

Financial Statements

City of Mountain Home, Idaho
Includes Supplementary Information
Year Ended September 30, 2020



Table of Contents

Independent Auditors' Report	4
Management's Discussion and Analysis	6
Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	20
Statement of Activities	22
Fund Financial Statements	
Balance Sheet – Governmental Funds	24
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	28
Statement of Net Position – Proprietary Funds	29
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	32
Statement of Fiduciary Assets and Liabilities – Tap Deposit Fund	34
Notes to the Financial Statements	35
Required Supplementary Information	
Statements of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:	
General Fund	56
Street Oiling Special Revenue Fund	59
Schedule of Employers' Proportionate Share of Net Pension Liability	60

Table of Contents

Supplementary Information

Statements of Revenues, Expenditures and Changes in Net Position – Budget to Actual – Proprietary Funds:	
Water Enterprise Fund	62
Sewer Enterprise Fund	63
Sanitation Enterprise Fund	64
Golf Course Enterprise Fund	65
Combining Balance Sheet – Non-Major Governmental Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	68

Federal Reports

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	73
Schedule of Expenditures of Federal Awards	75
Notes to Schedule of Expenditures of Federal Awards	76
Schedule of Findings and Questioned Costs	77
Schedule of Prior Audit Findings	78

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of the governmental activities, the business-type activities, the aggregate and discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mountain Home, Idaho 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 misstatements 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 financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mountain Home, Idaho as of September 30, 2020 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.





Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of employers' proportionate share of net pension liability as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 Mountain Home, Idaho's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated , on our consideration of the City of Mountain Home, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mountain Home, Idaho's internal control over financial reporting and compliance.

Harris CPAs

Meridian, Idaho

March 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Within this section of the City of Mountain Home's (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ending September 30, 2020. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$52,003,656 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$50,055,081. Resulting in an increase in net position of \$1,948,575.
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$48,438,040 includes property and equipment, net of accumulated depreciation and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Unrestricted net assets of \$1,625,270 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
 - (3) Restricted net assets of \$1,940,346 represent the portion reserved for development, construction, and debt service.
- The City's governmental funds reported total ending fund balance of \$3,709,016 this year. This compares to the prior year ending fund balance of \$3,838,921; showing a decrease of \$129,905 during the current year, due to the construction and infrastructure improvements.
- At the end of the current fiscal year, the General Fund reflected a non-spendable balance of \$20,351 restricted balance of \$219,148, assigned balance of \$3,148 and unassigned balance of \$824,391 for a total General Fund balance of \$1,067,038. These classifications of fund balance show the nature and extent of constraints placed on the City's general fund balance by law, creditors, the City Council, or the City's annually adopted budget. Examples of such constraints include pre-paid expenditures, funds reserved for debt service, and amounts set aside for specific operating purposes. Unassigned fund balances are available for spending for any purpose.
- Total liabilities of the City increased by \$789,219 from \$14,419,447 to \$15,208,666 during the fiscal year. This increase was primarily due to investments in the capital asset for the water storage tank however additional payments were made on the certificates of participation for the law enforcement building, payments on the DEQ water and wastewater certificates of participation.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also the City of Mountain Home Urban Renewal Agency, a legally separate entity for which the City is financially accountable. Financial information for the Agency is reported separately from the financial information presented for the primary government. More comprehensive information about the City's component unit can be found in the notes to the financial statements.

Fund Financial Statements

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

The City has three kinds of funds:

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

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

Individual fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Street Oiling Fund, which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

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

Proprietary fund statements and statements for discretely presented component units (reporting is like proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds and individual component units.

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

Notes to the financial statements

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

Other information

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

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

Financial Analysis of the City as a Whole

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

Government-Wide Financial Analysis

At the end of FY 2019-20, the City is able to report positive balances in two categories of net position for the government as a whole: (1) net investment in capital assets, and (2) restricted net position. Unrestricted net position, the third category of net position, had a negative balance in governmental activities. Business-type activities have a positive balance for all three categories of net position.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

The City's net position for the fiscal year-end September 30, 2020 is \$52,003,656. This is a \$1,948,575 increase from last year's net position of \$50,055,081. The following table provides a comparative summary of the City's net position at September 30 for both years:

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$11,463,058	\$11,802,933	\$4,461,436	\$3,394,426	\$15,924,494	\$15,197,359
Capital assets	25,528,931	24,563,235	31,904,553	31,829,817	57,433,484	56,393,052
Pension obligations	618,299	281,181	206,102	93,729	824,401	374,910
Total assets	<u>37,610,288</u>	<u>36,647,349</u>	<u>36,572,091</u>	<u>35,317,972</u>	<u>74,182,379</u>	<u>71,965,321</u>
Long-term liabilities	4,480,736	3,165,248	9,518,172	9,697,053	13,998,908	12,862,301
Other liabilities	816,176	1,156,524	393,582	400,622	1,209,758	1,557,146
Total liabilities	<u>5,296,912</u>	<u>4,321,772</u>	<u>9,911,754</u>	<u>10,097,675</u>	<u>15,208,666</u>	<u>14,419,447</u>
Deferred Inflows	6,925,033	7,280,031	45,024	210,762	6,970,057	7,490,793
Net Position:						
Invested in capital assets, net of related debt	24,924,580	24,093,153	23,513,460	22,986,519	48,438,040	47,079,672
Restricted	1,858,482	1,700,561	81,864	70,169	1,940,346	1,770,730
Unrestricted	<u>(1,394,719)</u>	<u>(748,168)</u>	<u>3,019,989</u>	<u>1,952,847</u>	<u>1,625,278</u>	<u>1,204,679</u>
Total net position	<u>\$25,388,343</u>	<u>\$25,045,546</u>	<u>\$26,615,313</u>	<u>\$25,009,535</u>	<u>\$52,003,656</u>	<u>\$50,055,081</u>

Net position increased \$342,797 for governmental activities and increased \$1,605,778 for business-type activities. Comparative data is accumulated and presented to assist analysis.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

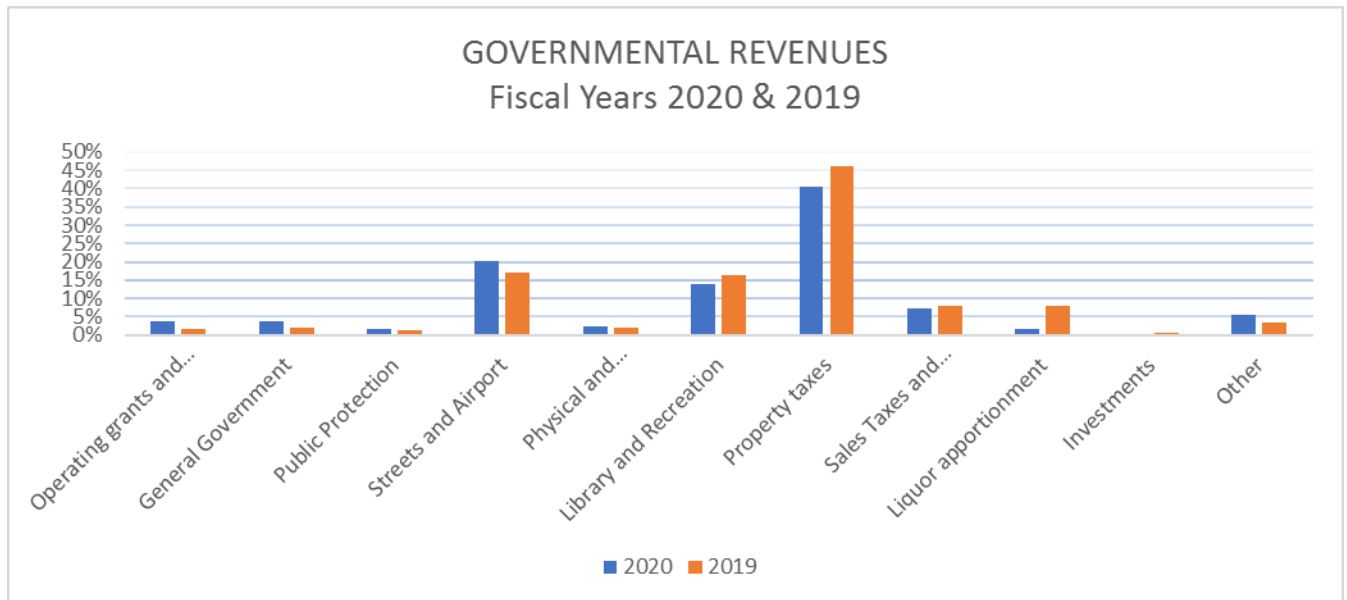
<u>Function and program</u>	Summary of Change in Net Position					
	Governmental Activities 2020	Governmental Activities 2019	Business-type Activities 2020	Business-type Activities 2019	Totals 2020	Totals 2019
Operating grants and contributions	\$ 451,346	\$ 162,258	\$ -	\$ -	\$ 451,346	\$ 162,258
Capital grants and contributions	450,914	186,381	-	(5,823)	450,914	180,558
Fines and Fees & Charges for Services	4,677,988	3,749,276	6,614,575	5,958,340	11,292,563	9,707,616
<u>General revenues</u>						
Property taxes	5,003,272	4,732,139	-	-	5,003,272	4,732,139
Sales taxes and revenue sharing	897,417	808,752	-	-	897,417	808,752
Liquor apportionment	197,473	184,865	-	-	197,473	184,865
Investment Income	27,577	48,254	48,924	69,093	76,501	117,347
Other/Availability Fee	685,710	357,166	43,213	1,283	728,923	358,449
Total revenues	<u>12,391,697</u>	<u>10,229,091</u>	<u>6,706,712</u>	<u>6,022,893</u>	<u>19,098,409</u>	<u>16,251,984</u>
<u>Expenditures</u>						
General government	1,535,602	1,011,577	-	-	1,535,602	1,001,577
Public protection	4,221,889	4,042,964	-	-	4,221,889	4,042,964
Streets and Airport	3,278,754	3,668,015	-	-	3,278,754	3,668,015
Health and Sanitation	213,767	247,310	-	-	213,767	247,310
Physical and economic development	182,603	184,111	-	-	182,603	184,111
Library and recreation	2,104,819	2,046,280	-	-	2,104,819	2,046,280
Interest on debt service	32,729	60,352	-	-	32,729	60,352
Golf Course	-	-	669,486	586,336	669,486	586,336
Water	-	-	2,671,281	2,500,586	2,671,281	2,500,586
Wastewater	-	-	2,086,681	2,097,360	2,086,681	2,097,360
Sanitation	-	-	1,067,479	1,036,557	1,067,479	1,036,557

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Total expenses	11,570,163	11,260,609	6,494,927	6,220,839	18,065,090	17,481,448
Increase (Decrease) in net position before transfers	8421,534	(1,031,518)	211,785	(197,946)	1,033,319	(1,229,464)
Transfers	(478,737)	(515,295)	1,393,993	515,295	915,256	0
Change in Net Position	342,797	(1,546,813)	1,605,778	317,349	1,948,575	(1,229,464)
NET POSITION, Beginning (Previous)	25,045,546	26,592,359	25,009,535	24,692,186	50,055,081	51,284,545
NET POSITION, End of Year	<u>\$25,388,343</u>	<u>\$25,045,546</u>	<u>\$26,615,313</u>	<u>\$25,009,535</u>	<u>\$52,003,656</u>	<u>\$50,055,081</u>

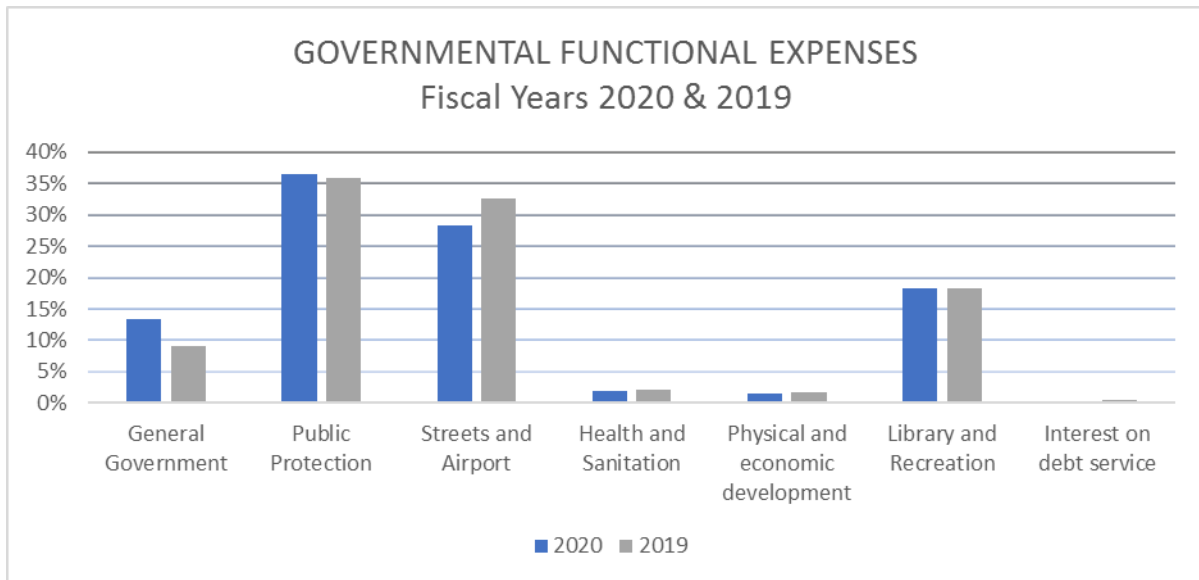
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for the fiscal year 2020.

