

CITY OF DALTON GARDENS

FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

City of Dalton Gardens
September 30, 2020

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Dalton Gardens
Dalton Gardens, ID 83815

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, of the City of Dalton Gardens as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Dalton Gardens, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and certain GASB No. 68 pension information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dalton Gardens' basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2021 on our consideration of the City of Dalton Gardens internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Dalton Gardens' internal control over financial reporting and compliance.



Magnuson, McHugh & Company, P.A.

January 20, 2021

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

City of Dalton Gardens

STATEMENT OF NET POSITION

September 30, 2020

ASSETS

Cash and cash equivalents	\$ 2,428,164
Restricted cash - bond reserve	34,869
Prepaid expenses	1,926
Franchise fees receivable	11,556
Due from other governments	111,946
Interest receivable	1,002
Special assessment receivable	657,781
Land	161,047
Capital assets, net of accumulated depreciation	6,479,055
Total assets	<u>9,887,346</u>

DEFERRED OUTFLOWS OF RESOURCES

Proportionate share of collective deferred outflows of resources	<u>15,811</u>
Total deferred outflows of resources	<u>15,811</u>

LIABILITIES

Accounts payable	86,693
Accrued wages and benefits	11,455
Accrued interest payable	10,503
Noncurrent liabilities:	
Due within one year	76,239
Due in more than one year	759,267
Net pension liability	63,513
Total liabilities	<u>1,007,670</u>

DEFERRED INFLOWS OF RESOURCES

Proportionate share of collective deferred inflows of resources	<u>9,695</u>
Total deferred inflows of resources	<u>9,695</u>

NET POSITION

Net investment in capital assets	5,880,835
Restricted for debt service	133,704
Unrestricted	2,871,253
Total net position	<u>\$ 8,885,792</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Dalton Gardens

STATEMENT OF ACTIVITIES For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants	Governmental Activities
Governmental Activities:				
General government	\$ 398,075	\$ 113,192	\$ -	\$ (284,883)
Streets and street maintenance	675,128	-	10,772	(664,356)
Parks and recreation	26,652	-	-	(26,652)
Fire and inspection	41,884	-	-	(41,884)
Law enforcement	16,621	-	-	(16,621)
Interest expense	27,776	-	-	(27,776)
Change in net pension liability	12,338	-	-	(12,338)
Unallocated actual PERSI contributions	(12,182)	-	-	12,182
Loss on disposal of assets	8,100	-	-	(8,100)
Total governmental activities	\$ 1,194,392	\$ 113,192	\$ 10,772	(1,070,428)
General revenues:				
Property taxes				159,898
State revenue sharing				201,069
Liquor tax				103,315
State highway funds				112,338
Local bridge and road tax				61,220
Utility franchise tax				53,195
Sales tax				35,764
Traffic citations				5,048
Other				28,519
Investment earnings				31,426
Total general revenues				791,792
Change in net position				(278,636)
Net position - beginning				9,164,428
Net position - ending				\$ 8,885,792

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Dalton Gardens

GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2020

	General Fund	LID #1 Fund	LID #2 Fund	LID Guarantee Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,199,499	\$ 29,613	\$ 199,052	\$ -	\$ 2,428,164
Restricted cash - bond reserve	-	-	-	34,869	34,869
Prepaid insurance	1,926	-	-	-	1,926
Franchise fees receivable	11,556	-	-	-	11,556
Due from other governments	111,946	-	-	-	111,946
Due from other funds	129,830	-	-	-	129,830
Interest receivable	1,002	-	-	-	1,002
Special assessment receivable	-	122,945	534,836	-	657,781
Total assets	<u>\$ 2,455,759</u>	<u>\$ 152,558</u>	<u>\$ 733,888</u>	<u>\$ 34,869</u>	<u>\$ 3,377,074</u>
LIABILITIES					
Accounts payable	\$ 86,693	\$ -	\$ -	\$ -	\$ 86,693
Accrued wages and benefits	11,455	-	-	-	11,455
Due to other funds	-	-	129,830	-	129,830
Total liabilities	<u>98,148</u>	<u>-</u>	<u>129,830</u>	<u>-</u>	<u>227,978</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-special assessments	-	122,945	534,836	-	657,781
Total deferred inflows of resources	<u>-</u>	<u>122,945</u>	<u>534,836</u>	<u>-</u>	<u>657,781</u>
FUND BALANCES					
Non-spendable prepaid expenses	1,926	-	-	-	1,926
Restricted for debt service	-	29,613	69,222	34,869	133,704
Assigned	256,367	-	-	-	256,367
Unassigned	2,099,318	-	-	-	2,099,318
Total fund balance	<u>2,357,611</u>	<u>29,613</u>	<u>69,222</u>	<u>34,869</u>	<u>2,491,315</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,455,759</u>	<u>\$ 152,558</u>	<u>\$ 733,888</u>	<u>\$ 34,869</u>	<u>\$ 3,377,074</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Dalton Gardens

