

Financial Statements

City of McCall
Includes Supplementary Information
Year Ended September 30, 2023



Table of Contents

Independent Auditors' Report	3
Management's Discussion and Analysis	7
Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	19
Fund Financial Statements	
Balance Sheet – Governmental Funds	21
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	25
Statement of Net Position – Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	28
Statement of Cash Flows – Proprietary Funds	29
Notes to the Financial Statements	31
Required Supplementary Information	
Statements of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:	
General Fund	51
Street / Public Works Fund	52
Library Fund	53
Recreation Fund	54
Airport Fund	55
Local Option Tax Fund	56
Debt Service Fund	57
Capital Projects Fund	58
Schedule of Employers' Proportionate Share of Net Pension Liability	59
Federal Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	63
Schedule of Expenditures of Federal Awards	65
Notes to Schedule of Expenditures of Federal Awards	66
Schedule of Findings and Questioned Costs	67
Schedule of Prior Audit Findings	69

INDEPENDENT AUDITORS' REPORT

To the City Council
City of McCall
McCall, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of McCall, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of McCall's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of McCall, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

During fiscal year 2023, Management identified errors in the fiscal 2022 financial statements that required restating the 2022 reported balances. These restatements area disclosed in Note L to the financial statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of McCall's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.





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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of employers' proportionate share of net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of McCall's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024 on our consideration of City of McCall's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 City of McCall's internal control over financial reporting and compliance.

Harvie CPA, P.C.

Meridian, Idaho
March 21, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF MCCALL, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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, 2023. 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, 2023 by \$109,417,102 (net position) in comparison to \$102,912,895 (net position) as of September 30, 2022. Of this amount \$18,587,312 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.
- During fiscal year 2023 the City's total Net Position increased \$6,504,207. Net Position of the governmental activities increased \$4,914,399 and Net Position of business-type activities increased \$1,589,808.
- Total expenses during the year were \$18,731,522 compared to total revenues of \$25,368,691.
- Fund balance of governmental funds on September 30, 2023 totaled \$15,756,975. Of this amount, \$1,154,337 is non-spendable, \$74,234 is restricted, \$8,710,799 is assigned which represents the remaining fund balance of the special revenue funds: 1) \$1,861,233 Streets / Public Works, 2) \$810,064 Airport, 3) \$835,258 Library, 4) \$(208,521) Recreation, 5) \$2,076,522 Capital Projects, 6) \$2,652,344 Streets Local Option Taxes, and 7) \$51,569 Debt Service. The Unassigned portion of fund balance is \$6,044,572 which represents the remaining fund balance of the General Fund and the negative fund balance of Recreation.
- The City has \$11,063,074 in long-term debt. In governmental activities debt consists of general obligation bonds, compensated absences, equipment leases, and net pension liability. In business-type activities debt consists of compensated absences, a drinking water note payable to the Idaho Department of Environmental Quality, capital equipment leases, and net pension liability.

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.

**CITY OF MCCALL, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

There are two government-wide statements:

Statement of Net Position

Reports all 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 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 the McCall Redevelopment Agency, a legally separate entity, and a component unit of the City. Financial information for the component unit is 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 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.

**CITY OF MCCALL, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

The City maintains nine 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, local option tax fund, debt service fund, and capital projects fund. These are considered major funds.

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, the local option tax fund, the debt service fund, and the capital projects 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.

**CITY OF MCCALL, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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 \$109,417,102 in 2023. The largest portion of the City's Net Position, 88%, is invested in capital assets, net of related debt. Capital assets include land, buildings, equipment, machinery, and infrastructure. Unrestricted Net Position equals 17% of total Net Position.

The condensed Statements of Net Position for the years ended September 30, 2023 and 2022 are presented in the table below.

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Current and Other Assets	\$ 30,125,017	\$ 32,573,671	\$ 7,836,812	\$ 9,165,792	\$ 37,961,829	\$ 41,739,463
Capital Assets	70,890,081	60,577,799	24,891,136	21,210,123	95,781,217	81,787,922
Total Assets	101,015,098	93,151,470	32,727,948	30,375,915	133,743,046	123,527,385
Deferred Outflows of Resources	1,961,864	2,079,727	285,403	393,195	2,247,267	2,472,922
Total Assets and Deferred Outflows of Resources	102,976,962	95,231,197	33,013,351	30,769,110	135,990,313	126,000,307
Current Liabilities	7,013,003	4,938,401	1,630,645	675,712	8,643,648	5,614,113
Long-term Liabilities	8,870,687	8,209,971	979,197	1,269,909	9,849,884	9,479,880
Total Liabilities	15,883,690	13,148,372	2,609,842	1,945,621	18,493,532	15,093,993
Deferred Inflows of Resources	8,073,910	7,977,862	5,769	15,557	8,079,679	7,993,419
Total Liabilities and Deferred Inflows of Resources	23,957,600	21,126,234	2,615,611	1,961,178	26,573,211	23,087,412
Net Position						
Net investment in Capital Assets	\$ 66,299,960	\$ 56,163,552	\$ 24,455,596	\$ 20,424,636	\$ 90,755,556	\$ 76,588,188
Restricted	74,234	1,494,481			74,234	1,494,481
Unrestricted	12,645,168	16,446,930	5,942,144	8,383,296	18,587,312	24,830,226
Total Net Position	79,019,362	74,104,963	30,397,740	28,807,932	109,417,102	102,912,895
	\$ 102,976,962	\$ 95,231,197	\$ 33,013,351	\$ 30,769,110	\$ 135,990,313	\$ 126,000,307

**CITY OF MCCALL, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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, 2023 and 2022. During the year the City's financial position increased by \$6,504,207.

	Primary Government					
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Revenues						
Program Revenues						
Charges for services	\$ 1,712,068	\$ 1,703,587	\$ 6,544,602	\$ 5,307,494	\$ 8,256,670	\$ 7,011,081
Operating grants and contributions	640,151	749,075			640,151	749,075
Capital grants and contributions	1,219,832	1,859,519			1,219,832	1,859,519
General revenue:						
Property taxes	7,598,932	7,270,839			7,598,932	7,270,839
Franchise fees	378,154	326,454			378,154	326,454
Sales tax and other governmental	5,036,034	5,094,883			5,036,034	5,094,883
Unrestricted investment earnings	875,064	134,816	295,486	43,851	1,170,550	178,667
Other revenue	1,036,995	288,322	31,373	81,560	1,068,368	369,882
Total Revenues	18,497,230	17,427,495	6,871,461	5,432,905	25,368,691	22,860,400
Expenses						
General Government						
Government Administration	3,484,340	3,001,006			3,484,340	3,001,006
Public Safety	2,037,840	1,856,726			2,037,840	1,856,726
Parks and Recreation	1,844,636	4,770,011			1,844,636	4,770,011
Community Services	985,010	1,096,658			985,010	1,096,658
Library	419,589	360,447			419,589	360,447
Airport	875,482	609,386			875,482	609,386
Local Option Tax	501,739	86,205			501,739	86,205
Streets/Public Works	3,650,625	2,722,753			3,650,625	2,722,753
Enterprise - Golf and Water			4,860,093	3,401,760	4,860,093	3,401,760
Interest on long-term debt	72,168	70,840			72,168	70,840
Total Expenses	13,871,429	14,574,032	4,860,093	3,401,760	18,731,522	17,975,792
Excess (deficiency) of revenues over expenditures before transfers	4,625,801	2,853,463	2,011,368	2,031,145	6,637,169	4,884,608
Transfers - internal activities	451,060	4,522,971	(421,560)	(115,206)	29,500	4,407,765
Change in Net Position	5,076,861	7,376,434	1,589,808	1,915,939	6,666,669	9,292,373
Net Position, Beginning of Year	73,942,501	66,657,689	28,807,932	26,891,993	102,750,433	93,549,682
Net Position, End of Year	\$ 79,019,362	\$ 74,034,123	\$ 30,397,740	\$ 28,807,932	\$ 109,417,102	\$ 102,842,055

**CITY OF MCCALL, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Governmental Activities

The City of McCall experienced the onset of the COVID-19 pandemic in March 2020. The City enacted a mask mandate in June of 2020 and lifted it in May 2021. The City received the first tranche of federal State Local Financial Relief funds from the State of Idaho in 2021 in the amount of \$386,850 and received the second tranche in the same amount in summer 2022. The City claimed the funds under the “revenue replacement” category allowed by US Treasury rules. The City Council will appropriate the funds in the FY25 budget to meet the December 31, 2024 deadline of the rules.

2023 was a year dedicated to improving McCall for today’s residents, businesses, and visitors as well as planning for our future. With prudent financial planning and leveraging federal, state, and private funding sources we were able to accomplish many important projects for the community we serve. The City Council took important steps to address their number one priority - our local housing shortage due to the lack of long-term rental units and homes for sale at price points affordable for local wages. Council continued funding for implementation of the Housing Action Plan developed by a community steering committee with 27 strategies to implement over 5 years. To date, 52 units of deed-restricted housing for local workers have been entitled for construction using the developer incentive program. To improve residential neighborhood quality and safety for visitors, the Council adopted new laws regulating short-term rentals which were effective January 1, 2024. The Council gave property owners 18 months to come into compliance, the bulk of which occurred during 2023. The Airbnb platform has assisted city staff in gaining compliance. A substantial number of previous short-term rental owners have completed the process to continue renting. Short term rentals pay the city’s 6% lodging tax and are an important part of our lodging mix to accommodate the volume of visitors to our community. The city saw flat lodging tax revenues in 2023 similar to 2022 which we believe is a combination of having more short-term rentals in competition with each other which has dropped lodging rates as well as a return to a more normal pre-pandemic visitation level.