**GOVERNMENTAL REVENUES
Fiscal Years 2020 & 2019**



As graphically portrayed above and discussed earlier, the City is heavily reliant on property taxes to support governmental operations. Property taxes provided 40% and 46% of the City's total governmental revenues in fiscal years 2020 and 2019, respectively.

**GOVERNMENTAL FUNCTIONAL EXPENSES
Fiscal Years 2020 & 2019**



This graph shows each major expenditure category and its share of total governmental activities cost. For example, Streets and Airport expenditures, in the amount of \$3,278,754, account for almost 28% of the \$11,570,163 total expenditures for this year. Unlike many cities in the state, Mountain Home city government provides almost all of the services available to city residents by statute, including cemetery, airport, library, public safety, parks, recreation, animal control, street maintenance, economic development and general administration, with public safety receiving the largest share of revenues. In many other localities these services are provided by private business (cemeteries) or special taxing districts (for libraries, streets, fire protection or recreation).

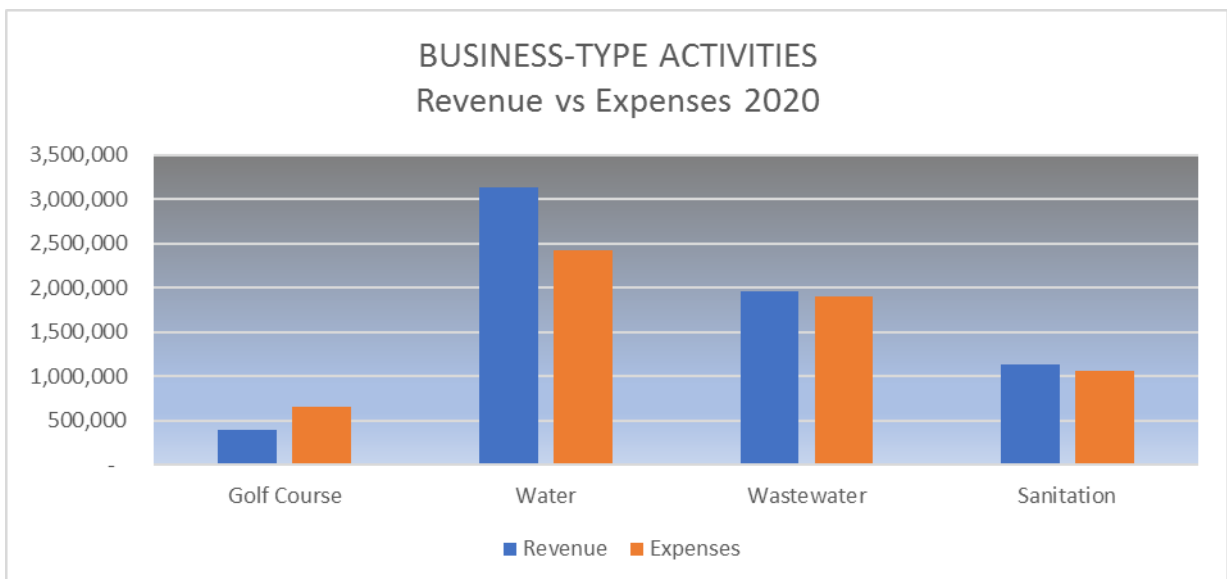
Significant capital expenses and other activity for this fiscal year in governmental funds included:

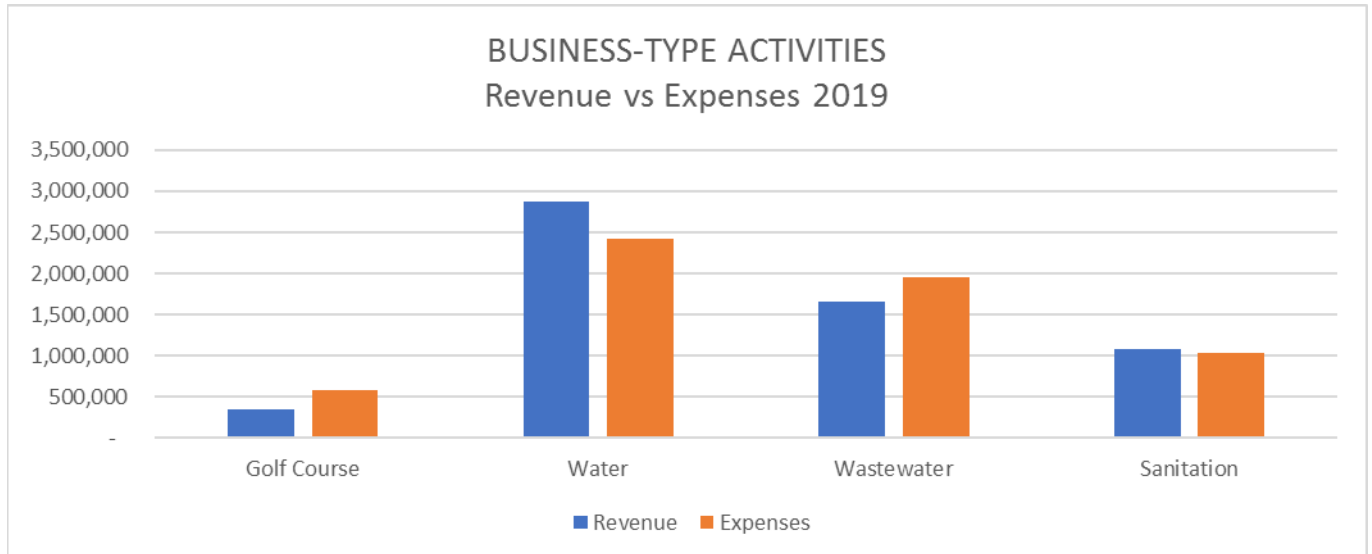
- City Hall is continuing to support the fiber optic project by implementing connections to our current facilities. These fiber connections have allowed the Police Department to upgrade their server equipment and realize real time information exchanges with State and other agencies. Included in the City Hall assets was additional upgrades and support for the paperless technology and computer server replacement. The final purchase regarding the Railroad Park has been moved forward with a new purchase deadline of 2020 from the 2022 deadline. Total asset \$101,344.
- Police Department is in their first year of a new lease/purchase agreement for 8 new patrol vehicles, included in this purchase were computer tablets and technology equipment. Also included in this budget cycle is the annual payment for the Law Enforcement Facility and office technology equipment. Total asset budget \$255,677.
- This year's asset program for the Animal Shelter is the continued partnership for the growing dog park and community outreach by hosting a spay and neuter clinic, and fiber optic upgrades. The department assets increased by \$2,658.
- Our volunteer Fire Department asset included a purchase of thermal imagers, Extendedobed with cooperation with the Rural Fire Department, upgrades to the radio repeater tower, lease/purchase payments for the fire engine and continued education within the volunteer firefighters. \$67,192 were included for the total asset increase.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

- Parks Department continued to support the downtown rehabilitation with purchases of pots, bike racks, waste receptacles, and park benches. This department also included in assets purchases mowing equipment, landscape trailers, restroom upgrades, security cameras for park monitoring, new vehicle for fleet management and the final phase of the skatepark has been completed. For a total improvement cost of \$592,030.
- Street Department infrastructure is in Phase #2 of a major project for downtown revitalization with sidewalk repairs on main street and the pedestrian friendly curb appeal for the businesses. Included in this year's assets were additional pedestrian crossing and the vehicle purchase for fleet management. An increase in assets total \$989,470.
- Cemetery included in their annual budget of expenses, the purchase of an additional mower, and the purchase of a track loader/skid steer. Total improvement cost of \$25,494.
- The Recreation Department projects for the current budget cycle included building upgrades, additional storage sheds, and pool repairs. For a total improvement to upgrades at a cost of \$45,807.
- Mountain Home Library used the supplemental levy for much needed roof repairs and building improvements at a cost of \$60,529.
- The City Municipal Airport began the planning phase for future asset improvements to the safety of the airport runway, such as lighting and communications. This project is a grant through the FAA which includes engineering and professional fees, total investment to date is \$363,364.
- Water Department included in their infrastructure Phase #2 of the downtown reconstruction infrastructure upgrades, industrial pressure washer, backhoe replacement, valve actuator and water line upgrades. Total asset improvements equal \$ 394,577.
- Wastewater Department included in their infrastructure Phase #2 of the downtown reconstruction, continued with fleet management, rotation of a mower for the wastewater lagoons, vehicle purchase, backhoe, industrial pressure washer. Asset and infrastructure improvements were completed for a total cost of \$319,595.
- The City's Municipal Golf Course are in the 2nd year of a 3-year project to improve the irrigation system for a cost of \$153,000. Additional purchases include equipment leases and equipment replacement. For an investment cost of \$89,917.
- Beginning in 2007 and continuing through the current fiscal year, the City's Golf Course has required subsidies from the General Fund to cover year end deficits. In FY20 the City transferred \$330,929 from the General Fund to subsidize operating expenses for the Golf Course.

**BUSINESS-TYPE ACTIVITIES
Revenue vs. Costs**





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

Financial Analysis of the City's Funds

Governmental funds

As Discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of expendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,709,016. The ending fund balance consists of non-spendable, restricted and assigned funds in the amount of \$2,866,122 to be used for development, construction, and debt service; and unassigned funds of \$842,894 available for city service requirements.

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

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The General Fund balance increased by \$17,948 during the fiscal year.

The Street Oiling Fund is used to account for highway user revenue that is restricted for maintenance and construction of city streets. The fund balance in the Street Oiling Fund reported an decrease of \$118,850 for the current fiscal year, primarily due to building the required cost expended in the grant match and reconstruction projects, to aid with managing unexpended dollars for future projects, all which will include revitalization of the downtown sidewalks.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Proprietary Funds

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

Major Proprietary funds

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

The water fund reported an increase in net position of \$855,164 for the current fiscal year this reflected a rate increase that will stabilize the funds yearly financial responsibility of the new DEQ loan. Wastewater fund reported an increase in net position of 630,682 this change is articulated in the depreciation schedule for year end.

The sanitation fund reflected an increase of \$67,066 in the revenue collected for basic customer requirements.

The Golf Course Fund is used to account for costs necessary to operate the city's golf course and the charges necessary to offset those costs. The fund reported an increase in net position of \$52,866 for the current fiscal year, primarily due to increase in revenue received from customer participation.

General Fund Budgetary Highlights

The adopted General Fund budget for fiscal year 2020 was \$8,261,817. This was a decrease of \$1,003,856 less than the previous year General Fund budget. This decrease was due to the City's expectation of revenues and the reestablishing previous expenditure hold-backs seen in the prior year.

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

Capital Assets and Debt Administration

Capital assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2020, was \$25,528,931 and \$31,904,553 respectively. Water and wastewater system and street and road infrastructure contributions and improvements comprise the majority of current year increases. The city also purchased miscellaneous equipment in the fiscal year ending September 30, 2020.