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION September 30, 2020

Total fund balances - Governmental Funds, September 30, 2020		\$ 2,491,315
Cost of capital assets, September 30, 2020	\$ 10,653,717	
Less: Accumulated depreciation, September 30, 2020	<u>(4,013,615)</u>	6,640,102
Compensated absences		(4,173)
LID bonds payable		(831,333)
Accrued interest payable		(10,503)
Elimination of unavailable revenue-special assessments		657,781
Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions:		
City's proportionate share of the net pension liability		(63,513)
Proportionate share of collective deferred outflows of resources		15,811
Proportionate share of collective deferred inflows of resources		<u>(9,695)</u>
Net position, September 30, 2020		<u>\$ 8,885,792</u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Dalton Gardens

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020**

	General Fund	LID #1 Fund	LID #2 Fund	LID Guarantee Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 159,898	\$ -	\$ -	\$ -	\$ 159,898
State revenue sharing	201,069	-	-	-	201,069
Grant revenue	10,772	-	-	-	10,772
Liquor tax	103,315	-	-	-	103,315
State highway funds	112,338	-	-	-	112,338
Local bridge and road tax	61,220	-	-	-	61,220
Utility franchise tax	53,195	-	-	-	53,195
Building/sign/trip permits	100,296	-	-	-	100,296
Sales tax	35,764	-	-	-	35,764
Business licenses/fees	6,950	-	-	-	6,950
Traffic citations	5,048	-	-	-	5,048
Rents	5,946	-	-	-	5,946
Other	1,668	-	-	-	1,668
Interest earnings	30,941	-	-	485	31,426
Assessments collected	-	28,531	211,822	-	240,353
Penalty and interest	-	6,330	20,521	-	26,851
Total revenues	888,420	34,861	232,343	485	1,156,109
EXPENDITURES					
General government	372,263	-	-	-	372,263
Streets and street maintenance	495,954	62	62	-	496,078
Parks and recreation	22,452	-	-	-	22,452
Fire and inspection	41,884	-	-	-	41,884
Law enforcement	16,621	-	-	-	16,621
Capital outlay	5,644	-	-	-	5,644
Debt service:					
Principal retirement	18,000	28,815	40,873	-	87,688
Interest	-	4,656	24,340	-	28,996
Total expenditures	972,818	33,533	65,275	-	1,071,626
Excess (deficiency) of revenues over expenditures	(84,398)	1,328	167,068	485	84,483
Net change in fund balance	(84,398)	1,328	167,068	485	84,483
Fund balance - beginning	2,442,009	28,285	(97,846)	34,384	2,406,832
Fund balance - ending	\$ 2,357,611	\$ 29,613	\$ 69,222	\$ 34,869	\$ 2,491,315

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Dalton Gardens

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, 2020

Total net changes in fund balances for the year ended September 30, 2020	\$	84,483
Add: Capital outlay, which is considered expenditures		5,644
Less: Depreciation expense for the year ended September 30, 2020		(207,938)
Less: Difference between revenue earned on assessments on modified accrual basis versus revenue on assessments on accrual basis		(240,353)
Less: Loss on disposal of assets		(8,100)
Add: Change in accrued interest payable		1,220
Less: Change in compensated absences		(1,124)
Add: Principal payments on grader		18,000
Add: Principal payments on LID bonds		69,688
Less: Change in net pension liability		<u>(156)</u>
Change in net position for the year ended September 30, 2020	\$	<u><u>(278,636)</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dalton Gardens, Idaho (the "City") operates under a mayor-council form of government. The City's major operations include streets, social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The City is governed by an elected mayor and city council. The City provides a wide range of municipal services.

