

Financial Statements

City of Mountain Home, Idaho
Includes Supplementary Information
Year Ended September 30, 2023



Table of Contents

Independent Auditors' Report	4
Management's Discussion and Analysis	8
Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	22
Statement of Activities	24
Fund Financial Statements	
Balance Sheet – Governmental Funds	26
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	30
Statement of Net Position – Proprietary Funds	31
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Notes to the Financial Statements	36
Required Supplementary Information	
Statements of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:	
General Fund	58
Street Oiling Special Revenue Fund	61
Schedule of Employers' Proportionate Share of Net Pension Liability	62

Table of Contents

Supplementary Information

Statements of Revenues, Expenditures and Changes in Net Position – Budget to Actual – Proprietary Funds:	
Water Enterprise Fund	64
Sewer Enterprise Fund	65
Sanitation Enterprise Fund	66
Golf Course Enterprise Fund	67
Combining Balance Sheet – Non-Major Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	70

Federal Reports

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	75
Schedule of Expenditures of Federal Awards	77
Notes to Schedule of Expenditures of Federal Awards	78
Schedule of Findings and Questioned Costs	79
Schedule of Prior Audit Findings	81

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Mountain Home, Idaho
Mountain Home, Idaho

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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





In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024 on our consideration of City of Mountain Home, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mountain Home, Idaho's internal control over financial reporting and compliance.

Harvie CPA's P.C.

Meridian, Idaho
March 26, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

Within this section of the City of Mountain Home's (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ending September 30, 2023. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$69,553,229 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$61,491,771. Resulting in an increase in net position of \$8,061,550. The main cause for this increase was the infrastructure improvements in our parks, streets, sidewalks, water, and wastewater system which were made by the city and capitalized of assets.
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$58,620,056 includes property and equipment, net of accumulated depreciation and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Unrestricted net assets of \$7,694,796 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
 - (3) Restricted net assets of \$3,238,377 represent the portion reserved for development, construction, and debt service.
- The City's governmental funds reported total ending fund balance of \$7,985,089 this year. This compares to the prior year ending fund balance of \$6,106,976, showing an increase of \$1,878,113.
- At the end of the current fiscal year, the General Fund reflected a non-spendable balance of \$129,254, restricted balance of \$3,121,429, assigned balance of \$2,647,162, and unassigned balance of \$2,087,244, for a total General Fund balance of \$7,985,089. These classifications of fund balance show the nature and extent of constraints placed on the City's general fund balance by law, creditors, the City Council, or the City's annually adopted budget. Examples of such constraints include pre-paid expenditures, funds reserved for debt service, and amounts set aside for specific operating purposes. Unassigned fund balances are available for spending for any purpose.
- Total liabilities of the City increased by \$196,887 from \$19,327,138 to \$19,524,025 during the fiscal year. This increase was primarily due to investments in the capital asset for the water storage tank however additional payments were made on the certificates of participation for the law enforcement building, payments on the DEQ water and wastewater certificates of participation and net pension liabilities.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide financial position presenting information that includes all the City's assets and liabilities, with the difference reported as total net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, culture, and recreation. Business-type activities include water, wastewater and sanitation utilities, and golf course. Fiduciary activities such as the tap deposit fund are not included in the government-wide statements since these assets are not available to fund city programs.

The City's financial reporting entity includes the funds of the City (primary government) and an organization for which the City is accountable (a component unit). This legally separated organization operates like a City department, serves as a financing vehicle for City services (revenue bond issuers). This organization is blended into the primary government for financial reporting purposes. A schedule at the close of *Management's Discussion and Analysis* lists the City's component unit. More comprehensive information about the City's component units can be found in the notes to the financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of expendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund and major special revenue funds. Budgetary comparison schedules for major governmental funds and enterprise funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

Proprietary Funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water, sewer, and sanitation utilities and the City golf course. The City does not have internal service funds.

Fiduciary Funds such as the tap deposit fund are reported in the fiduciary fund financial statements but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the City's budget comparisons to actual of the general fund, major special revenue funds, and the enterprise funds. *Other Supplementary Information* includes combined statements of the non-major governmental funds. Supplementary information follows the notes to the financial statements.

Major funds and the component unit are reported in the basic financial statements as discussed. Combined statements for non-major funds are presented in a subsequent section of this report.

Application of GASB 68

The City has adopted the accounting guidance, GASB Statement #68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement #27*. Additional details regarding this new accounting guidance can be found in Note G of the financial statements.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position can be observed and used to discuss the changing financial position of the City as a whole.

Government-Wide Financial Analysis

At the end of FY 2022-23, the City is able to report positive balances in two categories of net position for the government as a whole: (1) net investment in capital assets, and (2) restricted net position. Unrestricted net position, the third category of net position, had a negative balance in governmental activities. Business-type activities have a positive balance for all three categories of net position.

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

The City's net position for the fiscal year-end September 30, 2023, is \$69,553,229. This is a \$8,061,550 increase from last year's net position of \$61,491,679. The following table provides a comparative summary of the City's net position on September 30 for both years:

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$18,038,697	\$18,860,854	\$12,934,600	\$8,018,840	\$30,973,297	\$26,879,694
Capital assets	28,651,419	27,724,070	\$36,385,511	\$31,891,781	65,036,930	59,615,851
Pension obligations	<u>1,584,043</u>	<u>2,187,449</u>	<u>469,306</u>	<u>649,377</u>	<u>2,053,349</u>	<u>2,836,826</u>
Total assets	<u>48,274,159</u>	<u>48,772,373</u>	<u>49,789,417</u>	<u>40,559,998</u>	<u>98,063,576</u>	<u>89,332,371</u>
Long-term liabilities	5,749,867	6,026,655	7,716,632	8,438,834	13,466,499	14,465,489
Other liabilities	<u>1,225,584</u>	<u>4,237,337</u>	<u>4,831,942</u>	<u>624,404</u>	<u>6,057,526</u>	<u>4,861,741</u>
Total liabilities	<u>6,975,451</u>	<u>10,263,992</u>	<u>12,548,574</u>	<u>9,063,238</u>	<u>19,524,025</u>	<u>19,327,230</u>
Deferred Inflows	8,814,834	8,491,349	171,488	22,113	8,986,322	8,513,462
Net Position:						
Invested in capital assets, net of related debt	28,012,810	27,120,373	30,607,246	24,885,604	58,620,056	52,005,977
Restricted	1,349,635	3,026,456	116,948	105,253	1,466,583	3,131,709
Unrestricted	<u>3,121,429</u>	<u>(129,797)</u>	<u>6,345,161</u>	<u>6,483,790</u>	<u>9,466,590</u>	<u>6,353,993</u>
Total net position	<u>\$32,483,874</u>	<u>\$30,017,032</u>	<u>\$37,069,355</u>	<u>\$31,474,647</u>	<u>\$69,553,229</u>	<u>\$61,491,679</u>

The City reported changes in net assets for both governmental and business-type activities. Net position increased \$2,466,842 for governmental activities and increased \$5,594,708 for business-type activities. Comparative data is accumulated and presented to assist analysis.

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

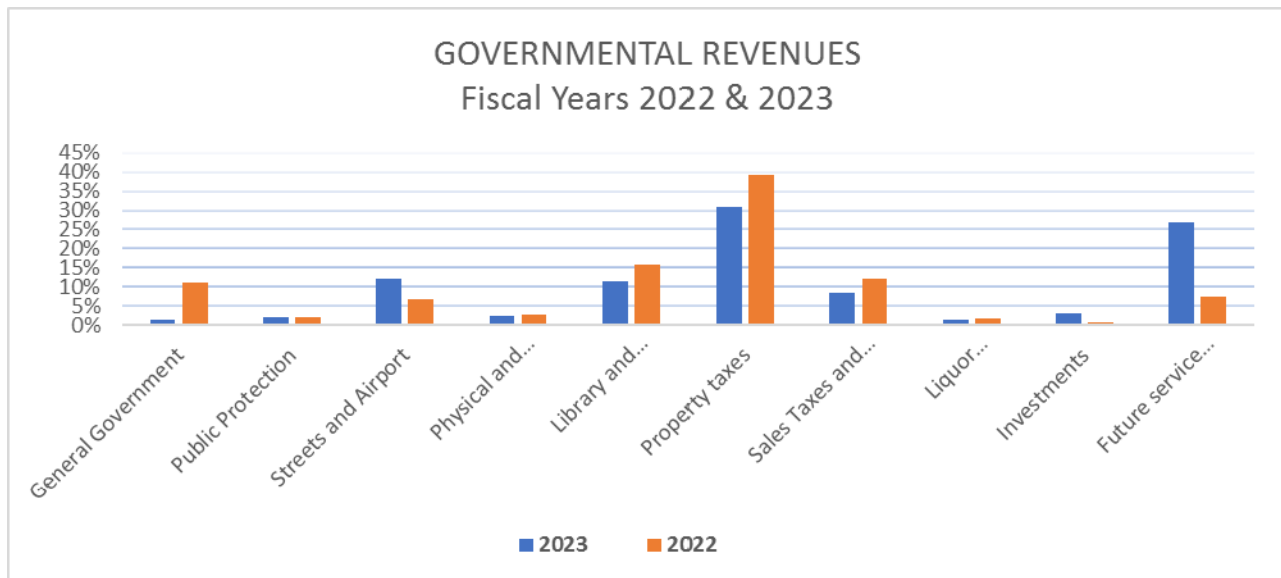
The following table provides a comparative summary of the City's change in net position at September 30 for both years:

	Summary of Change in Net Position				Totals	
	Governmental Activities <u>2023</u>	Governmental Activities <u>2022</u>	Business-type Activities <u>2023</u>	Business-type Activities <u>2022</u>	<u>2023</u>	<u>2022</u>
Function and program revenues						
Operating grants and contributions	\$ 487,899	\$ 329,492	\$	\$	\$ 487,899	\$ 329,492
Capital grants and contributions	295,246	988,762			295,246	988,762
Fines and Fees & Charges for Services	4,703,428	4,345,615	9,144,338	9,047,267	13,847,766	13,392,882
General revenues						
Property taxes	5,757,779	5,093,947			5,757,779	5,093,947
Revenue sharing	1,559,210	1,567,065			1,559,210	1,567,065
Liquor apportionment	226,906	224,936			226,906	224,936
Investment Income	272,725	55,480	312,778	39,548	585,503	95,028
Other/Availability Fee	1,153,061	644,947	3,883,008	325,300	5,036,069	970,247
Total revenues	<u>14,456,254</u>	<u>13,250,244</u>	<u>13,340,124</u>	<u>9,412,115</u>	<u>27,796,378</u>	<u>22,662,359</u>
Expenditures						
General government	2,105,021	2,242,766			2,105,021	2,242,766
Public protection	4,317,748	4,403,522			4,317,748	4,403,522
Streets and Airport	2,731,147	2,676,412			2,731,147	2,676,412
Health and Sanitation	143,734	181,556			143,734	181,556
Physical and economic development	118,849	149,136			118,849	149,136
Library and recreation	2,210,815	2,046,267			2,210,815	2,046,267
Interest on debt	80,207	15,577			80,207	15,577
Golf Course			943,965	809,796	943,965	809,796
Water			3,222,285	2,991,903	3,222,285	2,991,903
Wastewater			2,534,810	2,613,241	2,534,810	2,613,241
Fiber			81,832	53,991	81,832	53,991
Sanitation			1,244,415	1,143,893	1,244,415	1,143,893
Total expenses	<u>11,707,521</u>	<u>11,715,236</u>	<u>8,027,307</u>	<u>7,612,824</u>	<u>19,734,828</u>	<u>19,328,060</u>
Increase (Decrease) in net position						
before transfers	2,748,733	1,535,008	5,312,817	1,799,291	8,061,550	3,334,299
Transfers	<u>(281,891)</u>	<u>(539,421)</u>	<u>281,891</u>	<u>539,421</u>	<u>0</u>	<u>0</u>
Change in Net Position	2,466,842	995,587	5,594,708	2,338,712	8,061,550	3,334,299
NET POSITION, Beginning (Previous)	<u>30,017,032</u>	<u>29,021,445</u>	<u>31,474,647</u>	<u>29,135,935</u>	<u>61,491,679</u>	<u>58,157,380</u>
NET POSITION, End of Year	<u>\$ 32,483,874</u>	<u>\$ 30,017,032</u>	<u>\$ 37,069,355</u>	<u>\$ 31,474,647</u>	<u>\$ 69,553,229</u>	<u>\$ 61,491,679</u>

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

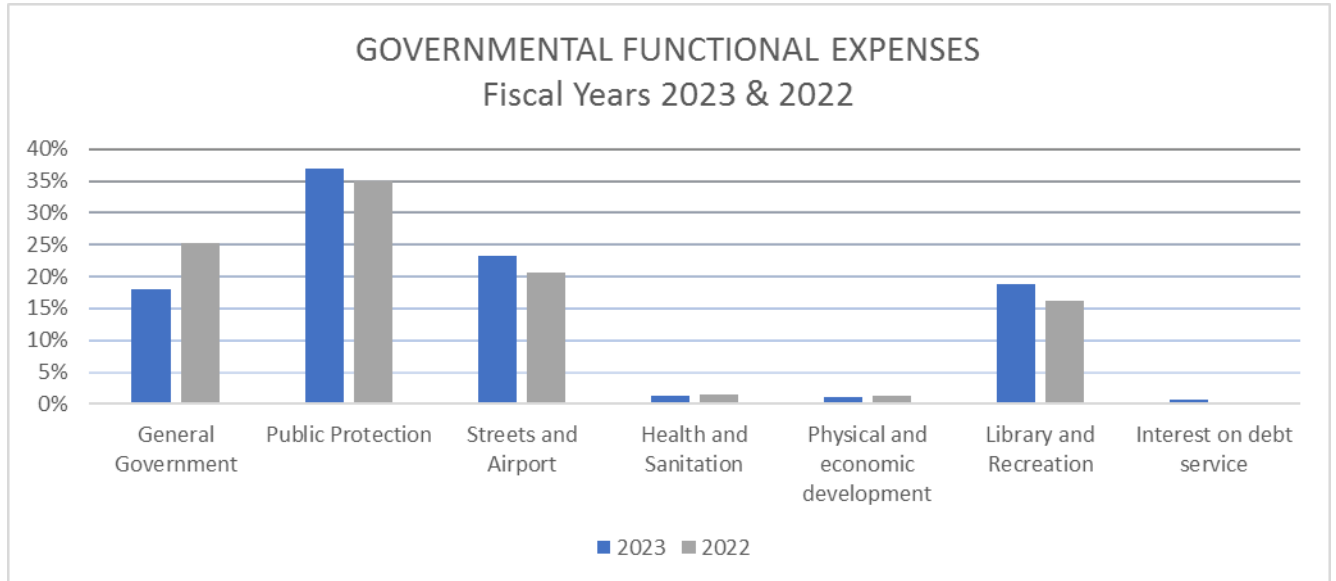
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for the fiscal year 2023.

