



Financial Statements

City of Mountain Home, Idaho
Includes Supplementary Information
Year ended September 30, 2025



Table of Contents

Independent Auditors' Report	4
Management's Discussion and Analysis	8
Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	23
Statement of Activities	25
Fund Financial Statements	
Balance Sheet – Governmental Funds	27
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Position	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	29
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	31
Statement of Net Position – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	34
Statement of Cash Flows – Proprietary Funds	35
Notes to the Financial Statements	37
Required Supplementary Information	
Statements of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:	
General Fund	60
Street Oiling Special Revenue Fund	63
Recreation Special Revenue Fund	64
Airport Special Revenue Fund	65
 Schedule of Employers' Proportionate Share of Net Pension Liability and Employer Contributions	 66

Table of Contents

Supplementary Information

Combining Balance Sheet – Non-Major Governmental Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	71

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>	74
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	76
Schedule of Expenditures of Federal Awards	78
Notes to Schedule of Expenditures of Federal Awards	79
Schedule of Findings and Questioned Costs	80

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Mountain Home, Idaho, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise City of Mountain Home, Idaho's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Mountain Home, Idaho, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended September 30, 2025. Accordingly, a restatement has been made to governmental activities and business-type activities and the applicable major enterprise funds net position as of October 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Mountain Home, Idaho's basic financial statements. The combining and individual nonmajor fund financial statements and 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*, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and 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 supplementary 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 February 27, 2026 on our consideration of City of Mountain Home, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mountain Home, Idaho's internal control over financial reporting and compliance.

Sorren CPAs P.C.

Meridian, Idaho
February 27, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

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, 2025. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$82,780,353 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$76,542,404. The City's change in net position was \$6,987,388. The main cause for this increase was an increase in grant revenue and charges for services received in fiscal year 2025 compared to fiscal year 2024, and the infrastructure improvements in our streets, recreation, airport, water, and wastewater system which were made by the city and capitalized of assets.
- During fiscal year 2025, the City implemented Government Accounting Standards Board (GASB) Statement No. 101, *Accrued Compensated Absences*, which caused in a reduction of net position in the amount of (\$749,439). Please reference Note L for more details.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$63,411,457 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 position of \$14,021,403 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
 - (3) Restricted net position of \$5,347,493 represent the portion reserved for development, construction, and debt service.
- The City's governmental funds reported total ending fund balance of \$10,767,045 this year. This compares to the prior year ending fund balance of \$8,276,890, showing an increase of \$2,490,155.
- At the end of the current fiscal year, the General Fund reflected a non-spendable balance of \$74,035, restricted balance of \$214,702, and unassigned balance of \$1,974,872, for a total General Fund balance of \$2,263,609. 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 decreased by \$871,852 from \$16,182,197 to \$15,310,345 during the fiscal year. This decrease was primarily due to payments made on the certificates of participation for the law enforcement building, payments on the DEQ water and wastewater notes payable and certificates of participation and decreases in the net pension liability.
- The City issued Local Improvement District No. 1 Bond Series 2025 on August 21, 2025 in the amount of \$875,000 for the purpose of providing for the financing or refinancing of the costs and expenses of construction and installation of certain fiber optic system improvements benefiting certain property within the Fiber Optic Local Improvement District No. 1. Special assessment revenues totaling \$1,198,208 were assessed to property owners within the LID District during fiscal year 2025.

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.

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

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.

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.

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

Fund Financial Statements (Continued)

Budgetary comparison statements are included in the basic financial statements for the general fund and major special revenue funds. 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.

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 and, major special revenue 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 2024-25, the City is able to report positive balances in three categories of net position for the government as a whole: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position, the third category of net position, had a positive 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, 2025

The City's net position for the fiscal year-end September 30, 2025, is \$82,780,353. This is a \$6,987,388 increase from last year's net position of \$76,542,404. In addition, there was a restatement and reduction in beginning net position of (\$749,439) due to the implementation of GASB statement 101, *Accrued Compensated Absences*, see Note L for more details.

The following table provides a comparative summary of the City's net position on September 30 for both years. Long-term liabilities and other liabilities 2024 amounts were reclassified to exclude amounts due within a year and compensated absences in order to compare with the current year presentation. The fiscal year 2024 columns have not been restated for the GASB statement 101.

