	764,637	170,918	935,555
Total operating expenses	<u>1,982,087</u>	<u>998,717</u>	<u>2,980,804</u>
Operating Income (Loss)	<u>599,927</u>	<u>(245,439)</u>	<u>354,488</u>
Nonoperating Revenues (Expenses)			
Interest income	86,199	1,240	87,439
Bad debt expense	(12,763)	-	(12,763)
Hook-on fees	479,601	-	479,601
Interest expense	(35,962)	(4,969)	(40,931)
Total nonoperating revenues (expenses)	<u>517,075</u>	<u>(3,729)</u>	<u>513,346</u>
Income (Loss) Before Contributions and Transfers	1,117,002	(249,168)	867,834
Transfers out	(121,292)	-	(121,292)
Transfers in	-	311,980	311,980
Change in Net Position	995,710	62,812	1,058,522
Net Position, Beginning of Year	<u>19,444,653</u>	<u>2,563,124</u>	<u>22,007,777</u>
Net Position, End of Year	<u>\$ 20,440,363</u>	<u>\$ 2,625,936</u>	<u>\$ 23,066,299</u>

City of McCall, Idaho  
Statement of Cash Flows – Proprietary Funds  
Year Ended September 30, 2019

	Enterprise Funds		
	Water	Golf	Total
Operating Activities			
Received from user charges	\$ 2,476,797	\$ 757,222	\$ 3,234,019
Payments to employees for services	(660,968)	(510,677)	(1,171,645)
Payments to suppliers for goods and services	(503,635)	(303,530)	(807,165)
Net Cash from (used for) Operating Activities	<u>1,312,194</u>	<u>(56,985)</u>	<u>1,255,209</u>
Noncapital Financing Activities			
Transfers in	-	311,980	311,980
Transfers out	(121,292)	-	(121,292)
Net Cash from (used for) Noncapital Financing Activities	<u>(121,292)</u>	<u>311,980</u>	<u>190,688</u>
Capital and Related Financing Activities			
Acquisition of capital assets	(1,795,942)	(71,918)	(1,867,860)
Hook-on fees	479,601	-	479,601
Principal payments on long-term debt	(321,102)	-	(321,102)
Principal payments on capital lease	-	(25,030)	(25,030)
Interest paid	(35,962)	-	(35,962)
Net Cash used for Capital and Related Financing Activities	<u>(1,673,405)</u>	<u>(96,948)</u>	<u>(1,770,353)</u>
Capital and Related Investing Activities			
Interest received on investments	86,199	1,240	87,439
Net Cash from Capital and Related Investing Activities	<u>86,199</u>	<u>1,240</u>	<u>87,439</u>
Net Change in Cash and Cash Equivalents	(396,304)	159,287	(237,017)
Cash and Cash Equivalents, Beginning of Year	<u>4,138,914</u>	<u>209,121</u>	<u>4,348,035</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,742,610</u>	<u>\$ 368,408</u>	<u>\$ 4,111,018</u>
Presented on the State of Net Position - Proprietary Funds			
Cash and cash equivalents	\$ 3,357,890	\$ 368,408	\$ 3,726,298
Restricted cash	<u>384,720</u>	<u>-</u>	<u>384,720</u>
	<u>\$ 3,742,610</u>	<u>\$ 368,408</u>	<u>\$ 4,111,018</u>

City of McCall, Idaho  
Statement of Cash Flows – Proprietary Funds  
Year Ended September 30, 2019

	Enterprise Funds		
	Water	Golf	Total
Reconciliation of operating loss to net cash from (used for) operating activities			
Operating income (loss)	\$ 599,927	\$ (245,439)	\$ 354,488
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities			
Depreciation and amortization	764,637	170,918	935,555
Pension related items	(3,058)	(1,955)	(5,013)
Changes in assets and liabilities			
Accounts receivable	(105,217)	3,944	(101,273)
Prepays	-	2,600	2,600
Inventory	(112)	-	(112)
Vouchers payable	58,522	4,807	63,329
Compensated absences	(4,753)	2,057	(2,696)
Payroll payable	2,248	6,083	8,331
Net Cash from (used for) Operating Activities	<u>\$ 1,312,194</u>	<u>\$ (56,985)</u>	<u>\$ 1,255,209</u>
Supplemental Information			
Equipment acquired under capital lease	\$ -	\$ 109,646	\$ 109,646

## **Note 1 - Summary of Significant Accounting Policies**

The City of McCall, Idaho (the City) incorporated in the State of Idaho on July 19, 1911. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police), parks and recreation, community services, streets, and general administrative services.

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

### **Financial Reporting Entity**

These basic financial statements present the City and its component unit as required by generally accepted accounting principles. Component units are organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The component unit column in the government-wide financial statements represents the financial data of the City's single component unit, the Urban Renewal Agency (URA). URA is a separate and distinct legal entity created by state statute. The directors for URA are appointed by the Mayor and approved by the City Council. URA provides urban renewal services for the citizens of the City.

### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Street/Public Works Fund - The Street/Public Works Fund is used to account for the operation of the street maintenance department. Financing is provided by state gasoline and sales taxes as well as property taxes. State law and city ordinance require that these revenues be used to maintain roads and streets.

Airport Fund - The Airport Fund is used to account for the operation of the City's local airport. Financing is provided through property taxes, charges for services and state and federal grants.

Recreation Fund - To account for operation of City recreation programs. Financing is provided by a specific annual property tax levy to the extent miscellaneous revenues are not sufficient to provide such financing. City ordinance restricts these property taxes to financing of recreation programs.

Library Fund – A special revenue fund to account for the operation of the public library. Financing is provided principally through property taxes which are restricted for library operations by City ordinance.

Local Option Tax – To account for the operation of the City’s Local Option Tax over tourism.

The City has reported the following nonmajor governmental fund:

Capital Project Fund - To account for certain capital projects of the City.

The City reports the following major proprietary funds:

Water Fund - To account for the operations of the water system.

Golf Fund - To account for the operations of the City’s public golf course.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business when the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government when elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges for services to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Water and Sewer Funds also recognize, as non-operating revenue, the portion of hook-on fees intended to recover the cost of connecting new customers to the system.

## Deposits and Investments

The City pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principal offices in Idaho. All cash is either covered with FDIC insurance or fully collateralized in the name of the City.

