

CITY OF NEW MEADOWS, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2010

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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, 2010, 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 **City of New Meadows, Idaho**, as of September 30, 2010, 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 9, 2010, 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 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 basic financial statements as a whole.

Bailey & Co.

Nampa, Idaho
December 9, 2010

City of New Meadows, Idaho
Statement of Net Assets
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 94,152	\$ 114,174	\$ 208,326
Receivables, Net	23,602	41,778	65,380
Due from Other Governments	12,453	0	12,453
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	163,507	1,469,475	1,632,982
Total Capital Assets	<u>183,612</u>	<u>1,471,075</u>	<u>1,654,687</u>
Total Assets	<u>314,100</u>	<u>1,687,317</u>	<u>2,001,417</u>
Liabilities			
Current Liabilities:			
Accounts Payable	7,803	342	8,145
Accrued Interest	0	1,418	1,418
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	3,559	3,988	7,547
Municipal Leases Payable	11,060	22,118	33,178
Bond Payable	0	26,614	26,614
Portion Due or Payable After One Year:			
Municipal Leases Payable	4,417	8,834	13,251
Bond Payable	0	593,503	593,503
Total Liabilities	<u>26,839</u>	<u>656,817</u>	<u>683,656</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	183,612	820,006	1,003,618
Restricted for:			
Debt Service	0	59,728	59,728
Unrestricted (Deficit) Surplus	103,649	150,766	254,415
Total Net Assets	<u>\$ 287,261</u>	<u>\$ 1,030,500</u>	<u>\$ 1,317,761</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, 2010

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Administration	\$ 40,046	\$ 3,271	\$ 0	\$ 0
Highway and Streets	38,494	0	0	0
Taxes and Retirement	102,837	0	97	0
Parks and Recreation	15,522	0	3,985	0
Public Safety - Police	39,084	0	0	0
Planning and Zoning	3,907	0	0	0
Interest on Long-term Debt	1,126	0	0	0
Total Governmental Activities	241,016	3,271	4,082	0
Business-type Activities:				
Water	187,859	147,720	0	0
Sewer	162,407	153,723	0	0
Industrial Park	25,467	17,158	0	0
Water Master Plan	133,052	0	0	72,446
Total Business-type Activities	508,785	318,601	0	72,446
Total Primary Government	\$ 749,801	\$ 321,872	\$ 4,082	\$ 72,446

General Revenues:
Property Taxes
State Sources
Other
Unrestricted Investment Earnings
Total General Revenues and Special Items
Transfers
Change in Net Assets
Net Assets, Beginning of Year
Net Assets, End of Year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (36,775)	\$ 0	\$ (36,775)
(38,494)	0	(38,494)
(102,740)	0	(102,740)
(11,537)	0	(11,537)
(39,084)	0	(39,084)
(3,907)	0	(3,907)
(1,126)	0	(1,126)
<u>(233,663)</u>	<u>0</u>	<u>(233,663)</u>
0	(40,139)	(40,139)
0	(8,684)	(8,684)
0	(8,309)	(8,309)
0	(60,606)	(60,606)
0	<u>(117,738)</u>	<u>(117,738)</u>
<u>(233,663)</u>	<u>(117,738)</u>	<u>(351,401)</u>
112,427	0	112,427
67,640	0	67,640
35,091	3,128	38,219
1,264	496	1,760
<u>216,422</u>	<u>3,624</u>	<u>220,046</u>
0	0	0
(17,241)	(114,114)	(131,355)
304,502	1,144,614	1,449,116
<u>\$ 287,261</u>	<u>\$ 1,030,500</u>	<u>\$ 1,317,761</u>

City of New Meadows, Idaho
 Balance Sheet -
 Governmental Funds
 September 30, 2010

