

CITY OF NEW MEADOWS, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2014

Table of Contents

	<u>Page</u>
Independent Auditor's Report	3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet – Governmental Funds	7
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	10
Statement of Net Position – Proprietary Funds	11
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	13
Statement of Cash Flows – Proprietary Funds	15
Notes to Financial Statements	19
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary (GAAP Basis) Comparison Schedule:	
General Fund	31
Grant Fund	32
Sidewalks and ADA Ramps Fund	33

	<u>Page</u>
Notes to Required Supplementary Information	34
SUPPLEMENTAL INFORMATION	
Supplemental Schedule of Revenues by Source - Budget and Actual - General Fund	35
Supplemental Schedule of Expenditures by Object of Expenditure - Budget and Actual - General Fund	36
FEDERAL REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Schedule of Findings	40
Management's Response to Findings	41

Independent Auditor's Report

Honorable Mayor
and City Council
New Meadows, Idaho

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Meadows, Idaho, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has omitted 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Meadow, Idaho's basic financial statements. The schedules of revenues by source and expenditures by object for the General fund and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of the City of New Meadow, State 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* in considering City of New Meadow, Idaho's internal control over financial reporting and compliance.

Zwyzart & Associates

Nampa, Idaho
December 2, 2014

City of New Meadows, Idaho
Statement of Net Position
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 143,592	\$ 199,830	\$ 343,422
Receivables, Net:			
Accounts	-	52,556	52,556
Property Taxes	14,256	-	14,256
Due From Other Governments	11,396	-	11,396
Prepaid Insurance	436	436	872
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	66,333	66,333
Capital Assets:			
Land and Nondepreciable Infrastructure	20,105	81,716	101,821
Depreciable Buildings, Property, and Equipment, Net	359,750	1,174,580	1,534,330
Total Capital Assets	<u>379,855</u>	<u>1,256,296</u>	<u>1,636,151</u>
Total Assets	<u>549,535</u>	<u>1,575,451</u>	<u>2,124,986</u>
Liabilities			
Current Liabilities:			
Accounts Payable	25,916	13,852	39,768
Accrued Interest	-	1,418	1,418
Customer Deposits	-	1,128	1,128
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Compensated Absences	584	876	1,460
Bond Payable	-	32,927	32,927
Municipal Lease	8,890	17,782	26,672
Portion Due or Payable After One Year:			
Bond Payable	-	472,766	472,766
Municipal Lease	38,645	77,288	115,933
Total Liabilities	<u>74,035</u>	<u>618,037</u>	<u>692,072</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	379,855	732,821	1,112,676
Restricted	41,647	66,333	107,980
Unrestricted (Deficit) Surplus	53,998	158,260	212,258
Total Net Position	<u>\$ 475,500</u>	<u>\$ 957,414</u>	<u>\$ 1,432,914</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, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	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	\$ 24,415	\$ 22,296	\$ 1,341	\$ -	\$ (778)	\$ -	\$ (778)
Highways and Streets	118,740	-	-	149,100	30,360	-	30,360
Taxes and Retirement	84,074	-	-	-	(84,074)	-	(84,074)
Parks and Recreation	25,695	-	14,285	-	(11,410)	-	(11,410)
Public Safety - Police	66,914	-	-	-	(66,914)	-	(66,914)
Planning and Zoning	947	4,792	-	-	3,845	-	3,845
Interest on Long-term Debt	1,881	-	-	-	(1,881)	-	(1,881)
Total Governmental Activities	322,666	27,088	15,626	149,100	(130,852)	-	(130,852)
Business-type Activities:							
Water	192,213	161,933	-	-	-	(30,280)	(30,280)
Sewer	157,639	155,438	-	-	-	(2,201)	(2,201)
Industrial Park	20,428	17,189	-	-	-	(3,239)	(3,239)
Water Master Plan	-	-	-	-	-	-	-
Sewer Master Plan	14,099	-	-	-	-	(14,099)	(14,099)
Total Business-type Activities	384,379	334,560	-	-	-	(49,819)	(49,819)
Total Primary Government	\$ 707,045	\$ 361,648	\$ 15,626	\$ 149,100	(130,852)	(49,819)	(180,671)
General Revenues:							
Property Taxes					115,136	-	115,136
State Sources					76,589	-	76,589
Other					11,037	-	11,037
Unrestricted Investment Earnings					122	280	402
Total General Revenues and Special Items					202,884	280	203,164
Change in Net Position					72,032	(49,539)	22,493
Net Position, Beginning of Year					403,468	1,006,953	1,410,421
Net Position, End of Year					\$ 475,500	\$ 957,414	\$ 1,432,914

