

# CITY OF DALTON GARDENS

FINANCIAL STATEMENTS  
SEPTEMBER 30, 2022

**City of Dalton Gardens**  
**September 30, 2022**

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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 Audit of the Financial Statements**

#### ***Opinions***

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the City of Dalton Gardens' 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 and each major fund of the City of Dalton Gardens, as of September 30, 2022, 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.

#### ***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 the City of Dalton Gardens 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.

#### ***Responsibilities of Management for the Financial Statements***

The City of Dalton Gardens' 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 the City of Dalton Gardens' 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.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### ***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 the City of Dalton Gardens' 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 the City of Dalton Gardens' 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***

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.

## **INDEPENDENT AUDITOR'S REPORT (CONCLUDED)**

### ***Required Supplementary Information (Concluded)***

Accounting principles generally accepted in the United States of America require that the supplementary information 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 the City of Dalton Gardens' basic financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 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 March 1, 2023, 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 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 the City of Dalton Gardens' internal control over financial reporting and compliance.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh & Company, P.A.

March 1, 2023

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

## City of Dalton Gardens

### STATEMENT OF NET POSITION

September 30, 2022

#### ASSETS

Cash and cash equivalents	\$ 3,155,535
Restricted cash - bond reserve	35,220
Prepaid expenses	3,253
Franchise fees receivable	12,583
Other receivables	486
Due from other governments	130,936
Interest receivable	5,259
Special assessment receivable	424,694
Land	161,047
Capital assets, net of accumulated depreciation	6,113,940
Total assets	<u>10,042,953</u>

#### DEFERRED OUTFLOWS OF RESOURCES

Proportionate share of collective deferred outflows of resources	55,894
Total deferred outflows of resources	<u>55,894</u>

#### LIABILITIES

Accounts payable	1,538
Accrued wages and benefits	5,539
Accrued interest payable	5,357
Refundable advance - child pedestrian grant	150,000
Refundable advance - mayor's walking challenge	500
Refundable advance - ARPA	518,382
LID bonds payable, due within one year	59,545
Noncurrent liabilities:	
Compensated absences, due in more than one year	2,779
LID bonds payable, due in more than one year	377,800
Net pension liability	105,545
Total liabilities	<u>1,226,985</u>

#### DEFERRED INFLOWS OF RESOURCES

Proportionate share of collective deferred inflows of resources	1,054
Total deferred inflows of resources	<u>1,054</u>

#### NET POSITION

Net investment in capital assets	5,837,642
Restricted:	
Debt service	(30,575)
Child pedestrian grant	150,000
Mayor's walking challenge	500
Unrestricted	2,913,241
Total net position	<u>\$ 8,870,808</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, 2022**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		<b>Net (Expense)</b>
		<b>Charges for Services</b>	<b>Capital Grants</b>	<b>Revenue and Changes in Net Position</b>
				<b>Governmental Activities</b>
Governmental Activities:				
General government	\$ 427,801	\$ 115,728	\$ -	\$ (312,073)
Streets and street maintenance	692,687	-	2,300	(690,387)
Parks and recreation	29,188	-	-	(29,188)
Fire and inspection	41,086	-	-	(41,086)
Law enforcement	4,626	-	-	(4,626)
Interest expense	17,093	-	-	(17,093)
Change in net pension asset	27,150	-	-	(27,150)
Unallocated actual PERSI contributions	(13,393)	-	-	13,393
Total governmental activities	<u>\$ 1,226,238</u>	<u>\$ 115,728</u>	<u>\$ 2,300</u>	<u>(1,108,210)</u>
General revenues:				
				173,008
Property taxes				278,451
State revenue sharing				110,807
Liquor tax				175,424
State highway funds				65,812
Local bridge and road tax				56,083
Utility franchise tax				12,340
Traffic citations				29,098
Other				17,493
Investment earnings				<u>918,516</u>
Total general revenues				<u>(189,694)</u>
Change in net position				
Net position - beginning				9,040,283
Prior period adjustment				20,219
Net position - ending				<u>\$ 8,870,808</u>

