

**CITY OF NEW MEADOWS, IDAHO**

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Report on Audited  
Basic  
Financial Statements  
and  
Supplemental Information

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For the Year Ended September 30, 2012

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## Independent Auditor's Report

Honorable Mayor  
and City Council  
New Meadows, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of New Meadows, Idaho** (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of New Meadows, Idaho**, as of September 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, on our consideration of the **City of New Meadows, Idaho's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 31 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of New Meadows, Idaho's** financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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.

*Bailey & Co.*

Nampa, Idaho  
February 8, 2013

**City of New Meadows, Idaho**  
Statement of Net Assets  
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 146,637	\$ 150,087	\$ 296,724
Receivables, Net:			
Accounts	0	49,744	49,744
Property Taxes	14,730	0	14,730
Other	25	0	25
Due From Other Governments	13,821	0	13,821
Employee Advances	1,900	0	1,900
Prepaid Insurance	281	562	843
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	0	66,333	66,333
Capital Assets:			
Land and Nondepreciable Infrastructure	20,105	81,716	101,821
Depreciable Buildings, Property, and Equipment, Net	121,133	1,270,466	1,391,599
<b>Total Capital Assets</b>	<u>141,238</u>	<u>1,352,182</u>	<u>1,493,420</u>
<b>Total Assets</b>	<u>318,632</u>	<u>1,618,908</u>	<u>1,937,540</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	8,574	2,234	10,808
Accrued Interest	0	1,419	1,419
Customer Deposits	0	1,565	1,565
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	1,299	1,948	3,247
Bond Payable	0	29,602	29,602
Portion Due or Payable After One Year:			
Bond Payable	0	535,823	535,823
<b>Total Liabilities</b>	<u>9,873</u>	<u>572,591</u>	<u>582,464</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	141,238	786,757	927,995
Restricted	103,408	66,333	169,741
Unrestricted (Deficit) Surplus	64,113	193,227	257,340
<b>Total Net Assets</b>	<u>\$ 308,759</u>	<u>\$ 1,046,317</u>	<u>\$ 1,355,076</u>

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

**City of New Meadows, Idaho**  
Statement of Activities  
For the Year Ended September 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government
<b>Primary Government:</b>							
Governmental Activities:							
General Administration	\$ 20,062	\$ 15,748	\$ 1,633	\$ 0	\$ (2,681)	\$ 0	\$ (2,681)
Highways and Streets	131,952	0	0	0	(131,952)	0	(131,952)
Taxes and Retirement	82,908	0	0	0	(82,908)	0	(82,908)
Parks and Recreation	8,141	0	56,418	0	48,277	0	48,277
Public Safety - Police	48,403	0	0	0	(48,403)	0	(48,403)
Planning and Zoning	1,552	1,435	0	0	(117)	0	(117)
Emergency	50,726	0	0	0	(50,726)	0	(50,726)
Interest on Long-term Debt	68	0	0	0	(68)	0	(68)
<b>Total Governmental Activities</b>	<b>343,812</b>	<b>17,183</b>	<b>58,051</b>	<b>0</b>	<b>(268,578)</b>	<b>0</b>	<b>(268,578)</b>
Business-type Activities:							
Water	180,948	162,708	0	0	0	(18,240)	(18,240)
Sewer	149,333	156,098	0	30,000	0	36,765	36,765
Industrial Park	38,720	17,693	0	0	0	(21,027)	(21,027)
Water Master Plan	0	0	0	0	0	0	0
Sewer Master Plan	11,575	0	0	6,154	0	(5,421)	(5,421)
<b>Total Business-type Activities</b>	<b>380,576</b>	<b>336,499</b>	<b>0</b>	<b>36,154</b>	<b>0</b>	<b>(7,923)</b>	<b>(7,923)</b>
<b>Total Primary Government</b>	<b>\$ 724,388</b>	<b>\$ 353,682</b>	<b>\$ 58,051</b>	<b>\$ 36,154</b>	<b>(268,578)</b>	<b>(7,923)</b>	<b>(276,501)</b>
General Revenues:							
Property Taxes					116,407	0	116,407
State Sources					76,471	0	76,471
Other					10,763	0	10,763
Unrestricted Investment Earnings					358	422	780
Disposals of Capital Assets					(5,134)	0	(5,134)
<b>Total General Revenues and Special Items</b>					<b>198,865</b>	<b>422</b>	<b>199,287</b>
Change in Net Assets					(69,713)	(7,501)	(77,214)
Net Assets, Beginning of Year					378,472	1,053,818	1,432,290
<b>Net Assets, End of Year</b>					<b>\$ 308,759</b>	<b>\$ 1,046,317</b>	<b>\$ 1,355,076</b>