	<u>General</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and Cash Equivalents	\$ 91,435	\$ 0	\$ 2,717	\$ 94,152
Taxes Receivable, Net	23,602	0	0	23,602
Due from Other Governments	12,453	0	0	12,453
Prepaid Insurance	281	0	0	281
Internal Balances	3,270	0	0	3,270
Total Assets	<u><u>\$ 131,041</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,717</u></u>	<u><u>\$ 133,758</u></u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 7,803	\$ 0	\$ 0	\$ 7,803
Internal Balances	0	1,109	2,161	3,270
Salaries and Benefits Payable	0	0	0	0
Deferred Revenue	20,062	0	0	20,062
Total Liabilities	<u>27,865</u>	<u>1,109</u>	<u>2,161</u>	<u>31,135</u>
Fund Balances:				
Nonspendable:				
Prepays	281	0	0	281
Assigned to:				
Other Purposes	0	0	556	556
Unassigned	102,895	(1,109)	0	101,786
Total Fund Balances	<u>103,176</u>	<u>(1,109)</u>	<u>556</u>	<u>102,623</u>
Total Liabilities and Fund Balances	<u><u>\$ 131,041</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,717</u></u>	<u><u>\$ 133,758</u></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, 2010

Total Fund Balances - Governmental Funds	\$	102,623
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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 \$31,067 accumulated depreciation	40,040	
Improvements, net of \$6,503 accumulated depreciation	2,364	
Equipment, net of \$183,002 accumulated depreciation	<u>121,103</u>	
		183,612

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.		20,062
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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 is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Assets.

Municipal Leases Payable	(15,477)	
Compensated Absences	<u>(3,559)</u>	
		<u>(19,036)</u>

Net Assets of Governmental Activities	\$	<u>287,261</u>
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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, 2010

	General	Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 102,611	\$ 0	\$ 0	\$ 102,611
Licenses and Permits	3,271	0	0	3,271
Intergovernmental	71,625	97	0	71,722
Other	33,025	0	3,330	36,355
Total Revenues	<u>210,532</u>	<u>97</u>	<u>3,330</u>	<u>213,959</u>
Expenditures				
Current:				
General Administration	11,451	0	0	11,451
Highways and Streets	19,717	0	0	19,717
Wages, Taxes, and Retirement	102,666	0	0	102,666
Parks and Recreation	11,175	0	3,460	14,635
Public Safety - Police	39,084	0	0	39,084
Planning and Zoning	3,907	0	0	3,907
Debt Service:				
Principal	10,479	0	0	10,479
Interest	1,126	0	0	1,126
Capital Outlay	20,333	1,206	4,481	26,020
Total Expenditures	<u>219,938</u>	<u>1,206</u>	<u>7,941</u>	<u>229,085</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,406)</u>	<u>(1,109)</u>	<u>(4,611)</u>	<u>(15,126)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(9,406)	(1,109)	(4,611)	(15,126)
Fund Balances - Beginning	112,582	0	5,167	117,749
Fund Balances - Ending	<u>\$ 103,176</u>	<u>\$ (1,109)</u>	<u>\$ 556</u>	<u>\$ 102,623</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, 2010

Total Net Change in Fund Balance - Governmental Funds	\$ (15,126)
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>	
<p>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. This is the amount by which depreciation expense (\$22,239) exceeds capital outlay (\$0) in the period.</p>	(22,239)
<p>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.</p>	9,816
<p>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:</p>	
Compensated Absences	(171)
<p>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:</p>	
Municipal Leases Payable	<u>10,479</u>
Change in Net Assets of Governmental Activities	<u>\$ (17,241)</u>

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

City of New Meadows, Idaho
Statement of Net Assets -
Proprietary Funds
September 30, 2010