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

City of Dalton Gardens

GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2022

	General Fund	LID #1 Fund	LID #2 Fund	LID Guarantee Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,102,158	\$ 2,069	\$ 51,308	\$ -	\$ 3,155,535
Restricted cash - bond reserve	-	-	-	35,220	35,220
Prepaid insurance	3,253	-	-	-	3,253
Franchise fees receivable	12,583	-	-	-	12,583
Other receivables	486	-	-	-	486
Due from other governments	130,936	-	-	-	130,936
Due from other funds	119,172	-	-	-	119,172
Interest receivable	4,596	-	663	-	5,259
Special assessment receivable	-	91,665	332,118	-	423,783
Certified receivable	-	499	412	-	911
Total assets	<u>\$ 3,373,184</u>	<u>\$ 94,233</u>	<u>\$ 384,501</u>	<u>\$ 35,220</u>	<u>\$ 3,887,138</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,538	\$ -	\$ -	\$ -	\$ 1,538
Accrued wages and benefits	5,539	-	-	-	5,539
Due to other funds	-	-	119,172	-	119,172
Total liabilities	<u>7,077</u>	<u>-</u>	<u>119,172</u>	<u>-</u>	<u>126,249</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-special assessments	-	92,164	333,193	-	425,357
Unavailable revenue - ARPA	518,382	-	-	-	518,382
Unavailable revenue - mayor's walking challenge	500	-	-	-	500
Unavailable revenue - child pedestrian	150,000	-	-	-	150,000
Total deferred inflows of resources	<u>668,882</u>	<u>92,164</u>	<u>333,193</u>	<u>-</u>	<u>1,094,239</u>
<b>FUND BALANCES</b>					
Non-spendable prepaid expenses	3,253	-	-	-	3,253
Restricted:					
Debt service	-	2,069	(67,864)	35,220	(30,575)
Mayor's walking challenge	500	-	-	-	500
Child pedestrian grant	150,000	-	-	-	150,000
Assigned	717,416	-	-	-	717,416
Unassigned	1,826,056	-	-	-	1,826,056
Total fund balance	<u>2,697,225</u>	<u>2,069</u>	<u>(67,864)</u>	<u>35,220</u>	<u>2,666,650</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,373,184</u>	<u>\$ 94,233</u>	<u>\$ 384,501</u>	<u>\$ 35,220</u>	<u>\$ 3,887,138</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, 2022

Total fund balances - Governmental Funds, September 30, 2022		\$ 2,666,650
Cost of capital assets, September 30, 2022	\$ 10,649,714	
Less: Accumulated depreciation, September 30, 2022	<u>(4,374,727)</u>	6,274,987
Compensated absences		(2,779)
LID bonds payable		(437,345)
Accrued interest payable		(5,357)
Elimination of unavailable revenue-special assessments		425,357
Pension liabilities and deferred outflows of resources and deferred inflows of resources related to pensions:		
City's proportionate share of the net pension asset		(105,545)
Proportionate share of collective deferred outflows of resources		55,894
Proportionate share of collective deferred inflows of resources		<u>(1,054)</u>
Net position, September 30, 2022		<u>\$ 8,870,808</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, 2022**

	<b>General Fund</b>	<b>LID #1 Fund</b>	<b>LID #2 Fund</b>	<b>LID Guarantee Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Property taxes	\$ 173,008	\$ -	\$ -	\$ -	\$ 173,008
State revenue sharing	278,451	-	-	-	278,451
Grant revenue	2,300	-	-	-	2,300
Liquor tax	110,807	-	-	-	110,807
State highway funds	175,424	-	-	-	175,424
Local bridge and road tax	65,812	-	-	-	65,812
Utility franchise tax	56,083	-	-	-	56,083
Building/sign/trip permits	104,293	-	-	-	104,293
Business licenses/fees	5,195	-	-	-	5,195
Traffic citations	12,340	-	-	-	12,340
Rents	6,240	-	-	-	6,240
Other	8,094	-	-	-	8,094
Interest earnings	17,423	-	-	70	17,493
Assessments collected	-	15,949	131,842	-	147,791
Penalty and interest	-	3,766	18,630	-	22,396
Total revenues	<u>1,015,470</u>	<u>19,715</u>	<u>150,472</u>	<u>70</u>	<u>1,185,727</u>
<b>EXPENDITURES</b>					
General government	400,780	62	6	-	400,848
Streets and street maintenance	526,404	-	-	-	526,404
Parks and recreation	25,685	-	-	-	25,685
Fire and inspection	41,086	-	-	-	41,086
Law enforcement	4,626	-	-	-	4,626
Debt service:					
Principal	-	30,896	291,026	-	321,922
Interest	-	2,575	18,405	-	20,980
Total expenditures	<u>998,581</u>	<u>33,533</u>	<u>309,437</u>	<u>-</u>	<u>1,341,551</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,889</u>	<u>(13,818)</u>	<u>(158,965)</u>	<u>70</u>	<u>(155,824)</u>
Net change in fund balance	16,889	(13,818)	(158,965)	70	(155,824)
Fund balance - beginning	2,660,117	15,887	91,101	35,150	2,802,255
Prior period adjustment	20,219	-	-	-	20,219
Fund balance - ending	<u>\$ 2,697,225</u>	<u>\$ 2,069</u>	<u>\$ (67,864)</u>	<u>\$ 35,220</u>	<u>\$ 2,666,650</u>