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

City of New Meadows, Idaho
 Balance Sheet -
 Governmental Funds
 September 30, 2014

	General	Grant Fund	Sidewalks and ADA Ramps	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 101,815	\$ 41,777	\$ -	\$ 143,592
Property Taxes Receivable, Net	14,256	-	-	14,256
Due From Other Governments	11,396	-	-	11,396
Prepaid Insurance	436	-	-	436
Internal Balances	26,316	-	-	26,316
Total Assets	<u>\$ 154,219</u>	<u>\$ 41,777</u>	<u>\$ -</u>	<u>\$ 195,996</u>
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Internal Balances	\$ -	\$ -	\$ 26,316	\$ 26,316
Accounts Payable	17,252	130	8,534	25,916
Total Liabilities	<u>17,252</u>	<u>130</u>	<u>34,850</u>	<u>52,232</u>
Deferred Inflows				
Unavailable Revenue - Property Taxes	12,008	-	-	12,008
Total Deferred Inflows	<u>12,008</u>	<u>-</u>	<u>-</u>	<u>12,008</u>
Fund Balances:				
Nonspendable:				
Prepays	436	-	-	436
Restricted to:				
Other Purposes	-	41,647	-	41,647
Unassigned	124,523	-	(34,850)	89,673
Total Fund Balances	<u>124,959</u>	<u>41,647</u>	<u>(34,850)</u>	<u>131,756</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 154,219</u>	<u>\$ 41,777</u>	<u>\$ -</u>	<u>\$ 195,996</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 Position
 September 30, 2014

Total Fund Balances - Governmental Funds \$ 131,756

Amounts reported for governmental activities in the Statement of Net Position 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 \$38,796 accumulated depreciation	29,736	
Improvements, net of \$8,867 accumulated depreciation	218,573	
Equipment, net of \$131,736 accumulated depreciation	<u>111,441</u>	
		379,855

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. 12,008

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 Position.

Municipal Lease	(47,535)	
Compensated Absences	<u>(584)</u>	
		<u>(48,119)</u>

Net Position of Governmental Activities \$ 475,500

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, 2014

	General	Grant Fund	Sidewalks and ADA Ramps	Total Governmental Funds
Revenues				
Property Taxes	\$ 113,325	\$ -	\$ -	\$ 113,325
Licenses and Permits	8,545	-	-	8,545
Intergovernmental	76,589	-	-	76,589
Grants and Donations	15,626	-	149,100	164,726
Earnings on Investments	122	-	-	122
Other	29,580	-	-	29,580
Total Revenues	<u>243,787</u>	<u>-</u>	<u>149,100</u>	<u>392,887</u>
Expenditures				
Current:				
General Administration	20,319	-	-	20,319
Highways and Streets	40,882	-	-	40,882
Wages, Taxes, and Retirement	84,158	-	-	84,158
Parks and Recreation	11,958	-	-	11,958
Public Safety - Police	56,903	-	-	56,903
Planning and Zoning	947	-	-	947
Emergency	-	-	-	-
Debt Service:				
Principal	8,602	-	-	8,602
Interest	1,881	-	-	1,881
Capital Outlay	19,125	10,011	113,887	143,023
Total Expenditures	<u>244,775</u>	<u>10,011</u>	<u>113,887</u>	<u>368,673</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(988)</u>	<u>(10,011)</u>	<u>35,213</u>	<u>24,214</u>
Other Financing Sources (Uses)				
Proceeds from Capital Lease	-	-	-	-
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(988)	(10,011)	35,213	24,214
Fund Balances - Beginning	125,947	51,658	(70,063)	107,542
Fund Balances - Ending	<u>\$ 124,959</u>	<u>\$ 41,647</u>	<u>\$ (34,850)</u>	<u>\$ 131,756</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, 2014

Total Net Change in Fund Balance - Governmental Funds \$ 24,214

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

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

Capital Outlay	\$ 71,696	
Depreciation Expense	(34,375)	
Disposed Assets	-	
Net	-	37,321