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 22,283,901	\$ 19,705,131	\$ 15,063,111	\$ 11,988,543	\$ 37,347,012	\$ 31,693,674
Capital assets (net)	<u>30,815,326</u>	<u>30,639,733</u>	<u>40,222,048</u>	<u>38,459,716</u>	<u>71,037,374</u>	<u>69,099,449</u>
Total assets	<u>53,099,227</u>	<u>50,344,864</u>	<u>55,285,159</u>	<u>50,448,259</u>	<u>108,384,386</u>	<u>100,793,123</u>
Deferred outflows	717,530	912,820	239,713	252,185	957,243	1,165,005
Long-term liabilities	3,777,073	5,170,166	6,013,638	6,049,213	9,790,711	11,219,379
Other liabilities	<u>2,873,982</u>	<u>2,657,578</u>	<u>2,645,652</u>	<u>2,305,240</u>	<u>5,519,634</u>	<u>4,962,818</u>
Total liabilities	6,651,055	7,827,744	8,659,290	8,354,453	15,310,345	16,182,197
Deferred inflows	10,756,189	9,157,295	494,742	76,232	11,250,931	9,233,527
Net Position						
Net investment in capital assets	29,216,334	28,961,972	34,195,123	32,725,594	63,411,457	61,687,566
Restricted	5,169,178	4,074,588	178,315	128,643	5,347,493	4,203,231
Unrestricted	<u>2,024,001</u>	<u>1,236,085</u>	<u>11,997,402</u>	<u>9,415,522</u>	<u>14,021,403</u>	<u>10,651,607</u>
Total net position	<u>\$ 36,409,513</u>	<u>\$ 34,272,645</u>	<u>\$ 46,370,840</u>	<u>\$ 42,269,759</u>	<u>\$ 82,780,353</u>	<u>\$ 76,542,404</u>

The City reported changes in net position for both governmental and business-type activities. Net position increased \$2,751,701 for governmental activities and increased \$4,235,887 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, 2025**

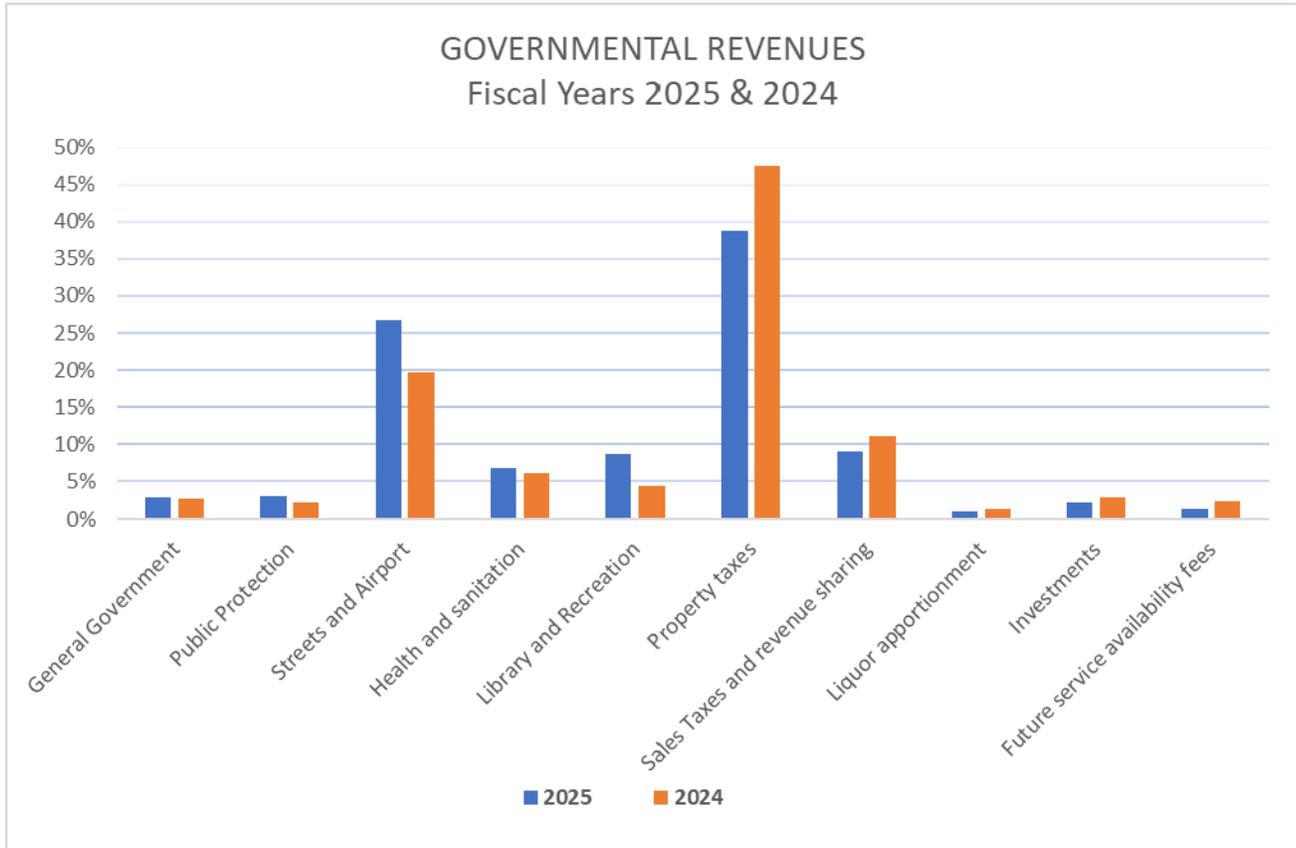
The following table provides a comparative summary of the City's change in net position at September 30 for both years. The fiscal year 2024 columns have not been restated for the GASB statement 101.