The financial statements include all operations controlled by the City. A reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of the relationship are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the criteria for determining the reporting entity, the City is considered to be a primary government and has no component units.

The financial statements of the City of Dalton Gardens have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's financial statements.

B. Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. Separate financial statements are provided for governmental funds. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

C. Basis of Presentation – Fund Financial Statements

These statements provide information about the City's government. The emphasis of fund financial statements is on major funds. Each major fund is displayed in a separate column. All of the remaining funds are aggregated and reported in a single column as other funds. The City only has the following fund type:

Governmental Funds – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities is reported as fund balance.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Fund Financial Statements (Concluded)

In order to provide more readable and less complex financial statements, the City has chosen to treat all governmental funds as major funds in the presentation of its financial statements.

- The General Fund - is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- LID #1 Fund – This debt service fund was created in the fiscal year ended in September 30, 2013, to account for the assessment and debt service of funds used to finance sewer lines.
- LID #2 Fund - This debt service fund was created in the fiscal year ended in September 30, 2017, to account for the financing and debt service through a local improvement district the design, construction, acquisition and installation of sewer service in a certain area within the City.
- LID Guarantee Fund – This debt service fund was established by ordinance to provide additional security for the LID debt.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/due to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Concluded)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The City does not charge indirect expenses to programs or functions. Program revenues include charges for services (primarily user fees, assessments, permits, fines, and grants that are restricted to a particular function). Generally, restricted revenues are used first to pay expenses incurred when both restricted and unrestricted funds are available. Revenues that are not received from a specific purpose and classified as program revenues are reported as general revenues. These include all property taxes, entitlement revenue, investment earnings, permits and licenses (i.e., local business licenses and alcohol beverage licenses and permits).

E. Budgets and Budgetary Accounting

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

- Prior to September 1, the City Clerk/Treasurer, the Mayor, and the City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at the city hall to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through passage of an ordinance.
- The City Council by following the same budgetary procedures used to adopt the original budget may amend it to a greater amount if additional revenue will accrue to the City as a result of increases in state or federal grants or allocations, as a result of an increase in revenues from any source other than ad valorem tax revenues or as a result of an increase in enterprise funds to finance the operation and maintenance of governmental facilities and services which are entirely or predominantly self-supporting by user charges.
- Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and capital project funds.
- Budgets for the general and special revenue funds are adopted on a basis that differs with generally accepted accounting principles (GAAP) as applied to government units. Generally accepted accounting principles require that the total cost of equipment purchased through capital leases for the current year be recorded as expenditure. The City budgets for the payment on these capital leases only and not the total cost of the equipment.
- Budgeted amounts are as originally adopted or as amended by the City Council.

The City does not use the encumbrance method of accounting.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

G. Investments

Investments are stated at cost, which approximates market. Investments on hand at September 30, 2020, meet the guidelines as set by regulations of the State of Idaho.