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Industrial Park	Water Master Plan	
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 14,239	\$ 32,333	\$ 67,602	\$ 0	\$ 114,174
Receivables, Net	20,447	21,331	0	0	41,778
Prepaid Insurance	281	281	0	0	562
Internal Balance	0	60,606	0	0	60,606
Total Current Assets	34,967	114,551	67,602	0	217,120
Noncurrent Assets:					
Restricted Assets:					
Cash and Cash Equivalents	26,733	32,995	0	0	59,728
Capital Assets:					
Land	800	800	0	0	1,600
Buildings, Net	9,108	50,618	532,462	0	592,188
Equipment, Net	98,361	99,666	0	0	198,027
Improvements, Net	326,704	352,556	0	0	679,260
Total Noncurrent Assets	461,706	536,635	532,462	0	1,530,803
Total Assets	496,673	651,186	600,064	0	1,747,923
Liabilities					
Current Liabilities:					
Internal Balance	0	0	0	60,606	60,606
Accounts Payable	189	153	0	0	342
Accrued Interest	454	964	0	0	1,418
Compensated Absences	1,994	1,994	0	0	3,988
Municipal Leases Payable	11,059	11,059	0	0	22,118
Bonds, Notes, and Loans Payable	14,465	12,149	0	0	26,614
Total Current Liabilities	28,161	26,319	0	60,606	115,086
Noncurrent Liabilities:					
Municipal Leases Payable	4,417	4,417	0	0	8,834
Bonds, Notes, and Loans Payable	198,893	394,610	0	0	593,503
Total Liabilities	231,471	425,346	0	60,606	717,423
Net Assets					
Invested in Capital Assets, Net of Related Debt	206,139	81,405	532,462	0	820,006
Restricted for Debt Service	26,733	32,995	0	0	59,728
Unrestricted	32,330	111,440	67,602	(60,606)	150,766
Total Net Assets	\$ 265,202	\$ 225,840	\$ 600,064	\$ (60,606)	\$ 1,030,500

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, 2010

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Industrial Park	Water Master Plan	
Operating Revenues					
Charges for Services	\$ 147,720	\$ 153,723	\$ 17,158	\$ 0	\$ 318,601
Total Operating Revenues	<u>147,720</u>	<u>153,723</u>	<u>17,158</u>	<u>0</u>	<u>318,601</u>
Operating Expenses					
Wages	43,108	43,107	0	0	86,215
Taxes and Benefits	17,372	18,488	0	0	35,860
Training	237	367	0	0	604
Travel	836	836	0	0	1,672
Utilities	14,983	11,445	0	0	26,428
Improvements	10,461	10,461	0	0	20,922
Insurance	2,668	2,668	0	0	5,336
Attorney	768	5,489	0	0	6,257
Audit	950	950	0	0	1,900
Depreciation	62,608	26,603	15,934	0	105,145
Fuel	2,006	1,850	0	0	3,856
Maintenance and Operations	18,807	18,703	9,533	157	47,200
Professional Services	0	0	0	132,895	132,895
Total Operating Expenses	<u>174,804</u>	<u>140,967</u>	<u>25,467</u>	<u>133,052</u>	<u>474,290</u>
Operating Income (Loss)	<u>(27,084)</u>	<u>12,756</u>	<u>(8,309)</u>	<u>(133,052)</u>	<u>(155,689)</u>
Nonoperating Revenues (Expenses)					
Interest Earned	84	287	125	0	496
Interest Expense	(13,055)	(21,440)	0	0	(34,495)
Other Income	1,564	1,564	0	72,446	75,574
Total Nonoperating Revenues (Expenses)	<u>(11,407)</u>	<u>(19,589)</u>	<u>125</u>	<u>72,446</u>	<u>41,575</u>
Income (Loss) Before Transfers	<u>(38,491)</u>	<u>(6,833)</u>	<u>(8,184)</u>	<u>(60,606)</u>	<u>(114,114)</u>
Transfers					
Transfer In	0	0	0	0	0
Transfer Out	0	0	0	0	0
Net Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Assets	<u>(38,491)</u>	<u>(6,833)</u>	<u>(8,184)</u>	<u>(60,606)</u>	<u>(114,114)</u>
Total Net Assets - Beginning	<u>303,693</u>	<u>232,673</u>	<u>608,248</u>	<u>0</u>	<u>1,144,614</u>
Total Net Assets - Ending	<u>\$ 265,202</u>	<u>\$ 225,840</u>	<u>\$ 600,064</u>	<u>\$ (60,606)</u>	<u>\$ 1,030,500</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, 2010