In addition to lodging taxes, the city has a 1% sales tax on goods excluding groceries. The sales tax revenue collection remains strong due to inflationary price increases of goods, strong tourism visits, as well as the continued strong demand for construction materials. This has helped to sustain the city’s overall performance in the sales tax category.

Ground was broken on the construction of the library expansion project thanks to the voter-approved bonds issued by the city in fall 2021. Construction of the new library building occurred in 2023 with completion expected in early summer 2024. The final phase of the project is to remodel the existing library into a large community meeting space and new council chambers are expected to be complete in early winter 2024. The remaining bond proceeds are anticipated to be fully spent in 2024. Additional funding for the project will come from private donations received by the McCall Library Foundation of approximately \$2.3 million, which the city expects to receive before the end of FY24. The city continues to meet its debt service obligations to the bondholders.

To start the library expansion project, the Parks and Recreation department had to be moved from their old facility next door to the library which was razed to accommodate the footprint of the new library. The City Council approved an interest-free 5-year loan of \$1 Million from the general fund to the recreation fund to construct a new facility for the parks maintenance department with \$200k repayments each year using Tourism Local Option Taxes (lodging taxes) to replenish the general fund. Repayments began in 2022. Please see Note J which identifies a deficit in the recreation fund. The deficit reflects the liability owed to the general fund for this loan and it is expected the recreation fund will return to a positive fund balance upon full repayment of the loan in 2026.

The McCall area saw strong real property value growth according to the assessor in 2023 due to high demand for second homes and vacation rental investment property by out of the area purchasers. Rising mortgage interest rates and inflation in 2023 caused real estate sales to slow with very little inventory on the market by the end of 2023. Prices appear to have stabilized but reductions in price have not yet occurred. New construction within the city continues to be strong within the residential market. A future apartment complex is in the entitlement process and will bring over 130 new units to our housing mix.

The city has embarked on the creation of a Climate Action Plan utilizing a consultant and a citizen steering committee to develop actionable strategies for implementation. The city has evaluated its fleet for conversion to electric vehicles. The council approved a 10-year ground lease to Tesla to install an eight-vehicle charging station in our downtown public parking lot.

**CITY OF MCCALL, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

The city continues to be successful in receiving state and federal grants for major transportation projects. Due to the number of large construction projects awarded by the city in the last several years, the city has added a "Retainage Payable" account to our balance sheet to report the amount of construction project contract award amounts that are pending final inspection and acceptance by the city.

Business-Type Activities

The Water Utility continues to see an increase in the number of new connections for service and increased overall demand for water. In summer 2022 the City Council received an updated engineering study of the Water System Master Plan along with an updated rate study to ensure appropriate treatment capacity is maintained and funded. The Council adopted revisions to the tiered rate structure to further incentivize water conservation and the city continued its educational campaign to encourage water conservation. The city has identified necessary drinking water system upgrades to meet new DEQ regulatory requirements as well as increased peak demand flows. The city is preparing to construct the largest drinking water system capacity upgrades per the 20-year master plan. The council has referred a \$16.5 million revenue bond measure to the May 21, 2024 election. A simple majority of 50% plus 1 is needed to pass the measure. Idaho law requires voter approval of any long-term debt even if proposed to be repaid by water user rates. By using debt financing for these large upgrades, water rates are expected to only be raised approximately 3% to 4% per month for the average household. If the city were to instead use cash financing to fund the upgrades, monthly user rates would be raised by approximately 100%. The water fund currently has \$354,880 debt which will be paid off in April 2024.

2023 was the first year the city managed 100% of the McCall Golf Course operations in-house which allowed the city to capture 100% of the revenue streams from tournaments along with daily greens fees, etc. As the reader will see from reviewing the statements for the golf fund, it continues to receive a \$200k subsidy from the general fund to pay for mower equipment leases as well as to pay for winter snow removal to keep the cart paths open for winter walking by the public. The city is preparing a 5-year financial plan to chart a course for self-sufficiency. To assist with that plan, the Council forgave an old \$85k debt the course had to the general fund. The city was able to invest in major rehabilitation of 18 tee areas in 2023 using cash resources of the fund without borrowing. The city will continue to implement capital projects identified in the 2020 Golf Course Asset Management Plan on a pay-as-you-go basis.

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 as of September 30, 2023 was \$7,678,516, a decrease of 9.57% of the fund balance at the end of the prior fiscal year. The City's conservative spending continues to keep expenditures at or below budget. Fund balance is primarily used to fund one-time expenditures and to fund the City's 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 do not change the original adopted budget for the funds.

**CITY OF MCCALL, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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 (LOT) generated \$1,054,578, a slight decrease in revenue of 2.34% as compared to \$1,079,886 in 2022. During 2022 \$770,014 for internal programs and \$284,564 external for programs and non-profit groups. The programs and non-profit groups recommended for funding by the LOT Commission and approved by Council in 2023 include the following; 1) Alpine Playhouse, 2) McCall Chamber of Commerce and Visitors Bureau, 3) Friends of Payette Avalanche Center, 4) Treasure Valley Transit, 5) McCall Arts and Humanities, 6) McCall Folklore Society, 7) McCall Music Society, 8) McCall Ultra Sled Dog Challenge, 9) Payette Lake Community Association, 10) Payette Lakes Ski Club, 11) Payette Lake Land Trust, and 12) Valley County Pathways. The LOT Commission also recommended funding the following City programs and projects: 1) Administrative Costs, 2) Winter Sidewalk Snow Removal, 3) Local Housing Initiatives, 4) Noxious Weed Program, 5) Community Events 6) Equipment Lease, 7) Update Parks and Recreation Master Plan, 7) Automated Fee Collective Program, 8) Repave Golf Cart Paths, and 9) Park Shop Relocation Loan Repayment.

Capital Assets

At the end of 2023 the City had \$95,781,217 invested in capital assets (net of accumulated depreciation), compared to \$81,787,922 at the end of 2022. Additional information can be found in Note C of the financial statements.

Capital Assets as of September 30, 2023			
(net of depreciation)			
	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Land	\$ 9,997,579	\$ 1,142,320	\$ 11,139,899
Buildings and Improvements	3,133,237	5,078,421	8,211,658
Infrastructure	11,242,174		11,242,174
Improvements other than Buildings	33,124,127	13,366,115	46,490,242
Equipment	1,601,235	1,025,423	2,626,658
Construction in Progress	11,177,106	4,265,927	15,443,033
Right of Use Lease Equipment	614,623	12,930	627,553
Total	\$ 70,890,081	\$ 24,891,136	\$ 95,781,217

The City recorded depreciation of \$2,466,623 in governmental activities and \$1,086,258 in business-type activities in the current year.

**CITY OF MCCALL, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Long-Term Debt

Business-type activity outstanding debt includes \$354,880 in a note payable to the Idaho Department of Environmental Quality. Governmental Activity outstanding debt includes \$3,460,000 in General Obligation bonds issued in 2021 for the Library Expansion Project. Detailed information on the City's long-term debt can be found in Note H of the financial statements.

FY24 Budgetary Considerations

The FY24 budget maintains the current level of services in all program areas. Recruitment of key positions has been challenging due to our wage levels and the high cost of housing in our area. The FY24 budget included a 5% pay scale adjustment for all employees. The FY24 budget includes completion of several capital projects started in FY22 and FY23 such as implementation of the City's campus site improvements including construction of the new library, street reconstruction of Davis St. and Deinhard Lane east, reconstruction of intersection of Hwy 55 and Deinhard with Idaho Transportation Department, the subsurface infrastructure upgrades of 1st Street, and continued pavement maintenance throughout town in the Governmental Funds.

In the Enterprise funds the 2024 budget includes continued water line replacement, implementation of the water master plan and the fifth annual water utility rate increase. In the Airport Fund the City is moving forward with rehabilitating runways and the remaining apron pavement using FAA grant funds. The city continues to budget conservatively for the use of non-property tax revenues as they are dependent on the visitor economy and can fluctuate.

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.

BASIC FINANCIAL STATEMENTS

CITY OF MCCALL, IDAHO
STATEMENT OF NET POSITION
September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Total
ASSETS				
Current Assets				
Cash and investments	\$ 17,234,464	\$ 6,869,044	\$ 24,103,508	\$ 474,783
Receivables				
Accounts		632,872	632,872	
Property tax	8,020,504		8,020,504	292,745
Due from other governments	320,863	48,360	369,223	
Grants	989,234		989,234	
Other	659,502	15,392	674,894	1,944
Due from other funds	35,787		35,787	
Inventory	255,716		255,716	
Prepaid expenses	298,621	271,144	569,765	
Total Current Assets	27,814,691	7,836,812	35,651,503	769,472
Noncurrent Assets				
Restricted cash	2,310,326		2,310,326	
Capital assets, net of accumulated depreciation	70,890,081	24,891,136	95,781,217	
Total Noncurrent Assets	73,200,407	24,891,136	98,091,543	
Total Assets	101,015,098	32,727,948	133,743,046	769,472
Deferred Outflows				
Pension obligations	1,961,864	285,403	2,247,267	
Total Assets and Deferred Outflows	\$ 102,976,962	\$ 33,013,351	\$ 135,990,313	\$ 769,472