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

**City of New Meadows, Idaho**  
 Balance Sheet -  
 Governmental Funds  
 September 30, 2012

	General	Grant Fund	Sidewalks and ADA Ramps	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 43,229	\$ 98,864	\$ 0	\$ 4,544	\$ 146,637
Property Taxes Receivable, Net	14,730	0	0	0	14,730
Other Receivables, Net	25	0	0	0	25
Due From Other Governments	13,821	0	0	0	13,821
Employee Advances	1,900	0	0	0	1,900
Prepaid Insurance	281	0	0	0	281
Internal Balances	78,826	0	0	0	78,826
<b>Total Assets</b>	<b>\$ 152,812</b>	<b>\$ 98,864</b>	<b>\$ 0</b>	<b>\$ 4,544</b>	<b>\$ 256,220</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Internal Balances	\$ 0	\$ 0	\$ 75,755	\$ 3,071	\$ 78,826
Accounts Payable	7,650	0	924	0	8,574
Deferred Revenue	10,026	0	0	0	10,026
<b>Total Liabilities</b>	<b>17,676</b>	<b>0</b>	<b>76,679</b>	<b>3,071</b>	<b>97,426</b>
Fund Balances:					
Nonspendable:					
Prepays	281	0	0	0	281
Restricted to:					
Other Purposes	0	98,864	0	4,544	103,408
Unassigned	134,855	0	(76,679)	(3,071)	55,105
<b>Total Fund Balances</b>	<b>135,136</b>	<b>98,864</b>	<b>(76,679)</b>	<b>1,473</b>	<b>158,794</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 152,812</b>	<b>\$ 98,864</b>	<b>\$ 0</b>	<b>\$ 4,544</b>	<b>\$ 256,220</b>

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

**City of New Meadows, Idaho**  
 Reconciliation of the Balance Sheet of the  
 Governmental Funds to the Statement of Net Assets  
 September 30, 2012

Total Fund Balances - Governmental Funds \$ 158,794

Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:

Land	\$ 20,105	
Buildings, net of \$36,219 accumulated depreciation	34,888	
Improvements, net of \$8,276 accumulated depreciation	591	
Equipment, net of \$91,929 accumulated depreciation	<u>85,654</u>	
		141,238

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures and, therefore, are deferred in the funds. 10,026

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Compensated absences are not accrued in governmental funds, but rather are recognized as an expenditure when due. All liabilities - both current and long-term are reported in the Statement of Net Assets.

Compensated Absences	<u>(1,299)</u>	
		<u>(1,299)</u>

Net Assets of Governmental Activities \$ 308,759

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

**City of New Meadows, Idaho**  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances -  
Governmental Funds  
For the Year Ended September 30, 2012

	General	Grant Fund	Sidewalks and ADA Ramps	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$ 114,426	\$ 0	\$ 0	\$ 0	\$ 114,426
Licenses and Permits	2,529	0	0	0	2,529
Intergovernmental	76,471	0	0	0	76,471
Grants and Donations	56,668	0	0	1,383	58,051
Earnings on Investments	174	184	0	0	358
Other	24,392	0	0	1,025	25,417
Total Revenues	<u>274,660</u>	<u>184</u>	<u>0</u>	<u>2,408</u>	<u>277,252</u>
<b>Expenditures</b>					
Current:					
General Administration	16,434	0	0	0	16,434
Highways and Streets	27,181	0	0	0	27,181
Wages, Taxes, and Retirement	85,930	0	0	0	85,930
Parks and Recreation	6,766	0	0	489	7,255
Public Safety - Police	48,365	0	0	0	48,365
Planning and Zoning	1,552	0	0	0	1,552
Emergency	50,726	0	0	0	50,726
Debt Service:					
Principal	4,417	0	0	0	4,417
Interest	68	0	0	0	68
Capital Outlay	14,992	38	76,679	0	91,709
Total Expenditures	<u>256,431</u>	<u>38</u>	<u>76,679</u>	<u>489</u>	<u>333,637</u>
Net Change in Fund Balances	18,229	146	(76,679)	1,919	(56,385)
Fund Balances - Beginning	116,907	98,718		(446)	215,179
Fund Balances - Ending	<u>\$ 135,136</u>	<u>\$ 98,864</u>	<u>\$ (76,679)</u>	<u>\$ 1,473</u>	<u>\$ 158,794</u>

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

**City of New Meadows, Idaho**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of the  
 Governmental Funds to the Statement of Activities  
 For the Year Ended September 30, 2012

Total Net Change in Fund Balance - Governmental Funds \$ (56,385)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. Conversely, disposals of capital assets do not report a gain or loss in the governmental funds but in the Statement of Activities the remaining cost of the asset(s) is written off. In the current period these amounts are:

Capital Outlay	\$	0	
Depreciation Expense		(17,614)	
Disposed Assets		(5,134)	
Net		(22,748)	(22,748)

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 1,981

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

Compensated Absences 3,022

Long-term liabilities, including municipal leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Change in long-term liabilities at year-end consist of:

Municipal Leases Payable 4,417

Change in Net Assets of Governmental Activities \$ (69,713)

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

**City of New Meadows, Idaho**  
Statement of Net Assets -  
Proprietary Funds  
September 30, 2012

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Industrial Park
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 53,415	\$ 21,849	\$ 74,823
Accounts Receivable, Net	23,736	26,008	0
Prepaid Insurance	281	281	0
Internal Balance	0	26,802	0
Total Current Assets	<u>77,432</u>	<u>74,940</u>	<u>74,823</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	26,733	39,600	0
Capital Assets:			
Land	800	80,916	0
Buildings, Net	8,419	47,103	500,594
Equipment, Net	77,666	78,560	0
Improvements, Net	229,382	328,742	0
Total Noncurrent Assets	<u>343,000</u>	<u>574,921</u>	<u>500,594</u>
Total Assets	<u>420,432</u>	<u>649,861</u>	<u>575,417</u>
<b>Liabilities</b>			
Current Liabilities:			
Internal Balance	0	0	0
Accounts Payable	2,234	0	0
Accrued Interest	454	965	0
Customer Deposits	1,565	0	0
Compensated Absences	974	974	0
Bonds, Notes, and Loans Payable	16,176	13,426	0
Total Current Liabilities	<u>21,403</u>	<u>15,365</u>	<u>0</u>
Noncurrent Liabilities:			
Bonds, Notes, and Loans Payable	167,420	368,403	0
Total Liabilities	<u>188,823</u>	<u>383,768</u>	<u>0</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	132,671	153,492	500,594
Restricted for Debt Service	26,733	39,600	0
Unrestricted	72,205	73,001	74,823
Total Net Assets	<u>\$ 231,609</u>	<u>\$ 266,093</u>	<u>\$ 575,417</u>