H. Capital Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Fixed assets acquired in governmental funds are accounted for as expenditures in the fund when the asset is purchased. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are valued at estimated fair market value at time of acquisition. Where historical cost is not known, assets are recorded at estimated historical costs. The City maintains a capitalization threshold of \$5,000 for equipment. Improvements are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	Straight-line	30-50 years
Infrastructure	Straight-line	20-50 years

I. Annual and Sick Leave

Employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure and hours per week. Generally, after one year of service, employees are entitled to their accrued vacation leave upon separation of service. After 5 years of service, employees are entitled to a percentage of their sick leave balance upon separation of service. Compensated absences are reported as accrued liabilities in the government-wide financial statements.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

Property taxes are levied by the Board of Commissioners on the first Monday in September and become payable on December 20. Taxpayers may pay one-half on December 20, and the remaining half the following June 20. Property taxes are computed from levies and collections verified by inspection of records of the Kootenai County auditor's office. Kootenai County collects all property tax revenue for the City.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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 the 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.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has one type of item, which arises under full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, proportionate share of collective deferred inflows of resources, is reported only on the government-wide statement of net position. The government-wide statement of net position reports proportionate share of collective deferred inflows of resources from one source: accounting for the net pension obligation, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance — includes amounts that are: (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance — includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance — includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance — includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by: (a) City Council, or (b) a body (a budget, finance committee, or City Manager and Chief Financial Officer) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted, or committed.

Unassigned Fund Balance — includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund.

N. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

O. Net Position Flow Assumptions

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

O. Net Position Flow Assumptions (Concluded)

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

General:

State statutes authorize the City’s investments and deposits. The City is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an “A” rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

Custodial credit risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the City’s deposits and investments may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2020, the City’s deposits were not exposed to custodial credit risk:

Deposits without exposure to custodial credit risk:

Deposits:	
Amounts insured by FDIC	\$ 284,869
Amount collateralized with securities held in trust, but not in the City's name	<u>2,102,757</u>
Total deposits without exposure to custodial credit risk	<u>2,387,626</u>

Deposits with exposure to custodial credit risk:

Deposits:	
Amounts not insured by FDIC	<u>459,523</u>
Total deposits with exposure to custodial credit risk	<u>459,523</u>
Total deposits	<u>\$2,847,149</u>

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 2: CASH AND CASH EQUIVALENTS (CONCLUDED)

Cash and cash equivalents at September 30, 2020, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 2,428,164
Restricted cash - bond reserve	34,869
Total cash and cash equivalents	\$ 2,463,033

Cash and cash equivalents at September 30, 2020 consist of the following:

Cash:

Deposit with financial institutions	\$ 565,407
-------------------------------------	------------

Cash equivalents:

Short-term certificate of deposit	34,869
Idaho State Investment Pool	1,862,757
Total cash and cash equivalents	\$ 2,463,033

Fair value:

The City's investments in 2a-7-like pools are valued based upon the value of pool shares. The City invests in one 2a-7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The Idaho State Investment Pool is duly chartered and administered by the State Treasurer's office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

Following GASB 72, ¶69 and ¶B62 the balances that the City has in the Idaho State Investment Pool are carried at its cost of \$1,862,757, which materially approximates fair market value.

The City considers funds held in the Idaho State Investment Pool to be cash equivalents, as the average maturity of the underlying securities is less than 90 days.

NOTE 3: SPECIAL ASSESSMENT RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2020:

	LID #1	LID #2
Beginning assessment - principal	\$ 151,476	\$ 746,658
Assessments collected - principal *	(28,531)	(211,822)
Ending assessment - principal **	\$ 122,945	\$ 534,836

*Installment payments of principal and interest due from property owners are billed annually.

**Principal amounts are deferred amounts not currently due, but due at a future date.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 161,047	\$ -	\$ -	\$ 161,047
Total capital assets, not being depreciated	<u>161,047</u>	<u>-</u>	<u>-</u>	<u>161,047</u>
Capital assets, being depreciated:				
Buildings	753,564	-	-	753,564
Land improvements	42,344	-	-	42,344
Furniture and equipment	338,601	5,644	28,152	316,093
Infrastructure	8,937,286	-	-	8,937,286
Sewer system	443,383	-	-	443,383
Total capital assets being depreciated	<u>10,515,178</u>	<u>5,644</u>	<u>28,152</u>	<u>10,492,670</u>
Less accumulated depreciation:				
Buildings	365,999	17,405	-	383,404
Land improvements	29,904	1,798	-	31,702
Furniture and equipment	201,762	16,620	20,052	198,330
Infrastructure	3,163,923	163,248	-	3,327,171
Sewer system	64,141	8,867	-	73,008
Total accumulated depreciation	<u>3,825,729</u>	<u>207,938</u>	<u>20,052</u>	<u>4,013,615</u>
Total capital assets, being depreciated, net	<u>6,689,449</u>	<u>(202,294)</u>	<u>8,100</u>	<u>6,479,055</u>
Governmental activities capital assets, net	<u>\$ 6,850,496</u>	<u>\$ (202,294)</u>	<u>\$ 8,100</u>	<u>\$ 6,640,102</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 24,688
Street	179,050
Parks and recreation	4,200
Total	<u>\$ 207,938</u>