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 1,811

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 84

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 Payment 8,602

Change in Net Position of Governmental Activities \$ 72,032

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

City of New Meadows, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2014

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Industrial Park
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 99,768	\$ 21,624	\$ 78,438
Accounts Receivable, Net	24,342	27,261	953
Prepaid Insurance	218	218	-
Internal Balance	-	38,059	-
Total Current Assets	<u>124,328</u>	<u>87,162</u>	<u>79,391</u>
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	26,733	39,600	-
Capital Assets:			
Land	800	80,916	-
Buildings, Net	7,730	43,589	468,725
Equipment, Net	108,533	109,017	-
Improvements, Net	132,059	304,927	-
Total Noncurrent Assets	<u>275,855</u>	<u>578,049</u>	<u>468,725</u>
Total Assets	<u>400,183</u>	<u>665,211</u>	<u>548,116</u>
Liabilities			
Current Liabilities:			
Internal Balance	-	-	-
Accounts Payable	10,633	2,769	82
Accrued Interest	454	964	-
Customer Deposits	1,084	44	-
Compensated Absences	438	438	-
Municipal Leases Payable	8,891	8,891	-
Bonds, Notes, and Loans Payable	18,090	14,837	-
Total Current Liabilities	<u>39,590</u>	<u>27,943</u>	<u>82</u>
Noncurrent Liabilities:			
Municipal Leases Payable	38,644	38,644	-
Bonds, Notes, and Loans Payable	132,508	340,258	-
Total Liabilities	<u>210,742</u>	<u>406,845</u>	<u>82</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	89,633	174,463	468,725
Restricted for Debt Service	26,733	39,600	-
Unrestricted	73,075	44,303	79,309
Total Net Position	<u>\$ 189,441</u>	<u>\$ 258,366</u>	<u>\$ 548,034</u>

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

City of New Meadows, Idaho
Statement of Net Position -
Proprietary Funds (continued)
September 30, 2014

	Business-type Activities - Enterprise Funds		
	Water Master Plan	Sewer Master Plan	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	-	-	199,830
Accounts Receivable, Net	-	-	52,556
Prepaid Insurance	-	-	436
Internal Balance	-	-	38,059
Total Current Assets	-	-	290,881
Noncurrent Assets:			
Restricted Assets:			
Cash and Cash Equivalents	-	-	66,333
Capital Assets:			
Land	-	-	81,716
Buildings, Net	-	-	520,044
Equipment, Net	-	-	217,550
Improvements, Net	-	-	436,986
Total Noncurrent Assets	-	-	1,322,629
Total Assets	-	-	1,613,510
Liabilities			
Current Liabilities:			
Internal Balance	8,316	29,743	38,059
Accounts Payable	-	368	13,852
Accrued Interest	-	-	1,418
Customer Deposits	-	-	1,128
Compensated Absences	-	-	876
Municipal Leases Payable	-	-	17,782
Bonds, Notes, and Loans Payable	-	-	32,927
Total Current Liabilities	8,316	30,111	106,042
Noncurrent Liabilities:			
Municipal Leases Payable	-	-	77,288
Bonds, Notes, and Loans Payable	-	-	472,766
Total Liabilities	8,316	30,111	656,096
Net Position			
Invested in Capital Assets, Net of Related Debt	-	-	732,821
Restricted for Debt Service	-	-	66,333
Unrestricted	(8,316)	(30,111)	158,260
Total Net Position	\$ (8,316)	\$ (30,111)	\$ 957,414

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 Position - Proprietary Funds
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Industrial Park
Operating Revenues			
Charges for Services	\$ 161,933	\$ 155,438	\$ 17,189
Total Operating Revenues	161,933	155,438	17,189
Operating Expenses			
Wages	37,616	35,487	-
Taxes and Benefits	15,437	14,349	-
Training	423	423	-
Travel	470	470	-
Utilities	15,243	10,438	2,520
Attorney	5,151	6,389	-
Audit	1,433	1,433	-
Depreciation	67,576	32,438	15,934
Fuel	1,545	1,147	-
Maintenance and Operations	35,528	31,217	1,974
Professional Services	-	2,281	-
Total Operating Expenses	180,422	136,072	20,428
Operating Income (Loss)	(18,489)	19,366	(3,239)
Nonoperating Revenues (Expenses)			
Interest Earned	115	96	69
Interest Expense	(11,791)	(21,567)	-
Grants and Donations	-	-	-
Total Nonoperating Revenues (Expenses)	(11,676)	(21,471)	69
Change in Net Position	(30,165)	(2,105)	(3,170)
Net Position - Beginning	219,606	260,471	551,204
Net Position - Ending	\$ 189,441	\$ 258,366	\$ 548,034

