

CITY OF NEW MEADOWS, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2011

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Jared Zwygart, CPA
Weston Flamm, CPA
James Washburn, CPA

812-B 12th Ave. South
P.O. Box 876
Nampa, ID 83653-0876
208 466-2493
FAX 208 467-2000
www.BaileyCPAs.com

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, 2011, 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, 2011, 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 December 12, 2011, 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 32 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 omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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
December 12, 2011

City of New Meadows, Idaho
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 200,382	\$ 182,842	\$ 383,224
Receivables, Net	9,465	47,745	57,210
Due From Other Governments	13,097	0	13,097
Prepaid Insurance	281	562	843
Restricted Cash and Cash Equivalents	0	59,728	59,728
Capital Assets:			
Land and Nondepreciable Infrastructure	20,105	1,600	21,705
Depreciable Buildings, Property, and Equipment, Net	143,881	1,369,764	1,513,645
Total Capital Assets	163,986	1,371,364	1,535,350
Total Assets	387,211	1,662,241	2,049,452
Liabilities			
Current Liabilities:			
Accounts Payable	0	47	47
Accrued Interest	0	1,419	1,419
Customer Deposits	0	640	640
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	4,321	3,988	8,309
Municipal Leases Payable	4,417	8,834	13,251
Bond Payable	0	28,068	28,068
Portion Due or Payable After One Year:			
Bond Payable	0	565,435	565,435
Total Liabilities	8,738	608,431	617,169
Net Assets			
Invested in Capital Assets, Net of Related Debt	163,986	769,027	933,013
Restricted	101,215	59,728	160,943
Unrestricted (Deficit) Surplus	113,272	225,055	338,327
Total Net Assets	\$ 378,473	\$ 1,053,810	\$ 1,432,283

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, 2011

	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
Primary Government:							
Governmental Activities:							
General Administration	\$ 13,811	\$ 16,506	\$ 1,528	\$ 102,661	\$ 106,884	\$ 0	\$ 106,884
Highways and Streets	51,145	0	0	0	(51,145)	0	(51,145)
Taxes and Retirement	102,319	0	0	0	(102,319)	0	(102,319)
Parks and Recreation	12,351	0	5,670	0	(6,681)	0	(6,681)
Public Safety - Police	37,171	0	0	0	(37,171)	0	(37,171)
Planning and Zoning	7,606	5,188	0	0	(2,418)	0	(2,418)
Interest on Long-term Debt	545	0	0	0	(545)	0	(545)
Total Governmental Activities	224,948	21,694	7,198	102,661	(93,395)	0	(93,395)
Business-type Activities:							
Water	185,738	170,210	0	0	0	(15,528)	(15,528)
Sewer	161,504	164,430	0	0	0	2,926	2,926
Industrial Park	21,100	17,181	0	0	0	(3,919)	(3,919)
Water Master Plan	12,860	0	0	65,150	0	52,290	52,290
Sewer Master Plan	20,449	0	0	7,384	0	(13,065)	(13,065)
Total Business-type Activities	401,651	351,821	0	72,534	0	22,704	22,704
Total Primary Government	\$ 626,599	\$ 373,515	\$ 7,198	\$ 175,195	(93,395)	22,704	(70,691)
General Revenues:							
Property Taxes					99,168	0	99,168
State Sources					69,987	0	69,987
Other					15,026	0	15,026
Unrestricted Investment Earnings					425	606	1,031
Total General Revenues and Special Items					184,606	606	185,212
Change in Net Assets					91,211	23,310	114,521
Net Assets, Beginning of Year					287,262	1,030,500	1,317,762
Net Assets, End of Year					\$ 378,473	\$ 1,053,810	\$ 1,432,283

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

City of New Meadows, Idaho
 Balance Sheet -
 Governmental Funds
 September 30, 2011

	<u>General</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 99,167	\$ 98,719	\$ 2,496	\$ 200,382
Property Taxes Receivable, Net	9,465	0	0	9,465
Due From Other Governments	13,097	0	0	13,097
Prepaid Insurance	281	0	0	281
Internal Balances	2,942	0	0	2,942
Total Assets	<u>\$ 124,952</u>	<u>\$ 98,719</u>	<u>\$ 2,496</u>	<u>\$ 226,167</u>
Liabilities and Fund Balances				
Liabilities:				
Internal Balances	\$ 0	\$ 0	\$ 2,942	\$ 2,942
Deferred Revenue	8,045	0	0	8,045
Total Liabilities	<u>8,045</u>	<u>0</u>	<u>2,942</u>	<u>10,987</u>
Fund Balances:				
Nonspendable:				
Prepays	281	0	0	281
Restricted to:				
Other Purposes	0	98,719	2,496	101,215
Unassigned	116,626	0	(2,942)	113,684
Total Fund Balances	<u>116,907</u>	<u>98,719</u>	<u>(446)</u>	<u>215,180</u>
Total Liabilities and Fund Balances	<u>\$ 124,952</u>	<u>\$ 98,719</u>	<u>\$ 2,496</u>	<u>\$ 226,167</u>