See the notes to the financial statements for additional information about changes in capital assets during the fiscal year and construction commitments outstanding at the end of the year.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

**Capital Assets
Net of Accumulated Depreciation**

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Non-Depreciable Assets						
Land	\$2,214,197	\$ 771,058	\$ 3,936,007	\$ 3,915,993	\$ 6,150,204	\$ 4,687,051
Construction in progress	1,798,552	2,285,296	1,173,593	3,593,382	2,972,145	5,878,678
Intangibles	-	-	1,207,510	1,207,510	1,207,510	1,207,510
Depreciable Assets:						
Infrastructure	16,941,256	16,950,068	24,181,625	21,784,539	41,122,881	38,734,607
Buildings and Improvements	2,387,034	2,432,861	178,530	161,876	2,565,564	2,594,737
Equipment	<u>2,187,892</u>	<u>2,123,952</u>	<u>1,227,288</u>	<u>1,166,517</u>	<u>3,415,180</u>	<u>3,290,469</u>
Total	<u>\$25,528,931</u>	<u>\$24,563,235</u>	<u>\$31,904,553</u>	<u>\$31,829,817</u>	<u>\$57,433,484</u>	<u>\$ 56,393,052</u>

Long-term debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$10,951,726. The remaining debt is a combination of capital lease obligations and notes payable for major equipment and infrastructure improvements, including notes payable to the Department of Environmental Quality for water and wastewater system improvements. See the notes to the financial statements for additional information.

Economic Environment and Next Year's Budget

COVID 19 was of concern regarding the national economy, however the City has seen an incline in building permit revenues and a less dramatic incline in state sales tax monies. The growth in new construction means water and wastewater availability funds will increase from previous years and the property tax new construction roll will continue to increase.

CARES Act was voted in place on March 27th, allowing for Paycheck Protection Program, Economic Injury Disaster Loans, Pandemic Unemployment Insurance, and tax changes and credits for taxpayers. The full impact of these federal dollars on the City and the economy in general is unknown at this time however, Mountain Home has continued to grow during the pandemic due primarily to growth in the housing market. The City will monitor closely the evolving impact of the national economy and the stimulus on the local economy. This is the way that the city will continue to grow and focus on the future. Community connectivity has been a primary focus during the pandemic. With Tele-Health, online distance learning and fiber speeds required for stay at home employees it has brought into even greater focus the need for fiber optic communities. With a positive response from the town hall meetings the Mayor and Council are continually supporting options for future growth in this department, which will have a 50 to 100 years impact of the future infrastructure in connectivity.

The Mayor and Council effectively implement plans of harmony with the citizens of our community and work force. Future projects are continuously developed with techniques to generate new strategic alternatives and anticipating approach of "what if" scenarios.

For FY 2021:

- The City will be aggressively applying for grants again this budget cycle with new grants coming out daily from federal funding avenues and the traditional grants that will be available during the budget cycle. The Council has confidence in the fact that an investment into our community organizations is an asset to our city and it will continue to support these diverse civic groups and organizations; Public Transit, Meals on Wheels, Museum, Arts Council, Senior Citizens Center and Visitor Center will all receive funding.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

- Police Department is again applying for grant opportunities for police salary and equipment. This department will request upgrades to the following equipment – security access doors, taser, radios and computers. They have adjusted the patrol staff to include corporal positions to implement additional leadership responsibilities and gain leadership skills for promotional opportunities.
- The Fire Department will partner with the Rural Fire District to purchase a replacement ladder truck, in addition equipment upgrades and equipment replacement is schedule to be completed.. This the way both the city and rural fire protection excels with major contributions from both departments.
- Parks department superintendent is actively involved in Phase #2 of the downtown reconstruction project with the provisions of benches, bike racks, waste receptacles, and flower pots. The new assets for the future budget cycle will include mower replacement, permanent band shell/stage and technology upgrades in the parks.
- Streets will utilize funding from the Idaho Department of Commerce Grant and the Urban Renewal Agency to complete Phase #3 of the downtown reconstruction project. Equipment replacement, fleet management, pedestrian crossing signals and equipment upgrades will be included in the asset request.
- Recreation Department capital improvements include local grant awards and a national fitness campaign for community recreation equipment on the walking path.
- Municipal Golf Course continually strives to recognize the needs of water conservation and is the final phase of sprinkler rehab. The departments asset will include lease equipment purchases and equipment replacement.
- Water Department has included in their request upgrades to equipment, fleet management and leased equipment purchases.
- Wastewater will continue upgrades to equipment such as mowers for the wastewater lagoons, fleet management and equipment replacement.

Contacting the City's Financial Management

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

Component Unit:

NAME: Mountain Home Urban Renewal Agency

DATE ESTABLISHED: 2005

ACTIVITY PERFORMED:

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

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

BASIC FINANCIAL STATEMENTS

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION
September 30, 2020

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Units Total
ASSETS				
Current Assets				
Cash and Investments	\$ 3,114,596	\$ 3,600,613	\$ 6,715,209	\$
Receivables				
Accounts		764,474	764,474	
Property tax	6,950,357		6,950,357	773,598
Sales tax	245,525		245,525	
Due from other governments	231,538		231,538	
Accrued interest	1,551		1,551	
Other	70,026	9,220	79,246	
Prepaid expenses	29,511	5,265	34,776	
Total Current Assets	10,643,104	4,379,572	15,022,676	773,598
Noncurrent Assets				
Restricted cash	819,954	81,864	901,818	1,438,492
Capital assets, net of accumulated depreciation	25,528,931	31,904,553	57,433,484	2,207,262
Total Noncurrent Assets	26,348,885	31,986,417	58,335,302	3,645,754
Total Assets	36,991,989	36,365,989	73,357,978	4,419,352
Deferred Outflows				
Pension obligations	618,299	206,102	824,401	
Total Assets and Deferred Outflows	\$ 37,610,288	\$ 36,572,091	\$ 74,182,379	\$ 4,419,352

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION (Continued)
September 30, 2020

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Units Total
LIABILITIES AND DEFERRED INFLOWS				
Current Liabilities				
Accounts payable	\$ 770,086	\$ 348,690	\$ 1,118,776	\$ 46,870
Accrued interest payable	12,490	27,076	39,566	1,679
Accrued expenses		17,816	17,816	
Deposits payable	<u>33,600</u>		<u>33,600</u>	
Total Current Liabilities	816,176	393,582	1,209,758	48,549
Noncurrent Liabilities				
Due Within One Year				
Capital lease payable	153,596	153,085	306,681	
Bonds payable				260,000
Notes payable		642,770	642,770	
Deferred bond premium amortization				
Certificates of participation	80,000		80,000	
Due in More Than One Year				
Accrued compensated absences	250,993	98,616	349,609	
Capital lease payable	450,755	218,332	669,087	
Deferred bond premium amortization		44,661	44,661	
Bonds payable				270,000
Notes payable		7,550,577	7,550,577	
Certificates of participation	1,115,000		1,115,000	
Net pension liability	<u>2,430,392</u>	<u>810,131</u>	<u>3,240,523</u>	
	<u>4,480,736</u>	<u>9,518,172</u>	<u>13,998,908</u>	<u>530,000</u>
Total Liabilities	5,296,912	9,911,754	15,208,666	578,549
Deferred Inflows				
Deferred tax revenue	6,789,959		6,789,959	773,598
Pensions	<u>135,074</u>	<u>45,024</u>	<u>180,098</u>	
Total Deferred Inflows	6,925,033	45,024	6,970,057	773,598
NET POSITION				
Net investment in capital assets	24,924,580	23,513,460	48,438,040	1,675,583
Unrestricted	(1,394,719)	3,019,989	1,625,270	
Restricted	<u>1,858,482</u>	<u>81,864</u>	<u>1,940,346</u>	<u>1,391,622</u>
Total Net Position	<u>25,388,343</u>	<u>26,615,313</u>	<u>52,003,656</u>	<u>3,067,205</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 37,610,288</u>	<u>\$ 36,572,091</u>	<u>\$ 74,182,379</u>	<u>\$ 4,419,352</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

	<u>PROGRAM REVENUES</u>			
	<u>Expenses</u>	<u>Fees, Fines & Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Functions/Programs				
Governmental Activities				
General government	\$ 1,535,602	\$	\$ 355,213	\$
Public protection	4,221,889	184,331		1,514
Streets and airport	3,278,754	2,504,640	60,758	449,400
Health and sanitation	213,839			
Physical and economic development	182,603	269,679		
Library and recreation	2,104,819	1,719,338	35,375	
Interest on long-term debt	32,729			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Activities	11,570,235	4,677,988	451,346	450,914
Business-Type Activities				
Water	2,671,281	3,132,461		
Sewer	2,086,681	1,963,030		
Sanitation	1,067,479	1,129,107		
Golf course	669,486	389,977		
	<hr/>	<hr/>	<hr/>	<hr/>
Total Business-Type Activities	6,494,927	6,614,575		
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government	18,065,162	11,292,563	451,346	450,914
	<hr/>	<hr/>	<hr/>	<hr/>
Component Units				
Urban Renewal Agency	1,097,357	35,065		
	<hr/>	<hr/>	<hr/>	<hr/>
			General Revenues and Transfers	
			Property taxes	
			Sales taxes	
			Revenue sharing	
			Liquor apportionment	
			Earnings on investments	
			Miscellaneous	
			Future service availability fees	
			Net operating transfers	
			Total General Revenues and Transfers	
			Change in Net Position	
			Net Position	
			Beginning of Year	
			End of Year	

See accompanying notes to basic financial statements.

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

Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	Total
\$ (1,180,389)	\$	\$ (1,180,389)	\$
(4,036,044)		(4,036,044)	
(263,956)		(263,956)	
(213,839)		(213,839)	
87,076		87,076	
(350,106)		(350,106)	
(32,729)		(32,729)	
(5,989,987)		(5,989,987)	
	461,180	461,180	
	(123,651)	(123,651)	
	61,628	61,628	
	(279,509)	(279,509)	
	119,648	119,648	
(5,989,987)	119,648	(5,870,339)	
			(1,062,292)
5,003,272		5,003,272	805,549
275,002		275,002	
622,415		622,415	
197,473		197,473	
27,577	48,924	76,501	11,149
29,105	43,213	72,318	
656,605		656,605	
(478,665)	1,393,993	915,328	(915,328)
6,332,784	1,486,130	7,818,914	(98,630)
342,797	1,605,778	1,948,575	(1,160,922)
25,045,546	25,009,535	50,055,081	4,228,127
<u>\$ 25,388,343</u>	<u>\$ 26,615,313</u>	<u>\$ 52,003,656</u>	<u>\$ 3,067,205</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2020

	MAJOR FUNDS		NON-MAJOR	TOTAL
	General Fund	Street Oiling Fund	FUNDS	
ASSETS				
Cash and Investments	\$ 924,779	\$ 832,756	\$ 1,251,878	\$ 3,009,413
Restricted cash	219,148		600,806	819,954
Certificate of deposit	105,183			105,183
Receivables				
Property taxes	5,175,771	704,814	1,069,772	6,950,357
Sales tax	182,830		62,695	245,525
Other governments	40,969	190,569		231,538
Accrued interest	508	348	695	1,551
Other receivables	59,640		10,386	70,026
Prepaid expenses	<u>20,351</u>	<u>4,567</u>	<u>4,593</u>	<u>29,511</u>
Total Assets	<u>\$ 6,729,179</u>	<u>\$ 1,733,054</u>	<u>\$ 3,000,825</u>	<u>\$ 11,463,058</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 452,770	\$ 177,358	\$ 139,958	\$ 770,086
Accrued expense				
Deposits payable	33,600			33,600
Due to other funds				
Advanced tax revenue	<u>119,209</u>	<u>13,364</u>	<u>27,824</u>	<u>160,397</u>
Total Liabilities	605,579	190,722	167,782	964,083
Deferred Inflows	5,056,562	691,450	1,041,947	6,789,959
Fund Balances				
Nonspendable	20,351	4,567	4,593	29,511
Restricted	219,148	846,315	793,019	1,858,482
Assigned	3,148		974,981	978,129
Unassigned	<u>824,391</u>	<u></u>	<u>18,503</u>	<u>842,894</u>
Total Fund Balances	<u>1,067,038</u>	<u>850,882</u>	<u>1,791,096</u>	<u>3,709,016</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 6,729,179</u>	<u>\$ 1,733,054</u>	<u>\$ 3,000,825</u>	<u>\$ 11,463,058</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2020

Total fund balance - total governmental funds \$ 3,709,016

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

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

Land	\$	2,214,196	
Buildings		5,578,840	
Infrastructure		88,286,528	
Equipment		6,986,944	
Construction in progress		1,791,503	
Accumulated depreciation		<u>(79,329,080)</u>	
Total capital assets, net of accumulated depreciation			25,528,931

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay the current period's expenditures, and therefore are reported as advanced revenue in the funds. 160,397

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

Net pension liability	\$	(2,430,392)	
Pension related deferred inflows		(135,074)	
Pension related deferred outflows		<u>618,299</u>	
Total long term liabilities			<u>(1,947,167)</u>

Long-term liabilities, including bonds payable and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:

Accrued interest payable	\$	(12,490)	
Capital leases payable		(604,351)	
Certificates of participation		(1,195,000)	
Compensated absences payable		<u>(250,993)</u>	
Total long term liabilities			<u>(2,062,834)</u>

Deferred inflows of resources not reported in the funds.