NOTE 5: CHANGES IN LONG-TERM LIABILITIES

Changes in governmental long-term liabilities are as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Amount Due Within One Year
Lakes Highway Grader	\$ 18,000	\$ -	\$ 18,000	\$ -	\$ -
LID #1 bond	131,208	-	28,815	102,393	29,837
LID No. 2 Bond, Series 2019	769,813	-	40,873	728,940	42,229
Compensated absences	3,049	1,124	-	4,173	4,173
	<u>\$ 922,070</u>	<u>\$ 1,124</u>	<u>\$ 87,688</u>	<u>\$ 835,506</u>	<u>\$ 76,239</u>

Compensated absences are paid from the general fund in the form of vacation pay. The entire balance of compensated absences is considered due within one year.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 6: LOCAL IMPROVEMENT DISTRICT NO. 1 BONDS PAYABLE

During the fiscal year ended September 30, 2013, the City issued \$384,116 in bonds to finance sewer lines. The interest rate is 3.5 percent and the maturity date was originally December 29, 2027. Due to advanced payments made by the City, the new maturity date is December 29, 2023. These bonds will be repaid through a Local Improvement District Assessment that was levied against the property owners benefitting from these improvements. The debt service requirements for these bonds are as follows:

Year	Principal	Interest	Total
2021	\$ 29,837	\$ 3,634	\$ 33,471
2022	30,896	2,575	33,471
2023	31,993	1,478	33,471
2024	9,667	343	10,010
	\$ 102,393	\$ 8,030	\$ 110,423

NOTE 7: LOCAL IMPROVEMENT DISTRICT NO. 2 BONDS PAYABLE

During the fiscal year ended September 30, 2019, the City issued \$769,813 in bonds to finance road and sidewalk improvements. The interest rate is 3.11 percent and the maturity date is May 30, 2034. These bonds will be repaid through a Local Improvement District Assessment that was levied against the property owners benefitting from these improvements.

The debt service requirements for these bonds are as follows:

Year	Principal	Interest	Total
2021	\$ 42,229	\$ 22,985	\$ 65,214
2022	43,560	21,653	65,213
2023	44,934	20,280	65,214
2024	46,299	18,915	65,214
2025	47,811	17,403	65,214
2026-2030	262,602	63,465	326,067
2031-2034	241,505	19,349	260,854
	\$ 728,940	\$ 184,050	\$ 912,990

NOTE 8: FUND BALANCE CLASSIFICATIONS

The assigned fund balance in the general fund represents tentative management plans that are subject to change. Following is detail of the assigned fund balance at September 30, 2020:

Road projects	\$218,742
Parks	14,325
Art fund	3,300
Equipment replacement	<u>20,000</u>
Total	<u>\$256,367</u>

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Dalton Gardens 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.

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. Amounts in parenthesis represent police/firefighters.

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. 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) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2020 it was 7.16% (8.81%). The employer contribution rate is set by the Retirement Board and was 11.94% (12.28%) of covered compensation. The City's contributions were \$12,182 for the year ended September 30, 2020.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At September 30, 2020, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion was 0.0027351 percent.

For the year ended September 30, 2020, the City recognized pension expense of \$12,338. At September 30, 2020 the City 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	\$ 7,280	\$ -
Changes of assumptions	1,074	-
Net difference between projected and actual earnings on pension plan investments	4,962	2,074
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	7,621
City of Dalton Gardens's contributions subsequent to the measurement date	2,495	-
Total	\$ 15,811	\$ 9,695

\$2,495 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, 2021.