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Industrial Park	Water Master Plan	
Cash Flows From Operating Activities					
Charges for Services	\$ 146,474	\$ 148,940	\$ 17,158	\$ 0	\$ 312,572
Payments to Suppliers for Goods and Services	(51,599)	(52,688)	(9,533)	(133,052)	(246,872)
Payments to Employees for Services	(60,480)	(61,595)	0	0	(122,075)
Internal Activity - Payments from (to) Other Funds	0	(60,606)	0	0	(60,606)
Net Cash Provided (Used) by Operating Activities	34,395	(25,949)	7,625	(133,052)	(116,981)
Cash Flows From Noncapital Financing Activities					
Other Receipts	1,564	1,564	0	72,446	75,574
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	1,564	1,564	0	72,446	75,574
Cash Flows From Capital and Related Financing Activities					
Purchases and Construction of Capital Assets	0	0	0	0	0
Principal Paid on Capital Debt	(24,157)	(22,035)	0	0	(46,192)
Interest Paid on Capital Debt	(13,055)	(21,440)	0	0	(34,495)
Net Cash Provided (Used) by Capital and Related Financing Activities	(37,212)	(43,475)	0	0	(80,687)
Cash Flows From Investing Activities					
Interest and Dividends	84	287	125	0	496
Net Increase (Decrease) in Cash and Cash Equivalents	(1,169)	(67,573)	7,750	(60,606)	(60,992)
Balances - Beginning of Year	42,141	132,901	59,852	0	234,894
Balances - End of Year	<u>\$ 40,972</u>	<u>\$ 65,328</u>	<u>\$ 67,602</u>	<u>\$ (60,606)</u>	<u>\$ 113,296</u>
Displayed As:					
Cash	\$ 14,239	\$ 32,333	\$ 67,602	\$ (60,606)	\$ 53,568
Restricted Assets	26,733	32,995	0	0	59,728
	<u>\$ 40,972</u>	<u>\$ 65,328</u>	<u>\$ 67,602</u>	<u>\$ (60,606)</u>	<u>\$ 113,296</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, 2010

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Industrial Park	Water Master Plan	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (27,084)	\$ 12,756	\$ (8,309)	\$ (133,052)	\$ (155,689)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation	62,608	26,603	15,934	0	105,145
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(1,246)	(4,783)	0	0	(6,029)
(Increase) Decrease in Prepays	(107)	(107)	0	0	(214)
(Increase) Decrease in Internal Balances	0	(60,606)	0	0	(60,606)
Increase (Decrease) in Accounts Payable	189	153	0	0	342
Increase (Decrease) in Compensated Absences	35	35	0	0	70
Net Cash Provided by Operating Activities	\$ 34,395	\$ (25,949)	\$ 7,625	\$ (133,052)	\$ (116,981)

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, 2010

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 government reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the City's reporting entity does not contain any component units as defined 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, 2010

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 arising from capital and non-capital financing activities and from investing activities are presented as non-operating revenues or expenses.

The City reports the following major enterprise funds:

- *Water fund.* This fund accounts for the activities of the City's water supply system, pumping stations, and collection systems.
- *Sewer fund.* This fund accounts for the 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.

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

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.

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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

All business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued after November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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.

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.

Compensated Absences

The City uses the vesting method to compute compensated absences for sick leave.

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

All trade receivables are shown net of an allowance for doubtful accounts. As of September 30, 2010 the amount of the allowance for the Water fund was \$1,713, and for the Sewer fund was \$1,713.

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.

Fund Balance Reporting and Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide statements and in governmental fund statements. The City uses the following fund balance categories:

- *Nonspendable.* Balances in permanent funds, prepaid expenses, and inventories that are permanently precluded from conversion to cash.
- *Assigned.* Balances intended for a specific purpose by the City's management.
- *Unassigned.* Balances available for any purpose.

The City Council is the official body authorized to assign amounts to specific purposes.