Total net position of governmental activities \$ 25,388,343

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	MAJOR FUNDS		NON-MAJOR	TOTAL
	General Fund	Street Oiling Fund	FUNDS	
REVENUES				
Property taxes	\$ 5,003,272	\$ 492,802	\$ 1,291,371	\$ 6,787,445
Sales tax / revenue sharing	897,417		238,538	1,135,955
Highway users		676,448		676,448
County road apportionment		252,935		252,935
State liquor apportionment	197,473			197,473
Franchise fees	194,677			194,677
Licenses, permits, and fees	245,562			245,562
Court revenue	50,663			50,663
Charges for services			124,508	124,508
Earnings on investments	16,626	8,855	2,096	27,577
Earnings on leases	59,637		13,921	73,558
Refunds and reimbursements	133,668	909,512	12,810	1,055,990
Grant revenue				
Federal	8,466	590	405,991	415,047
State	312,110	58,300		370,410
Local	4,745			4,745
Contributions	30,132		1,980	32,112
Sponsorship			25,087	25,087
Future service availability fees			636,021	636,021
Future service availability interest			19,624	19,624
Miscellaneous	29,105	8,376	28,379	65,860
Total Revenues	\$ 7,183,553	\$ 2,407,818	\$ 2,800,326	\$ 12,391,697

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (Continued)
For the Year Ended September 30, 2020

	MAJOR FUNDS		NON-MAJOR	TOTAL
	General Fund	Street Oiling Fund	FUNDS	
EXPENDITURES				
Current				
General government	\$ 1,062,703	\$	\$	\$ 1,062,703
Public protection	3,905,601			3,905,601
Streets and airport		868,515	162,712	1,031,227
Health and sanitation			208,603	208,603
Physical and economic development	182,603			182,603
Library and recreation	734,566		1,185,226	1,919,792
Debt service				
Principal	301,570	36,415		337,985
Interest	65,597	2,933		68,530
Capital outlay	<u>1,810,650</u>	<u>1,411,134</u>	<u>539,457</u>	<u>3,761,241</u>
Total Expenditures	<u>8,063,290</u>	<u>2,318,997</u>	<u>2,095,998</u>	<u>12,478,285</u>
Excess (Deficiency) of Revenues Over Expenditures	(879,737)	88,821	704,328	(86,588)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,063,797	72	66,113	1,129,982
Debt proceeds	298,596	29,957	106,795	435,348
Transfers out	<u>(464,708)</u>		<u>(1,143,939)</u>	<u>(1,608,647)</u>
Net Other Financing Sources (Uses)	<u>897,685</u>	<u>30,029</u>	<u>(971,031)</u>	<u>(43,317)</u>
Net Change in Fund Balances	17,948	118,850	(266,703)	(129,905)
FUND BALANCES, Beginning of Year	<u>1,049,090</u>	<u>732,032</u>	<u>2,057,799</u>	<u>3,838,921</u>
FUND BALANCES, End of Year	<u>\$ 1,067,038</u>	<u>\$ 850,882</u>	<u>\$ 1,791,096</u>	<u>\$ 3,709,016</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Net change in fund balances - total governmental funds \$ (129,905)

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

Revenues that will not be collected for several months after the City's fiscal year end are not considered "available" revenues and are deferred in the governmental funds. Advanced revenues increased by this amount this year. (9,544)

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

Capital outlay	\$ 3,761,241	
Disposal of capital assets, capital contributions and transfers	(24,009)	
Depreciation expense	<u>(2,771,536)</u>	
Excess of capital outlay over depreciation expense		965,696

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

Certificates of participation payments	\$ 75,000	
Capital lease principal payments, net of new borrowings	<u>(134,269)</u>	
		(59,269)

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

Change in pension revenue	\$ (402,067)	
Increase in accrued interest payable	(2,293)	
Decrease in compensated absence payable	<u>(19,821)</u>	
		<u>(424,181)</u>

Change in Net Position of Governmental Activities \$ 342,797

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2020

ASSETS	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Current Assets					
Cash and cash equivalents	\$ 2,534,566	\$ 585,002	\$ 344,977	\$ 136,068	\$ 3,600,613
Receivables					
Accounts	461,950	186,940	115,584		764,474
Other governments					
Other	4,891	2,605	158	1,566	9,220
Prepaid expenses	<u>2,638</u>	<u>1,984</u>	<u>20</u>	<u>623</u>	<u>5,265</u>
Total Current Assets	3,004,045	776,531	460,739	138,257	4,379,572
Non-current Assets					
Capital Assets					
Construction in progress	425,256	748,337			1,173,593
Land and sewer lagoons	1,085,024	1,104,349	69,205	1,677,429	3,936,007
Buildings and improvements	361,482	168,346	58,616	287,552	875,996
Systems and equipment	1,012,472	1,623,453	35,037	665,932	3,336,894
Intangibles	1,207,510				1,207,510
Infrastructure	24,676,578	20,112,183		250,638	45,039,399
Less accumulated depreciation	<u>(12,191,385)</u>	<u>(10,573,882)</u>	<u>(93,050)</u>	<u>(806,529)</u>	<u>(23,664,846)</u>
Total capital assets, net of accumulated depreciation	16,576,937	13,182,786	69,808	2,075,022	31,904,553
Restricted cash	<u>81,864</u>				<u>81,864</u>
Total Assets	19,662,846	13,959,317	530,547	2,213,279	36,365,989
Deferred outflows					
Pension related items	<u>82,441</u>	<u>82,441</u>	<u>16,488</u>	<u>24,732</u>	<u>206,102</u>
Total Assets and Deferred Outflows	<u>\$ 19,745,287</u>	<u>\$ 14,041,758</u>	<u>\$ 547,035</u>	<u>\$ 2,238,011</u>	<u>\$ 36,572,091</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (Continued)
September 30, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ 175,861	\$ 33,258	\$ 84,099	\$ 55,472	\$ 348,690
Accrued interest payable	8,575	14,477		4,024	27,076
Accrued compensated balances	43,395	42,659	4,177	8,385	98,616
Due to other funds	17,816				17,816
Current portion of capital leases	27,064	69,542		56,479	153,085
Current portion of notes payable	<u>332,960</u>	<u>309,810</u>			<u>642,770</u>
Total Current Liabilities	605,671	469,746	88,276	124,360	1,288,053
NON-CURRENT LIABILITIES					
Bond premium fees	44,661				44,661
Long-term portion of capital leases	31,485	120,562		66,285	218,332
Long-term portion of notes payable	4,645,436	2,905,141			7,550,577
Net pension liability	<u>324,052</u>	<u>324,052</u>	<u>64,811</u>	<u>97,216</u>	<u>810,131</u>
Total Noncurrent Liabilities	<u>5,045,634</u>	<u>3,349,755</u>	<u>64,811</u>	<u>163,501</u>	<u>8,623,701</u>
Total Liabilities	5,651,305	3,819,501	153,087	287,861	9,911,754
DEFERRED INFLOWS					
Pension related items	18,010	18,010	3,602	5,402	45,024
NET POSITION					
Invested in capital assets	11,526,816	9,898,293	69,808	2,018,543	23,513,460
Restricted	81,864				81,864
Unrestricted	<u>2,467,292</u>	<u>305,954</u>	<u>320,538</u>	<u>(73,795)</u>	<u>3,019,989</u>
Total Net Position	<u>14,075,972</u>	<u>10,204,247</u>	<u>390,346</u>	<u>1,944,748</u>	<u>26,615,313</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 19,745,287</u>	<u>\$ 14,041,758</u>	<u>\$ 547,035</u>	<u>\$ 2,238,011</u>	<u>\$ 36,572,091</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Operating Revenues					
Charges for services	\$ 3,132,461	\$ 1,873,097	\$ 1,129,107	\$ 359,847	\$ 6,494,512
Rental income		<u>89,933</u>		<u>30,130</u>	<u>120,063</u>
Total Operating Revenues	3,132,461	1,963,030	1,129,107	389,977	6,614,575
Operating Expenses					
Salaries	549,268	542,896	45,969	331,282	1,469,415
Fringe benefits	233,426	224,675	18,432	60,471	537,004
Gas and oil	16,590	12,299		9,492	38,381
Professional fees	55,966	21,092	955,209	496	1,032,763
Postage and freight	18,663	14,178	14,165		47,006
Utilities and telephone	401,961	17,006		30,042	449,009
Repairs	260,016	78,051	6,930	81,636	426,633
Supplies	56,909	88,086		76,182	221,177
Education, dues, and assessments	25,249	3,538		5,228	34,015
Miscellaneous expense	13,432	9,266	15,896	5,638	44,232
Insurance	25,934	51,371			77,305
Operating lease (bond payments)	10,308	10,308			20,616
Depreciation	<u>753,802</u>	<u>830,686</u>	<u>156</u>	<u>47,946</u>	<u>1,632,590</u>
Total Operating Expenses	<u>2,421,524</u>	<u>1,903,452</u>	<u>1,056,757</u>	<u>648,413</u>	<u>6,030,146</u>
Operating Income (Loss)	710,937	59,578	72,350	(258,436)	584,429
Non-operating Revenues (Expenses)					
Interest revenues	40,525	4,961	3,438		48,924
Grant revenue	39,879	25		993	40,897
Net pension expense	(53,609)	(53,609)	(10,722)	(16,082)	(134,022)
Interest expense	(196,148)	(129,620)		(4,991)	(330,759)
Miscellaneous income (expense)	<u>12</u>	<u>(149)</u>	<u>2,000</u>	<u>453</u>	<u>2,316</u>
Total Non-operating Revenues (Expenses)	<u>(169,341)</u>	<u>(178,392)</u>	<u>(5,284)</u>	<u>(19,627)</u>	<u>(372,644)</u>
Income (Loss) Before Transfers	541,596	(118,814)	67,066	(278,063)	211,785
Operating Transfers In (Out)					
Transfers in	314,001	749,496		330,929	1,394,426
Transfers out	<u>(433)</u>				<u>(433)</u>
Total Operating Transfers In (Out)	<u>313,568</u>	<u>749,496</u>		<u>330,929</u>	<u>1,393,993</u>
Change in Net Position	855,164	630,682	67,066	52,866	1,605,778
Net Position, Beginning of Year	<u>13,220,808</u>	<u>9,573,565</u>	<u>323,280</u>	<u>1,891,882</u>	<u>25,009,535</u>
Net Position, End of Year	<u>\$ 14,075,972</u>	<u>\$ 10,204,247</u>	<u>\$ 390,346</u>	<u>\$ 1,944,748</u>	<u>\$ 26,615,313</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Cash Flow From Operating Activities					
Cash received from customers	\$ 3,044,541	\$ 1,830,950	\$ 1,102,125	\$ 358,670	\$ 6,336,286
Cash payments to suppliers for goods	(875,614)	(338,537)	(988,952)	(193,853)	(2,396,956)
Cash payments to employees for services	(611,878)	(594,600)	(30,718)	(342,814)	(1,580,010)
Net Cash Provided By (Used in) Operating Activities	1,557,049	897,813	82,455	(177,997)	2,359,320
Cash Flows From Noncapital Financing Activities					
Operating transfers	313,568	749,496		330,929	1,393,993
Other non-operating income (loss)	(13,718)	(53,584)	(8,722)	(14,636)	(90,660)
Net Cash Provided By Noncapital Financing Activities	299,850	695,912	(8,722)	316,293	1,303,333
Cash Flow From Capital and Related Financing Activities					
Acquisition of capital assets	(842,615)	(859,377)		(5,500)	(1,707,492)
Amortization of bond costs	(19,376)				(19,376)
New long-term borrowings	134,999				134,999
Principal payments on long-term debt	(300,537)	(367,700)		(54,372)	(722,609)
Interest payments on long-term debt	(195,412)	(130,101)		(4,991)	(330,504)
Net Cash Used in Capital and Related Financing Activities	(1,222,941)	(1,357,178)		(64,863)	(2,644,982)
Cash Flows From Investing Activities					
Interest on investments	40,525	4,961	3,438		48,924
Net Increase (Decrease) in Cash and Cash Equivalents	674,483	241,508	77,171	73,433	1,066,595
Cash and Cash Equivalents, Beginning of Year	<u>1,941,947</u>	<u>343,494</u>	<u>267,806</u>	<u>62,635</u>	<u>2,615,882</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,616,430</u>	<u>\$ 585,002</u>	<u>\$ 344,977</u>	<u>\$ 136,068</u>	<u>\$ 3,682,477</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
For the Year Ended September 30, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) To					
Net Cash Provide by (Used in) Operating Activities					
Operating Income (Loss)	\$ 710,937	\$ 59,578	\$ 72,350	\$ (258,436)	\$ 584,429
Adjustments to Reconcile Operating Income					
(Loss) to Net Cash Provided by (Used in)					
Operating Activities					
Depreciation	753,802	830,686	173	47,946	1,632,607
Deferred Outflows	(44,949)	(44,949)	(8,990)	(13,485)	(112,373)
Deferred Inflows	(66,295)	(66,295)	(13,259)	(19,889)	(165,738)
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(2,511)	(20,260)	(5,104)		(27,875)
(Increase) decrease in other government receivables	10,498				10,498
(Increase) decrease in prepaid expense	(499)	(107)	491	(122)	(237)
(Increase) decrease in other receivables	15,337	(576)	371	2,067	17,199
Increase (decrease) in accounts payable	3,989	(33,235)	2,740	16,814	(9,692)
Increase (decrease) in net pension liability	164,853	164,853	32,971	49,456	412,133
Increase (decrease) in accrued expenses	5,924			(1,831)	4,093
Increase (decrease) in contributed asset					
Increase (decrease) in compensated absences payable	5,963	8,118	712	(517)	14,276
Net Cash Provided By (Used in)					
Operating Activities	<u>\$ 1,557,049</u>	<u>\$ 897,813</u>	<u>\$ 82,455</u>	<u>\$ (177,997)</u>	<u>\$ 2,359,320</u>