**GOVERNMENTAL REVENUES
Fiscal Years 2023 & 2022**



As graphically portrayed above and discussed earlier, the City is heavily reliant on property taxes to support governmental operations. Property taxes provided 31% and 39% of the City's total governmental revenues in fiscal years 2023 and 2022, respectively.

GOVERNMENTAL FUNCTIONAL EXPENSES
Fiscal Years 2023 & 2022



This graph shows each major expenditure category and its share of total governmental activities cost. For example, Streets and Airport expenditures, in the amount of \$2,731,147 to account for almost 23% of the \$11,707,521 total expenditures for this year. Unlike many cities in the state, Mountain Home city government provides almost all of the services available to city residents by statute, including cemetery, airport, library, public safety, parks, recreation, animal control, street maintenance, economic development and general administration, with public safety receiving the largest share of revenues. In many other localities these services are provided by private businesses (cemeteries) or special taxing districts (for libraries, streets, fire protection or recreation).

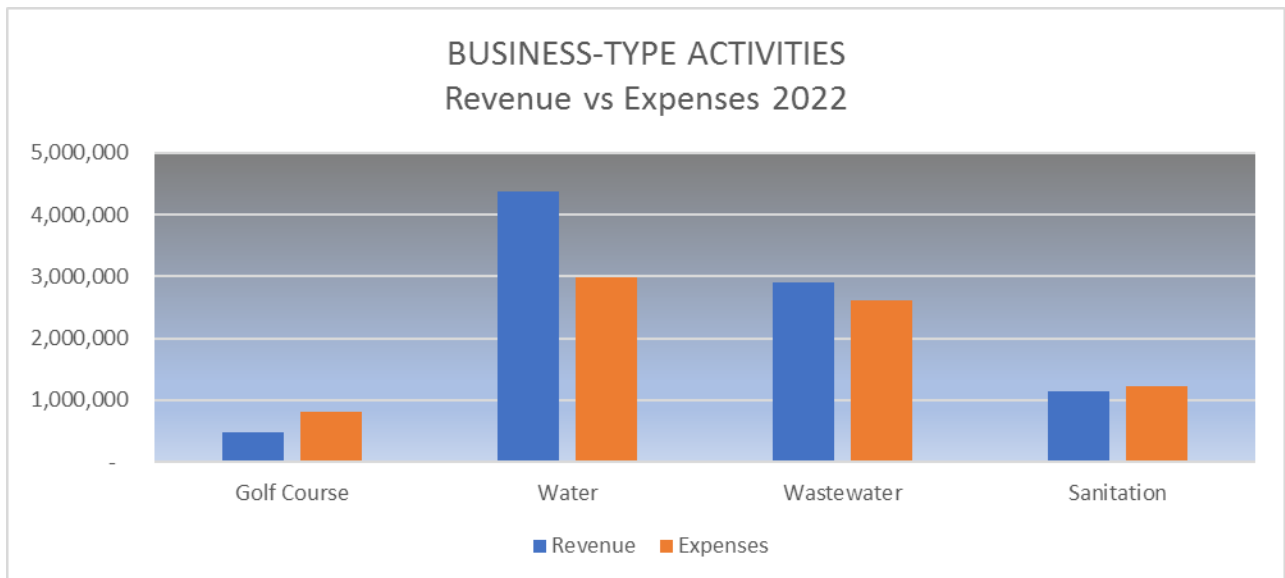
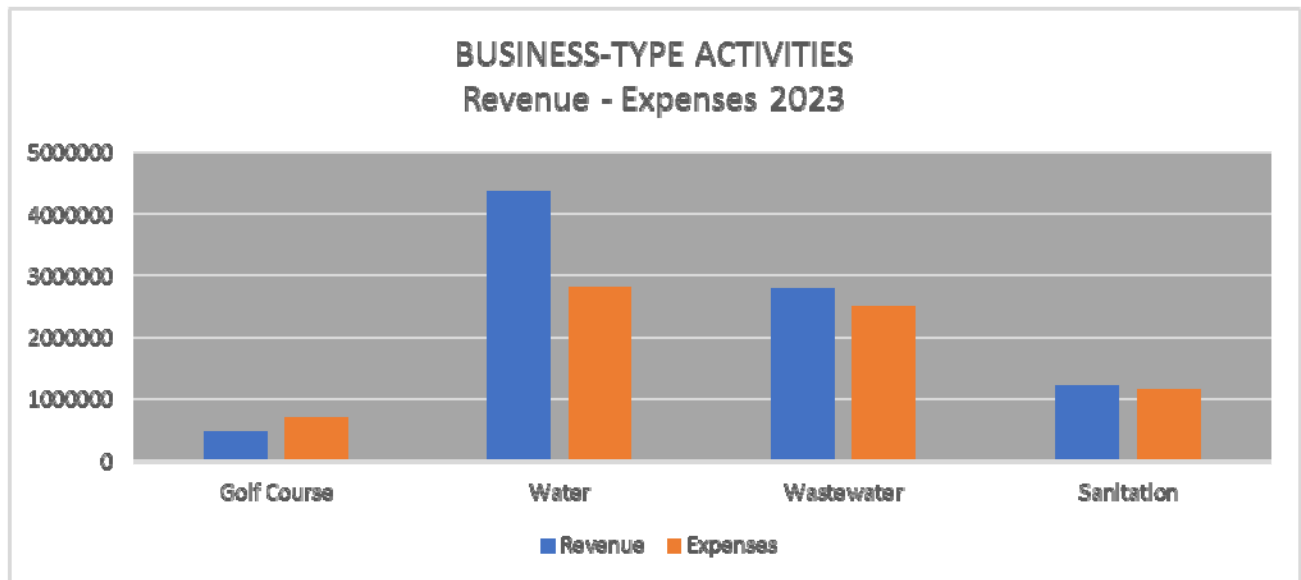
Significant capital expenses and other activity for this fiscal year in governmental funds included:

- Police Department budget expenditures included upgrades to the security fencing on the facility, unmarked patrol car, server software, grants for body armor & Opioid remediation. Each of these expenditures are designed to improve the overall functioning and safety of the police department and its officers. It's important for police departments to allocate their budget resources effectively to carry out their mission while ensuring the well-being of their personnel and the community they serve.
- Fire Department made various expenditures and acquisitions which were aimed at enhancing their ability to respond to emergencies and carry out their duties effectively. It is crucial for the fire department to regularly update and modernize their equipment to keep pace with evolving technology and safety standards. Grants like the one for E-Hydraulic rescue equipment can significantly contribute to these efforts. Additional purchases included a Squad Vehicle, Thermal Imager Repeater, Fire training equipment and routine equipment upgrades.
- Parks Department capital purchases included new Pickle Ball Court, Lucky-Dog playground equipment, walking path improvements, Railroad Park improvements, additional mower and utility trailer. These capital purchases are aimed at providing a better experience for park visitors and ensuring that the parks remain safe, attractive, and well-maintained. Investments in parks facilities contribute to the well-being of the community by encouraging outdoor activities and fostering a sense of community.

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

- Street Department's major portion funds was dedicated towards pavement reconstruction and W 5th N. Other capital improvements included Pedestrian Crossing Signals and Equipment Replacement. All of these capital improvements are important for the efficient operation of the street department and the safety of pedestrians and motorists in the community.
- Cemetery capital improvements are vital to continue to provide a peaceful and well-maintained final resting place for loved ones. Purchases included a dump trailer which is a specialized type of trailer that is used for the landscaping aspect of the job and equipment replacement used for the general maintenance and operation of the cemetery.
- The Recreation Department has a significant project in the works, primarily funded by a grant from Idaho Land and Water resources. This project involves replacing the city pool, which is a substantial and critical recreation asset. The replacement of the pool includes demolishing the existing pool and constructing a new, modern pool facility to include updated amenities, safety features and water quality systems. This project has been delayed due to COVID work stoppage and will continue for completion in the 2023-24 budget cycle.
- The City Municipal Airport continued to collaborate with Bureau of Land Management (BLM) on a cooperative project to relocate the BLM seat base to Mountain Home. This project involves careful planning and infrastructure development to support the smooth functioning of the BLM's operations at the new location. It's a significant endeavor that can have various logistical and operational advantages. Improvements included installation of water lines, hanger design and road improvements.
- Golf Course capital improvements included upgrades to the clubhouse furnishings, roof repairs, a specialized greens roller, and upgrading equipment inventory. These improvements are aimed at providing golfers with a better and more enjoyable experience, maintaining the golf course's infrastructure, and ensuring the course is well-equipped to deliver a high standard of play. Golf course enhancements can help attract and retain golfers, making it a popular destination for both local and visiting golf enthusiasts.
- Water Department received an \$3.6 million grant from the Department of Defense through the Defense Community Infrastructure Program for infrastructure improvement in the water departments service area. These improvements include upgrades to water distribution facilities and the designing phase of a new well. Overall, the grant impacts and benefits the whole community and the sizable grant amount indicates the importance of the project.
- Wastewater Department capital improvements demonstrate a commitment to maintaining and improving wastewater treatment infrastructure. Effective wastewater treatment is essential for protecting public health and the environment, and these investments can lead to more cost-effective, sustainable, and environmentally friendly wastewater treatment processes. Improvements include a trenchless point repair project used to locate damaged or deteriorating pipes without the need for extensive excavation. Capital asset include fleet management and equipment upgrades.
- Beginning in 2007 and continuing through the current fiscal year, the City's Golf Course has required subsidies from the General Fund to cover year end deficits. In FY23 the City transferred \$281,891 from the General Fund to subsidize operating expenses for the Golf Course.

BUSINESS-TYPE ACTIVITIES
Revenue vs. Costs



Business-type activities are shown comparing costs to revenues generated by related services. Golf course, water, sewer and sanitation activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Although the Golf Course fund is considered a business-type activity and is intended to be self-supporting, expenses have exceeded course-generated revenues for several years. Therefore, the City Council has supplemented Golf Course fees with a general fund transfer for repayment of debt, however the Certificates of Participation appropriation is no longer required as the long term debt has been satisfied.

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

Financial Analysis of the City's Funds

Governmental funds

As Discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of expendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$7,985,089. The ending fund balance consists of non-spendable, restricted and assigned funds in the amount of \$5,897,845 to be used for development, construction, and debt service; and unassigned funds of \$2,087,244 available for city service requirements.

The total ending fund balances of governmental funds show an increase over the prior year. This is primarily the result of the events and programs described within the analysis of the City's governmental activities.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund balance increased by \$837,916 during the fiscal year.

The Street Oiling Fund is used to account for highway user revenue that is restricted for maintenance and construction of city streets. The fund balance in the Street Oiling Fund reported a decrease of \$204,597 for the current fiscal year, primarily due to building the required cost expended in the grant match and reconstruction projects, to aid with managing unexpended dollars for future projects, all which will include revitalization of the downtown sidewalks.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary funds

The Water, Wastewater and Sanitation Funds are used to account for the costs necessary to operate the city's water, sewer, and sanitation systems and the charges necessary to offset those costs. In 2003 Engineering Studies and Master Plans were completed for the water and sewer systems. Loans were obtained through Idaho Department of Environmental Quality Revolving Loan Accounts to pay for capital improvements recommended in the master plan. Two water projects were finished in FY06 and FY07. Loan payments for those projects were refinanced with the Idaho Bond Bank and combined to a single payment annually to range from \$105,000 to \$145,000. The \$6 million sewer project, completed in FY09, increases the city's collection and treatment capacity. The DEQ#3 loan payment for the Sewer projects totaled \$419,706 annually. Water and sewer maintenance funds, comprised primarily of fees for service, are used to repay DEQ loans. These revenues are used to cover maintenance and operation expenses, DEQ loan payments, equipment replacement and to build for improvements in future years. The City's Sanitation service is outsourced to a private sanitation company.

The water fund reported an increase in net position of \$4,397,573 for the current fiscal year this reflected a rate increase that will stabilize the funds yearly financial responsibility of the new DEQ loan. Wastewater fund reported an increase in net position of \$718,964 this change is articulated in the depreciation schedule for year end.

The sanitation fund reflected an increase of \$56,547 in the revenue collected for basic customer requirements.

The Golf Course Fund is used to account for costs necessary to operate the city's golf course and the charges necessary to offset those costs. The fund reported an decrease in net position of \$123,462 for the current fiscal year, primarily due to increase in incentive paid out to city contractors.