2. CASH AND INVESTMENTS

Summary of Deposit and Investment Balances

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

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

2. CASH AND INVESTMENTS (continued)

Deposits

As of September 30, 2010, the carrying amount of the City's deposits was \$580 and the respective bank balances totaled \$42,812. 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, 2010, all of the City's deposits totaling \$42,812 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.

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.

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

2. CASH AND INVESTMENTS (continued)

The City's investments at September 30, 2010, are summarized below:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
State Investment Pool	\$ 267,474	\$ 267,474	\$ 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	\$ 30,485	\$ (29,905)	\$ 580
Restricted cash	0	59,728	59,728
Investments categorized as deposits	63,667	144,079	207,746
	<u>\$ 94,152</u>	<u>\$ 173,902</u>	<u>\$ 268,054</u>

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units (State of Idaho) consist of highway revenue tax of \$4,079, liquor apportionment of \$4,295, and state revenue sharing of \$4,079 for a total of \$12,453.

4. 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, 2010, are considered by the City as a receivable.

Taxes not collected within 60 days after September 30, 2010, are not considered available for use by the City and are recorded as deferred revenue in the fund financial statements.

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

5. 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 5 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, 2010, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% 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 \$17,031, \$16,603, and \$15,812 for the three years ended September 30, 2010, 2009, and 2008, respectively.

6. RISK MANAGEMENT

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

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2010, was as follows:

	Balance 9/30/2009	Additions	Disposals	Balance 9/30/2010
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 20,105	\$ 0	\$ 0	\$ 20,105
Capital Assets Being Depreciated:				
Buildings	71,108	0	0	71,108
Improvements	8,867	0	0	8,867
Equipment	304,105	0	0	304,105
Total Depreciable Assets	<u>384,080</u>	<u>0</u>	<u>0</u>	<u>384,080</u>
Less: Accumulated Depreciation				
Buildings	28,492	2,575	0	31,067
Improvements	5,616	887	0	6,503
Equipment	164,226	18,777	0	183,003
Total Acc. Depr.	<u>198,334</u>	<u>22,239</u>	<u>0</u>	<u>220,573</u>
Net Depreciable Assets	<u>185,746</u>	<u>(22,239)</u>	<u>0</u>	<u>163,507</u>
Governmental Activities Capital Assets - Net	<u>\$ 205,851</u>	<u>\$ (22,239)</u>	<u>\$ 0</u>	<u>\$ 183,612</u>

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

Governmental Activities:	
General Administration	\$ 2,575
Highways and Streets	18,777
Parks and Recreation	887
	<u>\$ 22,239</u>

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

7. CAPITAL ASSETS (continued)

	Balance 9/30/2009	Additions	Disposals	Balance 9/30/2010
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,600	\$ 0	\$ 0	\$ 1,600
Capital Assets Being Depreciated:				
Buildings	739,578	0	0	739,578
Improvements	2,458,553	50,000	0	2,508,553
Equipment	297,191	0	0	297,191
Total Depreciable Assets	3,495,322	50,000	0	3,545,322
Less: Accumulated Depreciation				
Buildings	128,645	18,744	0	147,389
Improvements	1,718,564	70,730	0	1,789,294
Equipment	73,493	25,671	0	99,164
Total Acc. Depr.	1,920,702	115,145	0	2,035,847
Net Depreciable Assets	1,574,620	(65,145)	0	1,509,475
Business-type Activities				
Capital Assets - Net	\$ 1,576,220	\$ (65,145)	\$ 0	\$ 1,511,075

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, 2010, are as follows:

	10/1/2009	Increase	Decrease	9/30/2010	Current Portion
Governmental Activities:					
Compensated Absences	\$ 3,388	\$ 3,745	\$ (3,574)	\$ 3,559	\$ 3,559
Business-Type Activities:					
Compensated Absences	3,918	4,305	(4,235)	3,988	3,988
	\$ 7,306	\$ 8,050	\$ (7,780)	\$ 7,576	\$ 7,547

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

9. DEFICIT FUND BALANCE

At September 30, 2010, the following nonmajor fund had a deficit fund balance:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Parks and Recreation	\$2,161

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>(27,424)</u>
	<u>\$ 104,730</u>