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

**City of New Meadows, Idaho**  
Statement of Net Assets -  
Proprietary Funds (continued)  
September 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Master</u>	<u>Sewer Master</u>	<u>Total</u>
	Plan	Plan	
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 150,087
Accounts Receivable, Net	0	0	49,744
Prepaid Insurance	0	0	562
Internal Balance	0	0	26,802
Total Current Assets	<u>0</u>	<u>0</u>	<u>227,195</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	0	0	66,333
Capital Assets:			
Land	0	0	81,716
Buildings, Net	0	0	556,116
Equipment, Net	0	0	156,226
Improvements, Net	0	0	558,124
Total Noncurrent Assets	<u>0</u>	<u>0</u>	<u>1,418,515</u>
Total Assets	<u>0</u>	<u>0</u>	<u>1,645,710</u>
<b>Liabilities</b>			
Current Liabilities:			
Internal Balance	8,316	18,486	26,802
Accounts Payable	0	0	2,234
Accrued Interest	0	0	1,419
Customer Deposits	0	0	1,565
Compensated Absences	0	0	1,948
Bonds, Notes, and Loans Payable	0	0	29,602
Total Current Liabilities	<u>8,316</u>	<u>18,486</u>	<u>63,570</u>
Noncurrent Liabilities:			
Bonds, Notes, and Loans Payable	0	0	535,823
Total Liabilities	<u>8,316</u>	<u>18,486</u>	<u>599,393</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	0	0	786,757
Restricted for Debt Service	0	0	66,333
Unrestricted	(8,316)	(18,486)	193,227
Total Net Assets	<u>\$ (8,316)</u>	<u>\$ (18,486)</u>	<u>\$ 1,046,317</u>

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

**City of New Meadows, Idaho**  
Statement of Revenues, Expenses, and Changes  
in Fund Net Assets - Proprietary Funds  
For the Year Ended September 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Industrial Park</u>
<b>Operating Revenues</b>			
Charges for Services	\$ 162,708	\$ 156,098	\$ 17,693
Total Operating Revenues	<u>162,708</u>	<u>156,098</u>	<u>17,693</u>
<b>Operating Expenses</b>			
Wages	39,111	37,293	0
Taxes and Benefits	9,268	9,005	0
Training	798	798	0
Travel	944	944	0
Utilities	15,959	10,293	0
Insurance	2,934	2,934	0
Attorney	420	420	0
Audit	1,367	1,367	0
Depreciation	59,250	24,113	15,934
Fuel	2,237	1,568	0
Maintenance and Operations	32,298	39,587	22,786
Professional Services	0	0	0
Total Operating Expenses	<u>164,586</u>	<u>128,322</u>	<u>38,720</u>
<b>Operating Income (Loss)</b>	<u>(1,878)</u>	<u>27,776</u>	<u>(21,027)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Earned	74	212	136
Interest Expense	(16,362)	(21,011)	0
Grants and Donations	0	30,000	0
Total Nonoperating Revenues (Expenses)	<u>(16,288)</u>	<u>9,201</u>	<u>136</u>
<b>Change in Net Assets</b>	<u>(18,166)</u>	<u>36,977</u>	<u>(20,891)</u>
<b>Net Assets - Beginning</b>	<u>249,775</u>	<u>229,116</u>	<u>596,308</u>
<b>Net Assets - Ending</b>	<u>\$ 231,609</u>	<u>\$ 266,093</u>	<u>\$ 575,417</u>

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

**City of New Meadows, Idaho**  
Statement of Revenues, Expenses, and Changes  
in Fund Net Assets - Proprietary Funds (continued)  
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds		
	Water Master Plan	Sewer Master Plan	Total
<b>Operating Revenues</b>			
Charges for Services	\$ 0	\$ 0	\$ 336,499
Total Operating Revenues	<u>0</u>	<u>0</u>	<u>336,499</u>
<b>Operating Expenses</b>			
Wages	0	0	76,404
Taxes and Benefits	0	0	18,273
Training	0	0	1,596
Travel	0	0	1,888
Utilities	0	0	26,252
Insurance	0	0	5,868
Attorney	0	0	840
Audit	0	0	2,734
Depreciation	0	0	99,297
Fuel	0	0	3,805
Maintenance and Operations	0	0	94,671
Professional Services	0	11,575	11,575
Total Operating Expenses	<u>0</u>	<u>11,575</u>	<u>343,203</u>
<b>Operating Income (Loss)</b>	<u>0</u>	<u>(11,575)</u>	<u>(6,704)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Earned	0	0	422
Interest Expense	0	0	(37,373)
Grants and Donations	0	6,154	36,154
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>6,154</u>	<u>(797)</u>
<b>Change in Net Assets</b>	<u>0</u>	<u>(5,421)</u>	<u>(7,501)</u>
<b>Net Assets - Beginning</b>	<u>(8,316)</u>	<u>(13,065)</u>	<u>1,053,818</u>
<b>Net Assets - Ending</b>	<u>\$ (8,316)</u>	<u>\$ (18,486)</u>	<u>\$ 1,046,317</u>