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF NET POSITION (Continued)
September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Total
LIABILITIES AND DEFERRED INFLOWS				
Current Liabilities				
Accounts payable	\$ 3,219,110	\$ 963,378	\$ 4,182,488	\$ 816
Accrued expenses	344,703	189,090	533,793	
Retainage payable	410,097	42,637	452,734	
Due to other funds	80,507		80,507	22,000
Advanced revenue	2,180,936		2,180,936	
Due Within One Year				
Finance lease	484,047	80,660	564,707	
Lease liability	153,603		153,603	
Bonds payable	140,000		140,000	
Notes payable		354,880	354,880	
Total Current Liabilities	7,013,003	1,630,645	8,643,648	22,816
Noncurrent Liabilities				
Due in More Than One Year				
Accrued compensated absences	240,946	54,397	295,343	
Finance lease		294,423	294,423	
Lease liability	510,831		510,831	
Bonds payable	3,785,687		3,785,687	
Net pension liability	4,333,223	630,377	4,963,600	
Total Noncurrent Liabilities	8,870,687	979,197	9,849,884	
Total Liabilities	15,883,690	2,609,842	18,493,532	22,816
Deferred Inflows				
Deferred tax revenue	7,900,426		7,900,426	284,364
Split interest	133,834		133,834	
Pensions	39,650	5,769	45,419	
Total Deferred Inflows	8,073,910	5,769	8,079,679	284,364
NET POSITION				
Net investment in capital assets	66,299,960	24,455,596	90,755,556	
Unrestricted	12,645,168	5,942,144	18,587,312	
Restricted	74,234		74,234	462,292
Total Net Position	79,019,362	30,397,740	109,417,102	462,292
Total	\$ 102,976,962	\$ 33,013,351	\$ 135,990,313	\$ 769,472

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			Component Unit
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Governmental Activities								
General government	\$ 3,484,340	\$ 664,412	\$ 2,435	\$	\$ (2,819,928)	\$	\$ (2,819,928)	\$
Public safety	2,037,840	38,429	234,131		(1,996,976)		(1,996,976)	
Parks and recreation	1,844,636	48,940	23,563		(1,561,565)		(1,561,565)	
Community services	985,010	607,923	3,533		(353,524)		(353,524)	
Library	419,589	12,565			(403,491)		(403,491)	
Airport	875,482	311,164	117,782	1,219,832	(564,318)		(564,318)	
Local option tax	501,739		258,707		835,875		835,875	
Street/public works	3,650,625	28,635			(3,363,283)		(3,363,283)	
Interest on long-term debt	72,168				(72,168)		(72,168)	
Total Governmental Activities	13,871,429	1,712,068	640,151	1,219,832	(10,299,378)		(10,299,378)	
Business-Type Activities								
Water	2,932,771	4,822,985				1,890,214	1,890,214	
Golf course	1,927,322	1,721,617				(205,705)	(205,705)	
Total Business-Type Activities	4,860,093	6,544,602				1,684,509	1,684,509	
Total Primary Government	18,731,522	8,256,670	640,151	1,219,832	(10,299,378)	1,684,509	(8,614,869)	
Component Unit								
Urban Renewal Agency	7,749							(7,749)

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF ACTIVITIES (Continued)
For the Year Ended September 30, 2023

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	Primary Government		Component
	Governmental Activities	Business-Type Activities	Urban Renewal Agency
Net (Expense) Revenue and Changes in Net Position (Continued)	(10,299,378)	1,684,509	(7,749)
General Revenues and Transfers			
Property taxes	7,598,932		265,212
Sales taxes	4,036,981		
Revenue sharing	999,053		
Earnings on investments	875,064	295,486	11,635
Miscellaneous	1,036,995	31,373	
Water and franchise fees	378,154		
Payments to/from Component Unit	29,500		(29,500)
Net operating transfers	421,560	(421,560)	
	15,376,239	(94,701)	247,347
Total General Revenues and Transfers			
Change in Net Position	5,076,861	1,589,808	239,598
Net Position			
Beginning of Year, as Restated	73,942,501	28,807,932	102,750,433
End of Year	\$ 79,019,362	\$ 30,397,740	\$ 109,417,102

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2023

	MAJOR FUNDS							TOTAL	
	General	Street /Public Works	Library	Recreation	Airport	Local Option Tax	Debt Service		Capital Projects
ASSETS									
Cash and investments	\$ 5,605,485	\$ 1,771,717	\$ 1,391,957	\$ 209,517	\$ 210,101	\$ 4,487,385	\$ 51,411	\$ 3,506,891	\$ 17,234,464
Restricted cash and investments	2,310,326								2,310,326
Receivables									
Property taxes	4,554,541	2,158,725	609,634	356,005	83,280		258,319		8,020,504
Intergovernmental	246,629	74,234							320,863
Grants	10,000			228,704	722,798	27,732			989,234
Due from other funds	600,000			35,786				1	635,787
Other receivables	292,837	15,299	3,931	264	4,543	330,090	896	11,642	659,502
Inventory		255,716							255,716
Prepaid expenses	51,985			18,446		228,190			298,621
Total Assets	<u>\$ 13,671,803</u>	<u>\$ 4,275,691</u>	<u>\$ 2,005,522</u>	<u>\$ 848,722</u>	<u>\$ 1,020,722</u>	<u>\$ 5,073,397</u>	<u>\$ 310,626</u>	<u>\$ 3,518,534</u>	<u>\$ 30,725,017</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 426,086	\$ 185,653	\$ 8,762	\$ 49,024	\$ 85,932	\$ 1,249,299	\$ 1,500	\$ 1,212,854	\$ 3,219,110
Accrued expense	188,994	75,864	20,101	45,819	10,144	3,781			344,703
Retainage payable					27,476	153,463		229,158	410,097
Due to other funds	80,507			600,000					680,507
Advanced revenue	755,505		399,560	7,353	4,008	1,014,510			2,180,936
Total Liabilities	<u>1,451,092</u>	<u>261,517</u>	<u>428,423</u>	<u>702,196</u>	<u>127,560</u>	<u>2,421,053</u>	<u>1,500</u>	<u>1,442,012</u>	<u>6,835,353</u>
Deferred Inflows									
Unavailable revenue	4,542,195	2,152,951	608,007	355,047	83,098		257,557		7,998,855
Irrevocable split-interest agreement			133,834						133,834
Fund Balances									
Nonspendable	651,985	255,716		18,446		228,190			1,154,337
Restricted		74,234							74,234
Assigned	981,959	1,531,273	835,258		810,064	2,424,154	51,569	2,076,522	8,710,799
Unassigned	6,044,572			(226,967)					5,817,605
Total Fund Balances	<u>7,678,516</u>	<u>1,861,223</u>	<u>835,258</u>	<u>(208,521)</u>	<u>810,064</u>	<u>2,652,344</u>	<u>51,569</u>	<u>2,076,522</u>	<u>15,756,975</u>
Total	<u>\$ 13,671,803</u>	<u>\$ 4,275,691</u>	<u>\$ 2,005,522</u>	<u>\$ 848,722</u>	<u>\$ 1,020,722</u>	<u>\$ 5,073,397</u>	<u>\$ 310,626</u>	<u>\$ 3,518,534</u>	<u>\$ 30,725,017</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2023

Total fund balance - total governmental funds \$ 15,756,975

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. These assets, net of accumulated depreciation, consist of:

Land	\$	9,997,579	
Buildings		54,735,205	
Improvements other than buildings		20,096,803	
Equipment		6,367,209	
Construction in progress		11,177,106	
Right of use asset		874,636	
Accumulated depreciation		<u>(32,358,457)</u>	
Total capital assets, net of accumulated depreciation			70,890,081

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay the current period's expenditures, and therefore are reported as advanced revenue in the funds. 98,429

Long-term liabilities, applicable to governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:

Net pension liability	\$	(4,333,223)	
Pension related deferred inflows		(39,650)	
Pension related deferred outflows		<u>1,961,864</u>	
Total long term liabilities			(2,411,009)

Long-term liabilities, including bonds payable and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:

Deferred bond premium amortization	\$	(465,687)	
Bonds payable		(3,460,000)	
Finance lease		(484,047)	
Lease liability		(664,434)	
Compensated absences payable		<u>(240,946)</u>	
Total long term liabilities			<u>(5,315,114)</u>

Total net position of governmental activities \$ 79,019,362

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	MAJOR FUNDS							TOTAL
	General	Street /Public Works	Library	Recreation	Airport	Local Option Tax	Debt Service	
Revenues								
Property taxes	\$ 4,286,945	\$ 2,056,251	\$ 543,410	\$ 370,695	\$ 84,097	\$ 3,018,342	\$ 258,107	\$ 7,599,505
Local option taxes	580,786			437,853				4,036,981
Intergovernmental	1,032,551	258,707	3,533	256,131	1,219,832	117,782		2,888,536
Licenses, permits, and fees	757,130				311,164			1,068,294
Charges for services	893,359	28,635	12,565	48,940				983,499
Refunds and reimbursements								
Fines	38,429							38,429
Interest	382,117	65,065	48,269	5,693	27,657	172,939	50,646	875,064
Miscellaneous	81,992	10,423	20,539	81,544	4,199	837,385	913	1,036,995
Total Revenues	8,053,309	2,419,081	628,316	1,200,856	1,646,949	4,146,448	309,666	18,527,303
Expenditures								
Current								
General government	2,184,842						2,000	2,186,842
Public protection	1,974,532							1,974,532
City clerk	341,080							341,080
Community services	978,122		413,046					1,391,168
Streets		1,969,176						1,969,176
Airport					299,534			299,534
Recreation				1,471,587				1,471,587
Local option tax						501,739		501,739
Debt service								
Principal		109,912			47,017		135,000	291,929
Interest							122,000	122,000
Capital outlay	524,883	227,440		439,019	1,201,356	4,956,739		12,164,495
Total Expenditures	6,003,459	2,306,528	413,046	1,910,606	1,547,907	5,458,478	259,000	22,714,082

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (Continued)
For the Year Ended September 30, 2023