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

General Fund Budgetary Highlights

The adopted General Fund budget for fiscal year 2023 was \$16,176,549. This was an increase of \$4,625,855 more than the previous year General Fund budget. This increase was due to the City's expectation of revenues and the reestablishing previous expenditure hold-backs seen in the prior year.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

Capital Assets and Debt Administration

Capital assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2023, was \$28,651,419 and \$36,385,511 respectively. Water and wastewater system and street and road infrastructure contributions and improvements comprise the majority of current year increases. The city also purchased miscellaneous equipment in the fiscal year ending September 30, 2023. See the notes to the financial statements for additional information about changes in capital assets during the fiscal year and construction commitments outstanding at the end of the year.

Capital Assets Net of Accumulated Depreciation						
	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Non-Depreciable Assets						
Land	\$2,353,487	\$2,345,991	\$ 3,936,007	\$ 3,946,507	\$ 6,289,494	\$ 6,292,498
Construction in progress	1,002,219	291,979	6,482,539	699,808	7,484,758	991,787
Intangibles			1,207,510	1,207,510	1,207,510	1,207,510
Depreciable Assets:						
Infrastructure	20,652,408	20,826,481	22,595,899	23,721,100	43,248,307	44,547,581
Buildings and Improvements	2,251,416	2,312,790	154,226	151,204	2,405,642	2,463,994
Equipment	2,304,953	1,788,028	1,942,211	2,056,419	4,247,164	3,844,447
Right of use lease equip	86,936	158,801	67,119	109,233	154,055	268,034
Total	<u>\$28,651,419</u>	<u>\$27,724,070</u>	<u>\$36,385,511</u>	<u>\$31,891,781</u>	<u>\$65,036,930</u>	<u>\$ 59,615,851</u>

Long-term debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$9,339,398. The remaining debt is a combination of capital lease obligations and notes payable for major equipment and infrastructure improvements, including notes payable to the Department of Environmental Quality for water and wastewater system improvements. See the notes to the financial statements for additional information.

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

Economic Environment and Next Year's Forecasted Budget

Economic growth has continued to be forecasted into the next 3 years and the recession fears have upturned into optimistic projections, reflecting increasing signs of a "soft landing" for our economy. City officials have continued to promote our community and create opportunities for business by recognizing economic growth, job creation, an improve quality of life for residents. Mountain Home Air Force Base has an economic impact of over \$760 million to our community and is one of the largest employers with over 1,000 civilian employees. Future expansion on the composite wings includes additional jets bedded down from the Singapore Squadron. Micron Technology is planning to expand its headquarters in Boise, with a \$15 billion investment through 2030 at its Southeast Boise campus. This is the first new memory manufacturing fab built in the U.S. in 20 years and it expected to have a large impact on our community with houses sold and commercial growth. It is the city's stance, 'what is good for Idaho, is good for Mountain Home'. Mountain Home Adult Training Academy has opened its doors and is competing for students by offering programs in millwright, welding, pipefitting, plumbing, ironworking, and the Idaho LAUNCH tuition covers up to \$8,000 for qualified programs.

For FY 2024:

- The city's approach is focused on responsible financial management, economic development, and employee satisfaction, which are essential aspects of local governance and community development. Projects for staff will include flooring replacement, and upgrades to Laserfiche. Specialized cemetery software will be onboarded to help streamline the administrative tasks, maintain accurate records, and provide improved services to clients and visitors. City staff are hopeful that a little more knowledge lights the way and helps visitors with the path ahead.
- The Police Department includes several important projects and initiatives. Taser Replacement Program, Server, and Firewall Switches, and upgrade to the Records Management System. This department is committed to maintaining and improving the technology and equipment used by the department. These are essential for enhancing operational efficiency, ensuring officers safety, and complying with regulations and standards related to data management and evidence retention.
- The Fire Department projects and equipment acquisitions reflect a commitment to the safety and effectiveness of the fire's department's operations. The upgrades and new equipment will improve response capabilities, enhance the safety of both firefighters and the public, and ensure that the fire department is well-prepared to handle a wide range of emergency situations. Upgrades include Ultra Sonic Cleaning Machine, E-Hydraulic powered rescue equipment, Training Facility upgrades, Sensit Multi-Gas Detector, and Rescue Equipment/Tools.
- Parks department includes a range of projects and equipment acquisitions aimed at improving and maintaining park facilities and amenities. Upgrades include Optimist Parks improvements, tennis courts resurfacing and updating to pickle ball courts, storage sheds, technology equipment, paving of parking lots, playground equipment, and mower replacement. The CIP projects reflect a commitment to maintaining and enhancing the parks withing the community. They contribute to the quality of life, recreational opportunities, and overall appeal of the city's outdoor spaces, making them more enjoyable and accessible for residents and visitors.
- Streets Department CIPs are crucial for maintaining and improving the city's transportation infrastructure, which has a significant impact on the quality of life for residents and the overall economic development of the community. These projects help ensure safe and efficient transportation, reduce congestion, and enhance the overall livability of the city. Asphalt maintenance will be improved with a trailer mounted sealcoating /crack filler tank.
- The Recreation Department has received an \$1.25 million dollar grant from Idaho Land and Water for restructuring the city pool. The scope of work includes facility renovation, upgrades by installing new equipment and features, implementing safety measures, enhanced accessibility, aesthetic improvements, and water conservation. By obtaining grant funding the city strategically approached financing the project without solely relying on the city's budget.
- Library improvements include stucco repairs to the exterior finish of the building and protective paint to help eliminate the potential weather-related damage and give the building a fresh and attractive look. Commons furniture will be updated by acquiring new chairs, tables, sofas, and other furnishings that are more comfortable, functional and aesthetically pleasing.
- Municipal Airport will focus on infrastructure expansion, facilitating private investments in hangar facilities, and enhancing the runway. These efforts are aimed at increasing the airport's capacity, supporting economic growth in the region, and improving the overall functionality and safety of the airport. Cooperation with the BLM seat base construction will continue to increase the airport capacity and types of aircraft it can accommodate.

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

- Municipal Golf Course improvements are planned to concentrate on several key aspects to include clubhouse furnishings, new fence panels, top dresser, and a reel grinder. These projects will collectively contribute to the improvement and maintenance of the municipal golf course with aesthetics and comfort in the clubhouse, quality maintenance of the course, and both safety and visual purposes with the new fence panels. This reflects a commitment to enhance the golfing experience, ensuring the golf course remains an attractive and enjoyable destination for golfers and visitors.
- Water Departments underscores the importance of investing in water infrastructure to provide clean and safe drinking water and to support the growing needs of the community. Their commitment to maintaining, improving, and expanding the water department's infrastructure and services include modifications to Well #14
- Wastewater scheduled improvements include mainline and manhole inspections which will involve examining and assessing the condition of the mainline to identify any issues, such as structural damage or blockages, and ensuring proper maintenance and repair. Fleet management vehicle replacement and maintenance schedules to optimize the life of the vehicle. Equipment upgrades to encompass various improvements and replacements of equipment used in the wastewater treatment and collection processes. To include pumps, treatment systems, monitoring devices, and other infrastructure required to maintain a reliable and efficient wastewater system.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City Treasurer, Paula Szafranski, 160 South 3rd East, Mountain Home, Idaho (208) 587-2104.

Component Unit:

NAME: Mountain Home Urban Renewal Agency

DATE ESTABLISHED: 2005

ACTIVITY PERFORMED:

Established according to Title 50, Chapter 20 of the Idaho Code, the City Council identified a deteriorated or deteriorating area which is appropriate for urban renewal projects, appointed a Board of Directors for the Agency, and approved an Urban Renewal Plan and Project Area for rehabilitation or redevelopment by private enterprise.

In 2007 the Agency issued revenue allocation bonds as allowed by law, in the amount of \$2,715,000, for the purpose of financing street, water and wastewater improvements within the project area. The bonds are valid special obligations of the agency and payable over a term of 15 years, with property tax revenues received by the agency.

BASIC FINANCIAL STATEMENTS

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION
September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Total
ASSETS				
Current Assets				
Cash and investments	\$ 7,060,026	\$ 11,278,746	\$ 18,338,772	\$ 1,671,421
Receivables				
Accounts		1,270,292	1,270,292	
Property tax	7,943,873		7,943,873	657,041
Due from other governments	839,843	32,719	872,562	
Accrued interest	47,018		47,018	
Lease receivable	949,011	98,091	1,047,102	
Other	344,361	69,545	413,906	
Prepaid expenses	90,959	68,259	159,218	
Total Current Assets	17,275,091	12,817,652	30,092,743	2,328,462
Noncurrent Assets				
Restricted cash	763,606	116,948	880,554	
Capital assets, net of accumulated depreciation	28,651,419	36,385,511	65,036,930	1,047,796
Total Noncurrent Assets	29,415,025	36,502,459	65,917,484	1,047,796
Total Assets	46,690,116	49,320,111	96,010,227	3,376,258
Deferred Outflows of Resources				
Pension obligations	1,584,043	469,306	2,053,349	
Total Assets and Deferred Outflows of Resources	\$ 48,274,159	\$ 49,789,417	\$ 98,063,576	\$ 3,376,258

See accompanying notes to basic financial statements.

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Total
LIABILITIES AND DEFERRED INFLOWS				
Current Liabilities				
Accounts payable	\$ 1,191,735	\$ 1,872,131	\$ 3,063,866	\$ 4,752
Accrued interest payable	23,849	14,360	38,209	
Other current liabilities		2,945,451	2,945,451	
Deposits payable	<u>10,000</u>	<u></u>	<u>10,000</u>	<u></u>
Total Current Liabilities	1,225,584	4,831,942	6,057,526	4,752
Noncurrent Liabilities				
Due Within One Year				
Finance lease payable	242,989	33,596	276,585	
Lease liability	34,158	38,967	73,125	
Bonds payable		125,000	125,000	
Notes payable		498,390	498,390	
Certificates of participation	85,000		85,000	
Due in More Than One Year				
Accrued compensated absences	313,729	48,077	361,806	
Finance lease payable	352,084	49,654	401,738	
Lease liability	43,536	25,239	68,775	
Bond payable		420,000	420,000	
Notes payable		5,149,641	5,149,641	
Certificates of participation	865,000		865,000	
Net pension liability	<u>3,813,371</u>	<u>1,328,068</u>	<u>5,141,439</u>	<u></u>
	<u>5,749,867</u>	<u>7,716,632</u>	<u>13,466,499</u>	<u></u>
Total Liabilities	6,975,451	12,548,574	19,524,025	4,752
Deferred Inflows				
Deferred tax revenue	7,754,092		7,754,092	657,041
Lease related items	910,789	141,526	1,052,315	
Pensions	<u>149,953</u>	<u>29,962</u>	<u>179,915</u>	<u></u>
Total Deferred Inflows	8,814,834	171,488	8,986,322	657,041
NET POSITION				
Net investment in capital assets	28,012,810	30,607,246	58,620,056	1,047,796
Unrestricted	1,349,635	6,345,161	7,694,796	
Restricted	<u>3,121,429</u>	<u>116,948</u>	<u>3,238,377</u>	<u>1,666,669</u>
Total Net Position	<u>32,483,874</u>	<u>37,069,355</u>	<u>69,553,229</u>	<u>2,714,465</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 48,274,159</u>	<u>\$ 49,789,417</u>	<u>\$ 98,063,576</u>	<u>\$ 3,376,258</u>

See accompanying notes to basic financial statements.

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

		PROGRAM REVENUES		
	<u>Expenses</u>	<u>Fees, Fines & Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Functions/Programs				
Governmental Activities				
General government	\$ 2,105,021	\$ 41,236	\$ 232,064	\$
Public protection	4,317,748	162,021		223,575
Streets and airport	2,731,147	1,978,814	215,060	71,671
Health and sanitation	143,734			
Physical and economic development	118,849	440,429		
Library and recreation	2,210,815	2,080,928	40,775	
Interest on long-term debt	80,207			
Total Governmental Activities	11,707,521	4,703,428	487,899	295,246
Business-Type Activities				
Water	3,222,285	4,159,749		
Sewer	2,534,810	3,057,780		
Sanitation	1,244,415	1,277,757		
Fiber	81,832	110,443		
Golf course	943,965	538,609		
Total Business-Type Activities	8,027,307	9,144,338		
Total Primary Government	19,734,828	13,847,766	487,899	295,246
Component Units				
Urban Renewal Agency	512,646	16,764		
General Revenues and Transfers				
Property taxes				
Revenue sharing				
Liquor apportionment				
Earnings on investments				
Miscellaneous				
Future service availability fees				
Net operating transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position				
Beginning of Year , as restated				
End of Year				

See accompanying notes to basic financial statements.

**NET (EXPENSE) REVENUE AND
CHANGES IN NET POSITION**

Primary Government			Component
Governmental	Business-Type		Unit
<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
\$ (1,831,721)	\$	\$ (1,831,721)	\$
(3,932,152)		(3,932,152)	
(465,602)		(465,602)	
(143,734)		(143,734)	
321,580		321,580	
(89,112)		(89,112)	
(80,207)		(80,207)	
(6,220,948)		(6,220,948)	
	937,464	937,464	
	522,970	522,970	
	33,342	33,342	
	28,611	28,611	
	(405,356)	(405,356)	
	1,117,031	1,117,031	
(6,220,948)	1,117,031	(5,103,917)	
			(495,882)
5,757,779		5,757,779	632,831
1,559,210		1,559,210	
226,906		226,906	
272,725	312,778	585,503	35,671
64,868	3,883,008	3,947,876	
1,088,193		1,088,193	
(281,891)	281,891		
8,687,790	4,477,677	13,165,467	668,502
2,466,842	5,594,708	8,061,550	172,620
30,017,032	31,474,647	61,491,679	2,541,845
<u>\$ 32,483,874</u>	<u>\$ 37,069,355</u>	<u>\$ 69,553,229</u>	<u>\$ 2,714,465</u>

See accompanying notes to basic financial statements.