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 Position - Proprietary Funds (continued)
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds		
	Water Master	Sewer Master	Total
	Plan	Plan	
Operating Revenues			
Charges for Services	\$ -	\$ -	\$ 334,560
Total Operating Revenues	-	-	334,560
Operating Expenses			
Wages	-	-	73,103
Taxes and Benefits	-	-	29,786
Training	-	-	846
Travel	-	-	940
Utilities	-	-	28,201
Attorney	-	-	11,540
Audit	-	-	2,866
Depreciation	-	-	115,948
Fuel	-	-	2,692
Maintenance and Operations	-	-	68,719
Professional Services	-	14,099	16,380
Total Operating Expenses	-	14,099	351,021
Operating Income (Loss)	-	(14,099)	(16,461)
Nonoperating Revenues (Expenses)			
Interest Earned	-	-	280
Interest Expense	-	-	(33,358)
Grants and Donations	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	(33,078)
Change in Net Position	-	(14,099)	(49,539)
Net Position - Beginning	(8,316)	(16,012)	1,006,953
Net Position - Ending	\$ (8,316)	\$ (30,111)	\$ 957,414

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, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	Water	Sewer	Industrial Park
Cash Flows From Operating Activities			
Charges for Services	\$ 164,039	\$ 159,177	\$ 16,236
Payments to Suppliers for Goods and Services	(51,218)	(56,178)	(4,412)
Payments to Employees for Services	(53,116)	(49,899)	-
Net Cash Provided (Used) by Operating Activities	59,705	53,100	11,824
Cash Flows From Noncapital Financing Activities			
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-
Cash Flows From Capital and Related Financing Activities			
Debt Proceeds	66,621	66,621	-
Purchase of Capital Assets	-	-	-
Principal Paid on Capital Debt	(92,046)	(88,532)	-
Interest Paid on Capital Debt	(11,791)	(21,567)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(37,216)	(43,478)	-
Cash Flows From Investing Activities			
Interest and Dividends	115	96	69
Net Increase (Decrease) in Cash and Cash Equivalents	22,604	9,718	11,893
Cash and Cash Equivalents, Beginning	103,897	89,565	66,545
Cash and Cash Equivalents, Ending	\$ 126,501	\$ 99,283	\$ 78,438
Displayed As:			
Cash	\$ 99,768	\$ 21,624	\$ 78,438
Internal Balances	-	38,059	-
Restricted Assets	26,733	39,600	-
	\$ 126,501	\$ 99,283	\$ 78,438

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, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Master</u>	<u>Sewer Master</u>	<u>Total</u>
	Plan	Plan	
Cash Flows From Operating Activities			
Charges for Services	\$ -	\$ -	\$ 339,452
Payments to Suppliers for Goods and Services	-	(13,731)	(125,539)
Payments to Employees for Services	-	-	(103,015)
Net Cash Provided (Used) by Operating Activities	-	(13,731)	110,898
Cash Flows From Noncapital Financing Activities			
Grants and Donations	-	-	-
Cash Flows From Capital and Related Financing Activities			
Debt Proceeds	-	-	133,242
Purchase of Capital Assets	-	-	-
Principal Paid on Capital Debt	-	-	(180,578)
Interest Paid on Capital Debt	-	-	(33,358)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(80,694)
Cash Flows From Investing Activities			
Interest and Dividends	-	-	280
Net Increase (Decrease) in Cash and Cash Equivalents	-	(13,731)	30,484
Cash and Cash Equivalents, Beginning	(8,316)	(16,012)	235,679
Cash and Cash Equivalents, Ending	<u>\$ (8,316)</u>	<u>\$ (29,743)</u>	<u>\$ 266,163</u>
Displayed As:			
Cash	\$ -	\$ -	\$ 199,830
Internal Balances	(8,316)	(29,743)	-
Restricted Assets	-	-	66,333
	<u>\$ (8,316)</u>	<u>\$ (29,743)</u>	<u>\$ 266,163</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, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Industrial Park</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (18,489)	\$ 19,366	\$ (3,239)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	67,576	32,438	15,934
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	2,375	3,695	(953)
(Increase) Decrease in Prepaid Expenses	-	-	
Increase (Decrease) in Accounts Payable	8,575	(2,380)	82
Increase (Decrease) in Customer Deposits	(269)	44	-
Increase (Decrease) in Compensated Absences	(63)	(63)	-
Net Cash Provided by Operating Activities	<u>\$ 59,705</u>	<u>\$ 53,100</u>	<u>\$ 11,824</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, 2014