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool (LGIP) is managed by the State of Idaho Treasurer's office. The funds of the Pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

An annual audit of Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool.

Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The City policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

## Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The City's policy requires all investments should be held in the City's name, in the bank's Trust Department, or alternately in the Federal Reserve Bank.



### **Credit Risk**

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The limits on credit risk are based on Idaho Code.

### **Interest Rate Risk**

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The City's policy to mitigate interest rate risk is to structure the City's portfolio so that securities mature to meet the City's cash demands and ongoing operations, thereby precluding the need to sell securities to the open market prior to their maturity and primarily invest in shorter-term securities.

### **Concentration of Credit Risk**

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The City's policy is to invest no more than 50% of their total investments in a single security type or with a single financial institution, with the exception of the U.S. Treasury Securities, and authorized pools.

### **Property Taxes Receivable**

Within the governmental fund financial statement, property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year-end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20.

Taxpayers may pay all or one-half of their tax liability on or before December 20. If one-half of the amount is paid on December 20, the remaining balance is due by the following June 20. Since the City is on a September 30 fiscal year-end, property taxes levied during September for the succeeding year's collection are recorded as deferred inflows of resources at the City's year-end and recognized as revenue in the following fiscal year for all governmental funds. Valley County bills and collects taxes for the City.

### **Customer Services Receivable**

Amounts owed to the City for customer services are due from area residents and businesses and relate to water services provided by the City. The City analyzes past due accounts and current circumstances to evaluate collectability. There is an allowance for doubtful accounts as of September 30, 2019, of \$9,298. As of September 30, 2019, accounts past 90 days totaled \$5.

**General Fund Accounts Receivable**

Amounts owed to the City for customer services are due from a variety of sources. The City analyzes past due accounts and current circumstances to evaluate collectability. There is no allowance for doubtful accounts as of September 30, 2019. As of September 30, 2019, there are no accounts past 90 days.

**Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market. The cost of inventory items are recognized as expenditures in governmental funds when purchased (purchase method) and as expenses in proprietary funds when used (consumption method).

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated acquisition value on the date donated. Public domain infrastructure consisting of roads, sidewalks, water and sewer lines are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful Life (Years)
Buildings	12 - 40
Infrastructure	20 - 50
Improvements other than buildings	10 - 40
Machinery and equipment	5 - 10

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

**Deferred Outflows of Resources**

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The one item is as follows: the pension obligation, reported in the government-wide statement of net position.

### **Bonded Indebtedness**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Compensated Absences Payable**

The City provides personal leave to its full-time employees and sick leave to both full and part-time employees. Personal leave is either paid to employees when taken or paid to employees or their beneficiaries upon the employee's termination, retirement or death. Sick leave is either paid to employees when taken or paid to employees or their beneficiaries upon the employee's termination, retirement or death for hours accrued in excess of 500 to a maximum of either 720 or 960 hours, depending on the hire date of the employee. The amount of unpaid leave accumulated by City employees is accrued as an expense when incurred in the government-wide and the proprietary funds financial statements, which use the accrual basis of accounting. In the Governmental Funds, only the amount that normally would be liquidated with expendable available financial resources is accrued as current year expenditures. Unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditures are accrued. Therefore, the entire unpaid liability for the Governmental Funds is considered long-term and is recorded in the government-wide financial statement only.

### **Advanced Revenue**

The City reports advanced revenues on its statement of net position and fund balance sheet. Advanced revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the City has a legal claim to the resources, the liability for advanced revenue is removed from the balance sheet and the revenue is recognized.

## Fund Balance Reporting

The Local Option Tax (LOT) was established in 2005 by City Ordinance No. 796, renewed by City Ordinance No. 887 in 2011 effective January 1, 2012, and renewed by City Ordinance No. 965 in 2018 effective January 1, 2019. In 2015, two additional local LOTs were established by City Ordinance 936. The LOT established in 2011 is to be used for programs and groups recommended by the LOT commission and approved by City Council. The two additional LOT's established in 2015 are to be used primarily for street replacement, repair and maintenance. Highway user fees are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements. Franchise fees are established by City Ordinance No. 862 in 2009 for the specific use of funding underground utility expansion. Drug restitutions are considered restricted because their use is restricted by State Statute 37-2744 for police investigative expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Resolution 11-19 was adopted in November of 2011 to establish minimum fund balance / net position policies consisting of cash flow and budget stabilization. Those minimum balances enable the City to meet debt payments and other obligations. The minimum balances established for cash flow are expressed as a percentage of the current years' operating budget. Those minimums are as follows: General Fund – 25%, Special Revenue Funds – 20%, Enterprise Funds – 30%, in addition to any sums required under loan or bond agreements. The minimum fund balances established for budget stabilization are expressed as a percentage of the three most recent years' average operating budgets. Those minimums are as follows: General Fund – 15%, Special Revenue Funds – 10%. In the event these minimum balances are used, the City shall strive to restore the balances to the above levels within no more than three fiscal years following the fiscal year in which the reserves were used.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are non-cash or legally or contractually required to be maintained intact such as inventory, long-term loans receivable, property held for sale, endowment or permanent fund principal, and prepaid items.
- Restricted fund balance—amounts that have externally enforceable limitations on their uses; amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City Council itself; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same level action to remove or change the constraint.
- Assigned fund balance—amounts the City Council intend to use for a specific purpose; intent can be expressed by the City Council or by an official designated by the City Council by resolution.

- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of September 30, 2019, fund balances are composed of the following:

	General	Streets / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Funds
<b>Nonspendable</b>							
Prepays	\$ 23,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	80,404	-	-	-	-	-
Long-term interfund note receivable	85,000	-	-	-	-	-	-
<b>Total nonspendable</b>	<b>108,728</b>	<b>80,404</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restricted</b>							
Local Option Tax	403,287	-	-	62,267	-	-	-
Library	-	-	-	-	81,980	-	-
Highway user fee	-	42,043	-	-	-	-	-
Franchise fees	2,090,566	-	-	-	-	-	-
<b>Total restricted</b>	<b>2,493,853</b>	<b>42,043</b>	<b>-</b>	<b>62,267</b>	<b>81,980</b>	<b>-</b>	<b>-</b>
<b>Assigned</b>							
Street/Public works	-	1,373,593	-	-	-	-	-
Airport	-	-	847,571	-	-	-	-
Library	-	-	-	-	534,929	-	-
Recreation	-	-	-	424,902	-	-	-
Local Option Tax	-	-	-	-	1,646,393	-	-
Capital Projects	-	-	-	-	-	-	74,544
<b>Total assigned</b>	<b>-</b>	<b>1,373,593</b>	<b>847,571</b>	<b>424,902</b>	<b>534,929</b>	<b>1,646,393</b>	<b>74,544</b>
<b>Unassigned</b>							
Unassigned	4,517,970	-	-	-	-	-	-
<b>Total unassigned</b>	<b>4,517,970</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>\$ 7,120,551</b>	<b>\$ 1,496,040</b>	<b>\$ 847,571</b>	<b>\$ 487,169</b>	<b>\$ 616,909</b>	<b>\$ 1,646,393</b>	<b>\$ 74,544</b>

### **Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category reported on the government-wide statement of net position. They are the employer pension assumption, property taxes, and an irrevocable split-interest agreement.

The City reports unavailable revenue as a deferred inflow of resources on its statement of net position and fund balance sheet. On the government fund financial statements property taxes that are delinquent are recorded as unavailable revenue since they are not available within 60 days of the fiscal year end, however in the government-wide financial statements delinquent taxes are recognized in the year they are measurable. Taxes levied during September for the succeeding year's collection are recorded as deferred inflows of resources at the City's year-end and recognized as revenue in the following fiscal year for all governmental funds and governmental activities.

### **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, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Risk Management**

The City is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for liability, medical and disability insurance. The City's exposure to loss from its participation in ICRMP is limited to the extent of their deductible only.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 - Deposits and Investments**

At September 30, 2019, the City's deposits in banks were entirely covered by FDIC insurance or collateralized with securities held in the City's name as follows:

	Rating	Maturity	
Deposits			
Insured or collateralized	N/A	N/A	\$ 1,435,752
Idaho First Bank Certificate of Deposit	N/A	October 3, 2019	246,755
			\$ 1,682,507

Certain assets are reported at fair value in the City's financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the City develops inputs using the best information available in the circumstances.

Investments' fair value measurements are as follows at September 30, 2019:

Equities and Money Market Mutual Funds: Valued at fair value based on the quoted prices for active markets.

Fixed Income: Corporate bonds, U.S. Government obligations, and municipal bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, state interest rates, and market-rate assumptions.

Real Estate Assets: Values are based on trust statement value of real estate assets.

The related fair values of these assets are determined as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 399,632	\$ 399,632	\$ -	\$ -
Money Market Mutual Funds	488,281	488,281	-	-
Fixed Income				
Corporate Bonds	17,959	-	17,959	-
U.S. Treasuries	22,465	-	22,465	-
Municipal Securities	196,742	-	196,742	-
Real Estate	<u>237,474</u>	<u>-</u>	<u>-</u>	<u>237,474</u>
Total deposits and investments by fair value level	<u>1,362,553</u>	<u>887,913</u>	<u>237,166</u>	<u>237,474</u>
Investments measured at net asset value (NAV)				
State of Idaho Local Government Investment Pool (LGIP)	<u>15,453,889</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deposits and investments	<u>\$ 16,816,442</u>	<u>\$ 887,913</u>	<u>\$ 237,166</u>	<u>\$ 237,474</u>

Investments valued using the net asset value (NAV) per share generally do not have readily obtainable market values and are instead valued based on the City's pro-rata share of the pool's fair value of the underlying assets. The City values these investments based on information provided by the State of Idaho Treasurer's Office. The City's certificate of deposit was established at a financial institution, matures on October 3, 2019, and is valued at original cost plus accrued interest.

### Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates.



As of September 30, 2019, the City had the following investments subject to interest rate risk:

Investment Type	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Corporate Bonds	\$ 17,959	\$ 3,051	\$ 6,330	\$ 8,578	\$ -
U.S. Treasuries	22,465	-	10,964	11,501	-
Municipal Securities	<u>196,742</u>	<u>46,053</u>	<u>38,482</u>	<u>46,813</u>	<u>65,394</u>
	<u>\$ 237,166</u>	<u>\$ 49,104</u>	<u>\$ 55,776</u>	<u>\$ 66,892</u>	<u>\$ 65,394</u>

### Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB requires disclosure of credit quality ratings for investments in debt securities. (The credit risk ratings below are issued upon standards set by Standard and Poor's).

<u>Investment Ratings</u>	<u>U.S. Treasuries</u>	<u>Corporate Bonds</u>	<u>Municipal Securities</u>	<u>Total</u>
AAA	\$ -	\$ -	\$ 15,288	\$ 15,288
AA	22,465	-	88,010	110,475
A	-	6,414	80,955	87,369
BBB	-	<u>11,545</u>	<u>12,489</u>	<u>24,034</u>
	<u>\$ 22,465</u>	<u>\$ 17,959</u>	<u>\$ 196,742</u>	<u>\$ 237,166</u>

### Note 3 - Restricted Assets

Restricted assets are required to be segregated as to use and are therefore identified as restricted assets. The restricted assets are as follows:

Deposits and investments	
General Fund, Franchise Fees	\$ 2,087,498
Library Fund, Irrevocable Split Interest Trust	918,428
Water Fund, DEQ Loan Reserves	<u>384,720</u>
	<u>\$ 3,390,646</u>

**Note 4 - Intergovernmental and Grant Receivables**

The following summarizes the intergovernmental receivables at September 30, 2019:

Source			
State of Idaho			
Revenue sharing	\$	186,165	
Highway users		42,043	
United States Forest Service		17,276	
		245,484	
	\$	245,484	

Grants owed to the City at September 30, 2019, by source are:

Federal Aviation Administration	\$	127,844
Idaho Airport Aid Program		2,988
United States Department of Transportation		1,986
Idaho State Historical Society		1,500
Idaho Community Development Block Grant		2,488
		136,806
	\$	136,806

Governmental funds report unavailable revenue in connection with property taxes receivables that are not considered to be available to liquidate liabilities of the current period as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that were raised for the subsequent fiscal year.