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, 2011

Total Fund Balances - Governmental Funds \$ 215,180

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 \$33,643 accumulated depreciation	37,464	
Improvements, net of \$7,390 accumulated depreciation	1,477	
Equipment, net of \$80,750 accumulated depreciation	<u>104,940</u>	
		163,986

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. 8,045

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.

Municipal Leases Payable	(4,417)	
Compensated Absences	<u>(4,321)</u>	
		<u>(8,738)</u>

Net Assets of Governmental Activities \$ 378,473

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, 2011

	General	Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 111,185	\$ 0	\$ 0	\$ 111,185
Licenses and Permits	2,957	0	0	2,957
Intergovernmental	69,987	0	0	69,987
Grants and Donations	5,333	102,661	1,865	109,859
Earnings on Investments	335	90	0	425
Other	32,953	0	810	33,763
Total Revenues	<u>222,750</u>	<u>102,751</u>	<u>2,675</u>	<u>328,176</u>
Expenditures				
Current:				
General Administration	11,235	0	0	11,235
Highways and Streets	20,207	0	0	20,207
Wages, Taxes, and Retirement	101,557	0	0	101,557
Parks and Recreation	7,786	0	724	8,510
Public Safety - Police	34,248	0	0	34,248
Planning and Zoning	7,606	0	0	7,606
Debt Service:				
Principal	11,060	0	0	11,060
Interest	545	0	0	545
Capital Outlay	14,775	2,923	2,954	20,652
Total Expenditures	<u>209,019</u>	<u>2,923</u>	<u>3,678</u>	<u>215,620</u>
Net Change in Fund Balances	13,731	99,828	(1,003)	112,556
Fund Balances - Beginning	103,176	(1,109)	557	102,624
Fund Balances - Ending	<u>\$ 116,907</u>	<u>\$ 98,719</u>	<u>\$ (446)</u>	<u>\$ 215,180</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, 2011

Total Net Change in Fund Balance - Governmental Funds \$ 112,556

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. In the current period these amounts are:

Capital Outlay	\$	0	
Depreciation Expense		<u>(19,626)</u>	
Net			(19,626)

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. (12,017)

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	(762)
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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	<u>11,060</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 91,211</u></u>
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The accompanying notes are an integral
 part of the financial statements.

City of New Meadows, Idaho
Statement of Net Assets -
Proprietary Funds
September 30, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial Park	Subtotal
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 29,603	\$ 73,460	\$ 79,779	\$ 182,842
Accounts Receivable, Net	24,087	23,658	0	47,745
Prepaid Insurance	281	281	0	562
Internal Balance	0	21,381	0	21,381
Total Current Assets	<u>53,971</u>	<u>118,780</u>	<u>79,779</u>	<u>252,530</u>
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	26,733	32,995	0	59,728
Capital Assets:				
Land	800	800	0	1,600
Buildings, Net	8,764	48,861	516,529	574,154
Equipment, Net	87,910	89,008	0	176,918
Improvements, Net	278,043	340,649	0	618,692
Total Noncurrent Assets	<u>402,250</u>	<u>512,313</u>	<u>516,529</u>	<u>1,431,092</u>
Total Assets	<u>456,221</u>	<u>631,093</u>	<u>596,308</u>	<u>1,683,622</u>
Liabilities				
Current Liabilities:				
Internal Balance	0	0	0	0
Accounts Payable	47	0	0	47
Accrued Interest	454	965	0	1,419
Customer Deposits	640	0	0	640
Compensated Absences	1,994	1,994	0	3,988
Municipal Leases Payable	4,417	4,417	0	8,834
Bonds, Notes, and Loans Payable	15,297	12,771	0	28,068
Total Current Liabilities	<u>22,849</u>	<u>20,147</u>	<u>0</u>	<u>42,996</u>
Noncurrent Liabilities:				
Bonds, Notes, and Loans Payable	183,596	381,839	0	565,435
Total Liabilities	<u>206,445</u>	<u>401,986</u>	<u>0</u>	<u>608,431</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	172,207	80,291	516,529	769,027
Restricted for Debt Service	26,733	32,995	0	59,728
Unrestricted	50,836	115,821	79,779	246,436
Total Net Assets	<u>\$ 249,776</u>	<u>\$ 229,107</u>	<u>\$ 596,308</u>	<u>\$ 1,075,191</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, 2011