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Master</u>	<u>Sewer Master</u>	<u>Total</u>
	Plan	Plan	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ -	\$ (14,099)	\$ (16,461)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	-	-	115,948
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	-	5,117
(Increase) Decrease in Prepaid Expense	-	-	-
Increase (Decrease) in Accounts Payable	-	368	6,645
Increase (Decrease) in Customer Deposits	-	-	(225)
Increase (Decrease) in Compensated Absences	-	-	(126)
Net Cash Provided by Operating Activities	<u>\$ -</u>	<u>\$ (13,731)</u>	<u>\$ 110,898</u>

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

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 Position 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Position and in the governmental fund Balance Sheet.

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

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

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the City Council, the City's highest level of decision making authority, through a formal action. The City Council would also have the authority to assign funds or authorize another official to do so.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 position 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 cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Receivables

All trade receivables are shown net of an allowance for doubtful accounts. As of September 30, 2014, there was no allowance.

Use of Estimates

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

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, 2014, the carrying amount of the City's deposits was \$63,977 and the respective bank balances totaled \$62,171. The total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the City.

2. CASH AND INVESTMENTS (continued)

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, 2014, 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.

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, 2014, are summarized below:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
External Investment Pool	\$ 345,778	\$ 345,778	\$ -

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2014

2. CASH AND INVESTMENTS (continued)

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	\$ (49,704)	\$ 113,681	\$ 63,977
Restricted cash	-	66,333	66,333
Investments categorized as deposits	193,296	86,149	279,445
	\$ 143,592	\$ 266,163	\$ 409,755

3. DUE FROM OTHER GOVERNMENTS

Amounts due from other governmental units (State of Idaho) consist of highway revenue tax of \$3,904, liquor apportionment of \$4,584, and state revenue sharing of \$2,908 for a total of \$11,396.

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.

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, 2014, are considered by the City as a receivable.

Taxes not collected within 60 days after September 30, 2014, 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

7. PENSION PLAN (continued)

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, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. City of New Meadows, Idaho employer contributions required and paid were \$15,078, \$14,230, and \$14,163 for the three years ended September 30, 2014, 2013, and 2012, respectively.

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2014

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2014, was as follows:

	<u>Balance</u> <u>9/30/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2014</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 20,105	\$ -	\$ -	\$ 20,105
Capital Assets Being Depreciated:				
Buildings	71,108	-	-	71,108
Improvements	167,248	71,696	-	238,944
Equipment	244,204	-	-	244,204
Total Depreciable Assets	<u>482,560</u>	<u>71,696</u>	<u>-</u>	<u>554,256</u>
Less Accumulated Depreciation:				
Buildings	38,796	2,576	-	41,372
Improvements	8,867	11,504	-	20,371
Equipment	112,468	20,295	-	132,763
Total Acc. Depr.	<u>160,131</u>	<u>34,375</u>	<u>-</u>	<u>194,506</u>
Net Depreciable Assets	<u>322,429</u>	<u>37,321</u>	<u>-</u>	<u>359,750</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 342,534</u>	<u>\$ 37,321</u>	<u>\$ -</u>	<u>\$ 379,855</u>
 <u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 81,716	\$ -	\$ -	\$ 81,716
Capital Assets Being Depreciated:				
Buildings	739,576	-	-	739,576
Improvements	2,458,552	-	-	2,458,552
Equipment	430,435	-	-	430,435
Total Depreciable Assets	<u>3,628,563</u>	<u>-</u>	<u>-</u>	<u>3,628,563</u>
Less Accumulated Depreciation:				
Buildings	201,496	18,036	-	219,532
Improvements	1,960,999	60,568	-	2,021,567
Equipment	175,539	37,344	-	212,883
Total Acc. Depr.	<u>2,338,034</u>	<u>115,948</u>	<u>-</u>	<u>2,453,982</u>
Net Depreciable Assets	<u>1,290,529</u>	<u>(115,948)</u>	<u>-</u>	<u>1,174,581</u>
Business-type Activities				
Capital Assets - Net	<u>\$ 1,372,245</u>	<u>\$ (115,948)</u>	<u>\$ -</u>	<u>\$ 1,256,297</u>