Changes in long-term obligations for the year ended September 30, 2010, are as follows:

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>Required Reserve</u>	<u>10/1/2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2010</u>	<u>Current Portion</u>
<u>Governmental Activities:</u>								
Loader Lease	2012	5.25	N/A	\$ 20,971	\$ 0	\$ (8,060)	\$ 12,911	\$ 8,494
Loader Attachments Lease	2012	5.95	N/A	4,985	0	(2,419)	2,566	2,566
				<u>\$ 25,956</u>	<u>\$ 0</u>	<u>\$ (10,479)</u>	<u>\$ 15,477</u>	<u>\$ 11,060</u>
<u>Business-type Activities:</u>								
Water Bond	2020	5.75	\$26,733	\$ 227,036	\$ 0	\$ (13,678)	\$213,358	\$14,465
Sewer Bond	2029	5.13	32,995	418,315	0	(11,556)	406,759	12,149
Loader Lease	2012	5.25	N/A	41,942	0	(16,120)	25,822	16,986
Loader Attachments Lease	2012	5.95	N/A	9,970	0	(4,838)	5,132	5,132
				<u>\$ 697,263</u>	<u>\$ 0</u>	<u>\$ (46,192)</u>	<u>\$ 651,071</u>	<u>\$ 48,732</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, 2010

10. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at September 30, 2010, are as follows:

Governmental Activities:

Year Ending	Municipal Leases		
	Principal	Interest	Total
September 30,			
2011	\$ 11,060	\$ 545	\$ 11,605
2012	4,417	68	4,485
	\$ 15,477	\$ 613	\$ 16,090

Business-type Activities:

Year Ending	Bonds and Notes			Municipal Leases		
	Principal	Interest	Total	Principal	Interest	Total
September 30,						
2011	\$ 26,616	\$ 33,114	\$ 59,730	\$ 22,118	\$ 1,090	\$ 23,208
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
2016-2020	218,626	104,937	323,563	0	0	0
2021-2025	110,931	54,044	164,975	0	0	0
2026-2029	142,129	20,957	163,086	0	0	0
	\$ 620,119	\$ 330,147	\$ 950,266	\$ 30,952	\$ 1,226	\$ 32,178

Interest expense for the year was \$1,126 for governmental activities and \$34,495 for business-type activities.

11. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at September 30, 2010, consist of the following:

\$1,109	Due to the General fund from the Grant fund representing short-term loans to cover cash overdrafts.
<u>2,161</u>	Due to the General fund from other governmental funds representing short-term loans to cover cash overdrafts.
<u>\$3,270</u>	

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2010

12. METER PURCHASE

The City purchased water meters that can be read wirelessly. Payments were spread out over three years. The City still has two payments to make.

REQUIRED SUPPLEMENTARY INFORMATION

City of New Meadows, Idaho
Budgetary (GAAP Basis) Comparison Schedule
General Fund
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 102,940	\$ 102,940	\$ 102,611	\$ (329)
Licenses and Permits	7,700	7,700	3,271	(4,429)
Intergovernmental	73,050	73,050	71,625	(1,425)
Other	24,715	24,715	33,025	8,310
Total Revenues	<u>208,405</u>	<u>208,405</u>	<u>210,532</u>	<u>2,127</u>
Expenditures				
Current:				
General Administration	19,800	19,800	11,451	8,349
Highways and Streets	24,400	24,400	19,717	4,683
Wages, Taxes, and Retirement	106,650	106,650	102,666	3,984
Parks and Recreation	6,300	11,030	11,175	(145)
Public Safety - Police	38,200	38,200	39,084	(884)
Planning and Zoning	10,000	10,000	3,907	6,093
Debt Service:				
Principal	0	0	10,479	(10,479)
Interest	0	0	1,126	(1,126)
Capital Outlay	28,800	28,800	20,333	8,467
Total Expenditures	<u>234,150</u>	<u>238,880</u>	<u>219,938</u>	<u>18,942</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(25,745)</u>	<u>(30,475)</u>	<u>(9,406)</u>	<u>21,069</u>
Other Financing Sources				
(Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(25,745)	(30,475)	(9,406)	21,069
Fund Balance - Beginning	30,475	30,475	112,582	82,107
Fund Balance - Ending	<u>\$ 4,730</u>	<u>\$ 0</u>	<u>\$ 103,176</u>	<u>\$ 103,176</u>