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, 2022

Total net changes in fund balances for the year ended September 30, 2022	\$ (155,824)
Less: Depreciation expense for the year ended September 30, 2022	(195,278)
Less: Difference between revenue earned on assessments on modified accrual basis versus revenue on assessments on accrual basis	(149,183)
Add: Change in accrued interest payable	3,887
Less: Change in compensated absences	(1,461)
Add: Principal payments on LID bonds	321,922
Less: Change in net pension liability	<u>(13,757)</u>
Change in net position for the year ended September 30, 2022	<u>\$ (189,694)</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, 2022

### 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, 2022

### 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 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 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 financials 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, 2022

### 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.

(Continued)



# City of Dalton Gardens

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Budgets and Budgetary Accounting (Concluded)

- 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 finance leases for the current year be recorded as expenditure. The City budgets for the payment on these finance 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.

#### 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 value. Investments on hand at September 30, 2022, 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
Equipment	Straight-line	5-7 years

(Continued)

# City of Dalton Gardens

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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. Compensated absences are reported as accrued liabilities in the government-wide financial statements.

#### 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 (asset) 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.

(Continued)

# City of Dalton Gardens

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Deferred Outflows/Inflows of Resources (Concluded)

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.

#### 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.

(Continued)

# City of Dalton Gardens

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2022

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

#### 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.

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.

#### Q. Recently Issued Accounting Standards

In 2017, the Governmental Accounting Standards Board (GASB) issued Summary of Statement Number 87 Leases (GASB 87), which is required to be adopted for entities with fiscal years beginning after June 15, 2021. The objective of GASB 87 is to improve reporting for certain operating and finance leases. The City has considered the effect that GASB 87 will have on the financial statements and has no leases that require the adoption and implementation of GASB 87 for the year ended September 30, 2022.

(Continued)

# City of Dalton Gardens

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

### 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, 2022, the City's deposits were not exposed to custodial credit risk:

#### **Deposits without exposure to custodial credit risk:**

Deposits:	
Amounts insured by FDIC	\$ 287,289
Amount collateralized with securities held in trust, but not in the City's name	<u>2,574,474</u>
Total deposits without exposure to custodial credit risk	<u>2,861,763</u>

#### **Deposits with exposure to custodial credit risk:**

Deposits:	
Amounts not insured by FDIC	<u>328,992</u>
Total deposits with exposure to custodial credit risk	<u>328,992</u>
Total deposits	<u>\$ 3,190,755</u>

Cash and cash equivalents at September 30, 2022, are classified in the accompanying financial statements as follows:

#### Statement of net position:

Cash and cash equivalents	\$ 3,155,535
Restricted cash - bond reserve	<u>35,220</u>
Total cash and cash equivalents	<u>\$ 3,190,755</u>

Cash and cash equivalents at September 30, 2022 consist of the following:

Cash:	
Deposit with financial institutions	\$ 581,061
Cash equivalents:	
Short-term certificate of deposit	35,220
Idaho State Investment Pool	<u>2,574,474</u>
Total cash and cash equivalents	<u>\$ 3,190,755</u>

(Continued)

## City of Dalton Gardens

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

**NOTE 2: CASH AND CASH EQUIVALENTS (CONCLUDED)**

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 \$2,574,474, 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 consists of the following as of September 30, 2022:

	LID #1	LID #2
Beginning assessment - principal	\$ 108,113	\$ 464,372
Assessments collected - principal *	(15,949)	(131,842)
Ending assessment - principal **	\$ 92,164	\$ 332,530

\*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.