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2014

7. CAPITAL ASSETS (continued)

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

Governmental Activities:		
General Administration	\$	2,576
Highways and Streets		20,295
Parks and Recreation		11,504
		<u>\$ 34,375</u>
Business-type Activities:		
Water	\$	67,576
Sewer		32,438
Industrial Park		15,934
		<u>\$ 115,948</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, 2014, are as follows:

	<u>9/30/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2014</u>	<u>Current Portion</u>
Governmental Activities	\$ 668	\$ 2,116	\$ (2,200)	\$ 584	\$ 584
Business-type Activities	<u>1,003</u>	<u>3,174</u>	<u>(2,200)</u>	<u>876</u>	<u>876</u>
	<u>\$ 1,671</u>	<u>\$ 5,290</u>	<u>\$ (4,400)</u>	<u>\$ 1,460</u>	<u>\$ 1,460</u>

9. DEFICIT FUND BALANCE

At September 30, 2014, the Sidewalks and ADA ramps fund, a major fund had a deficit fund balance of \$34,850.

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2014

10. LEASE COMMITMENTS

The City began leasing a copier in June 2012. Payments are due monthly and it is anticipated the copier will be returned at the end of the lease term. Rent expenditures (including month-to-month leases) for the year totaled \$1,368. Future minimum lease payments are as follows:

Year Ending September 30,	Amount
2015	\$ 1,368
2016	1,368
2017	<u>1,254</u>
	<u>\$ 3,990</u>

Rent expenditures for the year ended September 30, 2014, totaled \$1,368.

11. LONG-TERM OBLIGATIONS

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

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

Changes in long-term obligations for the year ended September 30, 2014, are as follows:

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>Required Reserve</u>	<u>9/30/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2014</u>	<u>Current Portion</u>
<u>Governmental Activities:</u>								
Grader Lease	2018	3.30%	N/A	\$ 56,137	\$ -	\$ (8,602)	\$ 47,535	\$ 8,890
<u>Business-type Activities:</u>								
Water Bond	2020	5.75%	\$26,733	\$ 167,420	\$ -	\$ (16,822)	\$150,598	\$ 18,090
Sewer Bond	2029	5.13%	\$32,995	368,403	-	(13,308)	355,095	14,837
Grader Lease	2018	3.30%	N/A	112,275	-	(17,205)	95,070	17,782
				<u>\$ 648,098</u>	<u>\$ -</u>	<u>\$ (47,335)</u>	<u>\$600,763</u>	<u>\$ 50,709</u>

City of New Meadows, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2014

11. LONG-TERM OBLIGATIONS (continued)

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

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Year Ending September 30,	Bonds and Notes			Municipal Leases		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 32,927	\$ 26,801	\$ 59,728	26,673	4,777	31,450
2016	34,728	25,000	59,728	27,491	3,959	31,450
2017	36,627	23,101	59,728	28,490	2,960	31,450
2018	38,631	21,097	59,728	29,444	2,006	31,450
2019	40,744	18,984	59,728	30,507	944	31,451
2020-2024	154,654	62,260	216,914	-	-	-
2025-2029	167,382	29,494	196,876	-	-	-
	<u>\$505,693</u>	<u>\$ 206,737</u>	<u>\$ 712,430</u>	<u>\$ 142,605</u>	<u>\$ 14,646</u>	<u>\$ 157,251</u>

Interest expense for the year was \$33,358 for business-type activities. No interest was capitalized.

\$ 8,316 Due to the Water fund from the Water Master Plan fund representing short-term loans to cover cash overdrafts.
29,743 Due to the Sewer fund from the Sewer Master Plan fund representing short-term loans to cover cash overdrafts.
\$ 38,059

11. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at September 30, 2014, consist of the following:

\$ 26,316 Due to the General fund from the Sidewalks and ADA Ramps fund representing short-term loans to cover cash overdrafts.
8,316 Due to the Sewer fund from the Water Master Plan fund representing short-term loans to cover cash overdrafts.
29,743 Due to the Sewer fund from the Sewer Master Plan fund representing short-term loans to cover cash overdrafts.
\$ 64,375

12. OTHER COMMITMENTS

The City also has five credit cards available for use. As of September 30, 2014, credit available on these credit cards totaled \$10,000, of which \$970 was in use.