City of New Meadows, Idaho
Budgetary (GAAP Basis) Comparison Schedule
Grant Fund
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Intergovernmental	\$ 2,600	\$ 3,300	\$ 97	\$ (3,203)
Total Revenues	<u>2,600</u>	<u>3,300</u>	<u>97</u>	<u>(3,203)</u>
Expenditures				
Capital Outlay	0	3,300	1,206	2,094
Total Expenditures	<u>0</u>	<u>3,300</u>	<u>1,206</u>	<u>2,094</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,600</u>	<u>0</u>	<u>(1,109)</u>	<u>(1,109)</u>
Other Financing Sources (Uses)				
Transfers In	700	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>700</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	3,300	0	(1,109)	(1,109)
Fund Balance - Beginning	0	0	0	0
Fund Balance - Ending	<u>\$ 3,300</u>	<u>\$ 0</u>	<u>\$ (1,109)</u>	<u>\$ (1,109)</u>

City New Meadows, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2010

1. BUDGETS AND BUDGETARY ACCOUNTING

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, 2010

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 102,940	\$ 102,611	\$ (329)
Licenses and Permits			
Building Permits	5,000	879	(4,121)
Dog Licenses	1,000	1,117	117
City Liquor	1,700	1,275	(425)
Total Licenses and Permits	7,700	3,271	(4,429)
Intergovernmental			
County Road and Bridge	150	22	(128)
State Revenue Sharing	17,000	15,513	(1,487)
State Highway Users	17,000	16,483	(517)
State Liquor Fees	22,400	24,106	1,706
State Sales Tax	16,500	15,501	(999)
Total Intergovernmental	73,050	71,625	(1,425)
Other			
Miscellaneous	500	1,252	752
Franchise Fees	13,000	13,860	860
Dividends/Refunds	200	190	(10)
Donations	200	566	366
Planning and Zoning	1,000	2,990	1,990
Review and Solid Waste Fee	500	680	180
Interest	2,000	280	(1,720)
Special Fees	200	1,264	1,064
Fines	4,000	8,828	4,828
Grants	3,115	3,115	0
Total Other	24,715	33,025	8,310
Total Revenue	\$ 208,405	\$ 210,532	\$ 2,127

City of New Meadows, Idaho
 Supplemental Schedule of Expenditures by Object of Expenditure -
 Budget and Actual - General Fund
 For the Year Ended September 30, 2010

	Budget	Actual	Variance
General Administration			
Training	\$ 500	\$ 240	\$ 260
Travel	800	1,262	(462)
Attorney	1,500	481	1,019
Audit	1,500	950	550
Maintenance and Operations	10,000	8,518	1,482
Solid Waste Fees	500	0	500
Building Inspection	5,000	0	5,000
Capital Outlay	1,800	445	1,355
Total General Administration	<u>21,600</u>	<u>11,896</u>	<u>9,704</u>
Highways and Streets			
Maintenance and Operations	10,000	6,935	3,065
Utilities	8,000	8,264	(264)
Municipal Insurance	3,400	2,668	732
Fuel	3,000	1,850	1,150
Street Project	15,000	19,888	(4,888)
Capital Outlay	12,000	0	12,000
Total Highways and Streets	<u>51,400</u>	<u>39,605</u>	<u>11,795</u>
Wages, Taxes, and Retirement			
Wages	72,300	67,057	5,243
Mayor and Council	6,600	6,600	0
Medical Insurance	11,200	13,989	(2,789)
Retirement	8,300	8,080	220
State Insurance	1,000	1,097	(97)
Social Security	5,500	4,822	678
Medicare	1,250	1,128	122
Unemployment	500	(107)	607
Total Taxes and Retirement	<u>106,650</u>	<u>102,666</u>	<u>3,984</u>
Parks and Recreation			
Utilities	3,800	4,730	(930)
Maintenance and Operations	2,500	2,618	(118)
Park Improvements	4,730	3,827	903
Total Parks and Recreation	<u>11,030</u>	<u>11,175</u>	<u>(145)</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, 2010
 (continued)