	Business-type Activities - Enterprise Funds			
	Subtotal	Water Master Plan	Sewer Master Plan	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 182,842	\$ 0	\$ 0	\$ 182,842
Accounts Receivable, Net	47,745	0	0	47,745
Prepaid Insurance	562	0	0	562
Internal Balance	21,381	0	0	21,381
Total Current Assets	252,530	0	0	252,530
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	59,728	0	0	59,728
Capital Assets:				
Land	1,600	0	0	1,600
Buildings, Net	574,154	0	0	574,154
Equipment, Net	176,918	0	0	176,918
Improvements, Net	618,692	0	0	618,692
Total Noncurrent Assets	1,431,092	0	0	1,431,092
Total Assets	1,683,622	0	0	1,683,622
Liabilities				
Current Liabilities:				
Internal Balance	0	8,316	13,065	21,381
Accounts Payable	47	0	0	47
Accrued Interest	1,419	0	0	1,419
Customer Deposits	640	0	0	640
Compensated Absences	3,988	0	0	3,988
Municipal Leases Payable	8,834	0	0	8,834
Bonds, Notes, and Loans Payable	28,068	0	0	28,068
Total Current Liabilities	42,996	8,316	13,065	64,377
Noncurrent Liabilities:				
Bonds, Notes, and Loans Payable	565,435	0	0	565,435
Total Liabilities	608,431	8,316	13,065	629,812
Net Assets				
Invested in Capital Assets, Net of Related Debt	769,027	0	0	769,027
Restricted for Debt Service	59,728	0	0	59,728
Unrestricted	246,436	(8,316)	(13,065)	225,055
Total Net Assets	\$ 1,075,191	\$ (8,316)	\$ (13,065)	\$ 1,053,810

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, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial Park	Subtotal
Operating Revenues				
Charges for Services	\$ 170,210	\$ 164,430	\$ 17,181	\$ 351,821
Total Operating Revenues	<u>170,210</u>	<u>164,430</u>	<u>17,181</u>	<u>351,821</u>
Operating Expenses				
Wages	42,201	42,200	0	84,401
Taxes and Benefits	17,682	17,682	0	35,364
Training	569	569	0	1,138
Travel	248	419	0	667
Utilities	14,240	9,339	0	23,579
Insurance	2,934	2,934	0	5,868
Attorney	2,341	3,133	0	5,474
Audit	1,300	1,300	0	2,600
Depreciation	59,456	24,322	15,934	99,712
Fuel	2,441	2,441	0	4,882
Maintenance and Operations	29,512	35,339	5,166	70,017
Professional Services	0	434	0	434
Total Operating Expenses	<u>172,924</u>	<u>140,112</u>	<u>21,100</u>	<u>334,136</u>
Operating Income (Loss)	<u>(2,714)</u>	<u>24,318</u>	<u>(3,919)</u>	<u>17,685</u>
Nonoperating Revenues (Expenses)				
Interest Earned	102	341	163	606
Interest Expense	(12,814)	(21,392)	0	(34,206)
Grants and Donations	0	0	0	0
Total Nonoperating Revenues (Expenses)	<u>(12,712)</u>	<u>(21,051)</u>	<u>163</u>	<u>(33,600)</u>
Change in Net Assets	<u>(15,426)</u>	<u>3,267</u>	<u>(3,756)</u>	<u>(15,915)</u>
Net Assets - Beginning	<u>265,202</u>	<u>225,840</u>	<u>600,064</u>	<u>1,091,106</u>
Net Assets - Ending	<u>\$ 249,776</u>	<u>\$ 229,107</u>	<u>\$ 596,308</u>	<u>\$ 1,075,191</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, 2011