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

**City of New Meadows, Idaho**  
Statement of Cash Flows -  
Proprietary Funds  
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Industrial Park
<b>Cash Flows From Operating Activities</b>			
Charges for Services	\$ 163,984	\$ 153,748	\$ 17,693
Payments to Suppliers for Goods and Services	(54,770)	(57,911)	(22,786)
Payments to Employees for Services	(49,399)	(47,318)	0
Net Cash Provided (Used) by Operating Activities	59,815	48,519	(5,093)
<b>Cash Flows From Noncapital Financing Activities</b>			
Grants and Donations	0	0	0
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchase of Capital Assets	0	(50,116)	0
Principal Paid on Capital Debt	(19,714)	(17,198)	0
Interest Paid on Capital Debt	(16,362)	(21,011)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(36,076)	(88,325)	0
<b>Cash Flows From Investing Activities</b>			
Interest and Dividends	74	212	136
Net Increase (Decrease) in Cash and Cash Equivalents	23,813	(39,594)	(4,957)
<b>Cash and Cash Equivalents, Beginning</b>	56,335	127,845	79,780
<b>Cash and Cash Equivalents, Ending</b>	\$ 80,148	\$ 88,251	\$ 74,823
<b>Displayed As:</b>			
Cash	\$ 53,415	\$ 21,849	\$ 74,823
Internal Balances	0	26,802	0
Restricted Assets	26,733	39,600	0
	\$ 80,148	\$ 88,251	\$ 74,823
<b>Schedule of Noncash Transactions:</b>			
Land Donation	\$ 0	\$ 30,000	\$ 0

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

**City of New Meadows, Idaho**  
Statement of Cash Flows -  
Proprietary Funds (continued)  
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds		
	Water Master Plan	Sewer Master Plan	Total
<b>Cash Flows From Operating Activities</b>			
Charges for Services	\$ 0	\$ 0	\$ 335,425
Payments to Suppliers for Goods and Services	0	(11,575)	(147,042)
Payments to Employees for Services	0	0	(96,717)
Net Cash Provided (Used) by Operating Activities	0	(11,575)	91,666
<b>Cash Flows From Noncapital Financing Activities</b>			
Grants and Donations	0	6,154	6,154
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchase of Capital Assets	0	0	(50,116)
Principal Paid on Capital Debt	0	0	(36,912)
Interest Paid on Capital Debt	0	0	(37,373)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	(124,401)
<b>Cash Flows From Investing Activities</b>			
Interest and Dividends	0	0	422
Net Increase (Decrease) in Cash and Cash Equivalents	0	(5,421)	(26,159)
<b>Cash and Cash Equivalents, Beginning</b>	(8,316)	(13,065)	242,579
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ (8,316)</u>	<u>\$ (18,486)</u>	<u>\$ 216,420</u>
<b>Displayed As:</b>			
Cash	\$ 0	\$ 0	\$ 150,087
Internal Balances	(8,316)	(18,486)	0
Restricted Assets	0	0	66,333
	<u>\$ (8,316)</u>	<u>\$ (18,486)</u>	<u>\$ 216,420</u>
<b>Schedule of Noncash Transactions:</b>			
Land Donation	\$ 0	\$ 0	\$ 30,000

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

**City of New Meadows, Idaho**  
Statement of Cash Flows -  
Proprietary Funds (continued)  
For the Year Ended September 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Industrial Park</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (1,878)	\$ 27,776	\$ (21,027)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	59,250	24,113	15,934
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	351	(2,350)	0
Increase (Decrease) in Accounts Payable	2,187	0	0
Increase (Decrease) in Customer Deposits	925	0	0
Increase (Decrease) in Compensated Absences	(1,020)	(1,020)	0
Net Cash Provided by Operating Activities	<u>\$ 59,815</u>	<u>\$ 48,519</u>	<u>\$ (5,093)</u>

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

**City of New Meadows, Idaho**  
Statement of Cash Flows -  
Proprietary Funds (continued)  
For the Year Ended September 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Master</u>	<u>Sewer Master</u>	<u>Total</u>
	Plan	Plan	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 0	\$ (11,575)	\$ (6,704)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	0	0	99,297
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	0	0	(1,999)
Increase (Decrease) in Accounts Payable	0	0	2,187
Increase (Decrease) in Customer Deposits	0	0	925
Increase (Decrease) in Compensated Absences	0	0	(2,040)
Net Cash Provided by Operating Activities	<u>\$ 0</u>	<u>\$ (11,575)</u>	<u>\$ 91,666</u>

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

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the **City of New Meadows, Idaho** (the City), which has responsibility and control over all activities related to public safety and water and sewer services within the City. The City receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Council members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the City's reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities display information about the financial activities of the City. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses—expenses of the general government related to the administration and support of the City's programs, such as personnel and accounting (but not interest on long-term debt)—are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds. Separate statements for each fund category— *governmental and proprietary* —are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- *General fund.* This is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- *Grant fund.* This fund accounts for major grants the City receives.
- *Sidewalks and ADA Ramps fund.* This fund is to account for grants received for the construction of sidewalks and ADA ramps.