	Budget	Actual	Variance
Public Safety - Police			
Attorneys	4,000	3,780	220
Code Enforcement	30,600	30,600	0
Maintenance and Operations	200	665	(465)
Animal Control	3,400	4,039	(639)
Total Public Safety - Police	38,200	39,084	(884)
Planning and Zoning	10,000	3,907	6,093
Debt Service			
Principal	0	10,479	(10,479)
Interest	0	1,126	(1,126)
Total Debt Service	0	11,605	(11,605)
Total Expenditures	\$ 238,880	\$ 219,938	\$ 18,942

City of New Meadows, Idaho
 Combining Balance Sheet -
 Nonmajor Special Revenue Funds
 September 30, 2010

	Youth Sports	Youth Park	Parks and Recreation	Total
Assets				
Cash and Cash Equivalents	\$ 2,321	\$ 396	\$ 0	\$ 2,717
Total Assets	<u>\$ 2,321</u>	<u>\$ 396</u>	<u>\$ 0</u>	<u>\$ 2,717</u>
Liabilities and Fund Balances				
Liabilities:				
Internal Balances	\$ 0	\$ 0	\$ 2,161	\$ 2,161
Total Liabilities	<u>0</u>	<u>0</u>	<u>2,161</u>	<u>2,161</u>
Fund Balances:				
Assigned to:				
Other Purposes	2,321	396	0	2,717
Unassigned	0	0	(2,161)	(2,161)
Total Fund Balances	<u>2,321</u>	<u>396</u>	<u>(2,161)</u>	<u>556</u>
Total Liabilities and Fund Balances	<u>\$ 2,321</u>	<u>\$ 396</u>	<u>\$ 0</u>	<u>\$ 2,717</u>

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, 2010

	Youth Sports	Youth Park	Parks and Recreation	Total
Revenues				
Grants	\$ 0	\$ 0	\$ 0	\$ 0
Other	3,030	0	300	3,330
Total Revenues	<u>3,030</u>	<u>0</u>	<u>300</u>	<u>3,330</u>
Expenditures				
Current:				
Maintenance and Operations	324	0	2,811	3,135
Insurance and Miscellaneous	325	0	0	325
Capital Outlay	1,367	0	3,114	4,481
Total Expenditures	<u>2,016</u>	<u>0</u>	<u>5,925</u>	<u>7,941</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,014</u>	<u>0</u>	<u>(5,625)</u>	<u>(4,611)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	1,014	0	(5,625)	(4,611)
Fund Balances - Beginning	1,307	396	3,464	5,167
Fund Balances - Ending	<u>\$ 2,321</u>	<u>\$ 396</u>	<u>\$ (2,161)</u>	<u>\$ 556</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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2010. 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 **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. 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 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.

2010-1: Preparation of Financial Statements

Government Auditing Standards places the responsibility on management for the preparation of the annual financial statements and footnotes in accordance with generally accepted accounting principles (GAAP). The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited. As auditors, we were requested to draft the annual financial statements and footnotes from the City's accounting system. This circumstance is not unusual for an entity of this size. The lack of this control could cause a misstatement in the annual financial statements and footnotes to go undetected. Management should look at the cost/benefit of implementing internal controls over preparation of the annual financial statements.

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*.

City of New Meadows, Idaho's response to the finding identified in our audit is described in the accompanying 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, others within the entity, the City Council, 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 9, 2010

City of New Meadows, Idaho
Management's Response to Findings
For the Year Ended September 30, 2010

2010-1: Preparation of Financial Statements

The City Council will research the cost/benefit of implementing internal controls over preparation of the annual financial statements and, if possible, implement those changes accordingly.

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