	Business-type Activities - Enterprise Funds			
	Subtotal	Water Master Plan	Sewer Master Plan	Total
Operating Revenues				
Charges for Services	\$ 351,821	\$ 0	\$ 0	\$ 351,821
Total Operating Revenues	<u>351,821</u>	<u>0</u>	<u>0</u>	<u>351,821</u>
Operating Expenses				
Wages	84,401	0	0	84,401
Taxes and Benefits	35,364	0	0	35,364
Training	1,138	0	0	1,138
Travel	667	0	0	667
Utilities	23,579	0	0	23,579
Insurance	5,868	0	0	5,868
Attorney	5,474	0	0	5,474
Audit	2,600	0	0	2,600
Depreciation	99,712	0	0	99,712
Fuel	4,882	0	0	4,882
Maintenance and Operations	70,017	0	0	70,017
Professional Services	434	12,860	20,449	33,743
Total Operating Expenses	<u>334,136</u>	<u>12,860</u>	<u>20,449</u>	<u>367,445</u>
Operating Income (Loss)	<u>17,685</u>	<u>(12,860)</u>	<u>(20,449)</u>	<u>(15,624)</u>
Nonoperating Revenues (Expenses)				
Interest Earned	606	0	0	606
Interest Expense	(34,206)	0	0	(34,206)
Grants and Donations	0	65,150	7,384	72,534
Total Nonoperating Revenues (Expenses)	<u>(33,600)</u>	<u>65,150</u>	<u>7,384</u>	<u>38,934</u>
Change in Net Assets	(15,915)	52,290	(13,065)	23,310
Net Assets - Beginning	<u>1,091,106</u>	<u>(60,606)</u>	<u>0</u>	<u>1,030,500</u>
Net Assets - Ending	<u>\$ 1,075,191</u>	<u>\$ (8,316)</u>	<u>\$ (13,065)</u>	<u>\$ 1,053,810</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, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Industrial Park	Subtotal
Cash Flows From Operating Activities				
Charges for Services	\$ 167,210	\$ 162,103	\$ 17,181	\$ 346,494
Payments to Suppliers for Goods and Services	(53,727)	(56,061)	(5,166)	(114,954)
Payments to Employees for Services	(59,883)	(59,882)	0	(119,765)
Net Cash Provided (Used) by Operating Activities	<u>53,600</u>	<u>46,160</u>	<u>12,015</u>	<u>111,775</u>
Cash Flows From Noncapital Financing Activities				
Grants and Donations	0	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities				
Principal Paid on Capital Debt	(25,524)	(23,208)	0	(48,732)
Interest Paid on Capital Debt	(12,814)	(21,391)	0	(34,205)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(38,338)</u>	<u>(44,599)</u>	<u>0</u>	<u>(82,937)</u>
Cash Flows From Investing Activities				
Interest and Dividends	102	341	163	606
Net Increase (Decrease) in Cash and Cash Equivalents	15,364	1,902	12,178	29,444
Cash and Cash Equivalents, Beginning	40,972	125,934	67,601	234,507
Cash and Cash Equivalents, Ending	<u>\$ 56,336</u>	<u>\$ 127,836</u>	<u>\$ 79,779</u>	<u>\$ 263,951</u>
Displayed As:				
Cash	\$ 29,603	\$ 73,460	\$ 79,779	\$ 182,842
Internal Balances	0	21,381	0	21,381
Restricted Assets	26,733	32,995	0	59,728
	<u>\$ 56,336</u>	<u>\$ 127,836</u>	<u>\$ 79,779</u>	<u>\$ 263,951</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, 2011

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Subtotal</u>	<u>Water Master Plan</u>	<u>Sewer Master Plan</u>	<u>Total</u>
Cash Flows From Operating Activities				
Charges for Services	\$ 346,494	\$ 0	\$ 0	\$ 346,494
Payments to Suppliers for Goods and Services	(114,954)	(12,860)	(20,449)	(148,263)
Payments to Employees for Services	(119,765)	0	0	(119,765)
Net Cash Provided (Used) by Operating Activities	<u>111,775</u>	<u>(12,860)</u>	<u>(20,449)</u>	<u>78,466</u>
Cash Flows From Noncapital Financing Activities				
Grants and Donations	0	65,150	7,384	72,534
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>65,150</u>	<u>7,384</u>	<u>72,534</u>
Cash Flows From Capital and Related Financing Activities				
Principal Paid on Capital Debt	(48,732)	0	0	(48,732)
Interest Paid on Capital Debt	(34,205)	0	0	(34,205)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(82,937)</u>	<u>0</u>	<u>0</u>	<u>(82,937)</u>
Cash Flows From Investing Activities				
Interest and Dividends	606	0	0	606
Net Increase (Decrease) in Cash and Cash Equivalents	29,444	52,290	(13,065)	68,669
Cash and Cash Equivalents, Beginning	234,507	(60,606)	0	173,901
Cash and Cash Equivalents, Ending	<u>\$ 263,951</u>	<u>\$ (8,316)</u>	<u>\$ (13,065)</u>	<u>\$ 242,570</u>
Displayed As:				
Cash	\$ 182,842	\$ 0	\$ 0	\$ 182,842
Internal Balances	21,381	(8,316)	(13,065)	0
Restricted Assets	59,728	0	0	59,728
	<u>\$ 263,951</u>	<u>\$ (8,316)</u>	<u>\$ (13,065)</u>	<u>\$ 242,570</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, 2011