See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
TAP DEPOSIT FUND
September 30, 2020

ASSETS

Current Assets

Cash and Investments	\$ 157,605
Due from other funds	<u>17,816</u>
	<u>175,421</u>

LIABILITIES AND NET POSITION

Liabilities

Tap deposit payable	175,197
Other current liability	<u>224</u>
Total Liabilities	175,421

Net Position

Total Liabilities and Net Position	<u>\$ 175,421</u>
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See accompanying notes to basic financial statements.

CITY OF MOUNTAIN HOME, IDAHO NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

General Statement

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

Financial Reporting Entity

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

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

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

Basis of Presentation

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

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

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

Measurement Focus/Basis of Accounting

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Measurement Focus/Basis of Accounting (Continued)

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

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

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

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

Budgetary Control

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

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

1. Prior to July 1, the City Council meets to hear requests of department heads. After July 1, the city council adopts a tentative budget for the fiscal year commencing October 1, which is printed twice in the weekly newspaper. The tentative budget is balanced and includes expenditures and the means of financing them.
2. Public hearings are conducted at the City Hall.
3. Prior to September 1, the budget is legally enacted through passage of an ordinance.
4. The City Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Expenditures may not legally exceed budgeted appropriations at the fund level.
6. Enterprise funds’ statements present the operating budget and the operating expenditures.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Fund Deficits

On September 30, 2020 the City has a deficit of \$73,795 in the Golf fund, which will be funded through future budgets and transfers from other funds.

Cash and Investments

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

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

Prepaid Expenses

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

Receivables and Payables

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

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

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

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

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

Restricted Assets

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

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

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

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

Compensated Absences

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

Interfund Transactions

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

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

Net Position Classifications

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

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

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

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

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

Use of Restricted/Unrestricted Net Position

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

Use of Estimates

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Property Tax Calendar

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

Under Idaho Code Section 50-235, the City cannot levy taxes over nine-tenths percent (.9%) of the total City adjusted market value for real property located within the City. Taxes are due in two installments on December 20 and June 20 following the levy date. Property taxes levied for 2020 are recorded as receivables if uncollected and a deferred revenue amount is recorded, in the fund financial statements, to the extent of taxes not estimated to be collected within 60 days of the end of the accounting period.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows or resources. Deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2020, deferred inflows represented property taxes receivable unavailable for current use.

Pensions

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

Note B – Cash and Investments

At September 30, 2020, the City’s cash and investments consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank Deposits	\$ 1,923,801	\$ 1,156,286
Cash on Hand		<u>21,107</u>
Total Cash	<u>\$ 1,923,801</u>	<u>\$ 1,177,393</u>
	<u>Rating</u>	<u>Fair Value</u>
Investments		
Certificate of Deposit	N/A	\$ 105,183
State Treasurer’s Local Government Pool	N/A	6,522,969
Government Money Market Fund	AAA	<u>1,407,579</u>
Total Investments		<u>\$ 8,035,731</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note B – Cash and Investments (Continued)

Reconciliation of the City’s deposit and investment balances as of September 30, 2020:

	<u>City’s Deposits and Investments</u>	<u>Component Units</u>	<u>Total</u>	<u>Average Maturities</u>
Cash in bank – Deposits	\$ 1,125,374	\$ 30,912	\$ 1,156,286	NA
Certificate of Deposit	105,183		105,183	NA
Government Money Market		1,407,579	1,407,579	<1 Mo
State Treasurer LGIP	6,522,968		6,522,968	<12 Mo
Cash on Hand	<u>21,107</u>		<u>21,107</u>	NA
Total	7,774,632	<u>\$ 1,438,491</u>	<u>\$ 9,213,123</u>	
Less Bank Deposit Fiduciary Funds	<u>157,605</u>			
	<u>\$ 7,932,637</u>			

Reconciliation of Cash and Investments to the Financial Statements

	<u>Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>TAP Fiduciary Fund</u>	<u>Total</u>
Cash and Investments	\$ 3,114,596	\$ 3,600,613	\$ 157,605	\$ 6,872,814
Restricted Cash	<u>819,954</u>	<u>81,864</u>		<u>901,818</u>
Total	<u>\$ 3,934,550</u>	<u>\$ 3,682,477</u>	<u>\$ 157,605</u>	<u>\$ 7,774,632</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2020, \$1,392,891 of the City’s bank balance was uninsured and uncollateralized.

Credit Risk

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

Interest Rate Risk

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note B – Cash and Investments (Continued)

Restrictions on Cash

The City has reserve obligations for the Law Enforcement Building (LEB) Certificates of Participation. The security requirements state that the City must establish a reserve account in the amount of \$145,000. At September 30, 2020, the reserve account held \$185,514. The Department of Environmental Quality (DEQ) requires a reserve fund in an amount equal to one year worth of payments for each of the loans due from the City. The reserve account may be established over a 10 year period with a minimum of 10% put into the account each year. At September 30, 2020, the total restricted cash balance related to the DEQ loans was \$682,670. The City has \$33,634 in the restricted deposit account.

The City also has restricted cash amounts belonging to the City of Mountain Home Urban Renewal Agency (A component unit of the City) totaling \$1,438,492 at September 30, 2020.

Note C – Capital Assets

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

Governmental Activities

	Balance 9/30/19	Increases	Decreases	Balance 9/30/20
Capital assets, not being depreciated:				
Land	\$ 771,058	\$ 1,443,139	\$	\$ 2,214,197
Construction in Progress	<u>2,285,296</u>	<u>1,739,101</u>	<u>2,225,845</u>	<u>1,798,552</u>
Total capital assets, not being depreciated	3,056,354	3,182,240	2,225,845	4,012,749
Capital assets, being depreciated:				
Buildings and Improvements	5,542,660	70,385	41,253	5,571,792
Systems and Equipment	6,524,299	491,947	29,302	6,986,944
Infrastructure	<u>86,112,900</u>	<u>2,173,628</u>	<u></u>	<u>88,286,528</u>
Total capital assets, being depreciated	98,179,859	2,735,960	70,555	100,845,264
Less accumulated depreciation for:				
Buildings and Improvements	3,109,799	170,588	95,629	3,184,758
Systems and Equipment	4,400,347	415,712	17,007	4,799,052
Infrastructure	<u>69,162,832</u>	<u>2,185,236</u>	<u>2,796</u>	<u>71,345,272</u>
Total accumulated depreciation	<u>76,672,978</u>	<u>2,771,536</u>	<u>115,432</u>	<u>79,329,082</u>
Governmental activities capital assets, net	<u>\$ 24,563,235</u>	<u>\$ 3,146,664</u>	<u>\$ 2,180,968</u>	<u>\$ 25,528,931</u>

**CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note C – Capital Assets (Continued)

Business-Type Activities

	Balance 9/30/19	Increases	Decreases	Balance 9/30/20
Capital assets, not being depreciated:				
Land and Sewer Lagoons	\$ 3,915,993	\$ 20,014	\$	\$ 3,936,007
Construction in Progress	3,593,382	1,048,228	3,468,017	1,173,593
Intangibles	<u>1,207,510</u>	<u></u>	<u></u>	<u>1,207,510</u>
Total capital assets, not being depreciated	8,716,885	1,068,242	3,468,017	6,317,110
Capital assets, being depreciated:				
Buildings and Improvements	746,278	129,717		875,995
Systems and Equipment	3,110,897	242,671	16,673	3,336,895
Infrastructure	<u>41,208,743</u>	<u>3,830,656</u>	<u></u>	<u>45,039,399</u>
Total capital assets, being depreciated	45,065,918	4,203,044	16,673	49,252,289
Less accumulated depreciation for:				
Buildings and Improvements	584,402	113,063		697,465
Systems and Equipment	1,944,380	181,586	16,359	2,109,607
Infrastructure	<u>19,424,204</u>	<u>1,433,570</u>	<u></u>	<u>20,857,774</u>
Total accumulated depreciation	<u>21,952,986</u>	<u>1,728,219</u>	<u>16,359</u>	<u>23,664,846</u>
Business-type capital assets, net	<u>\$ 31,829,817</u>	<u>\$ 3,543,067</u>	<u>\$ 3,468,331</u>	<u>\$ 31,904,553</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 438,314
Public Protection	5,236
Streets and Airport	2,266,073
Library and Recreation	<u>61,913</u>
Total Depreciation Expense	<u>\$ 2,771,536</u>

Business Activities

Golf Course	\$ 47,946
Water	753,802
Sewer	830,686
Sanitation	<u>156</u>
Total Depreciation Expense	<u>\$ 1,632,590</u>

During the year ended September 30, 2020 the City of Mountain Home's Urban Renewal Agency transferred \$915,328 of capital assets consisting of land improvements to the City of Mountain Home. No proceeds were received from the City for the assets transferred.:

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note D – Government Fund Balances

As of September 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned — all other spendable amounts.

As of September 30, 2020, fund balances are comprised of the following:

	<u>General Fund</u>	<u>Street Oiling Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Prepaid items	\$ 20,351	\$ 4,567	\$ 4,593	\$ 29,511
Restricted:				
Public protection			79,750	79,750
Debt service	219,148		682,073	901,221
Streets		<u>846,315</u>	<u>31,196</u>	<u>877,511</u>
	219,148	846,315	793,019	1,858,482
Assigned				
General government	3,148		749,908	753,056
Library, airport and recreation			163,994	163,994
Public protection			<u>61,079</u>	<u>61,079</u>
	<u>3,148</u>	<u>0</u>	974,981	978,129
Unassigned	<u>824,391</u>	<u>0</u>	<u>18,503</u>	<u>842,894</u>
Total Fund Balances	<u>\$ 1,067,038</u>	<u>\$ 850,882</u>	<u>\$ 1,791,096</u>	<u>\$ 3,709,016</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note E – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2020 is as follows:

Due To Other Funds:

Due to the TAP Deposit Fiduciary fund from the
 Water Enterprise fund for excess funds received. \$ 17,816

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity. For the year then ended September 30, 2020, interfund transfers consisted of the following:

	Transfer from			Total
	General Fund	Street Fund	Nonmajor Governmental	
Transfer to:				
General fund	\$	\$	\$ 14,690	\$ 14,690
Golf course fund	330,929			330,929
ECISC fund	133,779			133,779
Water fund			314,001	314,001
Sewer fund			749,496	749,496
Library fund			66,041	66,041
Cemetery fund			72	72
Street oiling fund			72	72
	<u>\$ 464,708</u>	<u>\$ 0</u>	<u>\$ 1,144,372</u>	<u>\$ 1,609,080</u>

Note F – Leases

Operating Leases: The City leases construction and office equipment under non-cancelable operating leases. Lease expense for this equipment was \$105,112 for the year ended September 30, 2020. Certain leases contain balloon payments at the end of the lease if the City chooses to purchase the asset. These payments are contingent on the City purchasing the asset and are not included in the amounts below. The future minimum lease payments for these leases are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Amount</u>
2021	\$ 113,949
2022	105,976
2023	77,267
2024	55,490
2025	21,316
	<u>\$ 373,998</u>

Capital Leases: The City has entered into lease agreements as lessee for financing the acquisition of equipment and vehicles for various departments and funds, including proprietary funds. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the dates of inception.