Summary of Change in Net Position

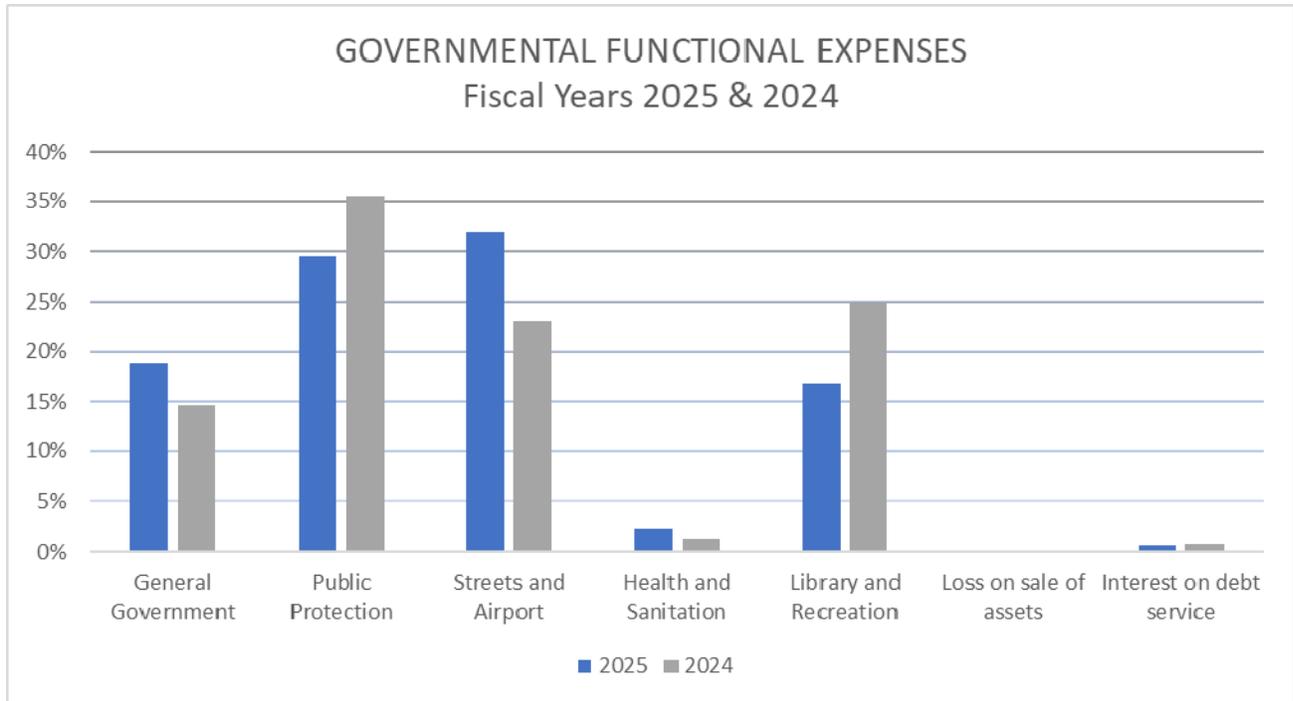
	Governmental Activities		Business-type Activities		Totals	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Function and program revenues						
Operating grants and contributions	\$ 153,821	\$ 2,006,289	\$	\$	\$ 153,821	\$ 2,006,289
Capital grants and contributions	4,843,832	1,497,785	1,784,760	2,457,276	6,628,592	3,955,061
Fines and fees & charges for services	4,870,910	2,348,791	10,363,759	9,701,001	15,234,669	12,049,792
Property taxes	8,016,974	7,962,292			8,016,974	7,962,292
Revenue sharing	1,865,762	1,834,787			1,865,762	1,834,787
Liquor apportionment	217,429	219,472			217,429	219,472
Investment income	447,995	454,385	440,408	465,180	888,403	919,565
Other/Availability Fee	283,965	415,197	166,074	200,909	450,039	616,106
Total revenues	<u>20,700,688</u>	<u>16,738,998</u>	<u>12,755,001</u>	<u>12,824,366</u>	<u>33,455,689</u>	<u>29,563,364</u>
Expenses						
General government	3,272,368	2,121,656			3,272,368	2,121,656
Public protection	5,132,495	5,149,795			5,132,495	5,149,795
Streets and Airport	5,576,874	3,343,599			5,576,874	3,343,599
Health and Sanitation	377,941	166,393			377,941	166,393
Library and recreation	2,924,736	3,614,779			2,924,736	3,614,779
Interest on debt	113,490	111,913			113,490	111,913
Golf course			1,085,828	694,480	1,085,828	694,480
Water			3,356,575	3,308,047	3,356,575	3,308,047
Wastewater			2,690,783	2,560,787	2,690,783	2,560,787
Fiber			508,980	140,655	508,980	140,655
Sanitation			1,414,201	1,362,085	1,414,201	1,362,085
Loss on sale of assets	14,030				14,030	
Total expenses	<u>17,411,934</u>	<u>14,508,135</u>	<u>9,056,367</u>	<u>8,066,054</u>	<u>26,468,301</u>	<u>22,574,189</u>
Increase (Decrease) in net position before transfers	<u>3,288,754</u>	<u>2,230,863</u>	<u>3,698,634</u>	<u>4,758,312</u>	<u>6,987,388</u>	<u>6,989,175</u>
Transfers	<u>(537,253)</u>	<u>(442,092)</u>	<u>537,253</u>	<u>442,092</u>		
Change in net position	2,751,501	1,788,771	4,235,887	5,200,404	6,987,388	6,989,175
Net position						
Beginning of year, restated	<u>33,658,012</u>	<u>32,483,874</u>	<u>42,134,953</u>	<u>37,069,355</u>	<u>75,792,965</u>	<u>69,553,229</u>
End of year	<u>\$36,409,513</u>	<u>\$ 34,272,645</u>	<u>\$ 46,370,840</u>	<u>\$42,269,759</u>	<u>\$ 82,780,353</u>	<u>\$76,542,404</u>