	<u>Business-type Activities - Enterprise Funds</u>			
	Water	Sewer	Industrial Park	Subtotal
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (2,714)	\$ 24,318	\$ (3,919)	\$ 17,685
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	59,456	24,322	15,934	99,712
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(3,640)	(2,327)	0	(5,967)
Increase (Decrease) in Accounts Payable	(142)	(153)	0	(295)
Increase (Decrease) in Customer Deposits	640	0	0	640
Net Cash Provided by Operating Activities	\$ 53,600	\$ 46,160	\$ 12,015	\$ 111,775

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, 2011

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Subtotal</u>	<u>Water Master Plan</u>	<u>Sewer Master Plan</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 17,685	\$ (12,860)	\$ (20,449)	\$ (15,624)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	99,712	0	0	99,712
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(5,967)	0	0	(5,967)
Increase (Decrease) in Accounts Payable	(295)	0	0	(295)
Increase (Decrease) in Customer Deposits	640	0	0	640
Net Cash Provided by Operating Activities	<u>\$ 111,775</u>	<u>\$ (12,860)</u>	<u>\$ (20,449)</u>	<u>\$ 78,466</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, 2011

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, 2011

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.

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, 2011

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 are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2011

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</u> <u>Policy</u>	<u>Depreciation</u> <u>Method</u>	<u>Estimated</u> <u>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, 2011, the allowance was \$1,713 each for the Water and Sewer funds.

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, 2011

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, 2011, the carrying amount of the City's deposits was \$34,483 and the respective bank balances totaled \$34,529. 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, 2011, 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, 2011

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, 2011, are summarized below:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
External Investment Pool	\$ 408,469	\$ 408,469	\$ 0

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

	Governmental	Business-type	Total
	Activities	Activities	
Cash and cash equivalents	\$ (3,674)	\$ 38,157	\$ 34,483
Restricted cash	0	59,728	59,728
Investments categorized as deposits	204,056	144,685	348,741
	\$ 200,382	\$ 242,570	\$ 442,952

3. DUE FROM OTHER GOVERNMENTS

Amounts due from other governmental units (State of Idaho) consist of highway revenue tax of \$3,976, liquor apportionment of \$5,137, and state revenue sharing of \$3,984 for a total of \$13,097.

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, 2011

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, 2011, are considered by the City as a receivable.

Taxes not collected within 60 days after September 30, 2011, 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.

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, 2011, 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 \$16,587, \$17,031, and \$16,603 for the three years ended September 30, 2011, 2010, and 2009, respectively.

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2011

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2011, was as follows:

	<u>Balance</u> <u>9/30/2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2011</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	<u>304,105</u>	<u>0</u>	<u>(118,415)</u>	<u>185,690</u>
Total Depreciable Assets	<u>384,079</u>	<u>0</u>	<u>(118,415)</u>	<u>265,664</u>
Less: Accumulated Depreciation				
Buildings	31,067	2,576	0	33,643
Improvements	6,503	887	0	7,390
Equipment	<u>183,002</u>	<u>16,163</u>	<u>(118,415)</u>	<u>80,750</u>
Total Acc. Depr.	<u>220,572</u>	<u>19,626</u>	<u>(118,415)</u>	<u>121,783</u>
Net Depreciable Assets	<u>163,507</u>	<u>(19,626)</u>	<u>0</u>	<u>143,881</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 183,612</u>	<u>\$ (19,626)</u>	<u>\$ 0</u>	<u>\$ 163,986</u>

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

Governmental Activities:	
General Administration	\$ 2,576
Highways and Streets	16,163
Parks and Recreation	<u>887</u>
	<u>\$ 19,626</u>