The amount of assets acquired through active capital leases are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Equipment	\$ 1,090,994	\$ 936,152
Less accumulated depreciation	<u>(419,842)</u>	<u>(106,496)</u>
Total assets, net of accumulated depreciation	<u>\$ 671,152</u>	<u>\$ 829,656</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note F – Leases (Continued)

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2020 were as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Governmental</u> <u>Fund</u>	<u>Proprietary</u> <u>Funds</u>
2021	\$ 240,493	\$ 167,256
2022	240,493	167,256
2023	90,745	61,268
2024	70,589	
2025	<u>5,578</u>	
Total minimum lease payments	647,898	395,780
Less: Amount representing interest	<u>(43,547)</u>	<u>(24,362)</u>
Present value of minimum lease payments	<u>\$ 604,351</u>	<u>\$ 371,418</u>
Amount due within one year	\$ 218,814	\$ 153,084
Amount due in more than one year	<u>385,537</u>	<u>218,334</u>
	<u>\$ 604,351</u>	<u>\$ 371,418</u>

Note G – Pension Plan

Plan Description

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

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

Employee membership data related to the PERSI Base Plan, as of June 30, 2020 was as follows:

Retirees and beneficiaries	49,573
Terminated and vested	13,788
Active plan members	
Vested	43,911
Non-vested	<u>29,746</u>
	<u>137,018</u>

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.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note G – Pension Plan (Continued)

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2020 it was 7.16% for general employees and 8.81% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% general employees and 12.28% for police and firefighters. City of Mountain Home, Idaho’s contributions were \$598,692 for the year ended September 30, 2020.

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

At September 30, 2020, City of Mountain Home, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 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 0.1395494 percent.

For the year ended September 30, 2020, City of Mountain Home, Idaho recognized net pension expense of \$1,173,572. At September 30, 2020 City of Mountain Home, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of resources</u>	<u>Deferred Inflows of resources</u>
Differences between expected and actual experience	\$ 253,184	\$ 105,810
Changes in assumptions or other inputs	54,803	
Net difference between projected and actual Earnings on pension plan investments	371,426	
Changes in the employer’s proportion and differences between the employer’s contributions and the employer’s proportionate contributions	1,215	74,288
City of Mountain Home, Idaho’s contributions subsequent to the measurement date	<u>143,773</u>	<u> </u>
Total	<u>\$ 824,401</u>	<u>\$ 180,098</u>

\$143,773 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, 2020.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note G – Pension Plan (Continued)

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, 2020 is 4.9 and 4.9 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 Ending <u>June 30,</u>	<u>Amount</u>
2021	\$ 10,465
2022	136,504
2023	185,268
2024	241,366

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, net of investment expenses	7.05%
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, 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.

**CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS**

Note G – Pension Plan (Continued)

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.

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 January 1, 2017.

Capital Market Assumptions

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
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 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 Nominal Rate of Return, Net of Investment Expenses			7.05%

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note G – Pension Plan (Continued)

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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share Of the net pension liability (asset)	<u>\$ 6,645,422</u>	<u>\$ 3,240,523</u>	<u>\$ 425,224</u>

Pension plan fiduciary net position

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

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

Payables to the pension plan

At September 30, 2020, the City reported no payables to the defined benefit pension plan for legally required employee contributions.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Long-Term Debt

Water Loan #1 & #2: During fiscal year 2012, the City refinanced and consolidated Water Loan #1 and Water Loan #2. The loans were acquired to construct a new municipal deep-water well and to construct improvements in the drinking water distribution system. The remaining payments range from \$150,800 to \$181,900 due semiannually, including interest at ranging from 4% to 5% throughout the term of the loan. The schedule of debt service requirements until maturity, including \$227,800 in interest, is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 135,000	\$ 45,900
2022	145,000	39,150
2023	150,000	31,900
2024	125,000	24,400
2025	135,000	18,150
2026-2027	<u>285,000</u>	<u>17,200</u>
	<u>\$ 975,000</u>	<u>\$ 176,700</u>

Wastewater Loan #3: The City has acquired a loan from the Idaho Department of Environmental Quality to construct a new wastewater treatment facility. The payment is \$209,853 due semiannually, including interest at 3.5%. The schedule of debt service requirements until maturity, including \$681,794 in interest, is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 309,810	\$ 109,865
2022	320,780	98,926
2023	332,105	87,601
2024	343,631	76,075
2025	355,963	63,743
2026-2029	<u>1,552,663</u>	<u>124,839</u>
	<u>\$ 3,214,952</u>	<u>\$ 561,049</u>

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

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 93,650	\$ 23,298
2022	95,296	21,652
2023	96,970	19,977
2024	98,626	18,322
2025	100,409	16,539
2026–2030	527,115	55,625
2031–2033	<u>342,325</u>	<u>10,518</u>
	<u>\$ 1,354,391</u>	<u>\$ 165,931</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Long-Term Debt (Continued)

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

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 104,310	\$ 72,132
2022	107,199	69,244
2023	110,167	66,276
2024	113,040	63,403
2025	116,347	60,095
2026–2030	631,732	250,482
2031–2035	724,210	158,002
2036–2040	<u>742,000</u>	<u>51,991</u>
	<u>\$ 2,649,005</u>	<u>\$ 791,625</u>

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

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Interest Rate</u>
2021	\$ 80,000	\$ 53,025	\$ 133,025	2.25%
2022	80,000	51,425	131,425	2.00%
2023	85,000	49,625	134,625	3.50%
2024	85,000	46,650	131,650	4.00%
2025	90,000	43,250	133,250	5.00%
2026–2030	510,000	144,500	654,500	5.00%
2031	<u>265,000</u>	<u>13,250</u>	<u>278,250</u>	5.00%
Total	<u>\$ 1,195,000</u>	<u>\$ 401,725</u>	<u>\$ 1,596,725</u>	

Changes in Long-Term Liabilities

During the year ended September 30, 2020, the following changes occurred in long-term debt:

<u>Governmental Activities</u>	<u>Balance 9/30/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/20</u>	<u>Due Within One Year</u>
Certificates of Participation	\$ 1,270,000	\$	\$ (75,000)	\$ 1,195,000	\$ 80,000
Capital Leases	<u>470,082</u>	<u>435,348</u>	<u>(301,079)</u>	<u>604,351</u>	<u>153,596</u>
Total	<u>\$ 1,740,082</u>	<u>\$ 435,348</u>	<u>\$ (376,079)</u>	<u>\$ 1,799,351</u>	<u>\$ 233,596</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Long-Term Debt (Continued)

Changes in Long-Term Liabilities (Continued)

Business-Type Activities	Balance 9/30/19	Increases	Decreases	Balance 9/30/20	Due Within One Year
Capital Leases	\$ 522,103	\$	\$ (150,686)	\$ 371,417	\$ 153,085
Notes Payable	<u>8,630,272</u>	<u>135,000</u>	<u>(571,925)</u>	<u>8,193,347</u>	<u>642,770</u>
Total	<u>\$ 9,152,375</u>	<u>\$ 135,000</u>	<u>\$ (722,611)</u>	<u>\$ 8,564,764</u>	<u>\$ 795,855</u>

Mountain Home Urban Renewal Agency (MHURA):

In 2007, MHURA issued revenue allocation bonds, as allowed by law, in the amount of \$2,715,000 for the purpose of financing street, water and wastewater improvements within its project area. The bonds are valid special obligations of the agency and are payable over a term of 15 years from tax increment property tax revenues. The interest rate of this obligation is 4.41% and payments are to be made semi-annually. The schedule of this long-term debt is as follows:

Maturity Date	Principal	Interest	Total
2021	\$ 260,000	\$ 23,373	\$ 283,373
2022	<u>270,000</u>	<u>11,907</u>	<u>281,907</u>
Total	<u>\$ 530,000</u>	<u>\$ 35,280</u>	<u>\$ 565,280</u>

Note I – Compensated Absences

The City provides a postretirement healthcare benefit to all eligible employees. Upon retirement, unused sick leave is credited to an account in the employee's name to be used to pay the employee's health insurance premiums after retirement. The city pays one month's premium for every ten days of sick leave accrued. Once the account is depleted, the health insurance policy is discontinued. City has elected not to recognize this liability in accordance with GASB Statements 74 and 75 due to its insignificance to the financial statements. Total expenditures toward this benefit for the year ending September 30, 2020 were \$13,764.

Note J – Other Post Retirement Benefits

The City provides a postretirement healthcare benefit to all employees after retirement from the City. Upon retirement, the City continues to pay the health insurance premiums for retirees for a period of six months. The City recognizes the expenditures as the benefits are paid. Total expenditures toward this benefit for the year ending September 30, 2020 were \$1,432.

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

Note K – Risk Management

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

Note L – Risks and Uncertainties

The COVID-19 pandemic is having significant effects on markets, supply chains, businesses, and communities. The extent of the impact of COVID-19 on the Bureau's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Bureau's funding sources, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Bureau's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN HOME, IDAHO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2020

	Budget Original and Final	Actual	Variance
Revenues			
Property taxes	\$ 4,851,517	\$ 5,003,272	\$ 151,755
Sales tax / Revenue sharing	896,000	897,417	1,417
State liquor apportionment	177,800	197,473	19,673
Franchise fees	250,000	194,677	(55,323)
Licenses, permits, and fees	262,850	245,562	(17,288)
Court revenue	90,000	50,663	(39,337)
Earnings on investments	20,000	16,626	(3,374)
Earnings on leases	87,500	59,637	(27,863)
Refunds and Reimbursements	167,850	133,668	(34,182)
Grant revenue			
Federal		8,466	8,466
State	1,089,075	312,110	(776,965)
Local	56,325	4,745	(51,580)
Contributions	273,300	30,132	(243,168)
Miscellaneous	39,600	29,105	(10,495)
	<hr/>	<hr/>	<hr/>
Total Revenue	8,261,817	7,183,553	(1,078,264)
Expenditures			
Administration			
Salaries	284,854	249,347	35,507
Benefits	131,033	74,714	56,319
Insurance	106,552	96,211	10,341
Professional fees	197,250	201,369	(4,119)
Supplies	200,900	109,326	91,574
Maintenance and operations	984,407	331,736	652,671
Grant expenses	500,000		500,000
Principal payments	1,806	1,721	85
Capital outlay	37,000	9,684	27,316
	<hr/>	<hr/>	<hr/>
Total Administration	\$ 2,443,802	\$ 1,074,108	\$ 1,369,694

CITY OF MOUNTAIN HOME, IDAHO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Continued)
For the Year Ended September 30, 2020

	Budget Original And Final	Actual	Variance
Expenditures (Continued)			
Building Inspection			
Salaries	\$ 162,883	\$ 142,998	\$ 19,885
Benefits	73,297	57,225	16,072
Supplies	22,500	12,085	10,415
Maintenance and operations	51,991	31,943	20,048
Capital outlay	<u> </u>	<u>977</u>	<u>(977)</u>
Total Building Inspection	310,671	245,228	65,443
Prosecution			
Attorney fees	<u>162,000</u>	<u>162,000</u>	<u> </u>
Total Prosecution	162,000	162,000	
Police Department			
Salaries	1,839,775	1,863,888	(24,113)
Benefits	795,409	723,524	71,885
Supplies	115,100	103,075	12,025
Maintenance and operations	380,291	219,311	160,980
Capital outlay	24,000	285,536	(261,536)
Principal payments	225,650	167,871	57,779
Interest expense	<u> </u>	<u>55,650</u>	<u>(55,650)</u>
Total Police Department	3,380,225	3,418,855	(38,630)
Animal Shelter			
Salaries		122,238	(122,238)
Benefits	69,886	59,581	10,305
Supplies	11,450	8,097	3,353
Capital Outlay			
Maintenance and operations	<u>30,550</u>	<u>19,806</u>	<u>10,744</u>
Total Animal Shelter	\$ 111,886	\$ 209,722	\$ (97,836)