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025**

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for the fiscal year 2025.



As graphically portrayed above and discussed earlier, the City is heavily reliant on property taxes to support governmental operations. Property taxes provided 39% and 48% of the City's total governmental revenues in fiscal years 2025 and 2024, respectively.



This graph shows each major expense category and its share of total governmental activities cost. For example, Streets and Airport expenditures, in the amount of \$5,576,874 account for almost 32% of the \$17,411,934 total expenditures for this year. Unlike many cities in the state, Mountain Home city government provides almost all of the services available to city residents by statute, including cemetery, airport, library, public safety, parks, recreation, animal control, street maintenance, economic development and general administration, with public safety receiving the largest share of revenues. In many other localities these services are provided by private businesses (cemeteries) or special taxing districts (for libraries, streets, fire protection or recreation).

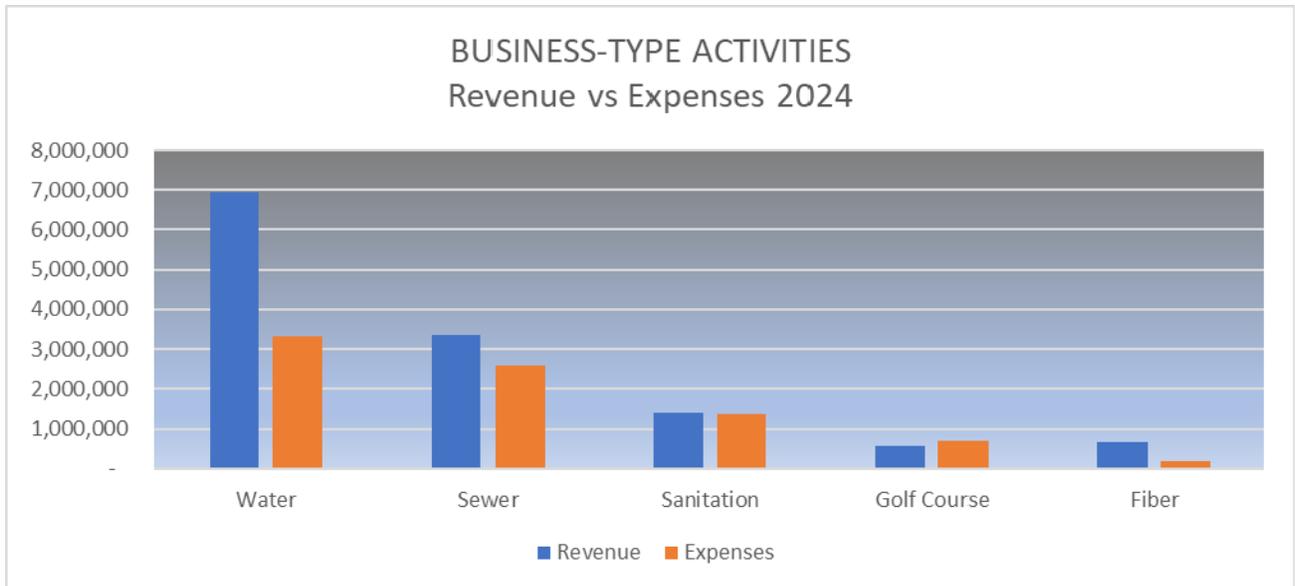
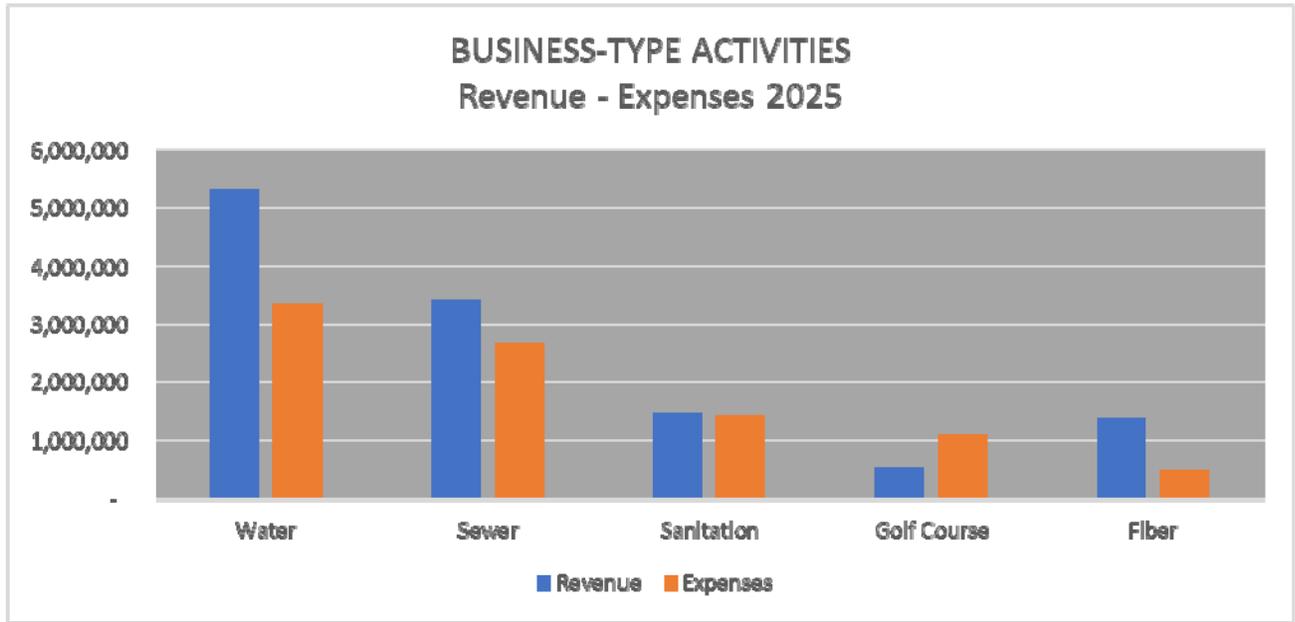
Significant capital expenses and other activity for this fiscal year in governmental funds included:

- City Hall capital expenses included upgraded telephone systems at City Hall to improve internal and external communications infrastructure. Implemented CivicPlus software to enhance website functionality, digital services, and public engagement capabilities. Installed outdoor security cameras at municipal buildings and surrounding grounds to strengthen facility security across City locations. Continued investment in technology and infrastructure improvements to support operational efficiency and public service delivery.
- Development Services entered into a lease agreement for a work truck to support staff field inspections and operational activities. The vehicle enhances staff mobility, improves response times, and supports efficient delivery of development and inspection services throughout the city.
- Police Department capital expenses included purchase of an unmarked vehicle to support investigative and administrative operations. Replace department-issued weapons as part of scheduled equipment lifecycle management. Replaced and upgraded department computers to maintain secure and efficient technology infrastructure. Upgraded and replaced essential law enforcement equipment to support operational readiness. Made final payment of patrol fleet vehicles, completing previously finance acquisitions. Entered into an agreement with LenseLock body camera systems to enhance evidence collection and accountability. Replaced TASER devices to ensure officers are equipped with updated less-lethal tools. Implemented Motorola FLEX TMS/CAD system to modernize dispatch, records, and fleet management capabilities.