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2011

7. CAPITAL ASSETS (continued)

	Balance 9/30/2010	Additions	Disposals	Balance 9/30/2011
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,600	\$ 0	\$ 0	\$ 1,600
Capital Assets Being Depreciated:				
Buildings	739,576	0	0	739,576
Improvements	2,458,552	0	0	2,458,552
Equipment	<u>297,193</u>	<u>0</u>	<u>0</u>	<u>297,193</u>
Total Depreciable Assets	<u>3,495,321</u>	<u>0</u>	<u>0</u>	<u>3,495,321</u>
Less: Accumulated Depreciation				
Buildings	147,389	18,033	0	165,422
Improvements	1,779,291	60,569	0	1,839,860
Equipment	<u>99,165</u>	<u>21,110</u>	<u>0</u>	<u>120,275</u>
Total Acc. Depr.	<u>2,025,845</u>	<u>99,712</u>	<u>0</u>	<u>2,125,557</u>
Net Depreciable Assets	<u>1,469,476</u>	<u>(99,712)</u>	<u>0</u>	<u>1,369,764</u>
Business-type Activities				
Capital Assets - Net	<u>\$ 1,471,076</u>	<u>\$ (99,712)</u>	<u>\$ 0</u>	<u>\$ 1,371,364</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, 2011, are as follows:

	10/1/2010	Increase	Decrease	9/30/2011	Current Portion
Governmental Activities	\$ 3,559	\$ 3,745	\$ 2,983	\$ 4,321	\$ 4,321
Business-type Activities	<u>4,016</u>	<u>4,305</u>	<u>4,333</u>	<u>3,988</u>	<u>3,988</u>
	<u>\$ 7,575</u>	<u>\$ 8,050</u>	<u>\$ 7,316</u>	<u>\$ 8,309</u>	<u>\$ 8,309</u>

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2011

9. DEFICIT FUND BALANCE

At September 30, 2011, the Parks and Recreation fund, a nonmajor fund, had a deficit fund balance of \$2,942.

10. LONG-TERM OBLIGATIONS

Business-type Activities:

Bonds payable have been issued to provide funds for water and sewer projects.

The City 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:

Loader and attachments	\$ 132,154
Less accumulated amortization (included as depreciation on the accompanying financial statements)	<u>(36,236)</u>
	<u>\$ 95,918</u>

Changes in long-term obligations for the year ended September 30, 2011, are as follows:

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>Required Reserve</u>	<u>10/1/2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2011</u>	<u>Current Portion</u>
<u>Governmental Activities:</u>								
Loader Lease	2012	5.25%	N/A	\$ 12,911	\$ 0	\$ (8,494)	\$ 4,417	\$ 4,417
Attachments Lease	2011	5.95%	N/A	<u>2,566</u>	<u>0</u>	<u>(2,566)</u>	<u>0</u>	<u>0</u>
				<u>\$ 15,477</u>	<u>\$ 0</u>	<u>\$ (11,060)</u>	<u>\$ 4,417</u>	<u>\$ 4,417</u>
<u>Business-type Activities:</u>								
Water Bond	2020	5.75%	\$26,733	\$ 213,358	\$ 0	\$ (14,465)	\$198,893	\$ 15,297
Sewer Bond	2029	5.13%	\$32,995	406,759	0	(12,149)	394,610	12,771
Loader Lease	2012	5.25%	N/A	25,822	0	(16,988)	8,834	8,834
Attachments Lease	2011	5.95%	N/A	<u>5,132</u>	<u>0</u>	<u>(5,132)</u>	<u>0</u>	<u>0</u>
				<u>\$ 651,071</u>	<u>\$ 0</u>	<u>\$ (48,734)</u>	<u>\$602,337</u>	<u>\$ 36,902</u>

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

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2011

10. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at September 30, 2011, are as follows:

Governmental Activities:

Year Ending September 30,	Municipal Leases		
	Principal	Interest	Total
2012	\$ 4,417	\$ 68	\$ 4,485

Business-type Activities:

Year Ending September 30,	Bonds and Notes			Municipal Leases		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 28,068	\$ 31,660	\$ 59,728	\$ 8,834	\$ 136	\$ 8,970
2013	29,602	30,126	59,728	0	0	0
2014	31,220	28,508	59,728	0	0	0
2015	32,927	26,801	59,728	0	0	0
2016	34,728	25,000	59,728	0	0	0
2017-2021	203,924	92,906	296,830	0	0	0
2022-2026	116,616	48,359	164,975	0	0	0
2027-2029	116,418	13,672	130,090	0	0	0
	<u>\$593,503</u>	<u>\$ 297,032</u>	<u>\$ 890,535</u>	<u>\$ 8,834</u>	<u>\$ 136</u>	<u>\$ 8,970</u>

Interest expense for the year was \$545 for governmental activities and \$34,206 for business-type activities. No interest was capitalized.