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, 2019 the beginning of the measurement period ended June 30, 2019 is 4.8 and 4.8 for the measurement period June 30, 2020.

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 ended June 30:

2021	\$ 205
2022	\$ 2,675
2023	\$ 3,631
2024	\$ 4,731

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 9: DEFINED BENEFIT 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases**	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expenses
Cost-of-living adjustments	1.00%

*3.75% of 1% depending on whether the member was hired on or before July 1, 2012.

**There is an additional component of assumed salary growth (on top of the 3.75%) that varies for each individual member based on years of service

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2020 is based on the results of an actuarial valuation date of July 1, 2020.

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.

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 9: DEFINED BENEFIT 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 2020.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return (Arithmetic)</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	30.00%	2.80%	0.55%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.14%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			<u>7.05%</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:

	<u>1% Decrease (6.05%)</u>	<u>Current Discount Rate (7.05%)</u>	<u>1% Increase (8.05%)</u>
City's net pension liability	\$ 130,247	\$ 63,513	\$ 8,334

(Continued)

City of Dalton Gardens

NOTES TO THE FINANCIAL STATEMENTS September 30, 2020

NOTE 9: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

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, 2020, the City reported payables to the defined benefit pension plan of \$1,112 for legally required employer contributions and \$673 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 10: CONTINGENCIES

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement from grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial. The City is a party to legal actions arising in the ordinary course of its business. In management's opinion, the City has adequate legal defenses and/or insurance coverage regarding these legal actions and does not believe that they will materially affect the City's operations or financial position.

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance.

NOTE 12: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following individual funds reflected an excess of expenditures over appropriations:

<u>Funds</u>	<u>Amount of Over Expenditure</u>
General Fund	\$ 148,256

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

City of Dalton Gardens

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - GENERAL FUND GOVERNMENTAL FUNDS For the Year Ended September 30, 2020

	*		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES			
Property taxes	\$ 155,367	\$ 159,898	\$ 4,531
State revenue sharing	173,000	201,069	28,069
Liquor tax	91,000	103,315	12,315
State highway funds	111,800	112,338	538
Idaho transportation grant	-	10,772	10,772
Local bridge and road tax	48,000	61,220	13,220
Utility franchise tax	48,000	53,195	5,195
Building/sign/trip permits	66,300	100,296	33,996
Sales tax	45,000	35,764	(9,236)
Business licenses/fees	7,300	6,950	(350)
Traffic citations	10,000	5,048	(4,952)
Rents	5,000	5,946	946
Other	1,000	1,668	668
Interest earnings	34,000	30,941	(3,059)
Total revenues	795,767	888,420	92,653
EXPENDITURES			
General government	370,678	395,907	(25,229)
Streets and street maintenance	323,879	495,954	(172,075)
Parks and recreation	56,005	22,452	33,553
Fire and inspection	40,000	41,884	(1,884)
Law enforcement	34,000	16,621	17,379
Total expenditures	824,562	972,818	(148,256)
Net change in fund balances	(28,795)	(84,398)	(55,603)
Fund balance - beginning		2,442,009	2,442,009
Fund balance - ending	\$ (28,795)	\$ 2,357,611	\$ 2,386,406

*Budget was not amended.

City of Dalton Gardens

GASB 68 Required Supplementary Information
For the Year Ended September 30, 2020

Schedule of Employers' Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years *

	2020	2019	2018	2017	2016	2015
Employer's portion of the net pension liability	0.0027351%	0.0033625%	0.0040873%	0.0049034%	0.0050783%	0.0054952%
Employer's proportionate share of the net pension liability	\$ 63,513	\$ 38,610	\$ 60,288	\$ 77,073	\$ 102,945	\$ 72,363
Employer's covered-employee payroll	\$ 101,746	\$ 100,504	\$ 132,500	\$ 139,983	\$ 154,761	\$ 148,978
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	62.42%	38.42%	45.50%	55.06%	66.52%	48.57%
Plan fiduciary net position as a percentage of the total pension liability	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

full 10-year trend is compiled, the City will present information for those years for which information is available.