	MAJOR FUNDS							TOTAL	
	General	Street / Public Works	Library	Recreation	Airport	Local Option Tax	Debt Service		Capital Projects
Excess (Deficiency) of Revenues Over Expenditures	2,049,850	112,553	215,270	(709,750)	99,042	(1,312,030)	50,666	(4,692,380)	(4,186,779)
Other Financing Sources (Uses)									
Transfers in (out)	<u>(2,784,922)</u>	<u>104,652</u>	<u>(158,185)</u>	<u>912,569</u>	<u>(71,328)</u>		<u>(4,272,063)</u>	<u>6,690,837</u>	<u>421,560</u>
Net Other Financing Sources (Uses)	<u>(2,784,922)</u>	<u>104,652</u>	<u>(158,185)</u>	<u>912,569</u>	<u>(71,328)</u>		<u>(4,272,063)</u>	<u>6,690,837</u>	<u>421,560</u>
Net Change in Fund Balances	(735,072)	217,205	57,085	202,819	27,714	(1,312,030)	(4,221,397)	1,998,457	(3,765,219)
Fund Balances, Beginning of Year as Restated	<u>8,413,588</u>	<u>1,644,018</u>	<u>778,173</u>	<u>(411,340)</u>	<u>782,350</u>	<u>3,964,374</u>	<u>4,272,966</u>	<u>78,065</u>	<u>19,522,194</u>
Fund Balances, End of Year	<u>\$ 7,678,516</u>	<u>\$ 1,861,223</u>	<u>\$ 835,258</u>	<u>\$ (208,521)</u>	<u>\$ 810,064</u>	<u>\$ 2,652,344</u>	<u>\$ 51,569</u>	<u>\$ 2,076,522</u>	<u>\$ 15,756,975</u>

See accompanying notes to basic financial statements.

CITY OF MCALL, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Net change in fund balances - total governmental funds \$ (3,765,219)

Amounts reported for governmental activities in the statement of activities are different because:

Revenues that will not be collected for several months after the City's fiscal year end are not considered "available" revenues and are deferred in the governmental funds. Advanced revenues increased by this amount this year. (573)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 12,279,551	
Depreciation expense	<u>(2,466,623)</u>	
Excess of capital outlay over depreciation expense		9,812,928

In governmental funds, bonds are considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Similarly, lease payments are recorded as expenditures rather than reductions of a liability

Lease liability principal payments	\$ 180,333	
Finance lease principal payments	64,739	
Increase in lease liability	(681,505)	
Bond principal payments	135,000	
Bond amortization	<u>49,832</u>	
		(251,601)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of financial resource availability.

Change in pension related accounts	\$ (682,733)	
Change in compensated absence payable	<u>(35,941)</u>	
		<u>(718,674)</u>

Change in Net Position of Governmental Activities \$ 5,076,861

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2023

ASSETS	<u>Water Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 5,635,110	\$ 1,233,934	\$ 6,869,044
Receivables			
Accounts	632,872		632,872
Due from other governments		48,360	48,360
Other		15,392	15,392
Prepaid expenses	<u>271,190</u>	<u>(46)</u>	<u>271,144</u>
Total Current Assets	6,539,172	1,297,640	7,836,812
Non-current Assets			
Capital Assets			
Construction in progress	4,119,315	146,612	4,265,927
Land	562,326	579,994	1,142,320
Buildings	12,049,935	952,595	13,002,530
Equipment	1,000,564	952,137	1,952,701
Improvements other than buildings	21,365,063	4,187,562	25,552,625
Right of use asset - leases		116,369	116,369
Less accumulated depreciation	<u>(17,148,656)</u>	<u>(3,992,680)</u>	<u>(21,141,336)</u>
Total capital assets, net of accumulated depreciation	<u>21,948,547</u>	<u>2,942,589</u>	<u>24,891,136</u>
Total Assets	28,487,719	4,240,229	32,727,948
Deferred outflows			
Pension related items	<u>191,018</u>	<u>94,385</u>	<u>285,403</u>
Total Assets and Deferred Outflows	<u>\$ 28,678,737</u>	<u>\$ 4,334,614</u>	<u>\$ 33,013,351</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (Continued)
September 30, 2023

LIABILITIES	Water Fund	Golf Course Fund	Total
Current Liabilities			
Accounts payable	\$ 807,498	\$ 155,880	\$ 963,378
Accrued interest payable	3,208		3,208
Retainage payable	32,312	10,325	42,637
Accrued payroll	30,287	66,313	96,600
Other accrued expenses	8,208	81,074	89,282
Current portion of finance lease		80,660	80,660
Current portion of notes payable	<u>354,880</u>		<u>354,880</u>
Total Current Liabilities	1,236,393	394,252	1,630,645
Non-Current Liabilities			
Finance lease		294,423	294,423
Accrued compensated balances	27,402	26,995	54,397
Net pension liability	<u>421,906</u>	<u>208,471</u>	<u>630,377</u>
Total Noncurrent Liabilities	<u>449,308</u>	<u>529,889</u>	<u>979,197</u>
Total Liabilities	1,685,701	924,141	2,609,842
Deferred Inflows			
Pension related items	<u>3,861</u>	<u>1,908</u>	<u>5,769</u>
NET POSITION			
Invested in capital assets	21,593,667	2,861,929	24,455,596
Restricted			
Unrestricted	<u>5,395,508</u>	<u>546,636</u>	<u>5,942,144</u>
Total Net Position	<u>26,989,175</u>	<u>3,408,565</u>	<u>30,397,740</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 28,678,737</u>	<u>\$ 4,334,614</u>	<u>\$ 33,013,351</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended September 30, 2023

	<u>Water Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 4,822,985	\$ 1,643,067	\$ 6,466,052
Other income		<u>78,550</u>	<u>78,550</u>
Total Operating Revenues	4,822,985	1,721,617	6,544,602
Operating Expenses			
Salaries	461,369	795,920	1,257,289
Fringe benefits	257,154	79,282	336,436
Professional fees	368,554	60,339	428,893
Utilities and telephone	149,410	63,916	213,326
Maintenance and operations	647,846	254,851	902,697
Supplies	177,161	432,789	609,950
Depreciation	<u>847,731</u>	<u>238,527</u>	<u>1,086,258</u>
Total Operating Expenses	<u>2,909,225</u>	<u>1,925,624</u>	<u>4,834,849</u>
Operating Income (Loss)	1,913,760	(204,007)	1,709,753
Non-operating Revenues (Expenses)			
Interest revenues	262,375	33,111	295,486
Private contributions		34,449	34,449
Interest expense	(23,546)	(1,698)	(25,244)
Miscellaneous income (expense)	<u>119,768</u>	<u>(122,844)</u>	<u>(3,076)</u>
Total Non-operating Revenues (Expenses)	<u>358,597</u>	<u>(56,982)</u>	<u>301,615</u>
Income (Loss) Before Transfers	2,272,357	(260,989)	2,011,368
Operating Transfers In (Out)			
Transfers in		233,669	233,669
Transfers out	<u>(543,421)</u>	<u>(111,808)</u>	<u>(655,229)</u>
Total Operating Transfers In (Out)	<u>(543,421)</u>	<u>121,861</u>	<u>(421,560)</u>
Change in Net Position	1,728,936	(139,128)	1,589,808
Net Position, Beginning of Year	<u>25,260,239</u>	<u>3,547,693</u>	<u>28,807,932</u>
Net Position, End of Year	<u>\$ 26,989,175</u>	<u>\$ 3,408,565</u>	<u>\$ 30,397,740</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2023

	Water Fund	Golf Course Fund	Total
Cash Flow From Operating Activities			
Cash received from customers	\$ 4,834,586	\$ 1,666,532	\$ 6,501,118
Cash payments to suppliers for goods	(780,312)	(611,449)	(1,391,761)
Cash payments to employees for services	(745,420)	(824,630)	(1,570,050)
	<u>3,308,854</u>	<u>230,453</u>	<u>3,539,307</u>
Net Cash Provided By Operating Activities	3,308,854	230,453	3,539,307
Cash Flows From Noncapital Financing Activities			
Operating transfers	(543,421)	121,861	(421,560)
Other non-operating income (loss)	119,768	(88,395)	31,373
	<u>(423,653)</u>	<u>33,466</u>	<u>(390,187)</u>
Net Cash Provided Used in Noncapital Financing Activities	(423,653)	33,466	(390,187)
Cash Flow From Capital and Related Financing Activities			
Acquisition of capital assets	(3,963,349)	(297,785)	(4,261,134)
Principal payments on long-term debt	(347,661)	(116,363)	(464,024)
Interest payments on long-term debt	(26,690)	(2,983)	(29,673)
	<u>(4,337,700)</u>	<u>(417,131)</u>	<u>(4,754,831)</u>
Net Cash Used in Capital and Related Financing Activities	(4,337,700)	(417,131)	(4,754,831)
Cash Flows From Investing Activities			
Interest on investments	<u>262,375</u>	<u>33,111</u>	<u>295,486</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,190,124)	(120,101)	(1,310,225)
Cash and Cash Equivalents, Beginning of Year	<u>6,825,234</u>	<u>1,354,035</u>	<u>8,179,269</u>
Cash and Cash Equivalents, End of Year	<u>\$ 5,635,110</u>	<u>\$ 1,233,934</u>	<u>\$ 6,869,044</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
For the Year Ended September 30, 2023

	<u>Water</u> <u>Fund</u>	<u>Golf</u> <u>Course</u> <u>Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) To			
Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 1,913,760	\$ (204,007)	\$ 1,709,753
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities			
Depreciation	847,731	238,527	1,086,258
(Gain) Loss on disposal of capital assets		(55,000)	(55,000)
Changes in Deferred Outflows	78,531	29,261	107,792
Changes in Deferred Inflows	(6,804)	(2,984)	(9,788)
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	11,601	8,275	19,876
(Increase) decrease in prepaid expense	7,193	46	7,239
(Increase) decrease in other receivables	-	(8,360)	(8,360)
Increase (decrease) in accounts payable	558,828	124,326	683,154
Increase (decrease) in net pension liability	(60,976)	(13,034)	(74,010)
Increase (decrease) in accrued expenses	(3,362)	76,074	72,712
Increase (decrease) in absence payable	(37,648)	37,329	(319)
	<u>3,308,854</u>	<u>230,453</u>	<u>3,539,307</u>
Net Cash Provided By Operating Activities	<u>\$ 3,308,854</u>	<u>\$ 230,453</u>	<u>\$ 3,539,307</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

General Statement

City of McCall, Idaho (the City) was incorporated 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 recreations, community services, streets and general administrative services.