11. OTHER COMMITMENTS

The City has one credit card with a credit limit of \$2,000. As of September 30, 2011, none of the available credit was in use.

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2011

12. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at September 30, 2011, consist of the following:

\$ 2,942	Due to the General fund from other governmental funds 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.
<u>13,065</u>	Due to the Sewer fund from the Sewer Master Plan fund representing short-term loans to cover cash overdrafts.
<u>\$ 24,323</u>	

REQUIRED SUPPLEMENTARY INFORMATION

City of New Meadows, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 108,020	\$ 108,020	\$ 111,185	\$ 3,165
Licenses and Permits	6,900	6,900	2,957	(3,943)
Intergovernmental	67,055	67,055	69,987	2,932
Grants and Donations	10,200	10,200	5,333	(4,867)
Earnings on Investments	400	400	335	(65)
Other	20,400	20,400	32,953	12,553
Total Revenues	<u>212,975</u>	<u>212,975</u>	<u>222,750</u>	<u>9,775</u>
Expenditures				
Current:				
General Administration	17,700	17,700	11,235	6,465
Highways and Streets	24,400	24,400	20,207	4,193
Wages, Taxes, and Retirement	104,700	104,700	101,557	3,143
Parks and Recreation	17,000	17,000	7,786	9,214
Public Safety - Police	38,900	38,900	34,248	4,652
Planning and Zoning	8,000	8,000	7,606	394
Debt Service:				
Principal	0	0	11,060	(11,060)
Interest	0	0	545	(545)
Capital Outlay	28,000	28,000	14,775	13,225
Total Expenditures	<u>238,700</u>	<u>238,700</u>	<u>209,019</u>	<u>29,681</u>
Net Change in Fund Balances	(25,725)	(25,725)	13,731	39,456
Fund Balance - Beginning	25,725	25,725	103,176	77,451
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 116,907</u>	<u>\$ 116,907</u>

City of New Meadows, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Grant Fund
 For the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Grants and Donations	\$ 209,000	209,000	102,661	\$ (106,339)
Earnings on Investments	0	0	90	90
Total Revenues	<u>209,000</u>	<u>209,000</u>	<u>102,751</u>	<u>(106,249)</u>
Expenditures				
Capital Outlay	209,000	209,000	2,923	206,077
Total Expenditures	<u>209,000</u>	<u>209,000</u>	<u>2,923</u>	<u>206,077</u>
Net Change in Fund Balances	0	0	99,828	99,828
Fund Balance - Beginning	0	0	(1,109)	(1,109)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,719</u>	<u>\$ 98,719</u>

City New Meadows, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2011

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, 2011

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 108,020	\$ 111,185	\$ 3,165
Licenses and Permits			
Building Permits	4,000	624	(3,376)
Dog Licenses	1,000	808	(192)
City Liquor	1,400	1,525	125
Review and Solid Waste Fees	500	0	(500)
Total Licenses and Permits	<u>6,900</u>	<u>2,957</u>	<u>(3,943)</u>
Intergovernmental			
County Road and Bridge	50	19	(31)
State Revenue Sharing	16,150	15,126	(1,024)
State Highway Users	16,430	16,429	(1)
State Liquor Fees	18,680	23,152	4,472
State Sales Tax	15,745	15,261	(484)
Total Intergovernmental	<u>67,055</u>	<u>69,987</u>	<u>2,932</u>
Other			
Miscellaneous	500	2,261	1,761
Franchise Fees	12,000	14,173	2,173
Dividends/Refunds	200	432	232
Donations	200	1,528	1,328
Planning and Zoning	1,500	4,564	3,064
Interest	400	335	(65)
Special Fees	200	1,605	1,405
Fines	6,000	9,918	3,918
Grants	10,000	3,805	(6,195)
Total Other	<u>31,000</u>	<u>38,621</u>	<u>7,621</u>
Total Revenue	<u>\$ 212,975</u>	<u>\$ 222,750</u>	<u>\$ 9,775</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, 2011