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

- Animal Control replaced the desk phone equipment to improve office communications and reliability. Upgraded operational equipment to support field and shelter activities. Purchases portable radios to enhance communication and coordination amount Animal Control personnel in the field.
- Fire Department made protection purchases to include a squad vehicle to enhance emergency response capabilities. Acquired equipment for the Wildland-Urban Interface (WUI) engine to strengthen wildfire response readiness. Purchased fire blankets to improve fire suppression and life safety capabilities. Replaced department computers to maintain reliable reporting, communication, and operational systems. Replaced structure boots to ensure firefighter safety and compliance with protective standards.
- Parks Department upgrades included the purchase of a new mower to support ongoing park maintenance and groundskeeping operations. Completed paving of the parking lot as part of the City Pool improvement project. Conducted routine equipment replacements to maintain reliable and efficient operations across park facilities.
- Street Department improvement with the purchase of the MAC sander and plow to enhance snow and ice control operations. Lease equipment to support street maintenance and construction activities includes-sweeper for roadway cleaning and debris removal, utility truck to improve operational flexibility and field support, CAT wheel loader for material handling and construction tasks, and a grader to maintain and improve roadway surfaces.
- Cemetery capital expenses included the purchase of a mower to support maintenance and upkeep. Completed fence upgrades to improve security and preserve cemetery property. Entered into equipment lease agreements, including a GMC Sierra, to enhance operational efficiency and service delivery.
- Recreation improvements included the purchase of a side-by-side vehicle to support program operations and facility maintenance activities. Acquired patio umbrellas to enhance outdoor amenities and participant comfort. Completed equipment upgrades and replacements to maintain safe and efficient operations. Implemented technology improvements to support programming, registration, and administrative functions. Finalized and completed the City Pool improvement project.
- Library purchased and installed new commons furniture to enhance patron seating and collaborative spaces. Completed construction of an emergency exit to improve safety and code compliance. Established and equipped a computer lab to expand public access to technology resources. Completed exterior painting to preserve the facility and maintain building aesthetics.
- Airport projects completed installation of underground electrical infrastructure upgrades to support construction and service capacity for a new City hanger.
- Golf Course upgrades were the completion of improvements to the driving range to enhance player experience and facility functionality. Equipment leases included collar mower for course detailing and turf maintenance, Ventrac multi-purpose equipment to support grounds maintenance operations, greens sprayer to maintain turf and course conditions, fairway mower for routine fairway maintenance, new lease for greens mower to ensure high-quality putting surface upkeep, and gas-powered golf carts to support course operations and player use.
- Wastewater and Water management combined improvements included continued investment in water and wastewater infrastructure improved system reliability, regulatory compliance, and long-term asset sustainability. Enhanced fleet management practices increased vehicle utilization, reduced downtime, and improved emergency response capability. Formal allocation of backhoe equipment between water and wastewater operations improved efficiency for small-scale repair projects. Acquisition of mini-excavator reduced contractor reliance and improved efficiency for small-scale repair projects. Targeted equipment upgrades reduced unplanned outages and strengthened overall system performance. Lagoon cell aeration improvements enhanced treatment efficiency, compliance margins, and environmental performance. Capital investments are expected to lower reactive maintenance cost and support long-term operational resilience.

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 an approved transfer from the General Fund.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025**

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 \$10,767,045. The ending fund balance consists of non-spendable, restricted and assigned funds in the amount of \$9,528,847 to be used for development, construction, and debt service; and unassigned funds of \$1,238,198 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 decreased by \$310,825 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 increase of \$381,453 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.

Recreation Fund is used to account for operation of City recreation programs. Financing is provided by a specific annual property tax levy to the extent miscellaneous revenues are not sufficient to provide such financing. City ordinance restricts these property taxes to financing of recreation programs. The fund balance in the Recreation Fund reported a decrease of \$325,862 primarily due to revenues not being sufficient to cover operating costs.

Airport Fund is used to account for the operation of the City's local airport. Financing is provided through property taxes, charges for services and state and federal grants. The fund balance in the Airport Fund reported an increase of \$702,913 primarily due to an increase in grant revenues used for ordinary projects.

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.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025**

Proprietary Funds (Continued)

The water fund reported an increase in net position of \$2,279,330 for the current fiscal year this reflected a rate increase that will stabilize the funds yearly financial responsibility of DEQ loans and address future infrastructure needs. Wastewater fund reported an increase in net position of \$803,364 due to rate increase in anticipation of future equipment replacement needs and increases in customers billed.

The sanitation fund reflected an increase of \$69,940 in the revenue collected in anticipation of future equipment replacement needs.

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 \$77,772 for the current fiscal year.

The Fiber Fund includes all costs, operating, and capital, associated with offering high-speed broadband internet service to City residents and businesses. The fund reported an increase in net position of \$1,005,481 for the current fiscal year primarily due to special assessments made for LID District No. 1 during fiscal year 2025.

General Fund Budgetary Highlights

The adopted General Fund budgeted revenue for fiscal year 2025 was \$17,380,053. This was an increase of \$3,847,638 more than the previous year General Fund budget.