Financial Reporting Entity

The accompanying financial statements present the activities of the City of McCall (the City) and its single component unit, the Urban Renewal Agency (URA). In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Organizations for which the City is not financially accountable are also included when doing so is necessary in order to prevent the City's financial statements from being misleading.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. The URA has been discretely presented.

Basis of Presentation

Government-wide 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 non-fiduciary activities of the governmental entity. For most part, the effect of interfund activity has been removed from these statements. *Governmental activities* (government funds) which normally are supported by taxes and intergovernmental revenues are reported separately from *business-type activities* (proprietary funds) 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 program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include (1) fees, fines, and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements: The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements: all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

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 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 is used 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 is used 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 Fund is used to account for the operation of the City's Local Option Tax over tourism.

Debt Service Fund is used to account for the bonds issued for the library during the fiscal year.

Capital Projects Fund is used to account for various capital assets and projects.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are a determination of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

The *Golf Course Fund* is used to account for the revenues and costs necessary to operate the City's golf course.

The *Water Fund* is used to account for the revenues and costs necessary to operate the City's water system.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of personnel and contractual services, supplies, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Measurement Focus/Basis of Accounting (Continued)

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual* basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of the end of the fiscal year, have been recorded as deferred inflows. Receivables that will not be collected within the available period have also been reported as deferred inflows on the government fund financial statements.

Accounting Pronouncements Adopted

In 2023, City of McCall adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This definition and uniform guidance will result in greater consistency in practice. The capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement will also enhance the relevance and reliability of governments’ financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government’s SBITA activities and The disclosures will allow users to understand the scale and important aspects of a government’s SBITA activities and evaluate a government’s obligations and assets resulting from SBITAs.

Budgetary Control

Annual budgets are adopted on a basis consistent with state code and generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal yearend. Project-length financial plans are adopted for all capital projects funds. Annual operating budgets are adopted for proprietary funds.

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

1. 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.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Budgetary Control (Continued)

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.

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute authorizes the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at fair value.

Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent year, and the reserve for prepaid expenses has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements.

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of resources are reported as fund balance transfers. All other interfund transfers are reported as operating transfers. These transfers offset each other and are not a part of the government-wide financial statements unless between business-type (enterprise) funds and governmental funds.

Non-tax receivables are recognized as revenues received from the State and Federal governments if designated for the current fiscal period.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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 and in the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets construction.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	12-40
Improvements other than buildings	10-50
Equipment and vehicles	5-10

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

Employees of the City are entitled to paid vacation, paid sick leave and personal days off (comp time), depending on job classification, length of service and other factors. All vacation and personal days off are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Governmental funds do not report a liability for these amounts unless payment will be made early in the following year.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

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).

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Long-term Obligations

The accounting treatment of long-term debt depends on whether the related assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Long-term debt consists of notes and bonds payable, capital leases, and accrued compensated absences. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types report debt proceeds as other financing sources and payment of principal and interest are reported as expenditures. 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.

Net Position Classifications

Government-Wide Statements: Net position is displayed in three components as follows:

Invested in capital assets, net of related debt – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”

Fund statements: Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the City’s policy is to apply restricted resources first and then unrestricted resources as they are needed.

Use of Estimates

The City uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Property Tax Calendar

The City's property tax is levied each October on the value listed as of the prior January 1 for all real property located in the City. The lien date is effective January 1 of the year the property tax is levied. A revaluation of all property is required to be completed no less than every five years.

Under Idaho Code Section 50-235, the City cannot levy taxes over nine-tenths percent (.9%) of the total City adjusted market value for real property located within the City. Taxes are due in two installments on December 20 and June 20 following the levy date. Property taxes levied for 2023 are recorded as receivables if uncollected and a deferred revenue amount is recorded, in the fund financial statements, to the extent of taxes not estimated to be collected within 60 days of the end of the accounting period.

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.

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.

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows or resources. Deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2023, deferred inflows represented property taxes receivable unavailable for current use.

Pensions

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note B – Cash and Investments

At September 30, 2023, the City’s cash and investments consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank Deposits	\$ 3,411,854	\$ 3,177,324
Cash on Hand		<u>1,597</u>
Total Cash	<u>\$ 3,411,854</u>	<u>\$ 3,178,921</u>
	<u>Rating</u>	<u>Fair Value</u>
Investments		
State Treasurer’s Local Government Pool	N/A	\$ 23,101,079
Equities and Securities	AAA	<u>133,834</u>
Total Investments		<u>\$ 23,234,913</u>

Reconciliation of the City’s deposit and investment balances as of September 30, 2023:

	<u>City’s Deposits and Investments</u>	<u>Component Units</u>	<u>Total</u>	<u>Average Maturities</u>
Cash in bank – Deposits	\$ 3,177,324	\$ 29,497	\$ 3,206,821	NA
State Treasurer LGIP	23,101,079	445,286	23,546,365	<12 Mo
Equities and Securities	133,834		133,834	NA
Cash on Hand	<u>1,597</u>		<u>1,597</u>	<u>NA</u>
Total	<u>\$ 26,413,834</u>	<u>\$ 474,783</u>	<u>\$ 26,888,617</u>	

Custodial Credit Risk – Deposits

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.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note B – Cash and Investments (Continued)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligation. It 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 rating of the Local Government Investment Pool (LGIP) as of September 30, 2009 was AAA. The LGIP terminated its rating service in December 2009 as the cost of the rating outweighed the benefit to the pool as a whole. The funds objectives and overall strategy and structure have not changed.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 133,834	\$ 133,834	\$	\$
Local Government Investment Pool	<u>23,101,079</u>	<u>23,101,079</u>	<u> </u>	<u> </u>
Total investments	<u>\$ 23,234,913</u>	<u>\$ 23,234,913</u>	<u>\$</u>	<u>\$ 0</u>

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.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note C – Capital Assets

Capital asset activity for the year ended September 30, 2023 is as follows:

Governmental Activities

	Restated 9/30/22	Increases	Decreases	9/30/23
Capital assets, not being depreciated:				
Land	\$ 9,997,579	\$	\$	\$ 9,997,579
Construction in Progress	<u>23,470,480</u>	<u>11,155,774</u>	<u>(23,449,148)</u>	<u>11,177,106</u>
Total	33,468,059	11,155,774	(23,449,148)	21,174,685
Capital assets, being depreciated:				
Buildings	3,911,867	1,655,796		5,567,663
Infrastructure	19,962,565	134,238		20,096,803
Improvements	27,342,445	21,825,097		49,167,542
Equipment	6,090,920	276,289		6,367,209
Right of use leased assets	<u>193,131</u>	<u>681,505</u>		<u>874,636</u>
Total	57,500,928	24,572,925	0	82,073,853
Less accumulated depreciation for:				
Buildings	2,326,424	108,002		2,434,426
Infrastructure	8,196,077	658,552		8,854,629
Improvements	14,836,274	1,207,141		16,043,415
Equipment	4,502,158	263,816		4,765,974
Right of use leased assets	<u>30,901</u>	<u>229,112</u>		<u>260,013</u>
Total accumulated depreciation	<u>29,891,834</u>	<u>2,466,623</u>	<u>0</u>	<u>32,358,457</u>
Governmental activities capital assets, net	<u>\$ 61,077,153</u>	<u>\$ 33,262,076</u>	<u>\$ (23,449,148)</u>	<u>\$ 70,890,081</u>

Business-Type Activities

	Restated 9/30/22	Increases	Decreases	9/30/23
Capital assets, not being depreciated:				
Land	\$ 1,142,320	\$	\$	\$ 1,142,320
Construction in progress	<u>935,998</u>	<u>4,201,397</u>	<u>(871,468)</u>	<u>4,265,927</u>
Total	2,078,318	4,201,397	(871,468)	5,408,247
Capital assets, being depreciated:				
Buildings and Improvements	13,002,530			13,002,530
Improvements	24,681,157	871,468		25,552,625
Equipment	1,389,548	563,153		1,952,701
Right of use leased assets	<u>116,369</u>			<u>116,369</u>
Total	39,189,604	1,434,621	0	40,624,225
Less accumulated depreciation for:				
Buildings and Improvements	7,601,678	322,431		7,924,109
Improvements	11,573,866	612,644		12,186,510
Equipment	827,815	99,464		927,279
Right of use leased assets	<u>51,719</u>	<u>51,719</u>		<u>103,438</u>
Total accumulated depreciation	<u>20,055,078</u>	<u>1,086,258</u>	<u>0</u>	<u>21,141,336</u>
Business-type capital assets, net	<u>\$ 21,212,844</u>	<u>\$ 4,549,760</u>	<u>\$ (871,468)</u>	<u>\$ 24,891,136</u>

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note C – Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 440,943
Public Protection	63,308
Community services	6,888
Library	6,543
Streets	999,944
Airport	575,948
Recreation	<u>373,049</u>
 Total Depreciation Expense	 \$ <u>2,466,623</u>

Business Activities

Golf Course	\$ 238,527
Water	<u>847,731</u>
 Total Depreciation Expense	 \$ <u>1,086,258</u>

Note D – Government Fund Balances

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.