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

	MAJOR FUNDS		NON-MAJOR FUNDS	TOTAL
	General Fund	Street Oiling Fund		
ASSETS				
Cash and investments	\$ 1,658,107	\$ 2,050,239	\$ 3,246,182	\$ 6,954,528
Restricted cash	194,500		569,106	763,606
Certificate of deposit	105,498			105,498
Receivables				
Property taxes	6,052,834	123,184	1,767,855	7,943,873
Sales tax				
Other governments	526,317	313,526		839,843
Accrued interest	26,536	7,599	12,883	47,018
Other receivables	76,999		267,362	344,361
Lease receivable	930,835		18,176	949,011
Prepaid expenses	83,098		7,861	90,959
	<u>9,654,724</u>	<u>2,494,548</u>	<u>5,889,425</u>	<u>18,038,697</u>
Total Assets	<u>\$ 9,654,724</u>	<u>\$ 2,494,548</u>	<u>\$ 5,889,425</u>	<u>\$ 18,038,697</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 295,425	\$ 788,340	\$ 107,970	\$ 1,191,735
Deposits payable	10,000			10,000
	<u>305,425</u>	<u>788,340</u>	<u>107,970</u>	<u>1,201,735</u>
Total Liabilities	<u>305,425</u>	<u>788,340</u>	<u>107,970</u>	<u>1,201,735</u>
Deferred Inflows of Resources				
Unavailable revenue - leases	892,540		18,249	910,789
Unavailable revenue - property taxes	6,041,675	122,396	1,765,066	7,929,137
Unavailable revenue - other	11,947			11,947
	<u>6,946,162</u>	<u>122,396</u>	<u>1,783,315</u>	<u>8,851,873</u>
Total Deferred Inflows of Resources	<u>6,946,162</u>	<u>122,396</u>	<u>1,783,315</u>	<u>8,851,873</u>
Fund Balances				
Nonspendable	121,393		7,861	129,254
Restricted	194,500	1,583,812	1,343,117	3,121,429
Assigned			2,647,162	2,647,162
Unassigned	2,087,244			2,087,244
	<u>2,403,137</u>	<u>1,583,812</u>	<u>3,998,140</u>	<u>7,985,089</u>
Total Fund Balances	<u>2,403,137</u>	<u>1,583,812</u>	<u>3,998,140</u>	<u>7,985,089</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,654,724</u>	<u>\$ 2,494,548</u>	<u>\$ 5,889,425</u>	<u>\$ 18,038,697</u>

See accompanying notes to basic financial statements.

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

Total fund balance - total governmental funds \$ 7,985,089

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:

Land	\$ 2,353,487	
Buildings	6,148,517	
Infrastructure	94,988,533	
Equipment	8,334,732	
Construction in progress	1,002,219	
Right of use asset	204,133	
Accumulated depreciation	<u>(84,380,202)</u>	
Total capital assets, net of accumulated depreciation		28,651,419

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

Property taxes	\$ 175,045	
Other revenues	<u>11,947</u>	
		186,992

Deferred outflows of resources are not available to pay for current period expenditures, and certain deferred inflows of resources are not due and payable in the current period, and therefore, are not reported in the funds.

Pension related deferred outflows	\$ 1,584,043	
Pension related deferred inflows	<u>(149,953)</u>	
		1,434,090

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (23,849)

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

Finance leases	\$ (595,073)	
Lease liability	(77,694)	
Certificates of participation	(950,000)	
Compensated absences payable	(313,729)	
Net pension liability	<u>(3,813,371)</u>	
Total long term liabilities		<u>(5,749,867)</u>

Deferred inflows of resources not reported in the funds.

Total net position of governmental activities \$ 32,483,874

See accompanying notes to basic financial statements.

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

	MAJOR FUNDS		NON-MAJOR FUNDS	TOTAL
	General Fund	Street Oiling Fund		
REVENUES				
Property taxes	\$ 5,740,395	\$ 399,563	\$ 1,435,398	\$ 7,575,356
Sales tax / revenue sharing	1,600,814		225,000	1,825,814
Highway users		1,092,639		1,092,639
County road apportionment		286,932		286,932
State liquor apportionment	226,906			226,906
Franchise fees	251,092			251,092
Licenses, permits, and fees	409,684			409,684
Court revenue	69,335			69,335
Charges for services			219,445	219,445
Earnings on investments	161,518	68,119	43,088	272,725
Earnings on leases	68,764		16,066	84,830
Refunds and reimbursements	92,686	15,106	14,699	122,491
Grant revenue				
Federal			21,936	21,936
State	81,847	20,772		102,619
Contributions	150,119		13,413	163,532
Sponsorship			27,362	27,362
Future service availability fees			1,018,787	1,018,787
Future service availability interest			69,018	69,018
Miscellaneous	<u>52,921</u>	<u>5,000</u>	<u>528,499</u>	<u>586,420</u>
 Total Revenues	 8,906,081	 1,888,131	 3,632,711	 14,426,923

See accompanying notes to basic financial statements.

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

	MAJOR FUNDS		NON-MAJOR FUNDS	TOTAL
	General Fund	Street Oiling Fund		
EXPENDITURES				
Current				
General government	1,229,470			1,229,470
Public protection	4,301,123			4,301,123
Streets and airport		1,154,284	234,440	1,388,724
Health and sanitation			143,734	143,734
Physical and economic development	118,848			118,848
Library and recreation	833,779		1,305,203	2,138,982
Debt service				
Principal	493,402	67,081		560,483
Interest	68,813	3,858		72,671
Capital outlay	<u>604,704</u>	<u>867,505</u>	<u>840,675</u>	<u>2,312,884</u>
Total Expenditures	<u>7,650,139</u>	<u>2,092,728</u>	<u>2,524,052</u>	<u>12,266,919</u>
Excess (Deficiency) of Revenues Over Expenditures	1,255,942	(204,597)	1,108,659	2,160,004
OTHER FINANCING SOURCES (USES)				
Transfers in			136,135	136,135
Transfers out	<u>(418,026)</u>			<u>(418,026)</u>
Net Other Financing Sources (Uses)	<u>(418,026)</u>		<u>136,135</u>	<u>(281,891)</u>
Net Change in Fund Balances	837,916	(204,597)	1,244,794	1,878,113
FUND BALANCES, Beginning of Year, as restated	<u>1,565,221</u>	<u>1,788,409</u>	<u>2,753,346</u>	<u>6,106,976</u>
FUND BALANCES, End of Year	<u>\$ 2,403,137</u>	<u>\$ 1,583,812</u>	<u>\$ 3,998,140</u>	<u>\$ 7,985,089</u>

See accompanying notes to basic financial statements.

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

Net change in fund balances - total governmental funds \$ 1,878,113

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

Revenues that will not be collected for several months after the City's fiscal year end do not provide current financial resources and are deferred in the governmental funds.

Property tax	\$ 17,384	
Other revenues	<u>10,741</u>	
		28,125

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

Capital outlay	\$ 2,312,884	
Loss on disposal of assets	(32,502)	
Depreciation expense	<u>(1,957,833)</u>	
Excess of capital outlay over depreciation expense		322,549

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

Certificates of participation payments	\$ 85,000	
Lease liability payments	61,453	
Capital lease principal payments, net of new borrowings	<u>475,483</u>	
		621,936

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

Change in pension expense	\$ (372,652)	
Increase in accrued interest payable	(7,536)	
Decrease in compensated absence payable	<u>(3,693)</u>	
		(383,881)

Change in Net Position of Governmental Activities	\$ <u><u>2,466,842</u></u>
---	----------------------------

See accompanying notes to basic financial statements.

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Fiber Fund</u>	<u>Non Major Tap Deposit Fund</u>	<u>Total</u>
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 6,890,021	\$ 2,765,403	\$ 540,835	\$ 158,336	\$ 749,548	\$ 174,603	\$ 11,278,746
Receivables							
Accounts	907,831	251,781	109,583		1,097		1,270,292
Other	54,424	10,137	1,667	3,317			69,545
Leases		94,899			3,192		98,091
Due from other funds						32,719	32,719
Prepaid expenses	<u>24,152</u>	<u>41,878</u>		<u>2,229</u>			<u>68,259</u>
Total Current Assets	7,876,428	3,164,098	652,085	163,882	753,837	207,322	12,817,652
Non-current Assets							
Capital Assets							
Land and sewer lagoons	1,085,024	1,104,349	69,205	1,677,429			3,936,007
Buildings and improvements	364,015	168,755	58,616	296,555	9,520		897,461
Systems and equipment	1,919,220	1,809,925	32,800	667,907	200,814		4,630,666
Intangibles	1,207,510						1,207,510
Construction in progress	5,428,591	664,019			621,137		6,713,747
Infrastructure	26,316,659	21,185,174		268,985	139,214		47,910,032
Right of use asset - leases	18,571	18,571		114,205			151,347
Less accumulated depreciation	<u>(14,836,778)</u>	<u>(13,163,785)</u>	<u>(90,891)</u>	<u>(914,846)</u>	<u>(54,959)</u>		<u>(29,061,259)</u>
Total capital assets, net of accumulated depreciation	21,502,812	11,787,008	69,730	2,110,235	915,726		36,385,511
Restricted cash	<u>116,948</u>						<u>116,948</u>
Total Assets	29,496,188	14,951,106	721,815	2,274,117	1,669,563	207,322	49,320,111
Deferred outflows							
Pension related items	<u>188,542</u>	<u>147,555</u>	<u>12,296</u>	<u>120,913</u>			<u>469,306</u>
Total Assets and Deferred Outflows	<u>\$ 29,684,730</u>	<u>\$ 15,098,661</u>	<u>\$ 734,111</u>	<u>\$ 2,395,030</u>	<u>\$ 1,669,563</u>	<u>\$ 207,322</u>	<u>\$ 49,789,417</u>

See accompanying notes to basic financial statements.

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

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Fiber</u>	<u>Non Major</u> <u>Tap</u> <u>Deposit</u>	<u>Total</u>
LIABILITIES	Fund	Fund	Fund	Fund	Fund	Fund	
CURRENT LIABILITIES							
Accounts payable	\$ 832,760	\$ 599,094	\$ 95,904	\$ 66,996	\$ 70,055	\$ 207,322	\$ 1,872,131
Accrued interest payable	6,076	6,969		1,315			14,360
Accrued compensated balances	24,413	17,836		5,828			48,077
Due to other funds	32,719						32,719
Unearned revenue	2,211,376			12,015	689,341		2,912,732
Current portion of long term debt	<u>414,932</u>	<u>353,803</u>		<u>13,251</u>			<u>781,986</u>
Total Current Liabilities	3,522,276	977,702	95,904	99,405	759,396	207,322	5,662,005
NON-CURRENT LIABILITIES							
Net pension liability	473,972	434,212	42,845	377,039			1,328,068
Lease liability	6,812	6,812		50,582			64,206
Long-term portion of equipment notes	10,330	10,330		28,678			49,338
Long-term portion of bond payable	420,000						420,000
Long-term portion of notes payable	<u>3,116,203</u>	<u>1,908,754</u>					<u>5,024,957</u>
Total Noncurrent Liabilities	<u>4,027,317</u>	<u>2,360,108</u>	<u>42,845</u>	<u>456,299</u>			<u>6,886,569</u>
Total Liabilities	7,549,593	3,337,810	138,749	555,704	759,396	207,322	12,548,574
DEFERRED INFLOWS							
Pension related items	12,037	9,420	785	7,720			29,962
Lease related items		<u>138,370</u>			<u>3,156</u>		<u>141,526</u>
Total Deferred Inflows	<u>12,037</u>	<u>147,790</u>	<u>785</u>	<u>7,720</u>	<u>3,156</u>		<u>171,488</u>
NET POSITION							
Invested in capital assets	17,961,347	9,534,781	69,730	2,125,662	915,726		30,607,246
Restricted	116,948						116,948
Unrestricted	<u>4,044,805</u>	<u>2,078,280</u>	<u>524,847</u>	<u>(294,056)</u>	<u>(8,715)</u>		<u>6,345,161</u>
Total Net Position	<u>22,123,100</u>	<u>11,613,061</u>	<u>594,577</u>	<u>1,831,606</u>	<u>907,011</u>		<u>37,069,355</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 29,684,730</u>	<u>\$ 15,098,661</u>	<u>\$ 734,111</u>	<u>\$ 2,395,030</u>	<u>\$ 1,669,563</u>	<u>\$ 207,322</u>	<u>\$ 49,789,417</u>

See accompanying notes to basic financial statements.