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

The City reports the following major enterprise funds:

- *Water fund.* This fund accounts for the activities of the City's water supply system, pumping stations, and collection systems.
- *Sewer fund.* This fund accounts for the activities of the City's sewage treatment plant and collection systems.
- *Industrial Park.* This fund accounts for the activities related to the City's Industrial Park.
- *Water Master Plan.* This fund accounts for the grant monies received to upgrade the City's water system.
- *Sewer Master Plan.* This fund accounts for the grant monies received to upgrade the City's sewer system.

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

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

Fund Balance Reporting in Governmental Funds

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

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

- *Nonspendable*. Prepaid expenditures that are permanently precluded from conversion to cash.
- *Restricted*. Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned*. Balances available for any purpose or fund deficits.

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the City Council, the City's highest level of decision making authority, through a formal action. The City Council would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the City's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

Restricted fund balance in the governmental funds consists of grants and donations that the grantors and/or donors have restricted to the use of youth sports and park activities, energy efficiency improvements, and road and street improvements.

C. Assets and Liabilities

Cash Equivalents

The City requires all cash belonging to the City to be placed in custody of the Clerk. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. See Note 2.

Property Tax Calendar

The City levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July 1. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are shown below:

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

The City (a phase three government) has elected not to report major general infrastructure assets retroactively. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003. Since October 1, 2003, the City has acquired no new infrastructure assets.

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

Receivables

All trade receivables are shown net of an allowance for doubtful accounts. As of September 30, 2012, there was no allowance.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

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2. CASH AND INVESTMENTS

Summary of Deposit and Investment Balances

The City maintains a cash and investment pool for use by all funds.

Deposits

As of September 30, 2012, the carrying amount of the City's deposits was overdrawn \$56,164 and the respective bank balances totaled \$24,974. The total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the City.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2012, all of the City's deposits were covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus were not exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or a counter party to an investment will not fulfill its obligations. The City does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The City voluntarily participates in the State of Idaho Investment Pool, which has not been rated. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the City's investments in the pool is the same as the value of the pool shares.

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

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2. CASH AND INVESTMENTS (continued)

The City follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the City to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The City's investments at September 30, 2012, are summarized below:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
External Investment Pool	\$ 419,221	\$ 419,221	\$ 0

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

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ (72,766)	\$ 16,602	\$ (56,164)
Restricted cash	0	66,333	66,333
Investments categorized as deposits	219,403	133,485	352,888
	\$ 146,637	\$ 216,420	\$ 363,057

3. DUE FROM OTHER GOVERNMENTS

Amounts due from other governmental units (State of Idaho) consist of highway revenue tax of \$4,016, liquor apportionment of \$5,838, and state revenue sharing of \$3,967 for a total of \$13,821.

4. RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) worker's compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

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5. PROPERTY TAXES

The **City of New Meadows, Idaho** receives tax revenue from Adams County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the City by the County as of September 30, 2012, are considered by the City as a receivable.

Taxes not collected within 60 days after September 30, 2012, are not considered available for use by the City and are recorded as deferred revenue in the fund financial statements.

6. PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2012, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. **City of New Meadows, Idaho** employer contributions required and paid were \$14,163, \$16,587, and \$17,031 for the three years ended September 30, 2012, 2011, and 2010, respectively.

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2012, was as follows:

	<u>Balance</u> <u>9/30/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2012</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 20,105	\$ 0	\$ 0	\$ 20,105
Capital Assets Being Depreciated:				
Buildings	71,107	0	0	71,107
Improvements	8,867	0	0	8,867
Equipment	185,690	0	(8,107)	177,583
Total Depreciable Assets	<u>265,664</u>	<u>0</u>	<u>(8,107)</u>	<u>257,557</u>
Less Accumulated Depreciation:				
Buildings	33,643	2,576	0	36,219
Improvements	7,390	886	0	8,276
Equipment	80,750	14,152	(2,973)	91,929
Total Acc. Depr.	<u>121,783</u>	<u>17,614</u>	<u>(2,973)</u>	<u>136,424</u>
Net Depreciable Assets	<u>143,881</u>	<u>(17,614)</u>	<u>(5,134)</u>	<u>121,133</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 163,986</u>	<u>\$ (17,614)</u>	<u>\$ (5,134)</u>	<u>\$ 141,238</u>
 <u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,600	\$ 80,116	\$ 0	\$ 81,716
Capital Assets Being Depreciated:				
Buildings	739,576	0	0	739,576
Improvements	2,458,552	0	0	2,458,552
Equipment	297,193	0	0	297,193
Total Depreciable Assets	<u>3,495,321</u>	<u>0</u>	<u>0</u>	<u>3,495,321</u>
Less Accumulated Depreciation:				
Buildings	165,422	18,037	0	183,459
Improvements	1,839,860	60,568	0	1,900,428
Equipment	120,276	20,692	0	140,968
Total Acc. Depr.	<u>2,125,558</u>	<u>99,297</u>	<u>0</u>	<u>2,224,855</u>
Net Depreciable Assets	<u>1,369,763</u>	<u>(99,297)</u>	<u>0</u>	<u>1,270,466</u>
Business-type Activities				
Capital Assets - Net	<u>\$ 1,371,363</u>	<u>\$ (19,181)</u>	<u>\$ 0</u>	<u>\$ 1,352,182</u>

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

7. CAPITAL ASSETS (continued)

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

Governmental Activities:	
General Administration	\$ 2,576
Highways and Streets	14,152
Parks and Recreation	886
	<u>\$ 17,614</u>
Business-type Activities:	
Water	\$ 59,250
Sewer	24,113
Industrial Park	15,934
	<u>\$ 99,297</u>

8. COMPENSATED ABSENCES

Vacation leave is granted to all regular City employees who have been employed by the City for more than one year. In the event of termination, an employee is reimbursed for accumulated vacation leave.