At the end of the current fiscal year, the various components reported in the governmental funds as deferred inflows of resources were as follows:

	Delinquent Taxes	Subsequent Tax Levy	Total
Property taxes (general fund)	\$ 18,999	\$ 3,781,406	\$ 3,800,405
Property taxes (street fund)	43,079	1,712,090	1,755,169
Property taxes / hangar lease (airport fund)	16,442	79,846	96,288
Property taxes (recreation fund)	4,794	265,406	270,200
Property taxes (library fund)	12,779	460,604	473,383
	96,093	6,299,352	6,395,445
Total unavailable revenue	\$ 96,093	\$ 6,299,352	\$ 6,395,445

**Note 5 - Capital Assets**

Changes in capital assets of governmental activities are as follows:

	<u>Oct. 1, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Sept. 30, 2019</u>
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 7,583,418	\$ 43,586	\$ 1,941,890	\$ -	\$ 9,568,894
Construction in progress	<u>6,253,022</u>	<u>3,283,305</u>	<u>(6,067,365)</u>	<u>-</u>	<u>3,468,962</u>
Total capital assets, not depreciated	<u>13,836,440</u>	<u>3,326,891</u>	<u>(4,125,475)</u>	<u>-</u>	<u>13,037,856</u>
Capital assets, depreciated					
Buildings	3,566,260	189,421	-	-	3,755,681
Infrastructure	17,575,501	465,714	384,385	-	18,425,600
Improvements other than buildings	15,456,388	745,258	3,300,406	-	19,502,052
Equipment	<u>4,447,660</u>	<u>222,505</u>	<u>440,684</u>	<u>-</u>	<u>5,110,849</u>
Total capital assets, depreciated	<u>41,045,809</u>	<u>1,622,898</u>	<u>4,125,475</u>	<u>-</u>	<u>46,794,182</u>
Less accumulated depreciation for					
Buildings	2,008,247	77,198	-	-	2,085,445
Infrastructure	5,821,651	561,913	-	-	6,383,564
Improvements other than buildings	8,607,305	565,433	-	-	9,172,738
Equipment	<u>3,347,096</u>	<u>242,124</u>	<u>-</u>	<u>-</u>	<u>3,589,220</u>
Total accumulated depreciation	<u>19,784,299</u>	<u>1,446,668</u>	<u>-</u>	<u>-</u>	<u>21,230,967</u>
Total net capital assets, depreciated	<u>21,261,510</u>	<u>176,230</u>	<u>4,125,475</u>	<u>-</u>	<u>25,563,215</u>
Governmental activities capital assets, net	<u>\$ 35,097,950</u>	<u>\$ 3,503,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,601,071</u>

Changes in capital assets of business-type activities are as follows:

	Oct. 1, 2018	Additions	Transfers	Deletions	Sept. 30, 2019
Business-type activities					
Capital assets, not depreciated					
Land	\$ 1,142,320	\$ -	\$ -	\$ -	\$ 1,142,320
Construction in progress	256,221	1,368,966	(319,585)	-	1,305,602
Total capital assets, not depreciated	<u>1,398,541</u>	<u>1,368,966</u>	<u>(319,585)</u>	<u>-</u>	<u>2,447,922</u>
Capital assets, depreciated					
Buildings	12,874,969	-	78,083	-	12,953,052
Improvements other than buildings	21,102,892	-	241,502	-	21,344,394
Equipment	1,034,802	608,540	-	264,615	1,378,727
Total capital assets, depreciated	<u>35,012,663</u>	<u>608,540</u>	<u>319,585</u>	<u>264,615</u>	<u>35,676,173</u>
Less accumulated depreciation for					
Buildings	6,322,836	316,358	-	-	6,639,194
Improvements other than buildings	9,315,200	543,731	-	-	9,858,931
Equipment	742,888	75,466	-	264,615	553,739
Total accumulated depreciation	<u>16,380,924</u>	<u>935,555</u>	<u>-</u>	<u>264,615</u>	<u>17,051,864</u>
Total net capital assets, depreciated	<u>18,631,739</u>	<u>(327,015)</u>	<u>319,585</u>	<u>-</u>	<u>18,624,309</u>
Business-type activities capital assets, net	<u>\$ 20,030,280</u>	<u>\$ 1,041,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,072,231</u>

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

Governmental activities		
General government		\$ 150,686
Recreation		172,784
Public works / Streets		738,500
Police		26,781
Parks		51,090
Library		2,700
Community development		788
Airport		<u>303,339</u>
Total depreciation expense - governmental activities		<u>\$ 1,446,668</u>
Business-type activities		
Water		\$ 764,637
Golf		<u>170,918</u>
Total depreciation expense - business-type activities		<u>\$ 935,555</u>

**Note 6 - Interfund Receivables, Payables, and Transfers**

Incoming receipts and outgoing disbursements are sometimes deposited to/disbursed from one fund on behalf of another fund. At that time, a corresponding receivable/payable and operating transfer is recorded between the funds. The composition of interfund balances as of September 30, 2019 is as follows:

Amounts due to the General Fund from:	
Golf, long-term receivable balance	<u><u>\$ 85,000</u></u>
Amounts due to the Street / Public Works Fund from:	
Golf	<u><u>\$ 5,703</u></u>
Amounts due to the Library Fund from:	
General	<u><u>\$ 2,986</u></u>
Amounts due to the Recreation Fund from:	
General	\$ 43,224
Urban Renewal Agency	<u>43,224</u>
	<u><u>\$ 86,448</u></u>
Amounts due to the Capital Projects Fund from:	
Urban Renewal Agency	\$ 59,938
Water	4,184
General	<u>13,867</u>
	<u><u>\$ 77,989</u></u>

Interfund transfers were made for the purpose of funding operations and the settlement of internal balances.