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Fiber Fund</u>	<u>Total</u>
Operating Revenues						
Charges for services	\$ 4,159,749	\$ 2,911,002	\$ 1,277,757	\$ 501,572	\$ 110,443	\$ 8,960,523
Rental income		<u>146,778</u>		<u>37,037</u>		<u>183,815</u>
Total Operating Revenues	<u>4,159,749</u>	<u>3,057,780</u>	<u>1,277,757</u>	<u>538,609</u>	<u>110,443</u>	<u>9,144,338</u>
Operating Expenses						
Salaries	692,482	627,688	51,714	388,127		1,760,011
Fringe benefits	282,693	257,510	19,752	67,749		627,704
Gas and oil	25,090	19,955		14,190		59,235
Professional fees	73,984	81,456	1,119,518	109		1,275,067
Postage and freight	23,573	17,376	17,376			58,325
Utilities and telephone	554,850	23,275		37,500		615,625
Repairs	383,102	144,407	10,247	132,423	14,891	685,070
Supplies	15,440	97,110		82,451	24,627	219,628
Education, dues, and assessments	29,485	7,885		5,748		43,118
Miscellaneous expense	17,153	123,156	9,774	4,790	4,037	158,910
Insurance	31,717	62,826				94,543
Depreciation	<u>925,731</u>	<u>871,764</u>		<u>90,213</u>	<u>38,277</u>	<u>1,925,985</u>
Total Operating Expenses	<u>3,055,300</u>	<u>2,334,408</u>	<u>1,228,381</u>	<u>823,300</u>	<u>81,832</u>	<u>7,523,221</u>
Operating Income (Loss)	1,104,449	723,372	49,376	(284,691)	28,611	1,621,117
Non-operating Revenues (Expenses)						
Interest revenues	208,661	84,912	19,205			312,778
Grant revenue	3,251,448	111,082			510,659	3,873,189
Net pension revenue (expense)	(62,868)	(112,477)	(16,034)	(113,397)		(304,776)
Interest expense	(104,117)	(87,925)		(7,268)		(199,310)
Miscellaneous income (expense)			4,000	3	5,816	9,819
Total Non-operating Revenues (Exp)	<u>3,293,124</u>	<u>(4,408)</u>	<u>7,171</u>	<u>(120,662)</u>	<u>516,475</u>	<u>3,691,700</u>
Income (Loss) Before Transfers	4,397,573	718,964	56,547	(405,353)	545,086	5,312,817
Operating Transfers In (Out)						
Transfers in				<u>281,891</u>		<u>281,891</u>
Change in Net Position	4,397,573	718,964	56,547	(123,462)	545,086	5,594,708
Net Position, Beginning of Year	<u>17,725,527</u>	<u>10,894,097</u>	<u>538,030</u>	<u>1,955,068</u>	<u>361,925</u>	<u>31,474,647</u>
Net Position, End of Year	<u>\$ 22,123,100</u>	<u>\$ 11,613,061</u>	<u>\$ 594,577</u>	<u>\$ 1,831,606</u>	<u>\$ 907,011</u>	<u>\$ 37,069,355</u>

* The Tap Deposit fund had no revenue, expenses or transfers during the year

See accompanying notes to basic financial statements.

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Fiber Fund</u>	<u>Total</u>
Cash Flow From Operating Activities						
Cash received from customers	\$ 4,267,368	\$ 3,142,283	\$ 1,281,835	\$ 585,111	\$ 109,588	\$ 9,386,185
Cash payments to suppliers for goods	(700,245)	(62,052)	(1,161,294)	(299,880)	21,616	(2,201,855)
Cash payments to employees for services	<u>(986,415)</u>	<u>(831,295)</u>	<u>(60,356)</u>	<u>(398,617)</u>		<u>(2,276,683)</u>
Net Cash Provided By (Used in) Operating Activities	2,580,708	2,248,936	60,185	(113,386)	131,204	4,907,647
Cash Flows From Noncapital Financing Activities						
Operating transfers				281,891		281,891
Unearned noncapital grants received	1,598,705				1,200,000	2,798,705
Other non-operating income (loss)	<u>3,188,580</u>	<u>(1,395)</u>	<u>(12,034)</u>	<u>(113,394)</u>	<u>5,816</u>	<u>3,067,573</u>
Net Cash Provided By (Used in) Noncapital Financing Activities	4,787,285	(1,395)	(12,034)	168,497	1,205,816	6,148,169
Cash Flow From Capital and Related Financing Activities						
Acquisition of capital assets	(4,820,417)	(714,798)		(40,479)	(609,317)	(6,185,011)
Proceeds from grant funding	612,671					612,671
Amortization of bond costs	(14,295)					(14,295)
Principal payments on long-term debt	(370,213)	(390,421)		(20,193)		(780,827)
Interest payments on long-term debt	<u>(105,149)</u>	<u>(90,400)</u>		<u>(7,268)</u>		<u>(202,817)</u>
Net Cash Used in Capital and Related Financing Activities	(4,697,403)	(1,195,619)		(67,940)	(609,317)	(6,570,279)
Cash Flows From Investing Activities						
Interest on investments	<u>208,661</u>	<u>84,912</u>	<u>19,205</u>			<u>312,778</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,879,251	1,136,834	67,356	(12,829)	727,703	4,798,315
Cash and Cash Equivalents, Beginning of Year	<u>4,127,718</u>	<u>1,628,569</u>	<u>473,479</u>	<u>171,165</u>	<u>21,845</u>	<u>6,422,776</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,006,969</u>	<u>\$ 2,765,403</u>	<u>\$ 540,835</u>	<u>\$ 158,336</u>	<u>\$ 749,548</u>	<u>\$ 11,221,091</u>

See accompanying notes to basic financial statements.

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

	Water Fund	Sewer Fund	Sanitation Fund	Golf Course Fund	Fiber Fund	Total
Reconciliation of Operating Income (Loss) To						
Net Cash Provide by (Used in) Operating Activities						
Operating Income (Loss)	\$ 1,104,449	\$ 723,372	\$ 49,376	\$ (284,691)	\$ 28,611	\$ 1,621,117
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in)						
Operating Activities						
Depreciation and Amortization	925,731	871,764		90,213	38,277	1,925,985
Deferred Outflows	72,343	56,616	4,718	46,394		180,071
Deferred Inflows - Pensions	3,153	2,467	206	2,023		7,849
Deferred Inflows - Leases		138,370			3,156	141,526
Change in Assets and Liabilities:						
(Increase) decrease in accounts receivable	70,850	(13,400)			(4,011)	53,439
(Increase) decrease in prepaid expense	(6,630)	(10,465)	(8,431)	(2,229)		(27,755)
(Increase) decrease in other receivables	(38,727)	(99,550)	(846)	(1,915)		(141,038)
Increase (decrease) in accounts payable	466,735	531,815	4,052	10,590	65,171	1,078,363
Increase (decrease) in lease liability	(5,956)	(5,956)		(31,030)		(42,942)
Increase (decrease) in net pension liability	(12,628)	53,394	11,110	64,980		116,856
Increase (decrease) in accrued expenses and absences payable	1,388	509		(7,721)		(5,824)
Net Cash Provided By (Used in)						
Operating Activities	<u>\$ 2,580,708</u>	<u>\$2,248,936</u>	<u>\$ 60,185</u>	<u>\$ (113,386)</u>	<u>\$ 131,204</u>	<u>\$ 4,907,647</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

General Statement

City of Mountain Home, Idaho (the City) was incorporated October 1, 1946. The City operates under a mayor and council form of government and provides the following services: public safety (police and fire), public works, economic development, airport, animal shelter, cemetery, parks and recreation, library, golf course and general administrative services.

Financial Reporting Entity

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

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Component units have been discretely presented. The component unit discussed below is included in the City's reporting entity because of the nature and significance of its operational and financial relationships with the City.

The Urban Renewal Agency of the City of Mountain Home (URACMH): The Authority was organized on November 14, 2005, under the Idaho Urban Renewal Law, Chapter 20, Title 50 of the Idaho Code.. The commissioners of the Authority are appointed by the mayor and are subject to approval by the City Council. The supervisory boards for both of these entities are appointed by the Mayor with Council's approval.

Basis of Presentation

Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the governmental entity. For most part, the effect of interfund activity has been removed from these statements. *Governmental activities* (government funds) which normally are supported by taxes and intergovernmental revenues are reported separately from *business-type activities* (proprietary funds) which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include (1) fees, fines, and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

CITY OF MOUNTAIN HOME, IDAHO

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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

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

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

The *Street Oiling Fund* accounts for property tax revenue and restricted highway user revenue, which is restricted to maintenance and construction of city streets.

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

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

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

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

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

The *Fiber Optic Fund* is used to account for revenues and costs necessary to operate the City's broadband system.

The *TAP Fund* accounts for the security deposit citizens pay when they set up city water connections.

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

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

CITY OF MOUNTAIN HOME, IDAHO

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Measurement Focus/Basis of Accounting (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual* basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual* basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Accounting Pronouncements Adopted

In 2023 City of Mountain Home, Idaho adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). Issued May 2020 to better meet the informational needs of financial statement users by improving account and financial reporting for subscription-based information technology arrangements. Under this statement, a government is required to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosure will allow users to understand the scale and important aspects of a government’s SBITA activities and evaluate a government’s obligation and assets resulting from SBITAs. As of September 30, 2023, the City did not engage in any material subscription-based technology arrangements that required reporting under the standard.

Budgetary Control

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

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

1. Prior to July 1, the City Council meets to hear requests of department heads. After July 1, the city council adopts a tentative budget for the fiscal year commencing October 1, which is printed twice in the weekly newspaper. The tentative budget is balanced and includes expenditures and the means of financing them.
2. Public hearings are conducted at the City Hall

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Budgetary Control (Continued)

3. Prior to September 1, the budget is legally enacted through passage of an ordinance.
4. The City Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Expenditures may not legally exceed budgeted appropriations at the fund level.
6. Enterprise funds' statements present the operating budget and the operating expenditures.

Cash and Investments

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

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

Prepaid Expenses

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

Receivables and Payables

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

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

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

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

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

Restricted Assets

Certain assets of the general fund are classified as restricted assets because their use is completely restricted by the Certificates of Participation agreements. These funds are to be utilized for debt service payments in the event the City is unable to meet the obligations in a timely manner.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Building improvements	25
Public domain infrastructure	50
System infrastructure	30
Intangibles	0-25
Equipment and vehicles	5-25
Office equipment	3-5

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

Compensated Absences

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

Interfund Transactions

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

In the fund financial statements, governmental fund types report debt proceeds as other financing sources and payment of principal and interest are reported as expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position Classifications

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

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

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

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

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

Use of Restricted/Unrestricted Net Position

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

Use of Estimates

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Property Tax Calendar

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

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

Deferred Outflows and Inflows of Resources

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

Pensions

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

Note B – Cash and Investments

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank Deposits	\$ 5,749,901	\$ 4,199,767
Cash on Hand		400
Total Cash	<u>\$ 5,749,901</u>	<u>\$ 4,200,167</u>
	<u>Rating</u>	<u>Fair Value</u>
Investments		
State Treasurer's Local Government Pool	N/A	\$ 15,019,159
Total Investments		<u>\$ 15,049,159</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note B – Cash and Investments (Continued)

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

	<u>City's Deposits and Investments</u>	<u>Component Units</u>	<u>Total</u>	<u>Average Maturities</u>
Cash in bank – Deposits	\$ 4,199,767	\$ 1,671,421	\$ 5,871,188	NA
State Treasurer LGIP	15,019,159		15,019,159	<12 Mo
Cash on Hand	<u>400</u>	<u></u>	<u>400</u>	<u>NA</u>
Total	<u>\$ 19,219,326</u>	<u>\$ 1,671,421</u>	<u>\$ 20,890,747</u>	

Reconciliation of Cash and Investments to the Financial Statements

	<u>Statement of Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Investments	\$ 7,060,026	\$ 11,278,746	\$ 18,338,772
Restricted Cash	<u>763,606</u>	<u>116,948</u>	<u>880,554</u>
Total	<u>\$ 7,823,632</u>	<u>\$ 11,395,694</u>	<u>\$ 19,219,326</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2023, \$5,144,402 of the City's bank balance was uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligation. It is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The rating of the Local Government Investment Pool (LGIP) as of September 30, 2009 was AAA. The LGIP terminated its rating service in December 2009 as the cost of the rating outweighed the benefit to the pool as a whole. The funds objectives and overall strategy and structure have not changed.

Interest Rate Risk

Interest rate risk is the risk of loss in fair value should market interest rates change in the future. Investments with long-term, fixed interest rates are the most volatile. The investments within the Idaho State Treasurer's Local Government Investment Pool have an average maturity of one year or less and the government money market fund has an average maturity of less than 30 days, thereby minimizing interest rate risk.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note B – Cash and Investments (Continued)

Restrictions on Cash

The City has reserve obligations for the Law Enforcement Building (LEB) Certificates of Participation. The security requirements state that the City must establish a reserve account in the amount of \$145,000. The Department of Environmental Quality (DEQ) requires a reserve fund in an amount equal to one year worth of payments for each of the loans due from the City. The reserve account may be established over a 10 year period with a minimum of 10% put into the account each year. At September 30, 2023, the reserve account held \$194,500.

Note C – Capital Assets

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

Governmental Activities

	<u>Balance</u> <u>9/30/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/23</u>
Capital assets, not being depreciated:				
Land	\$ 2,345,991	\$ 7,496	\$	\$ 2,353,487
Construction in Progress	<u>291,979</u>	<u>735,826</u>	<u>(25,586)</u>	<u>1,002,219</u>
Total capital assets, not being depreciated	2,637,970	743,322	(25,586)	3,355,706
Capital assets, being depreciated:				
Buildings and Improvements	5,972,800	175,717		6,148,517
Systems and Equipment	7,824,164	941,512	(430,944)	8,334,732
Infrastructure	93,930,195	1,058,338		94,988,533
Right of use leased assets	<u>227,846</u>	<u></u>	<u>(23,713)</u>	<u>204,133</u>
Total capital assets, being depreciated	107,955,005	2,175,567	(454,657)	109,675,915
Less accumulated depreciation for:				
Buildings and Improvements	3,660,010	237,091		3,897,101
Systems and Equipment	6,036,136	423,382	(429,739)	6,029,779
Infrastructure	73,103,714	1,232,411		74,336,125
Right of use leased assets	<u>69,045</u>	<u>64,949</u>	<u>(16,797)</u>	<u>117,197</u>
Total accumulated depreciation	<u>82,868,905</u>	<u>1,957,833</u>	<u>(446,536)</u>	<u>84,380,202</u>
Governmental activities capital assets, net	<u>\$ 27,724,070</u>	<u>\$ 961,056</u>	<u>\$ (33,707)</u>	<u>\$ 28,651,419</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note C – Capital Assets (Continued)

Business-Type Activities

	<u>Balance</u> <u>9/30/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/23</u>
Capital assets, not being depreciated:				
Land and Sewer Lagoons	\$ 3,946,507	\$	\$ 10,500	\$ 3,936,007
Construction in Progress	699,808	6,121,988	108,049	6,713,747
Intangibles	<u>1,207,510</u>			<u>1,207,510</u>
Total capital assets, not being depreciated	5,853,825	6,121,988	118,549	11,857,264
Capital assets, being depreciated:				
Buildings and Improvements	875,995	21,466		897,461
Systems and Equipment	4,545,375	154,059	68,768	4,630,666
Infrastructure	47,669,281	240,751		47,910,032
Right of use leased assets	<u>151,347</u>			<u>151,347</u>
Total capital assets, being depreciated	53,241,998	416,276	68,768	53,589,506
Less accumulated depreciation for:				
Buildings and Improvements	724,791	18,445		743,236
Systems and Equipment	2,488,956	268,267	68,768	2,688,455
Infrastructure	23,948,181	1,597,159		25,545,340
Right of use leased assets	<u>42,114</u>	<u>42,114</u>		<u>84,228</u>
Total accumulated depreciation	<u>27,204,042</u>	<u>1,925,985</u>	<u>68,768</u>	<u>29,061,259</u>
Business-type capital assets, net	<u>\$ 31,891,781</u>	<u>\$ 4,612,279</u>	<u>\$ 118,549</u>	<u>\$ 36,385,511</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 530,372
Public Protection	15,813
Streets and Airport	1,340,258
Library and Recreation	<u>71,390</u>
Total Depreciation Expense	<u>\$ 1,957,833</u>

Business Activities

Golf Course	\$ 90,213
Water	925,731
Sewer	871,764
Fiber	<u>38,277</u>
Total Depreciation Expense	<u>\$ 1,925,985</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note D – Government Fund Balances

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

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

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

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

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

Unassigned — all other spendable amounts.