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.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note D – Government Fund Balances (Continued)

As of September 30, 2023, fund balances of the governmental funds are classified as follows:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Restricted assets included those related to franchise fees, irrevocable split interest trust assets held for library and DEQ loan reserves.

Committed — amounts that can be used only for specific purposes determined by a formal action of the City Council. The Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only City Council, Finance Director or the Council’s finance committee may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

As of September 30, 2023, fund balances are comprised of the following:

	<u>General</u>	<u>Street/ Public Works</u>	<u>Library</u>	<u>Recreation</u>	<u>Airport</u>	<u>Local Option</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<i>Nonspendable</i>								
Prepaid	\$ 51,985	\$	\$	\$ 18,446	\$	\$ 228,190	\$	\$
Inventory		255,716						
Interfund rec.	<u>600,000</u>							
	651,985	255,716		18,446		228,190		
<i>Restricted</i>								
Highway		<u>74,234</u>						
<i>Assigned</i>								
Street/PW		1,531,273						
Airport					810,064			
Library			835,258					
Local opt.	578,176					2,424,154		
Debt service							51,569	
Capital Proj.								2,076,522
Housing Fd.	<u>403,783</u>							
	981,959	1,531,273	835,258		810,064	2,424,154	51,569	2,076,522
<i>Unassigned</i>								
	<u>6,044,572</u>			<u>(226,967)</u>				
Total	<u>\$ 7,678,516</u>	<u>\$ 1,861,223</u>	<u>\$ 835,258</u>	<u>\$ (208,521)</u>	<u>\$ 810,064</u>	<u>\$ 2,652,344</u>	<u>\$ 51,569</u>	<u>\$ 2,076,522</u>

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note E – Interfund Receivables, Payables, and Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City’s transfer activity. For the year then ended September 30, 2023, interfund transfers consisted of the following:

Transfers To	Transfers From									Total
	General	Streets	Library	Recreation	Airport	Capital	Debt Service	Golf	Water	
General		(59,214)	112,811	(912,569)	71,328	(2,350,349)		(121,861)	497,983	(2,761,871)
Streets	(107,493)								45,438	(62,055)
Library	(112,811)					(68,425)				(181,236)
Recreation	895,574									895,574
Airport	(71,328)									(71,328)
Capital	2,373,400		45,374							2,418,774
Debt Service						(4,272,063)	4,272,063			-
Golf	138,856									138,856
Water	(331,276)	(45,438)								(376,714)
Total	2,784,922	(104,652)	158,185	(912,569)	71,328	(6,690,837)	4,272,063	(121,861)	543,421	-

Note F – Pension Plan

Plan Description

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

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

Employee membership data related to the PERSI Base Plan, as of June 30, 2023 was as follows:

Retirees and beneficiaries	54,680
Terminated and vested	16,106
Active plan members	
Vested	44,627
Non-vested	<u>32,041</u>
	<u>147,454</u>

Pension Benefits

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note F – Pension Plan (Continued)

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 74% for police and firefighters. As of June 30, 2023 it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% general employees and 12.28% for police and firefighters. City of McCall’s contributions were \$459,326 for the year ended September 30, 2023.

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

At September 30, 2023, City of McCall reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the City’s proportion was 0.1243801 percent.

For the year ended September 30, 2023, City of McCall recognized net pension expense of \$682,733. At September 30, 2023 City of McCall 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	\$ 850,799	\$
Changes in assumptions or other inputs	491,501	
Net difference between projected and actual earnings on pension plan investments	465,907	
Changes in the employer’s proportion and differences between the employer’s contributions and the employer’s proportionate contributions	309,569	45,419
City of McCall, Idaho’s contributions subsequent to the measurement date	<u>129,491</u>	<u> </u>
Total	<u>\$ 2,247,267</u>	<u>\$ 45,419</u>

\$129,491 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, 2023.

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, 2022 the beginning of the measurement period ended June 30, 2022 is 4.6 and 4.6 for the measurement period June 30, 2023.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note F – Pension Plan (Continued)

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

Year Ending June 30,	Amount
2024	\$ (643,038)
2025	(302,181)
2026	(940,039)
2027	77,051

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, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases, including inflation	3.05%
Investment rate of return, net of investment expenses	6.35%
Cost-of-living adjustments	1.00%

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries -Males	Pub-2010 General Tables, increased 11%.
General Employees and All Beneficiaries -Females	Pub-2010 General Tables, increased 21%.
Teachers - Males	Pub-2010 Teacher Tables, increased 12%.
Teachers - Females	Pub-2010 Teacher Tables, increased 21%.
Fire & Police - Males	Pub-2010 Safety Tables, increased 21%.
Fire & Police - Females	Pub-2010 Safety Tables, increased 26%.
Disabled Members - Males	Pub-2010 Disabled Tables, increased 38%.
Disabled Members - Females	Pub-2010 Disabled Tables, increased 36%.

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2023 is based on the results of an actuarial valuation date of July 1, 2023.

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.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note F – Pension Plan (Continued)

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2023.

<u>Asset Class</u>	<u>DB Plans</u>	<u>Sick Leave</u>
Fixed Income	30.0%	50.0%
US/Global Equity	55.0%	39.3%
International Equity	15.0%	10.7%
Cash	<u>0.0%</u>	<u>0.0%</u>
Total	<u>100%</u>	<u>100%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. 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 calculated using the discount rate of 6.35 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 or 1-percentage-point higher than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer’s proportionate share Of the net pension liability (asset)	\$ <u>8,927,240</u>	\$ <u>4,963,600</u>	\$ <u>1,724,069</u>

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.

Payables to the pension plan

At September 30, 2023, the City reported no payables to the defined benefit pension plan for legally required employee contributions.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note G – Leases

Operating Leases Commitments: Under GASB 87, a lessee is required to recognize a lease liability and an intangible right to use asset. The City entered into various non-cancelable leases for office space and equipment. The lease for office space requires monthly payments of \$2,700 through December 2027. The equipment leases require annual payments ranging from \$25,167 to \$47,017 through March 2027. Amortization of the lease expense was \$142,825 and interest paid was \$24,158 for the year ended September 30, 2023. Future minimum payments are as follows:

<u>Maturity Date</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 153,603	\$ 29,042	\$ 182,645
2025	160,366	22,279	182,645
2026	167,466	15,179	182,645
2027	174,921	7,724	182,645
2028	<u>8,079</u>	<u>21</u>	<u>8,100</u>
Total	<u>\$ 664,435</u>	<u>\$ 74,245</u>	<u>\$ 738,680</u>

Finance Lease Commitments: The City entered into multiple non-cancelable finance lease agreements for various equipment, which require monthly payments of \$1,016 until May 2024, and annual payments varying from \$8,415 to \$185,000. Interest paid for the year ended September 30, 2023 by governmental activities and business-type activities were \$22,005, and \$1,326, respectively. Future minimum payments are as follows:

<u>Maturity Date</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 484,047	\$ 26,659	\$ 510,706

<u>Maturity Date</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 80,660	\$ 2,724	\$ 83,384
2025	81,312	2,072	83,384
2026	81,969	1,414	83,384
2027	82,632	752	83,384
2028	<u>48,510</u>	<u>130</u>	<u>48,640</u>
Total	<u>\$ 375,083</u>	<u>\$ 7,092</u>	<u>\$ 382,175</u>

Note H – Long-Term Debt

Water Fund: 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.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Long-Term Debt (Continued)

The remaining payments are \$179,955 due semiannually, including interest at 2% throughout the term of the loan. The schedule of debt service requirements until maturity, is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ <u>354,880</u>	\$ <u>5,328</u>

Library Fund: The City has obtained a general obligation bond to construct a new library facility. The project began construction in FY22. Payments range from \$239,756 to \$257,500 and are due annually. The bond will be repaid over 20 years at a 4% interest rate. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 187,627	\$ 116,600
2025	190,339	111,000
2026	192,970	105,200
2027	195,519	99,200
2028	197,987	93,000
2029–2032	844,417	304,600
2033–2036	902,897	202,950
2037–2041	<u>1,213,931</u>	<u>107,550</u>
	<u>\$ 3,925,687</u>	<u>\$ 1,140,100</u>

Changes in Long-Term Liabilities

During the year ended September 30, 2023, the following changes occurred in long-term debt:

	<u>Restated Balance 9/30/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/23</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated absences \$	205,005	\$ 35,941	\$	\$ 240,946	\$
Bonds payable	3,595,000		(135,000)	3,460,000	140,000
Bond premium	515,519		(49,832)	465,687	47,627
Finance lease	548,786		(64,739)	484,047	484,047
Lease liability	163,262	681,505	(180,333)	664,434	153,603
Net pension liability	<u>3,725,719</u>	<u>607,504</u>	<u></u>	<u>4,333,223</u>	<u></u>
Total	<u>\$ 8,753,291</u>	<u>\$ 1,324,950</u>	<u>\$ (429,904)</u>	<u>\$ 9,648,337</u>	<u>\$ 825,277</u>
Business-type Activities					
Compensated absences \$	52,641	\$ 9,788	\$ (8,032)	\$ 54,397	\$
Notes payable	702,541		(347,661)	354,880	354,880
Finance lease	23,373	408,500	(56,790)	375,083	80,660
ROU lease	59,573		(59,573)	0	
Net pension liability	<u>705,387</u>	<u></u>	<u>(75,010)</u>	<u>630,377</u>	<u></u>
Total	<u>\$ 1,543,515</u>	<u>\$ 418,288</u>	<u>\$ (547,066)</u>	<u>\$ 1,414,737</u>	<u>\$ 435,540</u>

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note I – Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Note J - Fund Deficit

As of September 30, 2023, the Recreation Fund had a deficit balance of \$208,521 due to previous construction of a new facility for the Parks maintenance department, which was financed by the General Fund.