Changes in compensated absences for the year ended September 30, 2012, are as follows:

	<u>9/30/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2012</u>	<u>Current Portion</u>
Governmental Activities	\$ 4,321	\$ 2,117	\$ 5,139	\$ 1,299	\$ 1,299
Business-type Activities	<u>3,988</u>	<u>2,913</u>	<u>4,953</u>	<u>1,948</u>	<u>1,948</u>
	<u>\$ 8,309</u>	<u>\$ 5,030</u>	<u>\$ 10,092</u>	<u>\$ 3,247</u>	<u>\$ 3,247</u>

9. DEFICIT FUND BALANCE

At September 30, 2012, the Parks and Recreation fund and the Youth Park fund, nonmajor funds, had a deficit fund balance of \$2,942, and \$129, respectively.

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

10. LEASE COMMITMENTS

The City began leasing a copier in June 2012. Payments are due monthly and it is anticipated the copier will be returned at the end of the lease term. Rent expenditures (including month-to-month leases) for the year totaled \$4,673. Future minimum lease payments are as follows:

Year Ending September 30,	Amount
2013	\$ 1,368
2014	1,368
2015	1,368
2016	1,368
2017	1,254
	<u>\$ 6,726</u>

11. LONG-TERM OBLIGATIONS

Bonds payable have been issued to provide funds for water and sewer projects. The City also leases a John Deere loader and attachments under long-term lease agreements. These leases have been recorded as municipal leases and have been split between the Water, Sewer, and General funds. The municipal leases consist of:

Equipment	\$ 132,154
Less accumulated amortization (included as depreciation on the accompanying financial statements)	<u>(45,044)</u>
	<u>\$ 87,110</u>

Changes in long-term obligations for the year ended September 30, 2012, are as follows:

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>Required Reserve</u>	<u>9/30/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2012</u>	<u>Current Portion</u>
<u>Governmental Activities:</u>								
Loader Lease	2012	5.25%	N/A	\$ 4,417	\$ 0	\$ (4,417)	\$ 0	\$ 0
				<u>\$ 4,417</u>	<u>\$ 0</u>	<u>\$ (4,417)</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Business-type Activities:</u>								
Water Bond	2020	5.75%	\$26,733	\$ 198,893	\$ 0	\$ (15,297)	\$183,596	\$ 16,176
Sewer Bond	2029	5.13%	\$32,995	394,610	0	(12,781)	381,829	13,426
Loader Lease	2012	5.25%	N/A	8,834	0	(8,834)	0	0
				<u>\$ 602,337</u>	<u>\$ 0</u>	<u>\$ (36,912)</u>	<u>\$565,425</u>	<u>\$ 29,602</u>

**City of New Meadows, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2012

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11. LONG-TERM OBLIGATIONS (continued)

All reserve amounts have been set aside in the State Investment Pool.

Debt service requirements on long-term debt at September 30, 2012, are as follows:

Business-type Activities:

Year Ending	Bonds and Notes		
September 30,	Principal	Interest	Total
2013	\$ 29,602	\$ 30,126	\$ 59,728
2014	31,220	28,508	59,728
2015	32,927	26,801	59,728
2016	34,728	25,000	59,728
2017	36,627	23,101	59,728
2018-2022	188,349	81,748	270,097
2023-2027	122,593	42,382	164,975
2028-2029	89,389	7,706	97,095
	\$565,435	\$ 265,372	\$ 830,807

Interest expense for the year was \$68 for governmental activities and \$37,373 for business-type activities. No interest was capitalized.

12. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at September 30, 2012, consist of the following:

\$ 3,071	Due to the General fund from other governmental funds representing short-term loans to cover cash overdrafts.
75,755	Due to the General fund from the Sidewalks and ADA Ramps fund representing short-term loans to cover cash overdrafts.
8,316	Due to the Sewer fund from the Water Master Plan fund representing short-term loans to cover cash overdrafts.
18,486	Due to the Sewer fund from the Sewer Master Plan fund representing short-term loans to cover cash overdrafts.
<u>\$105,628</u>	

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of New Meadows, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 General Fund  
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 112,082	\$ 112,082	\$ 114,426	\$ 2,344
Licenses and Permits	5,700	5,700	2,529	(3,171)
Intergovernmental	64,698	64,698	76,471	11,773
Grants and Donations	500	80,017	56,668	(23,349)
Earnings on Investments	300	300	174	(126)
Other	25,200	25,200	24,392	(808)
Total Revenues	<u>208,480</u>	<u>287,997</u>	<u>274,660</u>	<u>(13,337)</u>
<b>Expenditures</b>				
Current:				
General Administration	16,000	17,000	16,434	566
Highways and Streets	24,600	24,600	27,181	(2,581)
Wages, Taxes, and Retirement	104,700	104,700	85,930	18,770
Parks and Recreation	7,800	7,800	6,766	1,034
Public Safety - Police	39,900	39,900	48,365	(8,465)
Planning and Zoning	8,000	8,000	1,552	6,448
Emergency	0	55,035	50,726	4,309
Debt Service:				
Principal	4,417	4,417	4,417	0
Interest	83	83	68	15
Capital Outlay	16,000	39,482	14,992	24,490
Total Expenditures	<u>221,500</u>	<u>301,017</u>	<u>256,431</u>	<u>44,586</u>
Net Change in Fund Balances	(13,020)	(13,020)	18,229	31,249
Fund Balances - Beginning	13,020	13,020	116,907	103,887
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 135,136</u>	<u>\$ 135,136</u>