Interfund transfers for the year ended September 30, 2019, were:

Interfund transfers	Golf Fund	Local Option Tax	Airport	Recreation	Streets	Library	Total
Transfers out							
General	\$ 311,980	\$ -	\$ -	\$ 1,119,906	\$ -	\$ 60,000	\$ 1,491,886
Street / Public Works	-	84,996	-	-	-	-	84,996
Recreation	-	-	7,200	-	-	-	7,200
Water	-	-	-	-	121,292	-	121,292
Urban Renewal Agency	-	-	-	9,203	-	-	9,203
	<u>\$ 311,980</u>	<u>\$ 84,996</u>	<u>\$ 7,200</u>	<u>\$ 1,129,109</u>	<u>\$ 121,292</u>	<u>\$ 60,000</u>	<u>\$ 1,714,577</u>

**Note 7 - Long-Term Debt**

The following is a summary of changes in long-term liabilities of the City for the year ended September 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<i>Governmental Activities</i>					
Compensated absences	\$ 138,843	\$ 18,786	\$ 9,014	\$ 148,615	\$ -
Governmental activities long-term liabilities	<u>\$ 138,843</u>	<u>\$ 18,786</u>	<u>\$ 9,014</u>	<u>\$ 148,615</u>	<u>\$ -</u>
<i>Business-type Activities</i>					
Compensated absences	\$ 48,371	\$ 1,236	\$ 3,932	\$ 45,675	\$ -
Notes payable					
Department of Environmental Quality	2,025,558	-	321,102	1,704,456	327,450
Capital leases					
Golf carts	-	109,646	25,030	84,616	19,033
Business-type activities long-term liabilities	<u>\$ 2,073,929</u>	<u>\$ 110,882</u>	<u>\$ 350,064</u>	<u>\$ 1,834,747</u>	<u>\$ 346,483</u>

Compensated absences will be liquidated by all funds as the associated payroll is expended.

Business-type activities long-term debt at September 30, 2019 is comprised of the following:

Note payable to State of Idaho, for \$5,908,755. Due in semi-annual installments of \$179,955 through 2024; interest accrues at 2.0%, unsecured.	<u>\$ 1,704,456</u>
--	---------------------

The annual requirements to amortize all debt outstanding as of September 30, 2019, are as follows:

	Business-type Activities	
	Principal	Interest
2020	\$ 327,450	\$ 32,459
2021	334,032	25,877
2022	340,746	19,163
2023	347,595	12,314
2024	354,633	5,328
	<u>\$ 1,704,456</u>	<u>\$ 95,141</u>

In Idaho, a municipality is allowed a general obligation bond debt limit of 2% of the market valuation of the real and personal property in its taxing area. The City's legal debt limits for 2019, based on data available from Valley County as of September 30, 2019, would be approximately \$29,200,000. The City has no aggregate general obligation bond indebtedness on September 30, 2019.

**Note 8 - Leases**

The City leases several pieces of Caterpillar heavy equipment under long-term leases / purchase agreements. The terms of the agreements call for transfer of ownership and a balloon payment at the end of the lease terms, however, the equipment dealer has entered into a buyback guarantee for the amount of the balloon payment, which the City intends to exercise. The leases expire in November of 2021 (fiscal year 2022) and November of 2022 (fiscal year 2023) wherein the balloon payments of \$858,000 and \$185,000, respectively, are due. Based on the terms of the agreement and the intent of the City, the leases have been reported as operating leases.

The City leases office space, copiers, and various equipment with terms through fiscal year 2024.

Leased property under capital leases includes \$109,646 of equipment with accumulated depreciation of \$18,274 as of September 30, 2019.

Future minimum lease payments, not including the balloon payments, are as follows:

	Capital Leases	Operating Leases
2020	\$ 25,030	\$ 251,831
2021	25,030	250,531
2022	25,030	244,532
2023	25,030	284,457
2024	-	1,362
	100,120	<u>\$ 1,032,713</u>
Total minimum lease payments		
Less portion representing interest	15,504	
Present value of minimum lease payments - Note 7	<u>\$ 84,616</u>	

Total lease expense for the year ended September 30, 2019 totaled \$252,143.

## Note 9 - Defined Benefit Pension Plan

### Plan Description

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

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

### Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits to eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police) 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 and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police. As of June 30, 2019, it was 6.79% for general employees and 8.36% for police. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police. On July 1<sup>st</sup>, the Retirement Board increased employee contribution rates to 7.16% for general employees and 8.81% for police. The employer contribution rates also increased on July 1<sup>st</sup>, to 11.94% for general employees and 12.28% for police. The City's contributions were \$449,137 for the year ended September 30, 2019.

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

At September 30, 2019, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2019, the City's proportion was 0.001102994 percent, which was a decrease of 0.0000174 percent from June 30, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$376,235.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 117,008	\$ 148,384
Changes in assumptions or other inputs	70,035	-
Net difference between projected and actual earnings on pension plan investments	-	428,917
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	107,092
City contributions subsequent to the measurement date	99,694	-
Total	\$ 286,737	\$ 684,393

The \$99,694 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2018, the beginning of the measurement period ended June 30, 2019, is 4.8.

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:

<u>Years ended June 30:</u>		
2020	\$	(92,910)
2021		(231,943)
2022		(112,099)
2023		(60,398)

### 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	3.00%
Salary increases including inflation	3.75%
Investment rate of return	7.05% * Net of plan investment expense
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 3 years for teachers
- No offset for male police
- Forward one year for female police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period 2011 through 2017 for the PERSI Base Plan, which reviewed all economic and demographic assumptions. The Total Pension Liability as of June 30, 2019 is based on the results of an actuarial valuation date July 1, 2019.

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

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

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

The capital market assumptions are:

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

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

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 3,802,777	\$ 1,259,037	\$ (844,555)

**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](http://www.persi.idaho.gov).

**Payables to the Pension Plan**

At September 30, 2019, the City had no reported payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**Note 10 - Pledged Revenue**

The City has pledged future water customer revenues, net of specified operating expenses, to repay a \$5.9 million drinking water facility promissory note payable to the State of Idaho signed in April 2004. Proceeds from the note provided financing to complete phase II of the water treatment facility. The bonds are payable solely from drinking water facility revenues and are payable through 2024. Annual principal and interest payments on the note are expected to require less than 20 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,799,597. Principal and interest paid for the current year and total customer net revenues were \$359,909 and \$2,501,921, respectively.

**Note 11 - Contingent Liabilities**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of the City. City management believes disallowances, if any, will be immaterial.

The City has been named as defendant in various legal actions, the results of which are not presently determinable. However, in the opinion of the City's management and legal counsel, the amount of losses that might be sustained, if any, would not materially affect the City's financial position.

The City has entered into various commitments to developers for certain expansion to infrastructure projects. These are contingent on the developments being constructed and no amount has been assigned or accrued.

### **Note 12 - Subsequent Events**

Subsequent to year-end, the City has been negatively impacted by the effects of the world-wide coronavirus pandemic. The City is closely monitoring its operations, liquidity, and resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of the issuance of these financial statements, the full impact to the City's net position is not known.