	Budget	Actual	Variance
General Administration			
Training	\$ 400	\$ 222	\$ 178
Travel	700	577	123
Attorney	1,000	315	685
Audit	1,200	1,300	(100)
Maintenance and Operations	10,000	8,746	1,254
Solid Waste Fees	400	0	400
Building Inspection	4,000	75	3,925
Capital Outlay	1,000	0	1,000
Total General Administration	<u>18,700</u>	<u>11,235</u>	<u>7,465</u>
Highways and Streets			
Maintenance and Operations	10,000	7,123	2,877
Utilities	8,400	7,709	691
Municipal Insurance	3,000	2,934	66
Fuel	3,000	2,441	559
Capital Outlay	27,000	14,775	12,225
Total Highways and Streets	<u>51,400</u>	<u>34,982</u>	<u>16,418</u>
Wages, Taxes, and Retirement			
Wages	67,500	65,684	1,816
Mayor and Council	6,600	6,700	(100)
Medical Insurance	14,500	13,965	535
Retirement	8,650	7,818	832
State Insurance	1,100	1,634	(534)
Social Security	4,750	4,665	85
Medicare	1,100	1,091	9
Unemployment	500	0	500
Total Taxes and Retirement	<u>104,700</u>	<u>101,557</u>	<u>3,143</u>
Parks and Recreation			
Utilities	4,000	5,792	(1,792)
Maintenance and Operations	3,000	1,994	1,006
Park Improvements	10,000	0	10,000
Total Parks and Recreation	<u>17,000</u>	<u>7,786</u>	<u>9,214</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, 2011

	Budget	Actual	Variance
Public Safety - Police			
Attorneys	4,000	7,878	(3,878)
Code Enforcement	30,600	22,950	7,650
Maintenance and Operations	500	616	(116)
Animal Control	3,800	2,804	996
Total Public Safety - Police	<u>38,900</u>	<u>34,248</u>	<u>4,652</u>
Planning and Zoning			
Wages	3,000	1,116	1,884
Professional Services	3,000	6,373	(3,373)
Maintenance and Operations	2,000	117	1,883
Total Planning and Zoning	<u>8,000</u>	<u>7,606</u>	<u>394</u>
Debt Service			
Principal	0	11,060	(11,060)
Interest	0	545	(545)
Total Debt Service	<u>0</u>	<u>11,605</u>	<u>(11,605)</u>
Total Expenditures	<u>\$ 238,700</u>	<u>\$ 209,019</u>	<u>\$ 31,171</u>

City of New Meadows, Idaho
 Combining Balance Sheet -
 Nonmajor Special Revenue Funds
 September 30, 2011

	Youth Sports	Youth Park	Parks and Recreation	Total
Assets				
Cash and Cash Equivalents	\$ 2,272	\$ 224	\$ 0	\$ 2,496
Total Assets	\$ 2,272	\$ 224	\$ 0	\$ 2,496
Liabilities and Fund Balances				
Liabilities:				
Internal Balances	\$ 0	\$ 0	\$ 2,942	\$ 2,942
Total Liabilities	0	0	2,942	2,942
Fund Balances:				
Restricted to:				
Other Purposes	2,272	224	0	2,496
Unassigned	0	0	(2,942)	(2,942)
Total Fund Balances	2,272	224	(2,942)	(446)
Total Liabilities and Fund Balances	\$ 2,272	\$ 224	\$ 0	\$ 2,496

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, 2011

	Youth Sports	Youth Park	Parks and Recreation	Total
Revenues				
Grants and Donations	\$ 695	\$ 0	\$ 1,170	\$ 1,865
Other	810	0	0	810
Total Revenues	<u>1,505</u>	<u>0</u>	<u>1,170</u>	<u>2,675</u>
Expenditures				
Current:				
Maintenance and Operations	252	172	0	424
Insurance and Miscellaneous	300	0	0	300
Capital Outlay	1,003	0	1,951	2,954
Total Expenditures	<u>1,555</u>	<u>172</u>	<u>1,951</u>	<u>3,678</u>
Net Change in Fund Balances	(50)	(172)	(781)	(1,003)
Fund Balances - Beginning	2,322	396	(2,161)	557
Fund Balances - Ending	<u>\$ 2,272</u>	<u>\$ 224</u>	<u>\$ (2,942)</u>	<u>\$ (446)</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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2011. 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

In planning and performing our audit, we considered the **City of New Meadows, Idaho'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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
December 12, 2011