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

	General Fund	Street Oiling Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid items	\$ 83,098	\$	\$ 7,861	\$ 90,959
Lease receivable	<u>38,295</u>			<u>38,295</u>
	121,393		7,861	129,254
Restricted:				
Debt Service	194,500			194,500
Water Availability			149,400	149,400
Sewer Availability			419,706	419,706
Fire Development			205,756	205,756
Police Development			159,981	159,981
Street Development		1,583,812	368,691	1,952,503
Other	<u>194,500</u>	<u>1,583,812</u>	<u>39,583</u>	<u>39,583</u>
		1,583,812	1,343,117	3,121,429
Assigned				
General government			704,125	704,125
Library, airport and recreation	<u>0</u>	<u>0</u>	<u>1,943,037</u>	<u>1,943,037</u>
		0	2,647,162	2,647,162
Unassigned	<u>2,087,244</u>	<u>0</u>	<u>0</u>	<u>2,087,244</u>
Total Fund Balances	<u>\$ 2,403,137</u>	<u>\$ 1,583,812</u>	<u>\$ 3,998,140</u>	<u>\$ 7,985,089</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note E – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2023 is as follows:

Due To Other Funds:

Due to the TAP Deposit Fund from the
 Water Enterprise fund for excess funds received. \$ 32,719

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

	Transfer from		
	General Fund	Nonmajor Governmental	Total
Transfer to:			
Golf course fund	\$ 281,891	\$	\$ 281,891
Water fund			
Library			
Airport fund	136,135		136,135
Recreation fund			
	<u>\$ 418,026</u>	<u>\$</u>	<u>\$ 418,026</u>

Note F – Leases

Operating Leases Commitments. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right to use asset. The City has entered into various non-cancelable leases, primarily for equipment. Such leases expire at various times through 2026. Amortization of the lease expense was \$114,636 and interest paid was \$8,313 for the year ended September 30, 2023.

<u>Maturity Date</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 34,158	\$ 2,792	\$ 36,950
2025	27,410	1,044	28,454
2026	<u>16,126</u>	<u>209</u>	<u>16,335</u>
Total	<u>\$ 77,694</u>	<u>\$ 4,045</u>	<u>\$ 81,739</u>

<u>Maturity Date</u>	Business-type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 38,967	\$ 1,514	\$ 40,481
2025	<u>21,666</u>	<u>835</u>	<u>22,501</u>
Total	<u>\$ 60,633</u>	<u>\$ 2,349</u>	<u>\$ 62,982</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note F – Leases (Continued)

Lessor Commitments: Under GASB 87, requires lessors to recognize a lease receivable and deferred inflow of resources. The City has 4 ground leases that meet the definition and have recorded the lease receivable and corresponding deferred inflow of resources. There are no variable payments associated with any of the leases. The City recognized \$36,595 in lease revenue and \$31,731 in interest revenue for the year ended September 30, 2023. The following table shows the future minimum lease receivable and interest payments:

<u>Maturity Date</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 52,881	\$ 34,261	\$ 87,142
2025	55,754	32,132	87,886
2026	8,350	31,305	39,655
2027	9,428	31,010	40,438
2028	9,458	30,690	40,148
2029–2033	50,702	158,814	209,516
2034–2038	85,933	143,017	228,950
2039–2043	130,941	129,862	260,803
2044–2048	182,664	104,104	286,768
2049–2053	252,552	73,393	325,945
2054–2058	25,237	38,173	63,410
2059–2063	25,341	31,017	56,358
2064–2068	32,595	25,863	58,458
2069–2073	49,620	19,080	68,700
2074–2078	62,039	9,221	71,260
2079–2083	13,607	644	14,251
	<u>\$ 1,047,102</u>	<u>\$ 892,586</u>	<u>\$ 1,939,688</u>

Note G – Pension Plan

Plan Description

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

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note G – Pension Plan (Continued)

Pension Benefits

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

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2023 it was 7.16% for general employees and 9.31% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% general employees and 12.28% for police and firefighters. City of Mountain Home, Idaho's contributions were \$654,075 for the year ended September 30, 2023.

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

At September 30, 2023, City of Mountain Home, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2023, the City's proportion was 0.1288365 percent.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note G – Pension Plan (Continued)

For the year ended September 30, 2023, City of Mountain Home, Idaho recognized net pension expense of \$1,366,561. At September 30, 2023 City of Mountain Home, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of resources	Deferred Inflows of resources
Differences between expected and actual experience	\$ 881,282	\$
Changes in assumptions or other inputs	509,111	
Net difference between projected and actual earnings on pension plan investments	482,600	
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	13,165	179,915
City of Mountain Home, Idaho's contributions subsequent to the measurement date	<u>167,191</u>	<u></u>
Total	<u>\$ 2,053,349</u>	<u>\$ 179,915</u>

\$167,191 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2023.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2023 the beginning of the measurement period ended June 30, 2022 is 4.6 and 4.6 for the measurement period June 30, 2023.

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2024	\$ 666,077
2025	313,008
2026	973,720
2027	(79,182)

CITY OF MOUNTAIN HOME, IDAHO

NOTES TO FINANCIAL STATEMENTS

Note G – Pension Plan (Continued)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Contributing Members, Service Retirement Members, and Beneficiaries

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

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

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note G – Pension Plan (Continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.05 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (<u>5.35%</u>)	Current Discount Rate (<u>6.35%</u>)	1% Increase (<u>7.35%</u>)
Employer's proportionate share Of the net pension liability (asset)	\$ <u>9,247,090</u>	\$ <u>5,141,439</u>	\$ <u>1,785,839</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Long-Term Obligations

Changes in Long-Term Liabilities

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

Governmental Activities	Balance 9/30/22	Increases	Decreases	Balance 9/30/23	Due Within One Year
Certificates of Participation	\$ 1,035,000	\$	\$ (85,000)	\$ 950,000	\$ 85,000
Lease liability	139,147		(61,453)	77,694	34,158
Finance lease	464,550	606,006	(475,483)	595,073	242,989
Compensated absences	310,036	3,693		313,729	
Net pension liability	<u>4,077,922</u>	<u></u>	<u>(264,551)</u>	<u>3,813,371</u>	<u></u>
Total	<u>\$ 6,026,655</u>	<u>\$ 609,699</u>	<u>\$ (886,487)</u>	<u>\$ 5,749,867</u>	<u>\$ 362,147</u>

Business-Type Activities	Balance 9/30/22	Increases	Decreases	Balance 9/30/23	Due Within One Year
Finance lease	\$ 174,836	\$	\$ (91,586)	\$ 83,250	\$ 33,596
Lease liability	107,148		(42,942)	64,206	38,967
Revenue Bond	695,000		(150,000)	545,000	125,000
Notes Payable	6,187,273		(539,242)	5,648,031	498,390
Compensated absences	49,071		(994)	48,077	
Net pension liability	<u>1,211,212</u>	<u>116,856</u>	<u></u>	<u>1,328,068</u>	<u></u>
Total	<u>\$ 8,424,540</u>	<u>\$ 116,856</u>	<u>\$ (824,764)</u>	<u>\$ 7,716,632</u>	<u>\$ 695,953</u>

Governmental Activities

Certificates of Participation: The City of Mountain Home sold Certificates of Participations to construct a city law enforcement building. During fiscal year 2012, the City refinanced the outstanding balance. The certificates bear interest at rates ranging from two percent (2%) to five percent (5%) interest. The lease agreement requires annual payments of interest and principal. The terms and the schedule of debt service under the lease agreement of the Certificates of Participation, Series 2002, are as follows:

Maturity Date	Principal	Interest	Total	Interest Rate
2024	\$ 85,000	\$ 46,650	\$ 131,650	4.00%
2025	90,000	43,250	133,250	5.00%
2026	95,000	38,750	133,750	5.00%
2027	100,000	34,000	134,000	5.00%
2027- 2031	<u>580,000</u>	<u>85,000</u>	<u>665,000</u>	5.00%
Total	<u>\$ 950,000</u>	<u>\$ 247,650</u>	<u>\$ 1,197,650</u>	

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Long-Term Obligations(Continued)

Finance Lease: The City has entered into notes payable to finance the acquisition of equipment and vehicles for various departments and funds. The notes vary in interest rate ranging from 3.31% to 4.09%. Monthly payments range from \$6,000 up to \$50,000 on the notes, maturing at different times through 2029. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 242,989	\$ 30,344
2025	187,200	18,550
2026	51,645	9,399
2027	54,592	6,452
2028	28,512	3,337
2029-2029	<u>30,135</u>	<u>1,715</u>
	<u>\$ 595,073</u>	<u>\$ 69,797</u>

Business-Type Activities

Water Loan #1 & #2: During fiscal year 2012, the City refinanced and consolidated Water Loan #1 and Water Loan #2. The loans were acquired to construct a new municipal deep-water well and to construct improvements in the drinking water distribution system. The remaining payments range from \$150,800 to \$181,900 due semiannually, including interest at ranging from 4% to 5% throughout the term of the loan. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 125,000	\$ 24,400
2025	135,000	18,150
2026	140,000	11,400
2027	<u>145,000</u>	<u>17,200</u>
	<u>\$ 545,000</u>	<u>\$ 71,150</u>

Wastewater Loan #3: The City has acquired a loan from the Idaho Department of Environmental Quality to construct a new wastewater treatment facility. The payment is \$209,853 due semiannually, including interest at 3.5%. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 343,631	\$ 76,075
2025	355,963	63,743
2026	368,531	51,176
2027	381,542	38,164
2028	394,955	24,751
2029	<u>407,605</u>	<u>10,749</u>
	<u>\$ 2,252,227</u>	<u>\$ 264,658</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Long-Term Debt (Continued)

Water Loan #4: The City has acquired a loan from the Idaho Department of Environmental Quality to make improvements to transmission pipelines to increase system reliability and mitigate high pressure events. The project cost \$1,883,140 and was completed in the year ending September 30, 2015. The payment is \$58,474 due semiannually, including interest at 1.75% as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 98,626	\$ 18,322
2025	100,409	16,539
2026	102,174	14,774
2027	103,969	12,978
2028	105,768	11,180
2029–2033	<u>557,529</u>	<u>27,211</u>
	<u>\$ 1,068,475</u>	<u>\$ 101,004</u>

Water Tank Loan #5: The City has acquired a loan from the Idaho Department of Environmental Quality to construct a drinking water treatment facility. The project cost total was \$2,700,000. and was completed in the year ending September 30, 2020. The payment is \$88,221 due semiannually. The loan will be repaid semiannually over 20 years at a 2.75% interest rate. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 56,133	\$ 32,089
2025	114,765	61,678
2026	117,942	58,500
2027	121,208	55,234
2028	124,425	51,154
2029–2033	676,385	205,827
2034–2038	775,403	105,830
2039–2040	<u>341,068</u>	<u>11,817</u>
	<u>\$ 2,327,329</u>	<u>\$ 582,129</u>

Finance Lease: The City has entered into notes payable to finance the acquisition of equipment and vehicles for various departments and funds. The notes vary in interest rate ranging from 3.1% to 5.2%. Monthly payments range from \$6,700 up to \$47,000 on the notes, maturing at different times through 2026. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 33,912	\$ 13,603
2025	34,939	2,191
2026	<u>14,399</u>	<u>790</u>
	<u>\$ 83,250</u>	<u>\$ 16,584</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note I – Compensated Absences

The City has accrued a liability for compensated absences arising from vacation earned by full-time and part-time employees. Employees earn vacation at various rates that fluctuate based on years of service. Accumulated unused vacation is paid upon separation from employment, except for employees who have completed less than six months of regular employment. At September 30, 2023, the City reported compensated absences of \$313,729, and \$48,077 for Governmental Activities, and Business-Type Activities, respectively.

Note J – Other Post Retirement Benefits

The City provides a postretirement healthcare benefit to all employees after retirement from the City. Upon retirement, the City continues to pay the health insurance premiums for retirees for a period of six months. The City recognizes the expenditures as the benefits are paid. Total expenditures toward this benefit for the year ending September 30, 2023 were \$14,827.

Half of employee sick leave accrued at retirement for all employees can be paid out up to 600 hours at half of the employees hourly rate at retirement. If the employee is eligible for the compensated absences option above then it is at the employees discretion of what benefit to receive. City has elected not to recognize this liability in accordance with GASB Statements 74 and 75 due to its insignificance to the financial statements.