### **Note 13 - Component Unit**

The Urban Renewal Agency (URA or the Agency) is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate legal entity.

The following is a summary of the disclosures required for a fair presentation of the component unit in the City's financial statements.

#### **Deposits and Investments**

Deposits and investments for URA include amounts in money market accounts and The Local Government Investment Pool (LGIP), which managed by the State of Idaho Treasurer's office. At year-end, the carrying amount of deposits and LGIP reported in deposits and investments was \$594,767 and restricted deposits and investments was \$488,281. The funds of the LGIP are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The Agency's policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits URA investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at amortized cost. Investments in the Joint Powers Investment Pool and repurchase agreements are valued at fair value.

#### **Custodial Credit Risk**

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The URA does not have a policy for custodial credit risk outside of the deposit and investment agreements.

#### **Credit Risk**

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The investments of the URA are not rated. The URA does not have a restrictive policy regarding rated investments.

#### **Interest Rate Risk**

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The URA does not have a policy concerning maturities of investments.

#### **Concentration of Credit Risk**

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entity's investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The URA does not have policy limiting the amount it may invest in any one issuer.

At September 30, 2019, the URA's cash equivalents consisted of the following:

Cash equivalents and investments	
US Bank Money Market Account	\$ 25,765
Local General Investment Pool	569,002
	<u>594,767</u>
Restricted cash equivalents and investments	
First American Treasury Obligation, Class D	\$ 488,281
	<u>488,281</u>

The money market funds are managed by First American Funds. The funds are invested in repurchase agreements and U.S. Treasury Strips, Notes, and Bonds. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

#### Changes in General Fixed Assets

Changes in URA general fixed assets are as follows:

	Balance Oct. 1, 2018	Additions	Deletions	Balance Sept. 30, 2019
Capital assets, not depreciated				
Land	\$ 293,115	\$ -	\$ -	\$ 293,115
Total capital assets, not depreciated	293,115	-	-	293,115
Capital assets, depreciated				
Buildings, improvements and equipment	3,498,650	-	-	3,498,650
Total capital assets, depreciated	3,498,650	-	-	3,498,650
Less accumulated depreciation				
Improvements	2,035,640	331,860	-	2,367,500
Total accumulated depreciation	2,035,640	331,860	-	2,367,500
Buildings, improvements and equipment, net	1,463,010	(331,860)	-	1,131,150
	\$ 1,756,125	\$ (331,860)	\$ -	\$ 1,424,265



**Unavailable Revenue**

The URA reports unavailable revenue in connection with property taxes receivables that are not considered to be available to liquidate liabilities of the current period as deferred inflows of resources. The URA also defers revenue recognition in connection with resources that were raised for the subsequent fiscal year. At the end of the current fiscal year, deferred inflows of resources were reported for property taxes.

**Long-term Debt**

The following is a summary of changes in long-term debt of the URA for the year ended September 30, 2019:

	<u>Long-term Debt at Oct. 1, 2018</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Long-term Debt at Sept. 30, 2019</u>
Revenue bonds				
2006 agency bonds	\$ 855,000	\$ -	\$ 420,000	\$ 435,000
Premium on agency bonds	<u>2,072</u>	<u>-</u>	<u>1,718</u>	<u>354</u>
	<u>\$ 857,072</u>	<u>\$ -</u>	<u>\$ 421,718</u>	<u>\$ 435,354</u>

Long-term debt at September 30, 2019 is comprised of the following:

\$5,010,000 agency bonds consisting of \$4,120,000 in serial bonds with term bonds due in 2020 for \$435,000; interest accrues at 4.25% to 4.5%. 100% of the property tax revenues are pledged toward this debt.	\$ 435,000
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The annual requirements to amortize all debt outstanding as of September 30, 2019, are as follows:

	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>
2020	<u>\$ 435,000</u>	<u>\$ 19,575</u>