CITY OF MOUNTAIN HOME, IDAHO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Continued)
For the Year Ended September 30, 2020

	Budget Original and Final	Actual	Variance
Expenditures (Continued)			
Fire Department			
Salaries	\$ 300,342	\$ 216,961	\$ 83,381
Benefits	99,113	68,487	30,626
Supplies	32,000	23,857	8,143
Maintenance and operations	112,588	70,525	42,063
Capital outlay	10,000	34,754	(24,754)
Principal payments	52,135	44,430	7,705
Interest expense	7,705	7,705	(7,705)
	<u>606,178</u>	<u>466,719</u>	<u>139,459</u>
Total Fire Department	606,178	466,719	139,459
Parks Department			
Salaries	376,799	316,342	60,457
Benefits	158,256	133,608	24,648
Supplies	82,500	72,718	9,782
Maintenance and operations	666,170	207,643	458,527
Principal payments		89,790	(89,790)
Lease Payment	32,704	4,255	28,449
Capital outlay	81,000	1,479,699	(1,398,699)
	<u>1,397,429</u>	<u>2,304,055</u>	<u>(906,626)</u>
Total Parks Department	1,397,429	2,304,055	(906,626)
Economic Development	279,481	182,603	96,878
Total Expenditures	<u>8,691,672</u>	<u>8,063,290</u>	<u>628,382</u>
Excess (Deficiency) of Revenues Over Expenditures	(429,855)	(879,737)	(449,882)
Other Financing Sources (Uses)			
Net asset carryover	895,179		(895,179)
Debt proceeds		298,596	298,596
Transfers in	133,779	1,063,797	930,018
Transfers out	(464,708)	(464,708)	
	<u>564,250</u>	<u>897,685</u>	<u>333,435</u>
Net Other Financing Sources (Uses)	564,250	897,685	333,435
Net Change in Fund Balance	<u>\$ 134,395</u>	17,948	<u>\$ (116,447)</u>
Fund Balance, Beginning of Year		<u>1,049,090</u>	
Fund Balance, End of Year		<u>\$ 1,067,038</u>	

CITY OF MOUNTAIN HOME, IDAHO
STREET OILING SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2020

	Budget Original and Final	Actual	Variance
Revenues			
Property taxes	\$ 473,871	\$ 492,802	\$ 18,931
Highway users	670,000	676,448	6,448
County road apportionment	235,000	252,935	17,935
Refunds and reimbursements	904,500	909,512	5,012
Earnings on investments	10,000	8,855	(1,145)
Grant revenue	560,000	58,890	(501,110)
Miscellaneous	155,500	8,376	(147,124)
	<u>3,008,871</u>	<u>2,407,818</u>	<u>(601,053)</u>
Total Revenue			
Expenditures			
Salaries	415,602	376,358	39,244
Benefits	236,495	170,598	65,897
Construction contracts	223,600	34,487	189,113
Supplies	92,600	93,580	(980)
Maintenance and operations	1,679,623	193,492	1,486,131
Grant Expenses	905,000		905,000
Capital outlay	25,000	1,411,134	(1,386,134)
Principal payments		36,415	(36,415)
Interest expense		2,933	(2,933)
	<u>3,577,920</u>	<u>2,318,997</u>	<u>1,258,923</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	(569,049)	88,821	657,870
Other Financing Sources (Uses)			
Transfers in		72	72
Debt proceeds		29,957	29,957
Net asset carryover	569,049		(569,049)
	<u>569,049</u>	<u>30,029</u>	<u>(539,020)</u>
Total Other Financing Sources			
Net Change in Fund Balance	<u>\$ 0</u>	118,850	<u>\$ 118,850</u>
Fund Balance, Beginning of Year			
		<u>732,032</u>	
Fund Balance, End of Year			
		<u>\$ 850,882</u>	

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS**
For the Year Ended September 30, 2020

Schedule of Employer's Share of Net Pension Liability							
PERSI - Base Plan							
Last 10 - Fiscal Years *							
	2014	2015	2016	2017	2018	2019	2020
Employer's portion of the net pension liability	0.1530947%	0.1550235%	0.1523739%	0.1464274%	0.1407257%	0.1394683%	0.1394683%
Employer's proportionate share of the net pension liability	\$ 1,127,017	\$ 2,041,471	\$ 3,088,853	\$ 2,301,587	\$ 2,075,730	\$ 1,591,992	\$ 3,240,523
Employer's covered-employee payroll	\$ 3,742,362	\$ 4,384,181	\$ 4,411,880	\$ 4,523,955	\$ 4,503,780	\$ 4,710,187	\$ 4,961,919
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	30.12%	46.56%	70.01%	50.88%	46.09%	33.80%	65.31%
Plan fiduciary net position as a percentage of total pension liability	94.95%	94.25%	87.26%	90.68%	91.69%	91.69%	88.22%

* 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, 2020 (measurement date)

Schedule of Employer Contributions							
PERSI - Base Plan							
Last 10 - Fiscal Years *							
	2014	2015	2016	2017	2018	2019	2020
Statutorily required contribution	\$ 419,003	\$ 501,202	\$ 452,950	\$ 493,771	\$ 516,570	\$ 543,701	\$ 598,692
Contributions in relation to statutorily required contribution	\$ 419,003	\$ 501,202	\$ 502,509	\$ 515,884	\$ 516,570	\$ 543,701	\$ 598,692
Contribution (deficiency) excess	-	-	49,559	22,113	-	-	-
Employer's covered-employee payroll	\$ 3,742,362	\$ 4,384,181	\$ 4,411,880	\$ 4,523,955	\$ 4,503,780	\$ 4,710,187	\$ 4,961,919
Contributions as a percentage of covered-employee payroll	11.20%	11.43%	11.43%	11.40%	11.47%	11.54%	12.07%

* 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, 2020 (The City's fiscal year end)

See accompanying notes to basic financial statements.

SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN HOME, IDAHO
WATER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2020

	Budget Original And Final	Actual	Variance
Operating Revenues			
Charges for services	\$ 3,022,000	\$ 3,132,461	\$ 110,461
Operating Expenses			
Salaries	600,756	549,268	51,488
Fringe benefits	294,370	233,426	60,944
Gas and oil	20,000	16,590	3,410
Professional fees	117,500	55,966	61,534
Postage and freight	16,500	18,663	(2,163)
Utilities and telephone	478,900	401,961	76,939
Repairs	255,424	260,016	(4,592)
Supplies	62,000	56,909	5,091
Education, dues, and assessments	51,500	25,249	26,251
Miscellaneous	14,600	13,432	1,168
Insurance	25,935	25,934	1
Operating lease	13,023	10,308	2,715
Capital outlay	943,000		943,000
Depreciation		753,802	(753,802)
Total Operating Expenses	<u>2,893,508</u>	<u>2,421,524</u>	<u>471,984</u>
Operating Income (Loss)	128,492	710,937	582,445
Non-Operating Revenues (Expenses)			
Interest income	15,000	40,525	25,525
Grants and contribution income	45,000	39,891	(5,109)
Grants and contribution expense			
DEQ	(217,000)		217,000
Interest expense	(116,948)	(196,148)	(79,200)
Reserve for future development	(1,439,126)		1,439,126
Net pension revenue		(53,609)	(53,609)
Net asset carryover	1,584,582		(1,584,582)
Total Non-operating Revenues (Expenses)	<u>(128,492)</u>	<u>(169,341)</u>	<u>(40,849)</u>
Income Before Transfers		541,596	541,596
Operating Transfers			
Transfers in		314,001	314,001
Transfers out		(433)	(433)
Total Operating Transfers In (Out)		<u>313,568</u>	<u>313,568</u>
Change in Net Assets	<u>\$ 0</u>	855,164	<u>\$ 855,164</u>
Net Position, Beginning of Year		<u>13,220,808</u>	
Net Position, End of Year		<u>\$ 14,075,972</u>	

CITY OF MOUNTAIN HOME, IDAHO
SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2020

	Budget Original And Final	Actual	Variance
Operating Revenues			
Charges for services	\$ 1,639,435	\$ 1,873,097	\$ 233,662
Operating Expenses			
Salaries	545,186	542,896	2,290
Fringe benefits	250,786	224,675	26,111
Gas and oil	15,500	12,299	3,201
Professional fees	98,834	21,092	77,742
Postage and freight	15,500	14,178	1,322
Utilities and telephone	23,500	17,006	6,494
Repairs	236,124	78,051	158,073
Supplies	101,067	88,086	12,981
Education, dues, and assessments	11,900	3,538	8,362
Miscellaneous	23,250	9,266	13,984
Insurance	51,371	51,371	
Operating lease	59,643	10,308	49,335
Capital outlay	43,868		43,868
Depreciation		830,686	(830,686)
Total Operating Expenses	<u>1,476,529</u>	<u>1,903,452</u>	<u>(426,923)</u>
Operating Income (Loss)	162,906	(30,355)	(193,261)
Non-Operating Revenues (Expenses)			
Interest income	5,000	4,961	(39)
Net pension revenue		(53,609)	(53,609)
Earnings on lease	63,135	89,933	26,798
Grants and contributions	0	25	25
DEQ	(420,000)		420,000
Interest expense		(129,620)	(129,620)
Other income (Expense)		(149)	(149)
Net asset carryover	<u>188,959</u>		<u>(188,959)</u>
Total Non-operating Revenues (Expenses)	<u>(162,906)</u>	<u>(88,459)</u>	<u>74,447</u>
Income (Loss) Before Transfers		(118,814)	(118,814)
Operating Transfers			
Transfer in		749,496	749,496
Transfer out			
Total Operating Transfers In (Out)		<u>749,496</u>	<u>749,496</u>
Change in Net Assets	<u>\$ 0</u>	630,682	<u>\$ 630,682</u>
Net Position, Beginning of Year		<u>9,573,565</u>	
Net Position, End of Year		<u>\$ 10,204,247</u>	

CITY OF MOUNTAIN HOME, IDAHO
SANITATION ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2020

	<u>Budget Original And Final</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues			
Charges for services	\$ 988,800	\$ 1,129,107	\$ 140,307
Operating Expenses			
Salaries	64,476	45,969	18,507
Fringe benefits	20,904	18,432	2,472
Professional fees	933,925	955,209	(21,284)
Postage and freight	15,000	14,165	835
Repairs	6,700	6,930	(230)
Miscellaneous	68,500	15,896	52,604
Depreciation	_____	156	(156)
 Total Operating Expenses	 _____ 1,109,505	 _____ 1,056,757	 _____ 52,748
 Operating Income (Loss)	 (120,705)	 72,350	 193,055
Non-Operating Revenues (Expenses)			
Interest income	1,500	3,438	1,938
Net pension revenue		(10,722)	(10,722)
Contributions	2,000	2,000	
Reserve for future development			
Net asset carryover	_____ 117,205	_____	_____ (117,205)
 Total Non-operating Revenues (Expenses)	 _____ 120,705	 _____ (5,284)	 _____ (125,989)
 Change in Net Assets	 \$ _____ 0	 67,066	 \$ _____ 67,066
 Net Position, Beginning of Year		 _____ 323,280	
 Net Position, End of Year		 \$ _____ 390,346	

CITY OF MOUNTAIN HOME, IDAHO
GOLF COURSE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2020