## City of Dalton Gardens

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

#### NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<b>Governmental activities:</b>				
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	312,090	-	-	312,090
Infrastructure	8,937,286	-	-	8,937,286
Sewer system	443,383	-	-	443,383
Total capital assets being depreciated	<u>10,488,667</u>	<u>-</u>	<u>-</u>	<u>10,488,667</u>
Less accumulated depreciation:				
Buildings	400,780	17,201	-	417,981
Land improvements	33,500	1,798	-	35,298
Furniture and equipment	180,074	15,419	-	195,493
Infrastructure	3,483,220	151,993	-	3,635,213
Sewer system	81,875	8,867	-	90,742
Total accumulated depreciation	<u>4,179,449</u>	<u>195,278</u>	<u>-</u>	<u>4,374,727</u>
Total capital assets, being depreciated, net	<u>6,309,218</u>	<u>(195,278)</u>	<u>-</u>	<u>6,113,940</u>
Governmental activities capital assets, net	<u>\$ 6,470,265</u>	<u>\$ (195,278)</u>	<u>\$ -</u>	<u>\$ 6,274,987</u>

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

Governmental activities:	
General government	\$ 25,492
Street	166,283
Parks and recreation	3,503
Total	<u>\$ 195,278</u>

## City of Dalton Gardens

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

#### 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
LID #1 bond	\$ 72,556	\$ -	\$ 30,896	\$ 41,660	\$ 31,993
LID No. 2 Bond, Series 2019	686,711	-	291,026	395,685	27,552
Compensated absences	1,318	1,461	-	2,779	-
	<u>\$ 760,585</u>	<u>\$ 1,461</u>	<u>\$ 321,922</u>	<u>\$ 440,124</u>	<u>\$ 59,545</u>

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

#### 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
2023	\$ 31,993	\$ 1,478	\$ 33,471
2024	9,667	343	10,010
	<u>\$ 41,660</u>	<u>\$ 1,821</u>	<u>\$ 43,481</u>

#### 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. Due to advance payments made by the City, the annual payment due has decreased from \$65,214 to \$40,131. 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
2023	\$ 27,552	\$ 12,579	\$ 40,131
2024	28,491	11,640	40,131
2025	29,421	10,710	40,131
2026	30,350	9,781	40,131
2027-2031	166,698	33,960	200,658
2032-2034	113,173	7,221	120,394
	<u>\$ 395,685</u>	<u>\$ 85,891</u>	<u>\$ 481,576</u>

(Continued)



## City of Dalton Gardens

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

#### 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, 2022:

Road projects	\$ 573,742
Parks	30,070
Equipment replacement	20,000
Training	599
Law enforcement	91,250
Community wide events	1,755
Total	<u>\$ 717,416</u>

The restricted fund balance in the general fund represents amounts that are restricted for specific purposes. This is comprised of \$150,000 for a child pedestrian grant and \$500 for the mayor's walking challenge.

#### 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](http://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.

(Continued)

## City of Dalton Gardens

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

#### NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

##### *Pension Benefits (Concluded)*

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% (74%) of the employer rate. As of June 30, 2022, it was 7.16% (9.13%). The employer contribution rate is set by the Retirement Board and was 11.94% (12.28%) of covered compensation. The City's contributions were \$13,393 for the year ended September 30, 2022.

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

At September 30, 2022, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was 0.0026796 percent.

## City of Dalton Gardens

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

#### 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 (Concluded)*

For the year ended September 30, 2022, the City recognized pension expense (offset) of \$27,150. At September 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 24,285	\$ -
Changes of assumptions	17,207	-
Net difference between projected and actual earnings on pension plan investments	11,606	471
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	583
City of Dalton Garden's contributions subsequent to the measurement date	2,796	-
Total	\$ 55,894	\$ 1,054

\$2,796 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, 2022.

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, 2022 the beginning of the measurement period ended June 30, 2021 is 4.6 and 4.6 for the measurement period June 30, 2022.

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 September 30:**

2023	\$ (12,585)
2024	\$ (13,662)
2025	\$ (6,319)
2026	\$ (20,061)

(Continued)

# City of Dalton Gardens

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

### 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, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2015, through June 30, 2020, which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2022, is based on the results of an actuarial valuation date of July 1, 2022.

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, 2022

### NOTE 9: DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Actuarial Assumptions (Concluded)*

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 2022.