Required Supplementary Information  
September 30, 2019

City of McCall, Idaho

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund  
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 3,647,640	\$ 3,647,640	\$ 3,663,656	\$ 16,016
Local option tax	528,200	642,203	617,176	(25,027)
Interest	45,000	45,000	131,423	86,423
Licenses and permits	282,100	282,100	400,660	118,560
Intergovernmental	869,218	937,218	967,528	30,310
Fines and forfeitures	40,300	40,300	34,069	(6,231)
Charges for services	1,338,519	1,338,519	1,452,649	114,130
Miscellaneous	3,300	3,300	13,056	9,756
<b>Total revenues</b>	<b>6,754,277</b>	<b>6,936,280</b>	<b>7,280,217</b>	<b>343,937</b>
<b>Expenditures</b>				
Mayor and council	179,681	179,681	184,732	(5,051)
Network administration	438,449	436,162	360,601	75,561
City manager	405,088	404,154	388,742	15,412
Administrative	322,740	322,740	324,263	(1,523)
Finance department	398,397	398,397	353,301	45,096
Public safety	1,745,071	1,786,055	1,622,489	163,566
City clerk	264,280	265,214	253,571	11,643
Community services	888,757	891,757	659,802	231,955
Local option tax	621,200	735,203	295,571	439,632
Debt service	-	42,000	42,000	-
Capital outlay	406,325	847,878	691,211	156,667
<b>Total expenditures</b>	<b>5,669,988</b>	<b>6,309,241</b>	<b>5,176,283</b>	<b>1,132,958</b>
<b>Excess of Revenues over Expenditures</b>	<b>1,084,289</b>	<b>627,039</b>	<b>2,103,934</b>	<b>1,476,895</b>
<b>Other Financing Sources (Uses)</b>				
Contributions	-	-	200	200
Transfer in	-	-	-	-
Transfer out	(2,561,456)	(2,104,206)	(1,491,886)	612,320
<b>Total other financing sources (Uses)</b>	<b>(2,561,456)</b>	<b>(2,104,206)</b>	<b>(1,491,686)</b>	<b>612,520</b>
<b>Excess (Deficiency) of Revenues and other sources over (under) expenditures</b>	<b>(1,477,167)</b>	<b>(1,477,167)</b>	<b>612,248</b>	<b>\$ 2,089,415</b>
<b>Fund Balance, Beginning of Year</b>	<b>6,508,303</b>	<b>6,508,303</b>	<b>6,508,303</b>	
<b>Fund Balance, End of Year</b>	<b>\$ 5,031,136</b>	<b>\$ 5,031,136</b>	<b>\$ 7,120,551</b>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street/Public Works Fund  
 Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 1,681,689	\$ 1,681,689	\$ 1,690,019	\$ 8,330
Local option tax	-	15,000	15,000	-
Interest	10,000	10,000	28,905	18,905
Intergovernmental	465,658	465,658	161,954	(303,704)
Charges for services	-	44,222	49,075	4,853
Miscellaneous	50,500	7,500	6,932	(568)
Total revenues	<u>2,207,847</u>	<u>2,224,069</u>	<u>1,951,885</u>	<u>(272,184)</u>
Expenditures				
Streets	1,628,896	1,834,596	1,671,251	163,345
Capital outlay	630,765	630,765	154,876	475,889
Total expenditures	<u>2,259,661</u>	<u>2,465,361</u>	<u>1,826,127</u>	<u>639,234</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(51,814)</u>	<u>(241,292)</u>	<u>125,758</u>	<u>367,050</u>
Other Financing Sources (Uses)				
Transfer in	137,514	121,292	121,292	-
Transfer out	(290,700)	(85,000)	(84,996)	4
Total other financing sources (uses)	<u>(153,186)</u>	<u>36,292</u>	<u>36,296</u>	<u>4</u>
Excess (Deficiency) of Revenues and Other uses over (under) expenditure	<u>(205,000)</u>	<u>(205,000)</u>	<u>162,054</u>	<u>\$ 367,054</u>
Fund Balance, Beginning of Year	<u>1,333,986</u>	<u>1,333,986</u>	<u>1,333,986</u>	
Fund Balance, End of Year	<u>\$ 1,128,986</u>	<u>\$ 1,128,986</u>	<u>\$ 1,496,040</u>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Airport Fund  
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 71,152	\$ 71,152	\$ 71,225	\$ 73
Interest	1,230	1,230	11,238	10,008
Intergovernmental	417,278	417,278	212,661	(204,617)
Charges for services	262,769	262,769	282,328	19,559
Miscellaneous	8,000	8,000	7,444	(556)
Total revenues	<u>760,429</u>	<u>760,429</u>	<u>584,896</u>	<u>(175,533)</u>
Expenditures				
Airport	251,796	319,237	324,618	(5,381)
Capital outlay	<u>451,111</u>	<u>451,111</u>	<u>244,290</u>	<u>206,821</u>
Total expenditures	<u>702,907</u>	<u>770,348</u>	<u>568,908</u>	<u>201,440</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>57,522</u>	<u>(9,919)</u>	<u>15,988</u>	<u>25,907</u>
Other Financing Sources (Uses)				
Transfer in	4,200	4,200	7,200	3,000
Transfer out	<u>(64,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(60,205)</u>	<u>4,200</u>	<u>7,200</u>	<u>3,000</u>
Excess (Deficiency) of Revenues over (under) expenditures	(2,683)	(5,719)	23,188	<u>\$ 28,907</u>
Fund Balance, Beginning of Year	<u>824,383</u>	<u>824,383</u>	<u>824,383</u>	
Fund Balance, End of Year	<u>\$ 821,700</u>	<u>\$ 818,664</u>	<u>\$ 847,571</u>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Recreation Fund  
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 256,971	\$ 256,971	\$ 257,984	\$ 1,013
Local option tax	50,000	50,000	20,000	(30,000)
Interest	4,992	4,992	6,415	1,423
Licenses and permits	7,300	7,300	7,270	(30)
Intergovernmental	60,300	60,300	52,896	(7,404)
Charges for services	35,750	35,750	45,076	9,326
Miscellaneous	13,750	13,750	13,523	(227)
Total revenues	429,063	429,063	403,164	(25,899)
Expenditures				
Recreation	881,898	1,270,677	1,050,804	219,873
Capital outlay	867,332	713,072	605,917	107,155
Total expenditures	1,749,230	1,983,749	1,656,721	327,028
Excess (Deficiency) of Revenues over (under) expenditures	(1,320,167)	(1,554,686)	(1,253,557)	301,129
Other Financing Sources (Uses)				
Contributions	53,000	53,000	48,995	(4,005)
Transfer in	1,289,127	1,322,679	1,129,109	(193,570)
Transfer out	(161,992)	(4,200)	(7,200)	(3,000)
Total other financing sources	1,180,135	1,371,479	1,170,904	(200,575)
Excess (Deficiency) of Revenues over (under) expenditures	(140,032)	(183,207)	(82,653)	\$ 100,554
Fund Balance, Beginning of Year	569,822	569,822	569,822	
Fund Balance, End of Year	\$ 429,790	\$ 386,615	\$ 487,169	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Library  
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 434,906	\$ 434,906	\$ 436,814	\$ 1,908
Local option tax	150,110	150,110	-	(150,110)
Interest	3,124	3,124	15,700	12,576
Intergovernmental	3,350	5,300	30,611	25,311
Fines and forfeitures	2,000	2,000	2,168	168
Charges for services	9,525	9,525	10,797	1,272
Miscellaneous	700	700	1,371	671
Total revenues	<u>603,715</u>	<u>605,665</u>	<u>497,461</u>	<u>(108,204)</u>
<b>Expenditures</b>				
Community services	376,646	494,222	518,534	(24,312)
Capital outlay	368,460	365,110	-	365,110
Total expenditures	<u>745,106</u>	<u>859,332</u>	<u>518,534</u>	<u>340,798</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(141,391)</u>	<u>(253,667)</u>	<u>(21,073)</u>	<u>232,594</u>
<b>Other Financing Sources (Uses)</b>				
Contributions and donations	4,500	4,850	12,702	7,852
Operating transfer in	215,000	215,000	60,000	(155,000)
Transfer out	(105,409)	-	-	-
Total other financing sources (uses)	<u>114,091</u>	<u>219,850</u>	<u>72,702</u>	<u>(147,148)</u>
Excess (Deficiency) of Revenues over (under) expenditures	(27,300)	(33,817)	51,629	<u>\$ 85,446</u>
Fund Balance, Beginning of Year	<u>565,280</u>	<u>565,280</u>	<u>565,280</u>	
Fund Balance, End of Year	<u>\$ 537,980</u>	<u>\$ 531,463</u>	<u>\$ 616,909</u>	