Note K – Component Unit

The McCall Redevelopment 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. It follows the same accounting policies outlined above for the city. The following is additional information on the URA.

Cash and Investments

At September 30, 2023, the URA held \$29,497 at US Bank and \$445,286 in the local government investment pool.

Note L – Restatement of Net Position and Fund Balance

During Fiscal Year 2023, it became apparent that retention payable, was understated resulting in a restatement of the Governmental Activities Net Position as well as the restatement of the General Fund, Recreation Fund, Airport Fund, and Street & Local Option Tax Fund balances. Additionally, it was noted that right-of-use assets and liabilities for various finance leases were understated, as well as erroneously treated as operating leases, instead of correctly as finance leases. This resulted in restatement of the Governmental Activities Net Position to recognize additional right-of-use assets and lease liabilities. Beginning Fund Balance of the General Fund, and Net Position of the Governmental activities were restated to account for these adjustments as shown below:

	<u>Net Position</u>		<u>Fund Balance</u>				
	<u>Governmental Activities</u>	<u>Total Governmental Funds</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Recreation Fund</u>	<u>Airport Fund</u>	<u>Local Option Tax Fund</u>
Beginning of year, as previously reported	\$ 74,104,963	\$ 19,775,690	\$ 8,429,975	\$ 801,224	\$ (339,567)	\$ 875,302	\$ 4,013,707
Correction and reclassification of leases	(162,462)						
Correction of retention payable balances	0	(253,496)	(16,387)	(23,051)	(71,773)	(92,952)	(49,333)
Beginning of year, as restated	<u>\$ 73,942,501</u>	<u>\$ 19,522,194</u>	<u>\$ 8,413,588</u>	<u>\$ 778,173</u>	<u>\$ (411,340)</u>	<u>\$ 782,350</u>	<u>\$ 3,964,374</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MCCALL, IDAHO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 4,261,040	\$ 4,286,945	\$ 25,905
Local option tax	1,608,081	580,786	(1,027,295)
Grants - intergovernmental	1,147,803	1,032,551	(115,252)
Licences, permits and fees	636,902	757,130	120,228
Charges for services	790,721	893,359	102,638
Fines	34,400	38,429	4,029
Interest	25,000	382,117	357,117
Miscellaneous	9,600	81,992	72,392
	<hr/>	<hr/>	<hr/>
Total Revenue	8,513,547	8,053,309	(460,238)
Expenditures			
Mayor and council	319,279	303,548	15,731
Network administration	529,554	488,501	41,053
City manager	554,990	555,352	(362)
Administration	463,626	418,934	44,692
Finance department	458,478	418,675	39,803
Public safety	2,126,225	1,974,532	151,693
City clerk	369,385	341,080	28,305
Community services	1,108,298	721,311	386,987
Local option tax	1,572,274	256,643	1,315,631
Capital outlay	1,763,342	524,883	1,238,459
	<hr/>	<hr/>	<hr/>
Total Expenditures	9,265,451	6,003,459	3,261,992
Excess (Deficiency) of Revenues Over Expenditures	(751,904)	2,049,850	2,801,754
Other Financing Sources (Uses)			
Transfers in (out)	751,904	(2,784,922)	(3,536,826)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	751,904	(2,784,922)	(3,536,826)
Net Change in Fund Balance	0	(735,072)	<u><u>\$ (735,072)</u></u>
Fund Balance, Beginning of Year as Restated	<hr/>	<hr/>	
	8,413,588	8,413,588	
Fund Balance, End of Year	<u><u>\$ 8,413,588</u></u>	<u><u>\$ 7,678,516</u></u>	

CITY OF MCCALL, IDAHO
STREET / PUBLIC WORKS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 2,044,782	\$ 2,056,251	\$ 11,469
Grants - intergovernmental	182,443	258,707	76,264
Charges for services	25,881	28,635	2,754
Earnings on investments	2,500	65,065	62,565
Miscellaneous	6,500	10,423	3,923
	<hr/>	<hr/>	<hr/>
Total Revenue	2,262,106	2,419,081	156,975
Expenditures			
Streets	2,095,711	1,969,176	126,535
Debt services	214,126	109,912	104,214
Capital outlay	473,000	227,440	245,560
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,782,837	2,306,528	476,309
Excess (Deficiency) of Revenues Over Expenditures	(520,731)	112,553	633,284
Other Financing Sources (Uses)			
Transfers in (out)	326,401	104,652	(221,749)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	326,401	104,652	(221,749)
Net Change in Fund Balance	(194,330)	217,205	<u>\$ 411,535</u>
Fund Balance, Beginning of Year	<hr/> <u>1,644,018</u>	<hr/> <u>1,644,018</u>	
Fund Balance, End of Year	<u>\$ 1,449,688</u>	<u>\$ 1,861,223</u>	

CITY OF MCCALL, IDAHO
LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 538,165	\$ 543,410	\$ 5,245
Grants - intergovernmental	0	3,533	3,533
Charges for services	9,800	12,565	2,765
Earnings on investments	1,200	48,269	47,069
Miscellaneous	4,300	20,539	16,239
	<hr/>	<hr/>	<hr/>
Total Revenue	553,465	628,316	74,851
Expenditures			
Community services - library	442,654	413,046	29,608
	<hr/>	<hr/>	<hr/>
Total Expenditures	442,654	413,046	29,608
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	110,811	215,270	104,459
Other Financing Sources (Uses)			
Transfers in (out)	110,811	(158,185)	(268,996)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	110,811	(158,185)	(268,996)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	221,622	57,085	<u><u>\$ (164,537)</u></u>
Fund Balance, Beginning of Year as Restated	<hr/>	<hr/>	
	778,173	778,173	
	<hr/>	<hr/>	
Fund Balance, End of Year	<u><u>\$ 999,795</u></u>	<u><u>\$ 835,258</u></u>	

CITY OF MCCALL, IDAHO
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 368,768	\$ 370,695	\$ 1,927
Local option taxes	244,848	437,853	193,005
Grants - intergovernmental	203,705	256,131	52,426
Charges for services	50,700	48,940	(1,760)
Earnings on investments	500	5,693	5,193
Miscellaneous	<u>62,901</u>	<u>81,544</u>	<u>18,643</u>
 Total Revenue	 931,422	 1,200,856	 269,434
Expenditures			
Recreation	1,430,703	1,471,587	(40,884)
Capital outlay	<u>522,318</u>	<u>439,019</u>	<u>83,299</u>
 Total Expenditures	 <u>1,953,021</u>	 <u>1,910,606</u>	 <u>42,415</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (1,021,599)	 (709,750)	 311,849
Other Financing Sources (Uses)			
Transfers in (out)	<u>1,021,599</u>	<u>912,569</u>	<u>(109,030)</u>
 Total Other Financing Sources	 <u>1,021,599</u>	 <u>912,569</u>	 <u>(109,030)</u>
 Net Change in Fund Balance	 0	 202,819	 <u>\$ 202,819</u>
 Fund Balance, Beginning of Year as Restated	 <u>(411,340)</u>	 <u>(411,340)</u>	
 Fund Balance, End of Year	 <u>\$ (411,340)</u>	 <u>\$ (208,521)</u>	

CITY OF MCCALL, IDAHO
AIRPORT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 83,958	\$ 84,097	\$ 139
Grants - intergovernmental	1,235,000	1,219,832	(15,168)
Licenses, permits and fees	291,100	311,164	20,064
Earnings on investments	1,500	27,657	26,157
Miscellaneous	1,400	4,199	2,799
	<hr/>	<hr/>	<hr/>
Total Revenue	1,612,958	1,646,949	33,991
Expenditures			
Airport	305,539	299,534	6,005
Debt service	0	47,017	(47,017)
Capital outlay	1,300,000	1,201,356	98,644
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,605,539	1,547,907	57,632
Excess (Deficiency) of Revenues Over Expenditures	7,419	99,042	91,623
Other Financing Sources (Uses)			
Transfers in (out)	(71,328)	(71,328)	
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	(71,328)	(71,328)	
Net Change in Fund Balance	(63,909)	27,714	<u>\$ 91,623</u>
Fund Balance, Beginning of Year as Restated	<hr/> <u>782,350</u>	<hr/> <u>782,350</u>	
Fund Balance, End of Year	<u>\$ 718,441</u>	<u>\$ 810,064</u>	

CITY OF MCCALL, IDAHO
LOCAL OPTION TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Revenues			
Local options tax	\$ 3,119,500	\$ 3,018,342	\$ (101,158)
Grants	350,000	117,782	(232,218)
Earnings on investments	5,000	172,939	167,939
Miscellaneous	<u>900,000</u>	<u>837,385</u>	<u>(62,615)</u>
Total Revenue	4,374,500	4,146,448	(228,052)
Expenditures			
Local option tax	336,297	501,739	(165,442)
Capital outlay	<u>5,628,212</u>	<u>4,956,739</u>	<u>671,473</u>
Total Expenditures	<u>5,964,509</u>	<u>5,458,478</u>	<u>506,031</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,590,009)</u>	<u>(1,312,030)</u>	<u>277,979</u>
Net Change in Fund Balance	(1,590,009)	(1,312,030)	<u>\$ 277,979</u>
Fund Balance, Beginning of Year as Restated	<u>3,964,374</u>	<u>3,964,374</u>	
Fund Balance, End of Year	<u>\$ 2,374,365</u>	<u>\$ 2,652,344</u>	