	Budget Original And Final	Actual	Variance
Operating Revenues			
Charges for services	\$ 305,500	\$ 359,847	\$ 54,347
Rental income	<u>27,000</u>	<u>30,130</u>	<u>3,130</u>
Total Operating Revenues	332,500	389,977	57,477
Operating Expenses			
Salaries	301,484	331,282	(29,798)
Fringe benefits	80,423	60,471	19,952
Gas and oil	17,000	9,492	7,508
Professional fees	2,000	496	1,504
Utilities and telephone	30,400	30,042	358
Repairs	137,972	81,636	56,336
Supplies	80,274	76,182	4,092
Education, dues, and assessments	7,750	5,228	2,522
Miscellaneous	7,750	5,638	2,112
Operating lease (bond payment)			
Capital outlay	9,500		9,500
Depreciation		<u>47,946</u>	<u>(47,946)</u>
Total Operating Expenses	<u>674,553</u>	<u>648,413</u>	<u>26,140</u>
Operating Loss	(342,053)	(258,436)	83,617
Non-Operating Revenues (Expenses)			
Contributions and grants	(5,000)	993	5,993
Interest expense		(4,991)	(4,991)
Net pension revenue		(16,082)	(16,082)
Miscellaneous	3,700	453	(3,247)
Net asset carryover	<u>12,424</u>		<u>(12,424)</u>
Total Non-operating Revenue (Expenses)	<u>11,124</u>	<u>(19,627)</u>	<u>(30,751)</u>
Loss Before Transfers	(330,929)	(278,063)	52,866
Operating Transfers In	<u>330,929</u>	<u>330,929</u>	
Change in Net Assets	<u>\$ 0</u>	52,866	<u>\$ 52,866</u>
Net Position, Beginning of Year		<u>1,891,882</u>	
Net Position, End of Year		<u>\$ 1,944,748</u>	

CITY OF MOUNTAIN HOME, IDAHO
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2020

ASSETS	SPECIAL REVENUE FUNDS						
	<u>Cemetery</u>	<u>Recreation</u>	<u>Library</u>	<u>Airport</u>	<u>Street Lighting</u>	<u>Water Availability</u>	<u>Sewer Availability</u>
Cash and investments	\$ 62,469	\$ 63,873	\$ 21,341	\$ 80,012	\$ 44,159	\$ 514,177	\$ 304,717
Restricted cash						181,100	419,706
Prepaid expense		4,111	383	99			
Receivables							
Property tax	122,178	256,871	542,297	23,235	124,344		
Sales tax	2,088	57,868			2,739		
Other receivable	17	47	270	10,032	17		
Accrued interest	<u>27</u>	<u>29</u>			<u>16</u>	<u>305</u>	<u>305</u>
Total Assets	<u>\$ 186,779</u>	<u>\$ 382,799</u>	<u>\$ 564,291</u>	<u>\$ 113,378</u>	<u>\$ 171,275</u>	<u>\$ 695,582</u>	<u>\$ 724,728</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 3,522	\$ 39,243	\$ 3,109	\$ 8,624	\$ 15,735	\$ 25,298	\$ 44,298
Due to other funds							
Advanced tax revenue	<u>2,878</u>	<u>7,968</u>	<u>12,173</u>	<u>907</u>	<u>3,109</u>		
Total Liabilities	6,400	47,211	15,282	9,531	18,844	25,298	44,298
Deferred Inflows	<u>119,300</u>	<u>248,903</u>	<u>530,123</u>	<u>22,328</u>	<u>121,235</u>		
Fund Balances							
Nonspendable		4,111	383	99			
Restricted					31,196	181,100	419,706
Assigned	61,079	82,574		81,420		489,184	260,724
Unassigned			<u>18,503</u>				
Total Fund Balances	<u>61,079</u>	<u>86,685</u>	<u>18,886</u>	<u>81,519</u>	<u>31,196</u>	<u>670,284</u>	<u>680,430</u>
Total Liabilities, Deferred Inflows and fund balances	<u>\$ 186,779</u>	<u>\$ 382,799</u>	<u>\$ 564,291</u>	<u>\$ 113,378</u>	<u>\$ 171,275</u>	<u>\$ 695,582</u>	<u>\$ 724,728</u>

SPECIAL REVENUE FUNDS			TOTAL SPECIAL REVENUE FUNDS	LIBRARY DEBT SERVICE FUND	TOTAL
Fire Development	Police Development	Street Development			
\$ 29,746	\$	\$ 49,991	\$ 1,170,485	\$ 81,393	\$ 1,251,878
			600,806		600,806
			4,593		4,593
			1,068,925	847	1,069,772
			62,695		62,695
			10,383	3	10,386
<u>13</u>			<u>695</u>		<u>695</u>
<u>\$ 29,759</u>	<u>\$ 0</u>	<u>\$ 49,991</u>	<u>\$ 2,918,582</u>	<u>\$ 82,243</u>	<u>\$ 3,000,825</u>
\$	\$	\$	\$ 139,829	\$ 129	\$ 139,958
			<u>27,035</u>	<u>789</u>	<u>27,824</u>
			166,864	918	167,782
			<u>1,041,889</u>	<u>58</u>	<u>1,041,947</u>
			4,593		4,593
29,759		49,991	711,752	81,267	793,019
			974,981		974,981
			<u>18,503</u>		<u>18,503</u>
<u>29,759</u>		<u>49,991</u>	<u>1,709,829</u>	<u>81,267</u>	<u>1,791,096</u>
<u>\$ 29,759</u>	<u>\$ 0</u>	<u>\$ 49,991</u>	<u>\$ 2,918,582</u>	<u>\$ 82,243</u>	<u>\$ 3,000,825</u>

CITY OF MOUNTAIN HOME, IDAHO
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

Revenues	SPECIAL REVENUE FUNDS						
	<u>Cemetery</u>	<u>Recreation</u>	<u>Library</u>	<u>Airport</u>	<u>Street Lighting</u>	<u>Water Availability</u>	<u>Sewer Availability</u>
Property taxes	\$ 135,342	\$ 336,750	\$ 527,334	\$ 52,195	\$ 137,493	\$	\$
Sales taxes	4,500	225,040			8,998		
Refunds and reimbursements	365		9,726	1,734	25	848	112
Charges for services	30,978	88,937	4,593				
Earnings on investments	435	796	233		308		
Earnings on leases			4,206	9,715			
Grant Revenue							
Federal		8,368	418	397,205			
State							
Contributions	60	1,200	720				
Sponsorships		25,087					
Future service availability fees						230,301	405,720
Future service availability fees interest						8,885	10,739
Miscellaneous		<u>6,860</u>	<u>11,535</u>	<u>6,602</u>			
Total Revenue	171,680	693,038	558,765	467,451	146,824	240,034	416,571
Expenditures							
Current							
Streets and airport				33,183	128,744		
Health and sanitation	163,764					22,420	22,419
Economic and physical development							
Library and recreation		634,215	551,011				
Debt Service							
Principal payment							
Interest expense							
Capital outlay	<u>9,309</u>	<u>98,128</u>	<u>48,785</u>	<u>383,235</u>			
Total Expenditures	<u>173,073</u>	<u>732,343</u>	<u>599,796</u>	<u>416,418</u>	<u>128,744</u>	<u>22,420</u>	<u>22,419</u>
Excess (Deficiency) of Revenues over Expenditures	(1,393)	(39,305)	(41,031)	51,033	18,080	217,614	394,152
Other Financing Sources (Uses)							
Transfers in	72		66,041				
Debt proceeds	30,267	76,528					
Transfers out						(314,001)	(749,279)
Total Other Financing Sources and Uses	<u>30,339</u>	<u>76,528</u>	<u>66,041</u>			<u>(314,001)</u>	<u>(749,279)</u>
Net Change in Fund Balance	28,946	37,223	25,010	51,033	18,080	(96,387)	(355,127)
Fund Balance, Beginning of Year	<u>32,133</u>	<u>49,462</u>	<u>(6,124)</u>	<u>30,486</u>	<u>13,116</u>	<u>766,671</u>	<u>1,035,557</u>
Fund Balance, End of Year	<u>\$ 61,079</u>	<u>\$ 86,685</u>	<u>\$ 18,886</u>	<u>\$ 81,519</u>	<u>\$ 31,196</u>	<u>\$ 670,284</u>	<u>\$ 680,430</u>

<u>SPECIAL REVENUE FUNDS</u>			<u>TOTAL</u>	<u>LIBRARY</u>	
<u>Fire</u>	<u>Police</u>	<u>Street</u>	<u>SPECIAL</u>	<u>DEBT</u>	
<u>Development</u>	<u>Development</u>	<u>Development</u>	<u>REVENUE</u>	<u>SERVICE</u>	<u>TOTAL</u>
<u>FUNDS</u>			<u>FUNDS</u>	<u>FUND</u>	
\$	\$	\$	\$ 1,189,114	\$ 102,257	\$ 1,291,371
			238,538		238,538
			12,810		12,810
			124,508		124,508
324			2,096		2,096
			13,921		13,921
			405,991		405,991
			1,980		1,980
			25,087		25,087
			636,021		636,021
			19,624		19,624
<u>808</u>	<u>706</u>	<u>1,868</u>	<u>28,379</u>		<u>28,379</u>
1,132	706	1,868	2,698,069	102,257	2,800,326
		785	162,712		162,712
			208,603		208,603
			1,185,226		1,185,226
			539,457		539,457
		785	2,095,998		2,095,998
1,132	706	1,083	602,071	102,257	704,328
			66,113		66,113
			106,795		106,795
<u>(9,190)</u>	<u>(5,428)</u>		<u>(1,077,898)</u>	<u>(66,041)</u>	<u>(1,143,939)</u>
<u>(9,190)</u>	<u>(5,428)</u>		<u>(904,990)</u>	<u>(66,041)</u>	<u>(971,031)</u>
(8,058)	(4,722)	1,083	(302,919)	36,216	(266,703)
<u>37,817</u>	<u>4,722</u>	<u>48,908</u>	<u>2,012,748</u>	<u>45,051</u>	<u>2,057,799</u>
<u>\$ 29,759</u>	<u>\$ 0</u>	<u>\$ 49,991</u>	<u>\$ 1,709,829</u>	<u>\$ 81,267</u>	<u>\$ 1,791,096</u>

FEDERAL REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General in the United States, the financial statements financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Mountain Home, Idaho, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Mountain Home, Idaho's basic financial statements and have issued our report thereon dated.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during the 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 Mountain Home, Idaho's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.





Purpose of this Report

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

Harris CPAs

Meridian, Idaho
March 22, 2021



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

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

Report on Compliance for Each Major Federal Program

We have audited City of Mountain Home, Idaho's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Mountain Home, Idaho's major federal programs for the year ended September 30, 2020. City of Mountain Home, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Mountain Home, Idaho's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Mountain Home, Idaho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Mountain Home, Idaho's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Mountain Home, Idaho, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.





Report on Internal Control over Compliance

Management of the City of Mountain Home, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Mountain Home, Idaho's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mountain Home, Idaho's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Harris CPAs

Meridian, Idaho
March 22, 2021

CITY OF MOUNTAIN HOME, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF INTERIOR:			
Pass through from State of Idaho			
Outdoor Recreation Acquisition, Development and Planning	15.916	134020200519P766000130	\$ 245,300
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass through from State of Idaho			
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety	20.600	1290202009085908000300	1,250
National Priority Safety Programs	20.616	1290202009285910000140	<u>3,060</u>
Total Highway Safety Cluster			4,310
Direct Program:			
Airport Improvement Program	20.106	N/A	397,205
Total US Department of Transportation			<u>401,515</u>
U.S. DEPARTMENT OF THE TREASURY:			
CARES Act Funding			
Pass through from State of Idaho Controller's Office			
Coronavirus Relief Fund	21.019	118120200811P824000090	18,946
ENVIRONMENTAL PROTECTION AGENCY:			
Pass through from State of Idaho (DEQ)			
<i>DWSRF Cluster:</i>			
Drinking Water State Revolving Fund	66.468	DW-1105, 1801 & 1899	7,608,876
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass through from State of Idaho			
Rural Business Development Grant	10.351	N/A	5,000
NATIONAL ENDOWMENT FOR THE HUMANITIES:			
Pass through from State of Idaho			
Grants to States	45.310	LS-00-19-0013-20	<u>3,500</u>
Total expenditures of federal awards			<u>\$ 8,283,137</u>

See notes to the schedule of expenditures of federal awards

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

Note A – Basis of Presentation

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

Note B – Summary of Significant Accounting Policies

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

Note C – Indirect Cost Rate

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

Note D – Loan Balances

The City had the following loan balances outstanding at September 30, 2020. The loan balances have continuing compliance requirements and are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
DWSRF Cluster: Drinking Water State Revolving Fund	66.468	\$ 7,218,337

CITY OF MOUNTAIN HOME, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to the financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? _____ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.468	Drinking Water State Revolving Fund
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low-risk auditee?	<u> X </u> yes _____ no

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF MOUNTAIN HOME, IDAHO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2020

There were no prior audit findings.