REQUIRED SUPPLEMENTARY INFORMATION

City of New Meadows, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 111,439	\$ 111,439	\$ 113,325	\$ 1,886
Licenses and Permits	2,015	2,015	8,545	6,530
Intergovernmental	90,527	90,527	76,589	(13,938)
Grants and Donations	87,010	87,010	15,626	(71,384)
Earnings on Investments	150	150	122	(28)
Other	21,200	21,200	29,580	8,380
Total Revenues	<u>312,341</u>	<u>312,341</u>	<u>243,787</u>	<u>(68,554)</u>
Expenditures				
Current:				
General Administration	22,129	22,129	20,319	1,810
Highways and Streets	30,750	30,750	40,882	(10,132)
Wages, Taxes, and Retirement	68,325	68,325	84,158	(15,833)
Parks and Recreation	15,940	15,940	11,958	3,982
Public Safety - Police	49,910	49,910	56,903	(6,993)
Planning and Zoning	1,900	1,900	947	953
Emergency	7,337	7,337	-	7,337
Debt Service:				
Principal	10,500	10,500	8,602	1,898
Interest	-	-	1,881	(1,881)
Capital Outlay	105,550	105,550	19,125	86,425
Total Expenditures	<u>312,341</u>	<u>312,341</u>	<u>244,775</u>	<u>67,566</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>-</u>	<u>-</u>	<u>(988)</u>	<u>(988)</u>
Other Financing Sources (Uses)				
Proceeds from Capital Lease	-	-	-	-
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	(988)	(988)
Fund Balances - Beginning	-	-	125,947	125,947
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,959</u>	<u>\$ 124,959</u>

City of New Meadows, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Grant Fund
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Grants and Donations	\$ 575,850	\$ 575,850	\$ -	\$ (575,850)
Earnings on Investments	150	150	-	(150)
Total Revenues	<u>576,000</u>	<u>576,000</u>	<u>-</u>	<u>(576,000)</u>
Expenditures				
Capital Outlay	<u>576,000</u>	<u>576,000</u>	<u>10,011</u>	<u>565,989</u>
Total Expenditures	<u>576,000</u>	<u>576,000</u>	<u>10,011</u>	<u>565,989</u>
Net Change in Fund Balances	-	-	(10,011)	(10,011)
Fund Balances - Beginning	-	-	<u>51,658</u>	<u>51,658</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,647</u>	<u>\$ 41,647</u>

City of New Meadows, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Sidewalks and ADA Ramps Fund
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Grants and Donations	\$ 59,700	\$ 59,700	\$ 149,100	\$ 89,400
Total Revenues	<u>59,700</u>	<u>59,700</u>	<u>149,100</u>	<u>89,400</u>
Expenditures				
Capital Outlay	59,700	59,700	113,887	(54,187)
Total Expenditures	<u>59,700</u>	<u>59,700</u>	<u>113,887</u>	<u>(54,187)</u>
Net Change in Fund Balances	-	-	35,213	35,213
Fund Balances - Beginning	-	-	(70,063)	(70,063)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (34,850)</u>	<u>\$ (34,850)</u>

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 Clerk, 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.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The Sidewalk and ADA ramp fund had expenditures in excess of appropriations in the amount of \$54,187

SUPPLEMENTAL INFORMATION

City of New Meadows, Idaho
Supplemental Schedule of Revenues by Source -
Budget and Actual - General Fund
For the Year Ended September 30, 2014

	Budget	Actual	Variance
Taxes			
Property Taxes	\$ 111,439	\$ 113,325	\$ 1,886
Licenses and Permits			
Building Permits	-	3,692	3,692
Dog Licenses	540	680	140
City Liquor	1,475	2,825	1,350
Review and Solid Waste Fees	-	1,348	1,348
Total Licenses and Permits	<u>2,015</u>	<u>8,545</u>	<u>6,530</u>
Intergovernmental			
City Street Tax	17,500	6,093	(11,407)
State Revenue Sharing	14,894	12,682	(2,212)
State Highway Users	16,332	15,851	(481)
State Liquor Fees	24,394	24,274	(120)
State Sales Tax	17,407	17,689	282
Total Intergovernmental	<u>90,527</u>	<u>76,589</u>	<u>(13,938)</u>
Other			
Miscellaneous	-	701	701
Franchise Fees	16,000	18,791	2,791
Dividends/Refunds	200	-	(200)
Donations	21,560	1,341	(20,219)
Planning and Zoning	-	1,100	1,100
Interest	150	122	(28)
Fines	5,000	8,988	3,988
Grants	65,450	14,285	(51,165)
Total Other	<u>108,360</u>	<u>45,328</u>	<u>(63,032)</u>
Total Revenue	<u>\$ 312,341</u>	<u>\$ 243,787</u>	<u>\$ (68,554)</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, 2014