CITY OF MCCALL, IDAHO
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Revenues			
Earnings on investments	\$	\$ 50,646	\$ 50,646
Property tax	257,000	258,107	1,107
Miscellaneous		913	913
	<u>257,000</u>	<u>309,666</u>	<u>52,666</u>
Total Revenue	257,000	309,666	52,666
Expenditures			
General Government		2,000	(2,000)
Principal payments	135,000	135,000	
Interest payments	122,000	122,000	
	<u>257,000</u>	<u>259,000</u>	<u>(2,000)</u>
Total Expenditures	257,000	259,000	(2,000)
Excess (Deficiency) of Revenues Over Expenditures	0	50,666	50,666
Other Financing Sources (Uses)			
Transfers in (out)		(4,272,063)	(4,272,063)
		<u>(4,272,063)</u>	<u>(4,272,063)</u>
Total Other Financing Sources		(4,272,063)	(4,272,063)
Net Change in Fund Balance	\$ 0	(4,221,397)	\$ (4,221,397)
Fund Balance, Beginning of Year		<u>4,272,966</u>	
Fund Balance, End of Year		<u>\$ 51,569</u>	

CITY OF MCCALL, IDAHO
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Revenues			
Interest	\$ 500	\$ 122,678	\$ 122,178
Donations	<u>654,984</u>	<u> </u>	<u>(654,984)</u>
Total Revenue	655,484	122,678	(532,806)
Expenditures			
Capital outlay	<u>8,091,896</u>	<u>4,815,058</u>	<u>3,276,838</u>
Total Expenditures	<u>8,091,896</u>	<u>4,815,058</u>	<u>3,276,838</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,436,412)	(4,692,380)	2,744,032
Other Financing Sources (Uses)			
Transfers in (out)	<u>7,436,412</u>	<u>6,690,837</u>	<u>(745,575)</u>
Total Other Financing Sources	<u>7,436,412</u>	<u>6,690,837</u>	<u>(745,575)</u>
Net Change in Fund Balance	<u>\$ 0</u>	1,998,457	<u>\$ 1,998,457</u>
Fund Balance, Beginning of Year		<u>78,065</u>	
Fund Balance, End of Year		<u>\$ 2,076,522</u>	

CITY OF MCCALL, IDAHO
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS
For the Year Ended September 30, 2023

	Schedule of Employer's Share of Net Pension Liability									
	PERSI - Base Plan									
	Last 10 - Fiscal Years *									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Employer's portion of the net pension liability	0.12%	0.13%	0.12%	0.11%	0.11%	0.11%	0.12%	0.11%	0.12%	
Employer's proportionate share of the net pension liability	\$ 1,633,159	\$ 2,479,805	\$ 1,834,028	\$ 1,652,595	\$ 1,259,037	\$ 2,516,325	\$ (91,027)	\$ 4,430,106	\$ 4,963,600	0.12%
Employer's covered-employee payroll	\$ 3,516,395	\$ 3,736,238	\$ 3,782,093	\$ 3,820,157	\$ 3,791,742	\$ 3,884,161	\$ 4,372,845	\$ 4,400,419	\$ 4,946,867	
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	46.44%	66.37%	48.49%	43.26%	33.20%	64.78%	-2.08%	100.67%	100.34%	
Plan fiduciary net position as a percentage of total pension liability	91.38%	87.26%	90.68%	91.69%	93.79%	88.22%	100.36%	83.09%	83.83%	

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

Data reported is measured as of June 30, 2023 (measurement date)

	Schedule of Employer Contributions									
	PERSI - Base Plan									
	Last 10 - Fiscal Years *									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Statutorily required contribution	\$ 393,234	\$ 409,600	\$ 425,774	\$ 430,678	\$ 449,137	\$ 493,865	\$ 525,135	\$ 529,584	\$ 588,817	
Contributions in relation to statutorily required contribution	\$ 393,234	\$ 409,600	\$ 425,774	\$ 430,678	\$ 449,137	\$ 493,865	\$ 525,135	\$ 528,396	\$ 588,817	
Contribution (deficiency) excess	-	-	-	-	-	-	-	(1,188)	-	
Employer's covered-employee payroll	\$ 3,516,395	\$ 3,624,112	\$ 3,773,897	\$ 3,839,839	\$ 3,934,882	\$ 4,115,620	\$ 4,372,845	\$ 4,400,419	\$ 4,946,867	
Contributions as a percentage of covered-employee payroll	11.18%	11.43%	11.28%	11.22%	11.41%	12.00%	12.01%	12.01%	11.90%	

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

Data reported is measured as of September 30, 2023 (The City's fiscal year end).

FEDERAL REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of 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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General in the United States, the financial statements financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of McCall, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of McCall's basic financial statements and have issued our report thereon dated Mach 21, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be a material weakness (2023-001).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of McCall's financial statements are free of 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 on noncompliance that are required to be reported under *Government Auditing Standards*.





Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrie CPAs P.C.

Meridian, Idaho
March 21, 2024



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of McCall, Idaho
McCall, Idaho

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of McCall's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of McCall's major federal programs for the year ended September 30, 2023. City of McCall's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of McCall complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of McCall and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of McCall's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of McCall's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of McCall's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of McCall's compliance with the requirements of each major federal program as a whole.





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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of McCall's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of McCall's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of McCall's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Harvie CPA's P.C.

Meridian, Idaho
March 21, 2024

CITY OF MCCALL, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2023

<u>Federal Grantor/Program Title</u>	<u>Federal ALN Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
LAND OF WATER AND CONSERVATION FUND:			
Pass through from State of Idaho			
Outdoor Recreation Acquisition, Development and Planning	15.916	N/A	\$ 173,704
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass through from State of Idaho			
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety	20.600	PT-2023-EQ-00-00	717
National Priority Safety Programs	20.616	M2HVE-2023-EB-00-00	<u>1,165</u>
Total Highway Safety Cluster			1,882
<i>Highway Planning and Construction Cluster:</i>			
Highway Planning and Construction	20.205	A020 (146)	17,782
Direct Program:			
Airport Improvement Program	20.106	N/A	<u>835,871</u>
Total US Department of Transportation			853,653
U.S. DEPARTMENT OF THE TREASURY:			
Pass through from State of Idaho			
Coronavirus State and Local Fiscal Recovery Funds	21.027	20-1892-01-1-806	8,651
U.S. ENVIRONMENTAL PROTECTION AGENCY:			
Pass through from State of Idaho			
Source Water Protection Program	66.468	S788	19,629
U.S. DEPARTMENT OF JUSTICE			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	553
Small, Rural, and Tribal Law Enforcement Agency – Body Worn Camera Policy	16.835	N/A	<u>1,250</u>
Total US Department of Justice			1,803
COMMUNITY DEVELOPMENT BLOCK GRANT			
Pass through from State of Idaho			
Idaho Community Development Block Grant	14.228	B21DC160001	894
NATIONAL ENDOWMENT FOR THE HUMANITIES:			
Pass through from State of Idaho			
National Endowment for the Humanities	45.310	LS-25208-OLS-21	1,500
Idaho Humanities Council Historic Preservation Group	45.024	N/A	<u>10,000</u>
Total National Endowment for the Humanities			<u>11,500</u>
Total expenditures of federal awards			\$ <u>1,071,716</u>
See notes to the schedule of expenditures of federal awards			

CITY OF MCCALL, IDAHO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2023

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of McCall, Idaho and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the City of McCall, Idaho, it is not intended to and does not present the financial position, changes in net position, or cash flows to the City of McCall, Idaho.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

The City of McCall, Idaho has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF MCCALL, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2023

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:		Unmodified	
Internal control over financial reporting:			
• Material weakness identified?	<u> X </u> yes	<u> </u> no	
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no	
Noncompliance material to the financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal Awards

Internal control over major programs:			
• Material weakness identified?	<u> </u> yes	<u> X </u> no	
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> no	

Type of auditors' report issued on compliance for major programs:		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?	<u> </u> yes	<u> X </u> no	

Identification of major programs:

<u>ALN Number</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
--	------------

Auditee qualified as a low-risk auditee?	<u> </u> yes	<u> X </u> no
--	---------------------	---------------------

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings related to the financial statements were noted which are required to be reported under generally accepted governmental auditing standards (GAGAS).

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

CITY OF MCCALL, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2023

SECTION II – Financial Statement Findings

2023-001 Material Weakness – Material Adjustments to Beginning Balances

Criteria: The City did not have effective internal control processes or procedures in place for recording and reconciling retainage payable, or classification of lease agreements.

Condition: The City was not recording liabilities for retainage payable, and recorded liabilities for leases which were misclassified.

Cause: The City did not have effective internal control processes in place for recording and reconciling retainage payable, or for verifying lease classification.

Effect: There were material unrecorded liabilities for retainage payable and reclassification of lease related liabilities, which resulted in understated liabilities in the Fund Statements and Statement of Net position, and understated capital assets in the Statement of Net Position.

Recommendation: We recommend the City implement procedures to ensure liabilities for retainage are recorded and reconciled on a timely basis, and that liabilities related to lease agreements are complete and properly classified as the correct type of lease.

Management’s Response:

Procedures to track and reconcile retainage payable have already been established and will be implemented during the fiscal year 2024.

CITY OF MCCALL, IDAHO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2023

There were no prior year audit findings.