<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%	1.80%	-0.20%
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation - Mean		2.00%	2.00%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.15%	3.06%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.14%
Portfolio Standard Deviation			14.16%
<b>Valuation Assumptions Chosen by PERSI Board</b>			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			2.30%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>			<b>6.35%</b>

#### *Discount Rate*

The discount rate used to measure the total pension liability was 6.35%. 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.

(Continued)

## City of Dalton Gardens

### NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

**NOTE 9: DEFINED BENEFIT PENSION PLAN (CONCLUDED)**

*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 6.35 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 (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	Discount Rate (6.35%)	1% Increase (7.35%)
City's net pension liability (asset)	\$ 186,276	\$ 105,545	\$ 39,468

*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](http://www.persi.idaho.gov).

*Payables to the pension plan*

At September 30, 2022, the City reported no payables to the defined benefit pension plan for legally required employer contributions and no payables 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.

(Continued)

# City of Dalton Gardens

## NOTES TO THE FINANCIAL STATEMENTS September 30, 2022

### NOTE 12: INTERFUND TRANSACTIONS

Due to or from other funds as of September 30, 2022:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	LID #2 Fund	\$ 119,172

### NOTE 13: DEFICIT FUND BALANCE

A deficit balance exists in the following individual funds:

LID #2 Fund	<u>Deficit Fund Balance</u> (\$67,864)
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### NOTE 14: PRIOR PERIOD ADJUSTMENT

During the fiscal year ending September 30, 2022, the City restated beginning fund balance in the General Fund due to a reduction in the liability related to fire hydrants. Beginning fund balance was increased by \$20,219 to more properly reflect expenditures. The City also restated beginning net position in the Government-Wide financial statements, net position was increased by \$20,219.

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, 2022**

	<b>ORIGINAL Budgeted Amounts</b>	<b>FINAL Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>				
Property taxes	\$ 170,919	\$ 172,335	\$ 173,008	\$ 673
State revenue sharing	230,768	290,312	278,451	(11,861)
Liquor tax	102,540	110,826	110,807	(19)
State highway funds	116,673	373,681	175,424	(198,257)
Idaho transportation grant	-	-	2,300	2,300
Local bridge and road tax	40,000	65,812	65,812	-
Utility franchise tax	53,000	49,976	56,083	6,107
Building/sign/trip permits	67,800	87,781	104,293	16,512
Business licenses/fees	7,750	7,750	5,195	(2,555)
Traffic citations	5,000	5,000	12,340	7,340
Rents	6,240	6,240	6,240	-
Other	-	259,191	8,094	(251,097)
Interest earnings	5,000	5,000	17,423	12,423
Total revenues	<u>805,690</u>	<u>1,433,904</u>	<u>1,015,470</u>	<u>(418,434)</u>
<b>EXPENDITURES</b>				
General government	544,300	804,672	400,780	403,892
Streets and street maintenance	462,922	676,283	526,404	149,879
Parks and recreation	47,005	47,005	25,685	21,320
Fire and inspection	50,000	50,000	41,086	8,914
Law enforcement	13,740	13,740	4,626	9,114
Total expenditures	<u>1,117,967</u>	<u>1,591,700</u>	<u>998,581</u>	<u>593,119</u>
Net change in fund balances	<u>(312,277)</u>	<u>(157,796)</u>	16,889	174,685
Fund balance - beginning	-	-	2,660,117	2,660,117
Prior period adjustment	-	-	20,219	20,219
Fund balance - ending	<u>\$ (312,277)</u>	<u>\$ (157,796)</u>	<u>\$ 2,697,225</u>	<u>\$ 2,855,021</u>

**City of Dalton Gardens**

**GASB 68 Required Supplementary Information  
For the Year Ended September 30, 2022**

**Schedule of Employer's Share of Net Pension (Asset) Liability  
PERSI - Base Plan  
Last 10 - Fiscal Years \***

	<u>2022</u>	<u>2021</u>
Employer's portion of the net pension (asset) liability	0.0026796%	0.0027319%
Employer's proportionate share of the net pension (asset) liability	\$ 105,545	\$ (2,158)
Employer's covered-employee payroll	\$ 111,931	\$ 97,830
payroll	94.29%	-2.21%
Plan fiduciary net position as a percentage of the total pension (asset) liability	100.36%	88.22%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a 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, 2022 (measurement date).

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

	<u>2022</u>	<u>2021</u>
Statutorily required contribution	\$ 13,393	\$ 11,697
Contributions in relation to the statutorily required contribution	13,393	11,697
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll of its covered employee payroll	\$ 111,931	\$ 97,830
Contributions as a percentage of covered-employee payroll	11.97%	11.96%

\* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a 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, 2022.