Data reported is measured as of June 30, 2020 (measurement date).

Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years *

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 12,182	\$ 11,863	\$ 14,999	\$ 15,847	\$ 17,519	\$ 16,865
Contributions in relation to the statutorily required contribution	12,182	11,863	14,999	15,847	17,519	16,865
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll of its covered employee payroll	\$ 101,746	\$ 100,504	\$ 132,500	\$ 139,983	\$ 154,761	\$ 148,978
Contributions as a percentage of covered-employee payroll	11.97%	11.80%	11.32%	11.32%	11.32%	11.32%

full 10-year trend is compiled, the City will present information for those years for which information is available.

Data reported is measured as of September 30, 2020.

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

City of Dalton Gardens

**SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2020**

	*		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
GENERAL GOVERNMENT			
Salaries:			
Clerk	\$ 52,293	\$ 52,424	\$ (131)
Council	19,200	19,200	-
Clerk - assistant	18,000	17,112	888
Mayor	10,200	10,200	-
Total salaries	<u>99,693</u>	<u>98,936</u>	<u>757</u>
Payroll taxes and benefits	44,085	32,699	11,386
Other professional services	142,000	195,144	(53,144)
Telephone and utilities	8,000	9,183	(1,183)
Audit and accounting	12,000	9,195	2,805
Insurance	7,500	5,766	1,734
Capital outlay	-	5,644	(5,644)
Building maintenance	7,600	7,351	249
Office supplies and postage	8,000	7,621	379
Legal publishing	4,000	1,741	2,259
Other	31,800	1,779	30,021
Debt service	-	18,000	(18,000)
Dues and subscriptions	2,500	2,347	153
Travel and meetings	3,500	501	2,999
Total general government	<u>370,678</u>	<u>395,907</u>	<u>(25,229)</u>
STREETS AND STREET MAINTENANCE			
Salaries and wages	8,200	18,254	(10,054)
Payroll taxes and benefits	675	2,045	(1,370)
Road construction	110,404	35,373	75,031
Snow and ice control	28,000	3,416	24,584
Contracted maintenance	175,000	435,656	(260,656)
Maintenance supplies	1,600	1,210	390
Total streets and street maintenance	<u>323,879</u>	<u>495,954</u>	<u>(172,075)</u>
PARKS AND RECREATION			
Salaries and wages	6,000	3,551	2,449
Other	12,500	871	11,629
Payroll taxes and benefits	505	138	367
Supplies	1,500	490	1,010
Contracted services	35,000	16,891	18,109
Maintenance and repairs	500	511	(11)
Total parks and recreation	<u>56,005</u>	<u>22,452</u>	<u>33,553</u>
FIRE AND INSPECTION			
Building inspector services	40,000	41,884	(1,884)
Total fire and inspection	<u>40,000</u>	<u>41,884</u>	<u>(1,884)</u>
LAW ENFORCEMENT			
Salary	20,000	6,885	13,115
Payroll taxes and benefits	-	638	(638)
Prosecuting attorney	2,000	2,030	(30)
Special law enforcement expenses	12,000	7,068	4,932
Total law enforcement	<u>34,000</u>	<u>16,621</u>	<u>17,379</u>
Total expenditures	<u>\$ 824,562</u>	<u>\$ 972,818</u>	<u>\$ (148,256)</u>

*Budget was not amended.

REPORT REQUIRED BY GAO

**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**

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Dalton Gardens
Dalton Gardens, ID 83815

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the City of Dalton Gardens, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Dalton Gardens basic financial statements, and have issued our report thereon dated January 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Dalton Gardens internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Dalton Gardens internal control. Accordingly, we do not express an opinion on the effectiveness of City of Dalton Gardens 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 (CONCLUDED)

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.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh, & Co., P.A.

January 20, 2021