	Budget	Actual	Variance
General Administration			
Training	\$ 1,500	\$ 483	\$ 1,017
Travel	1,700	949	751
Attorney	1,000	1,519	(519)
Utilities	2,340	1,583	757
Insurance	8,539	8,539	-
Audit	1,450	1,433	17
Maintenance and Operations	5,000	5,813	(813)
Solid Waste Fees	100	-	100
Building Inspection	500	-	500
Capital Outlay	3,000	1,520	1,480
Total General Administration	<u>25,129</u>	<u>21,839</u>	<u>3,290</u>
Highways and Streets			
Maintenance and Operations	15,250	27,418	(12,168)
Utilities	12,000	9,615	2,385
Municipal Insurance	-	-	-
Fuel	3,500	3,849	(349)
Capital Outlay	17,500	15,372	2,128
Total Highways and Streets	<u>48,250</u>	<u>56,254</u>	<u>(8,004)</u>
Wages, Taxes, and Retirement			
Wages	40,500	51,096	(10,596)
Mayor and Council	6,600	8,800	(2,200)
Medical Insurance	11,000	11,599	(599)
Retirement	5,025	7,040	(2,015)
State Insurance	1,000	860	140
Social Security	3,000	3,860	(860)
Medicare	700	903	(203)
Unemployment	500	-	500
Total Taxes and Retirement	<u>68,325</u>	<u>84,158</u>	<u>(15,833)</u>
Parks and Recreation			
Utilities	5,340	3,939	1,401
Maintenance and Operations	10,600	8,019	2,581
Park Improvements	85,050	2,233	82,817
Total Parks and Recreation	<u>100,990</u>	<u>14,191</u>	<u>86,799</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, 2014

	Budget	Actual	Variance
Public Safety - Police			
Attorneys	4,000	10,853	(6,853)
Code Enforcement	33,660	33,660	-
Maintenance and Operations	8,000	8,990	(990)
Animal Control	4,250	3,400	850
Total Public Safety - Police	<u>49,910</u>	<u>56,903</u>	<u>(6,993)</u>
Planning and Zoning			
Wages	1,500	293	1,207
Professional Services	200	639	(439)
Maintenance and Operations	200	15	185
Total Planning and Zoning	<u>1,900</u>	<u>947</u>	<u>953</u>
Emergency			
Wages	-	-	-
Professional Services	-	-	-
Maintenance and Operations	7,337	-	7,337
Total Emergency	<u>7,337</u>	<u>-</u>	<u>7,337</u>
Debt Service			
Principal	10,500	8,602	1,898
Interest	-	1,881	(1,881)
Total Debt Service	<u>10,500</u>	<u>10,483</u>	<u>17</u>
Total Expenditures	<u>\$ 312,341</u>	<u>\$ 244,775</u>	<u>\$ 67,566</u>

FEDERAL REPORTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Mayor
and City Council
New Meadows, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City New Meadows, Idaho, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of New Meadow, Idaho's basic financial statements and have issued our report thereon dated December 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of New Meadow, Idaho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of New Meadow, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of City of New Meadow, Idaho's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the schedule of findings that we consider to be significant deficiencies. [2014-1]

Compliance and Other Matters

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

City of New Meadow, Idaho's Response to Findings

City of New Meadow, Idaho's response to the findings identified in our audit is described in the accompanying management's response to findings. City of New Meadow, Idaho's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Zwysart & Associates PC

Nampa, Idaho
December 2, 2014

Schedule of Findings:

2014-1: Segregation of Duties

Criteria:

Duties for custody, recording, and authorization should be performed by different personnel to help prevent, detect, and correct misstatements.

Condition;

The city clerk performs duties that involve custody, recording, and authorization over cash and revenue.

Effect:

The lack of this control could cause a misstatement in the annual financial statements and footnotes to go undetected.

Cause:

This situation is common to a city this size and is a direct result of the cost/benefit of having enough staff in place to be able to segregate duties.

Recommendation:

The City should consider realigning job duties or implementing mitigating controls, such as having the board review and initial documents related to cash and revenue.

Response:

See Management's Response to Findings.

City of New Meadows, Idaho
Management's Response to Findings
For the Year Ended September 30, 2014

2014-1: Segregation of Duties

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