Note K – Risk Management

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

Note L – Restatement of Net Position and Fund Balance

During Fiscal Year 2023, it became apparent that pension related deferred outflows of resources and deferred inflows of resources, and net pension liability, were overstated, resulting in a restatement of the Governmental Activities Net Position. Additionally, it was noted that funds provided by the American Rescue Plan Act were mistakenly recognized as revenue when they be deferred and recognized as used. This resulted in restatement of the General Fund Balance to recognize a liability for unearned revenue. The restatement does not have any impact on the City's budgeting process and is a classification within the financial statements. Beginning Fund Balance of the General Fund, and Net Position of the Governmental activities were restated to account for these adjustments as shown below:

	Governmental Activities	General Fund
	Net Position	Fund Balance
Beginning of year, as previously reported	\$ 32,208,183	\$ 4,363,928
Correction of GASB 68 balances	607,556	
Defer ARPA funds recognized as revenue	(2,798,707)	(2,798,707)
Beginning of year, as restated	<u>\$ 30,017,032</u>	<u>\$ 1,565,221</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budget Original and Final	Actual	Variance
Revenues			
Property taxes	\$ 5,685,600	\$ 5,740,395	\$ 54,795
Sales tax / Revenue sharing	1,690,054	1,600,814	(89,240)
State liquor apportionment	230,000	226,906	(3,094)
Franchise fees	217,500	251,092	33,592
Licenses, permits, and fees	530,000	409,684	(120,316)
Court revenue	75,000	69,335	(5,665)
Earnings on investments	15,000	161,518	146,518
Earnings on leases	37,500	68,764	31,264
Refunds and Reimbursements	163,850	92,686	(71,164)
Grant revenue			
Federal	2,798,705		(2,798,705)
State	4,564,415	81,847	(4,482,568)
Local	56,325		(56,325)
Contributions	42,100	150,119	108,019
Miscellaneous	70,500	52,921	(17,579)
	<hr/>	<hr/>	<hr/>
Total Revenue	16,176,549	8,906,081	(7,270,468)
Expenditures			
Administration			
Salaries	302,178	281,258	20,920
Benefits	143,427	127,900	15,527
Insurance	125,269	87,661	37,608
Professional fees	309,000	317,518	(8,518)
Supplies	310,000	161,643	148,357
Maintenance and operations	498,757	382,411	116,346
Grant expenses	6,448,705	1,829	6,446,876
Capital outlay	37,750	22,247	15,503
	<hr/>	<hr/>	<hr/>
Total Administration	8,175,086	1,382,467	6,792,619

CITY OF MOUNTAIN HOME, IDAHO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Continued)
For the Year Ended September 30, 2023

	Budget Original and Final	Actual	Variance
Expenditures (Continued)			
Building Inspection			
Salaries	182,334	174,735	7,599
Benefits	85,669	64,173	21,496
Supplies	22,300	8,246	14,054
Maintenance and operations	123,600	83,945	39,655
Capital outlay	10,858	46,294	(35,436)
Total Building Inspection	424,761	377,393	47,368
Prosecution			
Attorney fees	180,000	188,500	(8,500)
Total Prosecution	180,000	188,500	(8,500)
Police Department			
Salaries	2,187,051	1,874,171	312,880
Benefits	1,013,747	786,157	227,590
Supplies	158,300	144,754	13,546
Maintenance and operations	514,608	305,856	208,752
Capital outlay	64,000	24,497	39,503
Principal payments	131,425	184,470	(53,045)
Interest expense		49,625	(49,625)
Total Police Department	4,069,131	3,369,530	699,601
Animal Shelter			
Salaries	156,922	139,796	17,126
Benefits	86,088	47,289	38,799
Supplies	14,950	10,588	4,362
Maintenance and operations	48,390	25,396	22,994
Total Animal Shelter	306,350	223,069	83,281

CITY OF MOUNTAIN HOME, IDAHO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Continued)
For the Year Ended September 30, 2023

	Budget Original and Final	Actual	Variance
Expenditures (Continued)			
Fire Department			
Salaries	366,363	275,002	91,361
Benefits	146,063	40,925	105,138
Supplies	33,000	26,684	6,316
Maintenance and operations	717,470	133,832	583,638
Capital outlay	53,100	64,167	(11,067)
Principal payments		232,866	(232,866)
Interest expense		12,884	(12,884)
Total Fire Department	1,315,996	786,360	529,636
Parks Department			
Salaries	435,042	378,824	56,218
Benefits	175,431	132,235	43,196
Supplies	247,500	83,077	164,423
Maintenance and operations	535,750	254,387	281,363
Principal payments		25,465	(25,465)
Lease Payment	19,779	(4,133)	23,912
Capital outlay	350,000	334,117	15,883
Total Parks Department	1,763,502	1,203,972	559,530
Economic Development	236,239	118,848	117,391
Total Expenditures	16,471,065	7,650,139	8,820,926
Excess (Deficiency) of Revenues Over Expenditures	(294,516)	1,255,942	1,550,458
Other Financing Sources (Uses)			
Net asset carryover	1,688,606		(1,688,606)
Debt proceeds			
Transfers in	110,647		(110,647)
Transfers out	(1,434,625)	(418,026)	1,016,599
Net Other Financing Sources (Uses)	364,628	(418,026)	(782,654)
Net Change in Fund Balance	\$ 70,112	837,916	\$ 767,804
Fund Balance, Beginning of Year, as restated		1,565,221	
Fund Balance, End of Year		\$ 2,403,137	

CITY OF MOUNTAIN HOME, IDAHO
STREET OILING SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original and Final	Actual	Variance
Revenues			
Property taxes	\$ 390,913	\$ 399,563	\$ 8,650
Highway users	901,513	1,092,639	191,126
County road apportionment	275,000	286,932	11,932
Refunds and reimbursements	215,000	15,106	(199,894)
Earnings on investments	10,000	68,119	58,119
Grant revenue	110,733	20,772	(89,961)
Miscellaneous	272,500	5,000	(267,500)
	<hr/>	<hr/>	<hr/>
Total Revenue	2,175,659	1,888,131	(287,528)
Expenditures			
Salaries	507,918	482,008	25,910
Benefits	290,664	211,407	79,257
Construction contracts	371,600	94,120	277,480
Supplies	97,600	93,771	3,829
Maintenance and operations	1,652,385	41,823	1,610,562
Grant Expenses	413,563	322,248	91,315
Capital outlay	40,000	776,412	(736,412)
Principal payments		67,951	(67,951)
Interest expense		2,988	(2,988)
	<hr/>	<hr/>	<hr/>
Total Expenditures	3,373,730	2,092,728	1,281,002
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	(1,198,071)	(204,597)	993,474
Other Financing Sources (Uses)			
Net asset carryover	1,198,071		(1,198,071)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	1,198,071		(1,198,071)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	<u>\$ 0</u>	(204,597)	<u>\$ (204,597)</u>
Fund Balance, Beginning of Year		<u>1,788,409</u>	
Fund Balance, End of Year		<u>\$ 1,583,812</u>	

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

Schedule of Employer's Share of Net Pension Liability										
PERSI - Base Plan										
Last 10 - Fiscal Years										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employer's portion of the net pension liability	0.1530947%	0.1550235%	0.1523739%	0.1464274%	0.1407257%	0.1394683%	0.1394683%	0.1331428%	0.1342843%	0.1288365%
Employer's proportionate share of the net pension liability	\$ 1,127,017	\$ 2,041,471	\$ 3,088,853	\$ 2,301,587	\$ 2,075,730	\$ 1,591,992	\$ 3,240,523	\$ (105,154)	\$ 5,289,134	\$ 5,141,439
Employer's covered-employee payroll	\$ 3,742,362	\$ 4,384,181	\$ 4,411,880	\$ 4,523,955	\$ 4,503,780	\$ 4,710,187	\$ 4,961,919	\$ 4,964,710	\$ 5,321,557	\$ 5,505,853
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	30.12%	46.56%	70.01%	50.88%	46.09%	33.80%	65.31%	-2.12%	99.39%	93.38%
Plan fiduciary net position as a percentage of total pension liability	94.95%	94.25%	87.26%	90.68%	91.69%	91.69%	88.22%	100.36%	83.09%	83.83%

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

Schedule of Employer Contributions										
PERSI - Base Plan										
Last 10 - Fiscal Years										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily required contribution	\$ 419,003	\$ 501,202	\$ 452,950	\$ 493,771	\$ 516,570	\$ 543,701	\$ 598,692	\$ 598,749	\$ 632,274	\$ 654,075
Contributions in relation to statutorily required contribution	\$ 419,003	\$ 501,202	\$ 502,509	\$ 515,884	\$ 516,570	\$ 543,701	\$ 598,692	\$ 598,749	\$ 642,005	\$ 662,279
Contribution (deficiency) excess	-	-	49,559	22,113	-	-	-	-	9,731	8,204
Employer's covered-employee payroll	\$ 3,742,362	\$ 4,384,181	\$ 4,411,880	\$ 4,523,955	\$ 4,503,780	\$ 4,710,187	\$ 4,961,919	\$ 4,964,710	\$ 5,321,557	\$ 5,505,853
Contributions as a percentage of covered-employee payroll	11.20%	11.43%	11.43%	11.40%	11.47%	11.54%	12.07%	12.06%	12.06%	12.03%

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

SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN HOME, IDAHO
WATER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Operating Revenues			
Charges for services	\$ 4,045,500	\$ 4,159,749	\$ 114,249
Operating Expenses			
Salaries	719,474	692,482	26,992
Fringe benefits	344,558	282,693	61,865
Gas and oil	20,000	25,090	(5,090)
Professional fees	571,000	73,984	497,016
Postage and freight	16,500	23,573	(7,073)
Utilities and telephone	480,500	554,850	(74,350)
Repairs	733,209	383,102	350,107
Supplies	76,000	15,440	60,560
Education, dues, and assessments	65,500	29,485	36,015
Miscellaneous	298,100	17,153	280,947
Insurance	32,719	31,717	1,002
Operating lease	16,047		16,047
Capital outlay	9,804,205		9,804,205
Depreciation		925,731	(925,731)
Total Operating Expenses	<u>13,177,812</u>	<u>3,055,300</u>	<u>10,122,512</u>
Operating Income (Loss)	(9,132,312)	1,104,449	10,236,761
Non-Operating Revenues (Expenses)			
Interest income	35,000	208,661	173,661
Grants and contribution income	7,553,705	3,251,448	(4,302,257)
DEQ	(533,886)		533,886
Interest expense	(116,948)	(104,117)	12,831
Reserve for future development	(1,209,604)		1,209,604
Net pension revenue (expense)		(62,868)	(62,868)
Net asset carryover	<u>3,404,045</u>		<u>(3,404,045)</u>
Total Non-operating Revenues (Expenses)	<u>9,132,312</u>	<u>3,293,124</u>	<u>(5,839,188)</u>
Income Before Transfers		4,397,573	4,397,573
Change in Net Assets	<u>\$ 0</u>	4,397,573	<u>\$ 4,397,573</u>
Net Position, Beginning of Year		<u>17,725,527</u>	
Net Position, End of Year		<u>\$ 22,123,100</u>	

CITY OF MOUNTAIN HOME, IDAHO
SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Operating Revenues			
Charges for services	\$ 2,541,000	\$ 2,911,002	\$ 370,002
Earnings on lease	95,000	146,778	51,778
Total Operating Revenues	2,636,000	3,057,780	421,780
Operating Expenses			
Salaries	625,192	627,688	(2,496)
Fringe benefits	292,186	257,510	34,676
Gas and oil	30,000	19,955	10,045
Professional fees	244,690	81,456	163,234
Postage and freight	15,500	17,376	(1,876)
Utilities and telephone	24,500	23,275	1,225
Repairs	478,124	144,407	333,717
Supplies	136,800	97,110	39,690
Education, dues, and assessments	12,500	7,885	4,615
Miscellaneous	1,760,331	123,156	1,637,175
Insurance	64,810	62,826	1,984
Operating lease	62,701		62,701
Capital outlay	66,918		66,918
Depreciation		871,764	(871,764)
Total Operating Expenses	3,814,252	2,334,408	1,479,844
Operating Income (Loss)	(1,273,252)	723,372	1,849,846
Non-Operating Revenues (Expenses)			
Interest income	6,500	84,912	78,412
Net pension revenue (expense)		(112,477)	(112,477)
Grants and contributions	2,952,355	111,082	(2,841,273)
DEQ loan payment	(420,000)		420,000
Interest expense		(87,925)	(87,925)
Net asset carryover	1,579,920		(1,579,920)
Total Non-operating Revenues (Expenses)	4,118,775	(4,408)	(4,123,183)
Income (Loss) Before Transfers	2,845,523	718,964	(2,273,337)
Change in Net Assets	\$ 2,845,523	718,964	\$ (2,273,337)
Net Position, Beginning of Year		10,894,097	
Net Position, End of Year		\$ 11,613,061	

CITY OF MOUNTAIN HOME, IDAHO
SANITATION ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original <u>And Final</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues			
Charges for services	\$ 1,165,200	\$ 1,277,757	\$ 112,557
Operating Expenses			
Salaries	50,877	51,714	(837)
Fringe benefits	21,076	19,752	1,324
Professional fees	1,068,925	1,119,518	(50,593)
Postage and freight	16,000	17,376	(1,376)
Repairs	7,500	10,247	(2,747)
Miscellaneous	70,500	9,774	60,726
Depreciation			
Total Operating Expenses	<u>1,234,878</u>	<u>1,228,381</u>	<u>6,497</u>
Operating Income (Loss)	(69,678)	49,376	119,054
Non-Operating Revenues (Expenses)			
Interest income	1,500	19,205	17,705
Net pension revenue		(16,034)	(16,034)
Contributions	2,000	4,000	2,000
Reserve for future development	(285,297)		285,297
Net asset carryover	<u>351,475</u>		<u>(351,475)</u>
Total Non-operating Revenues (Expenses)	<u>69,678</u>	<u>7,171</u>	<u>(62,507)</u>
Change in Net Assets	<u>\$ 0</u>	56,547	<u>\$ 56,547</u>
Net Position, Beginning of Year		<u>538,030</u>	
Net Position, End of Year		<u>\$ 594,577</u>	