**City of New Meadows, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Grant Fund  
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Grants and Donations	\$ 419,000	\$ 419,000	\$ 0	\$ (419,000)
Earnings on Investments	0	0	184	184
Total Revenues	<u>419,000</u>	<u>419,000</u>	<u>184</u>	<u>(418,816)</u>
<b>Expenditures</b>				
Capital Outlay	419,000	419,000	38	418,962
Total Expenditures	<u>419,000</u>	<u>419,000</u>	<u>38</u>	<u>418,962</u>
Net Change in Fund Balances	0	0	146	146
Fund Balances - Beginning	0	0	98,718	98,718
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,864</u>	<u>\$ 98,864</u>

**City of New Meadows, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Sidewalks and ADA Ramps Fund  
 For the Year Ended September 30, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Grants and Donations	\$ 0	\$ 86,800	\$ 0	\$ (86,800)
Total Revenues	<u>0</u>	<u>86,800</u>	<u>0</u>	<u>(86,800)</u>
<b>Expenditures</b>				
Capital Outlay	0	86,800	76,679	10,121
Total Expenditures	<u>0</u>	<u>86,800</u>	<u>76,679</u>	<u>10,121</u>
Net Change in Fund Balances	0	0	(76,679)	(76,679)
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (76,679)</u>	<u>\$ (76,679)</u>

**City New Meadows, Idaho**  
Notes to Required Supplementary Information  
For the Year Ended September 30, 2012

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1. BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to September 1, the City Manager, Mayor, and City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at the City Hall to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- D. The City is authorized to transfer budgeted amounts between departments within any fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for Enterprise funds may also be revised in the same manner as those situations involving federal and state grants.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue funds.

**SUPPLEMENTAL INFORMATION**

**City of New Meadows, Idaho**  
Supplemental Schedule of Revenues by Source -  
Budget and Actual - General Fund  
For the Year Ended September 30, 2012

	Budget	Actual	Variance
<b>Taxes</b>			
Property Taxes	\$ 112,082	\$ 114,426	\$ 2,344
<b>Licenses and Permits</b>			
Building Permits	3,000	230	(2,770)
Dog Licenses	1,000	804	(196)
City Liquor	1,300	1,495	195
Review and Solid Waste Fees	400	0	(400)
Total Licenses and Permits	<u>5,700</u>	<u>2,529</u>	<u>(3,171)</u>
<b>Intergovernmental</b>			
County Road and Bridge	48	3	(45)
State Revenue Sharing	15,300	15,479	179
State Highway Users	16,300	16,441	141
State Liquor Fees	17,180	28,125	10,945
State Sales Tax	15,870	16,423	553
Total Intergovernmental	<u>64,698</u>	<u>76,471</u>	<u>11,773</u>
<b>Other</b>			
Miscellaneous	500	1,180	680
Franchise Fees	14,000	13,449	(551)
Dividends/Refunds	200	905	705
Donations	1,200	1,633	433
Planning and Zoning	2,000	1,205	(795)
Interest	300	174	(126)
Fines	8,500	7,653	(847)
Grants	78,817	55,035	(23,782)
Total Other	<u>105,517</u>	<u>81,234</u>	<u>(24,283)</u>
<b>Total Revenue</b>	<u>\$ 287,997</u>	<u>\$ 274,660</u>	<u>\$ (13,337)</u>

**City of New Meadows, Idaho**  
Supplemental Schedule of Expenditures by Object of Expenditure -  
Budget and Actual - General Fund  
For the Year Ended September 30, 2012

	Budget	Actual	Variance
<b>General Administration</b>			
Training	\$ 400	\$ 483	\$ (83)
Travel	1,700	1,129	571
Attorney	1,000	1,075	(75)
Audit	1,300	1,367	(67)
Maintenance and Operations	10,000	12,380	(2,380)
Solid Waste Fees	350	0	350
Building Inspection	2,250	0	2,250
Capital Outlay	1,000	1,052	(52)
Total General Administration	<u>18,000</u>	<u>17,486</u>	<u>514</u>
<b>Highways and Streets</b>			
Maintenance and Operations	10,000	9,947	53
Utilities	8,600	11,217	(2,617)
Municipal Insurance	3,000	2,934	66
Fuel	3,000	3,083	(83)
Capital Outlay	15,000	13,940	1,060
Total Highways and Streets	<u>39,600</u>	<u>41,121</u>	<u>(1,521)</u>
<b>Wages, Taxes, and Retirement</b>			
Wages	67,500	63,732	3,768
Mayor and Council	6,600	6,100	500
Medical Insurance	13,800	3,230	10,570
Retirement	8,650	6,781	1,869
State Insurance	1,700	934	766
Social Security	4,800	4,176	624
Medicare	1,150	977	173
Unemployment	500	0	500
Total Taxes and Retirement	<u>104,700</u>	<u>85,930</u>	<u>18,770</u>
<b>Parks and Recreation</b>			
Utilities	4,800	4,232	568
Maintenance and Operations	3,000	2,534	466
Park Improvements	23,482	0	23,482
Total Parks and Recreation	<u>31,282</u>	<u>6,766</u>	<u>24,516</u>