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
0.0027351%	0.0033825%	0.0040873%	0.0049034%	0.0050783%	0.0054952%
\$ 63,513	\$ 38,610	\$ 60,288	\$ 77,073	\$ 102,945	\$ 72,363
\$ 101,746	\$ 100,504	\$ 132,500	\$ 139,983	\$ 154,761	\$ 148,978
62.42%	38.42%	45.50%	55.06%	66.52%	48.57%
88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
\$ 12,182	\$ 11,863	\$ 14,999	\$ 15,847	\$ 17,519	\$ 16,865
12,182	11,863	14,999	15,847	17,519	16,865
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 101,746	\$ 100,504	\$ 132,500	\$ 139,983	\$ 154,761	\$ 148,978
11.97%	11.80%	11.32%	11.32%	11.32%	11.32%

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

**City of Dalton Gardens**

**SCHEDULE OF EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2022**

	<b>ORIGINAL Budgeted Amounts</b>	<b>FINAL Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>GENERAL GOVERNMENT</b>				
Salaries:				
Clerk	\$ 52,000	\$ 52,000	\$ 57,213	\$ (5,213)
Council	19,200	19,200	19,200	-
Clerk - assistant	38,000	38,000	22,292	15,708
Mayor	10,200	10,200	10,200	-
Total salaries	<u>119,400</u>	<u>119,400</u>	<u>108,905</u>	<u>10,495</u>
Payroll taxes and benefits	50,243	50,243	36,137	14,106
Other professional services	268,300	275,530	192,703	82,827
Telephone and utilities	11,300	11,300	11,647	(347)
Audit and accounting	24,000	20,566	13,391	7,175
Insurance	7,500	7,500	6,658	842
Building maintenance	8,600	8,600	9,310	(710)
Office supplies and postage	8,000	8,000	6,092	1,908
Legal publishing	4,000	4,000	6,975	(2,975)
Other	37,257	293,833	4,007	289,826
Dues and subscriptions	2,500	2,500	2,354	146
Travel and meetings	3,200	3,200	2,601	599
Total general government	<u>544,300</u>	<u>804,672</u>	<u>400,780</u>	<u>403,892</u>
<b>STREETS AND STREET MAINTENANCE</b>				
Salaries and wages	25,000	25,000	16,295	8,705
Payroll taxes and benefits	2,055	2,055	-	2,055
Road construction	44,500	44,500	48,072	(3,572)
Snow and ice control	30,000	30,000	3,360	26,640
Contracted maintenance	358,367	571,728	446,586	125,142
Maintenance supplies	3,000	3,000	12,091	(9,091)
Total streets and street maintenance	<u>462,922</u>	<u>676,283</u>	<u>526,404</u>	<u>149,879</u>
<b>PARKS AND RECREATION</b>				
Salaries and wages	6,000	6,000	4,724	1,276
Other	9,000	9,000	1,739	7,261
Payroll taxes and benefits	505	505	-	505
Supplies	-	-	1,975	(1,975)
Contracted services	30,000	30,000	17,197	12,803
Maintenance and repairs	1,500	1,500	50	1,450
Total parks and recreation	<u>47,005</u>	<u>47,005</u>	<u>25,685</u>	<u>21,320</u>
<b>FIRE AND INSPECTION</b>				
Building inspector services	50,000	50,000	41,086	8,914
Total fire and inspection	<u>50,000</u>	<u>50,000</u>	<u>41,086</u>	<u>8,914</u>
<b>LAW ENFORCEMENT</b>				
Salary	12,000	12,000	2,886	9,114
Prosecuting attorney	1,740	1,740	1,740	-
Total law enforcement	<u>13,740</u>	<u>13,740</u>	<u>4,626</u>	<u>9,114</u>
Total expenditures	<u>\$ 1,117,967</u>	<u>\$ 1,591,700</u>	<u>\$ 998,581</u>	<u>\$ 593,119</u>

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 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, 2022, and the related notes to the financial statements, which collectively comprise the City of Dalton Gardens' basic financial statements, and have issued our report thereon dated March 1, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Dalton Gardens' internal control over financial reporting (internal control) as a basis for designing 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 the City of Dalton Gardens' internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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. 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.

***Report on 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 financial statements. 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.

March 1, 2023