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Local Option Tax  
Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local option tax	\$ 1,713,000	\$ 1,946,772	\$ 2,084,110	\$ 137,338
Interest	25,165	25,165	71,332	46,167
Intergovernmental	500,000	500,000	-	(500,000)
Fines and forfeitures	317,600	317,600	177,338	(140,262)
Total revenues	<u>2,555,765</u>	<u>2,789,537</u>	<u>2,332,780</u>	<u>(456,757)</u>
Expenditures				
Local option tax	64,402	564,402	249,432	314,970
Capital outlay	4,609,429	4,343,201	3,211,495	1,131,706
Total expenditures	<u>4,673,831</u>	<u>4,907,603</u>	<u>3,460,927</u>	<u>1,446,676</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(2,118,066)</u>	<u>(2,118,066)</u>	<u>(1,128,147)</u>	<u>989,919</u>
Other Financing Sources (Uses)				
Transfer in	333,000	333,000	84,996	(248,004)
Total other financing sources	<u>333,000</u>	<u>333,000</u>	<u>84,996</u>	<u>(248,004)</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(1,785,066)</u>	<u>(1,785,066)</u>	<u>(1,043,151)</u>	<u>\$ 741,915</u>
Fund Balance, Beginning of Year	<u>2,689,544</u>	<u>2,689,544</u>	<u>2,689,544</u>	
Fund Balance, End of Year	<u>\$ 904,478</u>	<u>\$ 904,478</u>	<u>\$ 1,646,393</u>	



**Note 1 - Budgets and Budgetary Accounting**

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

Prior to September 1, the City Council and City Manager prepare a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.

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

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

Budgets are adopted on a basis consistent with generally accepted accounting principles for the general, special revenue, capital projects and debt service funds. All annual appropriations lapse at fiscal year-end. The City Manager is authorized to transfer budget amounts within departments and between departments within any fund. Revisions that alter the total expenditure appropriation of any fund must be approved by the City Council. State law does not allow fund expenditures to exceed fund appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds.

City of McCall, Idaho  
 Schedule of Employer's Share of Net Pension Liability - PERSI  
 September 30, 2019

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

	2019	2018	2017	2016	2015
Employer's portion of the net pension liability	0.11%	0.11%	0.12%	0.13%	0.12%
Employer's proportionate share of the net pension liability	\$ 1,259,037	\$ 1,652,595	\$ 1,834,028	\$ 2,479,805	\$ 1,633,159
Employer's covered payroll	\$ 3,791,742	\$ 3,820,157	\$ 3,782,093	\$ 3,736,238	\$ 3,516,395
Employer's proportional share of the net pension liability as a percentage of its covered payroll	33.20%	43.26%	48.49%	66.37%	46.44%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%	90.68%	87.26%	91.38%

- (1) The City will continue to annually report information until this schedule includes 10 fiscal years.  
 (2) Amounts as of the measurement date of June 30.

City of McCall, Idaho  
 Schedule of Employer Contributions  
 September 30, 2019

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

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 449,137	\$ 430,678	\$ 425,774	\$ 409,600	\$ 393,234
Contributions in relation to the statutorily required contribution	<u>(449,137)</u>	<u>(430,678)</u>	<u>(425,774)</u>	<u>(409,600)</u>	<u>(393,234)</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 3,934,882	\$ 3,839,839	\$ 3,773,897	\$ 3,624,112	\$ 3,516,395
Contributions as a percentage of covered payroll	11.41%	11.22%	11.28%	11.30%	11.18%

(1) The City will continue to annually report information until this schedule includes 10 fiscal years.



Other Information  
September 30, 2019  
City of McCall, Idaho



**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***

Members of the City Council  
City of McCall, Idaho  
McCall, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of McCall, Idaho’s basic financial statements and have issued our report thereon dated May 7, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses (Finding 2019-001 and Finding 2019-002).

### **Compliance and Other Matters**

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

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

City of McCall, Idaho's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of McCall, Idaho's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.



Boise, Idaho  
May 7, 2020

**2019-001 Financial Statement Preparation**  
**Material Weakness**

**Criteria:**

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting and the ability to convert the trial balance from modified accrual to full accrual under the requirements of the Governmental Accounting Standards Board (GASB). It also includes the ability to prepare the footnote disclosures required by GASB. Additionally, this includes posting of all material adjustments necessary to close the year and accurately reflect the activity of the City throughout the year.

**Condition:**

An internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain closing entries, government-wide reporting conversion entries and footnotes.

**Cause:**

The size of the City and the limited number of accounting personnel makes it difficult to implement this level of internal control.

**Effect:**

Management relied on the auditing firm to report financial data in accordance with generally accepted accounting principles. The auditor proposed certain accrual closing entries, government-wide reporting conversion entries and prepared the footnotes and reported financial data in accordance with generally accepted accounting principles.

**Recommendation:**

Management should develop written procedures for year-end closure to ensure that all year-end adjustments are recorded and that the financial information is recorded accurately and in a timely manner. Management and those charged with governance should assess the benefit of implementing an internal control system that includes the preparation of the financial statements and related footnotes in relation to the cost or other considerations.

**Views of Responsible Officials:**

Management will work to develop procedures for year-end closing entries. Management will consider the cost and benefits of preparing the report in future years.

**2019-002 Material Audit Adjustments**  
**Material Weakness**

**Criteria:**

During the course of our engagement, we proposed material audit adjustments that would not have been identified through the City of McCall's internal control process, and therefore could have resulted in a material misstatements of the City's financial statements. The internal control structure should include procedures to ensure that account balances are properly stated and reconciled at year-end.

**Condition:**

An internal control system design must include elements to properly reconcile account balances at year-end, post closing entries, and to record items in accordance with generally accepted accounting principles.

**Cause:**

The City does not have a proper internal control structure in place to identify material adjustments.

**Effect:**

Material audit adjustments were proposed through the course of the audit. If these adjustments were not recorded, the financial statements could have been materially misstated.

**Recommendation:**

Management should develop a review process to ensure that the financial information is recorded appropriately in accordance with generally accepted accounting principles and is properly reconciled and recorded at year-end.

**Views of Responsible Officials:**

Management will work to develop the proper procedures to ensure that account balances are appropriately reconciled at year-end and recorded in accordance with generally accepted accounting principles.