**City of New Meadows, Idaho**  
 Supplemental Schedule of Expenditures by Object of Expenditure -  
 Budget and Actual - General Fund (continued)  
 For the Year Ended September 30, 2012

	Budget	Actual	Variance
<b>Public Safety - Police</b>			
Attorneys	5,000	11,436	(6,436)
Code Enforcement	30,600	30,600	0
Maintenance and Operations	500	1,821	(1,321)
Animal Control	3,800	4,508	(708)
Total Public Safety - Police	<u>39,900</u>	<u>48,365</u>	<u>(8,465)</u>
<b>Planning and Zoning</b>			
Wages	3,000	460	2,540
Professional Services	3,000	1,005	1,995
Maintenance and Operations	2,000	87	1,913
Total Planning and Zoning	<u>8,000</u>	<u>1,552</u>	<u>6,448</u>
<b>Emergency</b>			
Wages	0	5,435	(5,435)
Professional Services	0	120	(120)
Maintenance and Operations	55,035	45,171	9,864
Total Emergency	<u>55,035</u>	<u>50,726</u>	<u>4,309</u>
<b>Debt Service</b>			
Principal	4,417	4,417	0
Interest	83	68	15
Total Debt Service	<u>4,500</u>	<u>4,485</u>	<u>15</u>
 Total Expenditures	 <u>\$ 301,017</u>	 <u>\$ 256,431</u>	 <u>\$ 44,586</u>

**City of New Meadows, Idaho**  
Combining Balance Sheet -  
Nonmajor Special Revenue Funds  
September 30, 2012

	Youth Sports	Youth Park	Parks and Recreation	Total
<b>Assets</b>				
Cash and Cash Equivalents	\$ 4,544	\$ 0	\$ 0	\$ 4,544
Total Assets	\$ 4,544	\$ 0	\$ 0	\$ 4,544
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Internal Balances	\$ 0	\$ 129	\$ 2,942	\$ 3,071
Total Liabilities	0	129	2,942	3,071
<b>Fund Balances:</b>				
Restricted to:				
Other Purposes	4,544	0	0	4,544
Unassigned	0	(129)	(2,942)	(3,071)
Total Fund Balances	4,544	(129)	(2,942)	1,473
Total Liabilities and Fund Balances	\$ 4,544	\$ 0	\$ 0	\$ 4,544

**City of New Meadows, Idaho**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances – Nonmajor Special Revenue Funds  
For the Year Ended September 30, 2012

	Youth Sports	Youth Park	Parks and Recreation	Total
<b>Revenues</b>				
Grants and Donations	\$ 1,383	\$ 0	\$ 0	\$ 1,383
Other	1,025	0	0	1,025
Total Revenues	<u>2,408</u>	<u>0</u>	<u>0</u>	<u>2,408</u>
<b>Expenditures</b>				
Current:				
Maintenance and Operations	123	353	0	476
Insurance and Miscellaneous	13	0	0	13
Capital Outlay	0	0	0	0
Total Expenditures	<u>136</u>	<u>353</u>	<u>0</u>	<u>489</u>
Net Change in Fund Balances	2,272	(353)	0	1,919
Fund Balances - Beginning	2,272	224	(2,942)	(446)
Fund Balances - Ending	<u>\$ 4,544</u>	<u>\$ (129)</u>	<u>\$ (2,942)</u>	<u>\$ 1,473</u>

**FEDERAL REPORTS**

**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***

Honorable Mayor  
and City Council  
New Meadows, Idaho

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of New Meadows, Idaho** (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below that we consider to be significant deficiencies in internal control over financial reporting. 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.

#### 2012-1: Segregation of Duties

Inherent in an adequate internal control structure is a segregation of duties governing the overall administration and stewardship of assets. The City lacks a segregation of duties over cash and cash equivalents and the reporting of transactions in these accounts. This is a result of staffing limitations necessitated by budget constraints common to a City this size. The lack of an ideal segregation of duties may increase the risk that loss of assets would not be detected and prevented in a timely manner and in the normal course of operations. Management should look into the cost/benefit of realigning job descriptions and duties to accomplish proper internal control procedures over cash and cash equivalents and the related transactions and implement these changes accordingly, if possible.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the **City of New Meadows, Idaho'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below.

#### 2012-2: Payroll Administration

Many payroll reports are required throughout the year by the federal government and by the State of Idaho. The City failed to file the 941 quarterly reports throughout the year. This is a result of an employee leaving during the year and the remaining employees were not aware of the filing requirements. Failing to file these reports could result in penalties assessed by the Internal Revenue Service. Management should make sure employees are properly trained in areas of payroll administration.

We noted certain matters that we reported to management of the City, in a separate letter dated February 8, 2013.

The City's response to the findings identified in our audit is described in the accompanying schedule of management's response to findings. We did not audit the City's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bailey & Co.*

Nampa, Idaho  
February 8, 2013

**City of New Meadows, Idaho**  
Management's Response to Findings  
For the Year Ended September 30, 2012

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2012-1: Segregation of Duties

As soon as possible, the City will look into realigning job duties and/or adding mitigating controls to accomplish proper internal control procedures over cash and cash equivalents and the related transactions and implement these changes accordingly, if possible.

2012-2: Payroll Administration

The City clerk has already remedied the late filings and plans on keeping up to date on future filings and rules and regulations regarding payroll administration.

If there are any questions regarding these responses, please contact the City at (208) 347-2171.