CITY OF MOUNTAIN HOME, IDAHO
GOLF COURSE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2023

	Budget Original And Final	Actual	Variance
Operating Revenues			
Charges for services	\$ 533,750	\$ 501,572	\$ (32,178)
Rental income	<u>30,000</u>	<u>37,037</u>	<u>7,037</u>
Total Operating Revenues	563,750	538,609	(25,141)
Operating Expenses			
Salaries	431,494	388,127	43,367
Fringe benefits	87,878	67,749	20,129
Gas and oil	24,000	14,190	9,810
Professional fees	2,000	109	1,891
Utilities and telephone	31,600	37,500	(5,900)
Repairs	117,000	132,423	(15,423)
Supplies	149,401	82,451	66,950
Education, dues, and assessments	8,100	5,748	2,352
Miscellaneous	32,750	4,790	27,960
Capital outlay	77,500		77,500
Depreciation	<u></u>	<u>90,213</u>	<u>(90,213)</u>
Total Operating Expenses	<u>961,723</u>	<u>823,300</u>	<u>138,423</u>
Operating Loss	(397,973)	(284,691)	113,282
Non-Operating Revenues (Expenses)			
Contributions and grants	(5,000)		5,000
Interest expense		(7,268)	(7,268)
Net pension revenue		(113,397)	(113,397)
Miscellaneous	4,700	3	(4,697)
Net asset carryover	<u>116,382</u>	<u></u>	<u>(116,382)</u>
Total Non-operating Revenue (Expenses)	<u>116,082</u>	<u>(120,662)</u>	<u>(236,744)</u>
Loss Before Transfers	(281,891)	(405,353)	(123,462)
Operating Transfers In	<u>281,891</u>	<u>281,891</u>	<u></u>
Change in Net Assets	<u>\$ 0</u>	(123,462)	<u>\$ (123,462)</u>
Net Position, Beginning of Year		<u>1,955,068</u>	
Net Position, End of Year		<u>\$ 1,831,606</u>	

CITY OF MOUNTAIN HOME, IDAHO
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2023

ASSETS	SPECIAL REVENUE FUNDS						
	<u>Cemetery</u>	<u>Recreation</u>	<u>Library</u>	<u>Airport</u>	<u>Street Lighting</u>	<u>Water Availability</u>	<u>Sewer Availability</u>
Cash and investments	\$ 94,873	\$ 477,463	\$ 31,424	\$	\$ 42,076	\$ 453,312	\$ 1,399,210
Restricted cash						149,400	419,706
Prepaid expense		150	5,879	1,832			
Receivables							
Property tax	132,396	743,918	674,618	71,822	145,101		
Other receivable		1,370		265,992			
Leases receivable				18,176			
Accrued interest	<u>322</u>	<u>1,667</u>	<u>14</u>	<u>368</u>	<u>118</u>	<u>2,451</u>	<u>7,158</u>
Total Assets	<u>\$ 227,591</u>	<u>\$ 1,224,568</u>	<u>\$ 711,935</u>	<u>\$ 358,190</u>	<u>\$ 187,295</u>	<u>\$ 605,163</u>	<u>\$ 1,826,074</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	<u>\$ 14,567</u>	<u>\$ 50,835</u>	<u>\$ 19,724</u>	<u>\$ 5,796</u>	<u>\$ 17,048</u>	<u>\$</u>	<u>\$</u>
Deferred Inflows							
Unavailable revenue - leases				18,249			
Unavailable revenue - property taxes	<u>132,118</u>	<u>742,891</u>	<u>673,491</u>	<u>71,721</u>	<u>144,845</u>	<u></u>	<u></u>
Total Deferred Inflows of Resources	132,118	742,891	673,491	89,970	144,845		
Fund Balances							
Nonspendable		150	5,879	1,832			
Restricted					25,402	149,400	419,706
Committed							
Assigned	80,906	430,692	12,841	260,592		455,763	1,406,368
Unassigned	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total Fund Balances	<u>80,906</u>	<u>430,842</u>	<u>18,720</u>	<u>262,424</u>	<u>25,402</u>	<u>605,163</u>	<u>1,826,074</u>
Total Liabilities, Deferred Inflows and fund balances	<u>\$ 227,591</u>	<u>\$ 1,224,568</u>	<u>\$ 711,935</u>	<u>\$ 358,190</u>	<u>\$ 187,295</u>	<u>\$ 605,163</u>	<u>\$ 1,826,074</u>

SPECIAL REVENUE FUNDS			TOTAL SPECIAL REVENUE FUNDS	LIBRARY DEBT SERVICE FUND	TOTAL
Fire Development	Police Development	Street Development			
\$ 204,971	\$ 159,981	\$ 368,691	\$ 3,232,001	\$ 14,181	\$ 3,246,182
			569,106		569,106
			7,861		7,861
			1,767,855		1,767,855
			267,362		267,362
			18,176		18,176
785			12,883		12,883
<u>\$ 205,756</u>	<u>\$ 159,981</u>	<u>\$ 368,691</u>	<u>\$ 5,875,244</u>	<u>\$ 14,181</u>	<u>\$ 5,889,425</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 107,970</u>	<u>\$</u>	<u>\$ 107,970</u>
			18,249		18,249
			1,765,066		1,765,066
			1,783,315		1,783,315
			7,861		7,861
205,756	159,981	368,691	1,328,936	14,181	1,343,117
			2,647,162		2,647,162
<u>205,756</u>	<u>159,981</u>	<u>368,691</u>	<u>3,983,959</u>	<u>14,181</u>	<u>3,998,140</u>
<u>\$ 205,756</u>	<u>\$ 159,981</u>	<u>\$ 368,691</u>	<u>\$ 5,875,244</u>	<u>\$ 14,181</u>	<u>\$ 5,889,425</u>

CITY OF MOUNTAIN HOME, IDAHO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	SPECIAL REVENUE FUNDS						
	<u>Cemetery</u>	<u>Recreation</u>	<u>Library</u>	<u>Airport</u>	<u>Street Lighting</u>	<u>Water Availability</u>	<u>Sewer Availability</u>
Revenues							
Property taxes	\$ 143,554	\$ 529,867	\$ 580,502	\$ 49,367	\$ 131,868	\$	\$
Sales taxes		225,000					
Refunds and reimbursements	436		6,963	6,912		194	194
Charges for services	38,362	175,005	6,078				
Earnings on investments	2,944	31,005	1,883	368	1,563		
Earnings on leases			8,627	7,439			
Federal				21,936			
Contributions		6,027	7,386				
Sponsorships		27,362					
Future service availability fees						398,111	620,676
Future service availability fees interest						12,809	56,209
Miscellaneous		<u>42,689</u>	<u>34,592</u>	<u>33,355</u>			
Total Revenue	185,296	1,036,955	646,031	119,377	133,431	411,114	677,079
Expenditures							
Current							
Streets and airport				77,859	156,581		
Health and sanitation	140,227					1,753	1,754
Economic and physical development							
Library and recreation		645,431	659,772				
Debt Service							
Principal payment							
Interest expense							
Capital outlay	<u>8,211</u>	<u>721,672</u>		<u>35,124</u>			
Total Expenditures	<u>148,438</u>	<u>1,367,103</u>	<u>659,772</u>	<u>112,983</u>	<u>156,581</u>	<u>1,753</u>	<u>1,754</u>
Excess (Deficiency) of Revenues over Expenditures	36,858	(330,148)	(13,741)	6,394	(23,150)	409,361	675,325
Other Financing Sources (Uses)							
Transfers in				136,135			
Debt proceeds							
Transfers out							
Total Other Financing Sources and Uses				<u>136,135</u>			
Net Change in Fund Balance	36,858	(330,148)	(13,741)	142,529	(23,150)	409,361	675,325
Fund Balance, Beginning of Year	<u>44,048</u>	<u>760,990</u>	<u>32,461</u>	<u>119,895</u>	<u>48,552</u>	<u>195,802</u>	<u>1,150,749</u>
Fund Balance, End of Year	<u>\$ 80,906</u>	<u>\$ 430,842</u>	<u>\$ 18,720</u>	<u>\$ 262,424</u>	<u>\$ 25,402</u>	<u>\$ 605,163</u>	<u>\$ 1,826,074</u>

<u>SPECIAL REVENUE FUNDS</u>			<u>TOTAL SPECIAL REVENUE FUNDS</u>	<u>LIBRARY DEBT SERVICE FUND</u>	<u>TOTAL</u>
<u>Fire Development</u>	<u>Police Development</u>	<u>Street Development</u>			
\$	\$	\$	\$ 1,435,158	\$ 240	\$ 1,435,398
			225,000		225,000
			14,699		14,699
			219,445		219,445
5,325			43,088		43,088
			16,066		16,066
			21,936		21,936
			13,413		13,413
			27,362		27,362
			1,018,787		1,018,787
			69,018		69,018
<u>136,461</u>	<u>87,114</u>	<u>194,288</u>	<u>528,499</u>		<u>528,499</u>
141,786	87,114	194,288	3,632,471	240	3,632,711
			234,440		234,440
			143,734		143,734
			1,305,203		1,305,203
<u>49,888</u>		<u>25,780</u>	<u>840,675</u>		<u>840,675</u>
<u>49,888</u>		<u>25,780</u>	<u>2,524,052</u>		<u>2,524,052</u>
91,898	87,114	168,508	1,108,419	240	1,108,659
			136,135		136,135
			<u>136,135</u>		<u>136,135</u>
91,898	87,114	168,508	1,244,554	240	1,244,794
<u>113,858</u>	<u>72,867</u>	<u>200,183</u>	<u>2,739,405</u>	<u>13,941</u>	<u>2,753,346</u>
<u>\$ 205,756</u>	<u>\$ 159,981</u>	<u>\$ 368,691</u>	<u>\$ 3,983,959</u>	<u>\$ 14,181</u>	<u>\$ 3,998,140</u>

FEDERAL REPORTS

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

To the City Council
City of Mountain Home, Idaho
Mountain Home, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General in the United States, the financial statements financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Mountain Home, Idaho, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Mountain Home, Idaho's basic financial statements and have issued our report thereon dated March 26, 2024 .

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mountain Home, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Mountain Home, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Mountain Home, 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses, in which the findings are reported as items 2023-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mountain Home, 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 on noncompliance that are required to be reported under *Government Auditing Standards*.





Purpose of this Report

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

Havis CPA, P.C.

Meridian, Idaho
March 26, 2024



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

To the City Council
City of Mountain Home, Idaho
Mountain Home, Idaho

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Mountain Home, Idaho's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the





compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Mountain Home, Idaho's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Havis CPA's P.C.

Meridian, Idaho
March 26, 2024

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

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF DEFENSE:			
Direct payments:			
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003	N/A	\$ 111,082
Airport Improvement Program	12.600	N/A	<u>3,251,448</u>
Total US Department of Defense			3,362,530
U.S. DEPARTMENT OF EDUCATION			
Pass through from Idaho Library Commission			
Elementary and Secondary School Emergency Relief Fund	84.425U	N/A	6,000
U.S. DEPARTMENT OF JUSTICE:			
Direct payments:			
Bulletproof Vest	16.607	N/A	3,194
U.S. DEPARTMENT OF TRANSPORTATION:			
Direct payments:			
Airport Improvement Program	20.106	N/A	17,027
U.S. DEPARTMENT OF THE TREASURY:			
Direct payments:			
Coronavirus State and Local Fiscal Recovery	21.027	118120200811P824000090	510,659
ENVIRONMENTAL PROTECTION AGENCY:			
Pass through from State of Idaho (DEQ)			
<i>DWSRF Cluster:</i>			
Drinking Water State Revolving Fund	66.468	DW-1105, 1801 & 1899	6,187,274
NATIONAL ENDOWMENT FOR THE HUMANITIES:			
Pass through from Idaho Library Commission:			
Grants to States	45.310	LS-00-19-0013-20	<u>2,500</u>
Total expenditures of federal awards			<u>\$ 10,089,184</u>

See notes to the schedule of expenditures of federal awards

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

Note A – Basis of Presentation

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

Note B – Summary of Significant Accounting Policies

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

Note C – Indirect Cost Rate

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

Note D – Loan Balances

The City had the following loan balances outstanding at September 30, 2023. The loan balances have continuing compliance requirements and are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
DWSRF Cluster: Drinking Water State Revolving Fund	66.468	\$ 5,648,031

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

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness identified?
- Significant deficiencies identified that are not considered to be material weaknesses?

 X yes no
 yes X none reported

Noncompliance material to the financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified?
- Significant deficiencies identified that are not considered to be material weaknesses?

 yes X no
 yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?

 yes X no

Identification of major programs:

CFDA Number

Name of Federal Program

12.600
21.027

Community Investment
Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

 X yes no

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

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 Material Weakness – Material Adjustments to Beginning Balances

Criteria: The City did not have effective internal control processes or procedures in place for correctly recognizing revenue.

Condition: The City was recognizing revenue when received when it should be deferred and recognized as expended.

Cause: The City did not have effective internal control processes in place for recording and recognizing revenue.

Effect: There were material overstatement of revenue and understatement of unearned revenue, which resulted in overstated revenue in the Fund Statements and Statement of Net position.

Recommendation: We recommend the City implement procedures to ensure revenue are recognized following the correct recognition criteria and within the correct period.

Management's Response:

Procedures to record and recognize revenue have already been established and will be implemented during the fiscal year 2024.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

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

There were no prior audit findings.