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, 2025, was \$30,815,326 and \$40,222,048 respectively. Infrastructure additions comprise the majority of current year increases. The City issued Local Improvement District No. 1 Bond Series 2025 on August 21, 2025 in the amount of \$875,000 for the purpose of providing for the financing or refinancing of the costs and expenses of construction and installation of certain fiber optic system improvements benefiting certain property within the Fiber Optic Local Improvement District No. 1. 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, 2025**

**Capital Assets
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Totals	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Non-Depreciable Assets:						
Land	\$ 2,489,022	\$ 2,465,215	\$ 3,936,007	\$ 3,936,007	\$ 6,425,029	\$ 6,401,222
Construction in progress	602,037	3,225,204	9,789,587	8,172,027	10,391,624	11,397,231
Intangibles			1,207,510	1,207,510	1,207,510	1,207,510
Depreciable Assets:						
Infrastructure	22,988,337	19,842,155	22,081,819	22,578,104	45,070,156	42,420,259
Buildings and improvements	1,908,690	2,146,252	341,147	243,003	2,249,837	2,389,255
Equipment	2,812,860	2,921,555	2,641,950	2,299,001	5,454,810	5,220,556
Right of use, lease equipment	<u>14,380</u>	<u>39,352</u>	<u>224,028</u>	<u>24,064</u>	<u>238,408</u>	<u>63,416</u>
Total	<u>\$ 30,815,326</u>	<u>\$ 30,639,733</u>	<u>\$ 40,222,048</u>	<u>\$ 38,459,716</u>	<u>\$ 71,037,374</u>	<u>\$ 69,099,449</u>

Long-term debt

At the end of the fiscal year, the City had total debt outstanding of \$7,625,917. The debt is a combination of 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 Forecasted Budget

The City's financial performance and capital improvements during the fiscal year occurred in the context of a dynamic economic environment, marked by inflationary pressures, evolving labor markets, and fluctuating supply costs. Despite these challenges, the city maintained stable operations and continued strategic investments in infrastructure, technology, and public services. Our success relies on collaboration across departments and with the community. In many ways, it can be said that *"we have friends everywhere"* — from staff who support one another to partners who help advance city priorities. In a year marked by shifting forces and unexpected challenges, we remained focused on our mission and charted a steady course through the uncertainty.

Looking ahead, the forecasted budget for the next fiscal year anticipates continued investment in capital projects and equipment replacement while maintaining fiscal responsibility. Emphasis will be placed on sustaining essential services, enhancing operational efficiency, and addressing community growth and infrastructure needs. The City remains committed to prudent financial management to ensure long-term sustainability and service delivery to residents.

For FY 2026:

- Planned improvements for City Hall in FY 2026 include upgrades to technology equipment, replacement of the Juniper core switch, HVAC system enhancements, server replacement, review of a potential new facility, and ongoing equipment replacement. These initiatives aim to modernize infrastructure, improve operational efficiency, and support long-term facility planning.
- Police Department includes an upgraded unmarked vehicle, IT/networking servers and software, desktop and vehicle computers, police radios, replacement and upgrade of equipment, marked vehicles, and enhancements to the Motorola Flex TMS/CAD system. These efforts are designed to strengthen technology, operational efficiency, and overall public safety.
- Animal Control upgrades to networking equipment, replacement of the freezer, and other essential equipment. These objectives are to modernize operations, improve efficiency, and support effective animal care and control services.
- Fire Department include construction of a training tower, acquisition of a thermal imager, refurbishment of an engine, fire facility planning, WUI equipment upgrades, replacement of hoses and nozzles, and enhancements to rescue equipment. These strategies aim to strengthen operational readiness, safety, and emergency response capabilities.
- Parks will complete installation of solar lighting, upgrades to utilities (power, water, wastewater, and security), and replacement of bleachers and restrooms in Carl Miller Park. These plans aim to enhance safety, sustainability, and experience of visiting park facilities.
- Streets Department includes installation of a pedestrian signal light, acquisition of skid steer attachments, and replacement of essential equipment. These actions aim to improve safety, operational efficiency, and roadway maintenance capabilities.
- Recreation projects include pool enhancements, building upgrades, technology equipment updates, and grounds improvements. These programs aim to modernize facilities, improve safety, and enhance the overall recreational experience for the community.
- Library will include new staff furniture, installation of security cameras, website remodeling, commons area flooring updates, and landscape improvements. These campaigns aim to enhance functionality, safety, and the overall visitor experience.
- Municipal Airport upgrades in infrastructure expansion, facility maintenance, and equipment replacement with a budget of up to \$55,000. These operations aim to enhance operational capacity, safety, and service efficiency. Golf Course projects are the replacement of pumps and the water well, lease of a new green mower and collar mower, clubhouse siding improvements, and upgrades to restaurant equipment. These projects aim to enhance course operations, facility maintenance, and customer experience.

CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025

- Golf Course projects are the replacement of pumps and the water well, lease of a new green mower and collar mower, clubhouse siding improvements, and upgrades to restaurant equipment. These projects aim to enhance course operations, facility maintenance, and customer experience.
- Water Department continues in the contributions to the Water Rights Build Fund, equipment replacement, upgrades to meter reader equipment, and computer replacements. These initiatives aim to modernize infrastructure, enhance operational efficiency, and support reliable water service.
- Wastewater Department upgrades to the Raptor control system, mower fleet management, and computer replacements. These measures aim to improve operational efficiency, technology infrastructure, and service reliability.
- Fiber Department includes construction of a new fiber hut and upgrades to existing equipment. These initiatives aim to expand network capacity, improve connectivity, and support reliable service delivery.

**CITY OF MOUNTAIN HOME, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2025**

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.

BASIC FINANCIAL STATEMENTS

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION
September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Total
ASSETS AND DEFERRED OUTFLOWS				
Current Assets				
Cash and investments	\$ 10,442,623	\$ 12,242,625	\$ 22,685,248	\$ 2,898,161
Receivables:				
Accounts, net		2,195,047	2,195,047	
Accrued interest	61,674	50,627	112,301	
Property tax	8,717,033		8,717,033	647,515
Sales tax	490,743		490,743	
Due from other governments	257,188		257,188	
Lease receivable	1,197,454	100,312	1,297,766	
Other	252,244	150,876	403,120	
Inventory		74,193	74,193	
Prepaid expenses	79,134	21,606	100,740	
Total Current Assets	21,498,093	14,835,286	36,333,379	3,545,676
Noncurrent Assets				
Leases receivable, less current portion		49,510	49,510	
Restricted cash	785,808	178,315	964,123	
Capital assets, net of accumulated depreciation and amortization	30,815,326	40,222,048	71,037,374	912,537
Total Noncurrent Assets	31,601,134	40,449,873	72,051,007	912,537
Total Assets	53,099,227	55,285,159	108,384,386	4,458,213
Deferred Outflows of Resources				
Pension obligations	717,530	239,713	957,243	
Total Assets and Deferred Outflows of Resources	<u>\$ 53,816,757</u>	<u>\$ 55,524,872</u>	<u>\$ 109,341,629</u>	<u>\$ 4,458,213</u>

See accompanying notes to basic financial statements

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION (CONTINUED)
September 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Total
LIABILITIES AND DEFERRED INFLOWS				
Current Liabilities				
Accounts payable	\$ 1,493,619	\$ 1,044,219	\$ 2,537,838	\$
Accrued interest payable	80,289	22,059	102,348	
Unearned revenue	11,455	526,858	538,313	
Deposits payable	10,000		10,000	
Due Within One Year:				
Accrued compensated absences	1,017,599	224,370	1,241,969	
Lease liabilities	166,020	88,258	254,278	
Bonds payable		209,729	209,729	
Notes payable		530,159	530,159	
Certificates of participation	<u>95,000</u>		<u>95,000</u>	
Total Current Liabilities	2,873,982	2,645,652	5,519,634	
Noncurrent Liabilities				
Due in More Than One Year:				
Lease liabilities	657,972	258,651	916,623	
Bond payable		950,271	950,271	
Notes payable		3,989,857	3,989,857	
Certificates of participation	680,000		680,000	
Net pension liability	<u>2,439,101</u>	<u>814,859</u>	<u>3,253,960</u>	
Total Noncurrent Liabilities	<u>3,777,073</u>	<u>6,013,638</u>	<u>9,790,711</u>	
Total Liabilities	6,651,055	8,659,290	15,310,345	
Deferred Inflows				
Deferred tax revenue	8,532,320		8,532,320	647,515
Lease related items	1,111,990	123,284	1,235,274	
Pensions	<u>1,111,879</u>	<u>371,458</u>	<u>1,483,337</u>	
Total Deferred Inflows	10,756,189	494,742	11,250,931	647,515
NET POSITION				
Net investment in capital assets	29,216,334	34,195,123	63,411,457	912,537
Restricted	5,169,178	178,315	5,347,493	2,898,161
Unrestricted	<u>2,024,001</u>	<u>11,997,402</u>	<u>14,021,403</u>	
Total Net Position	<u>36,409,513</u>	<u>46,370,840</u>	<u>82,780,353</u>	<u>3,810,698</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 53,816,757</u>	<u>\$ 55,524,872</u>	<u>\$ 109,341,629</u>	<u>\$ 4,458,213</u>

See accompanying notes to basic financial statements

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	Total
Governmental Activities								
General government	\$ 3,272,368	\$ 516,946	\$ 54,320	\$	\$ (2,701,102)	\$	\$ (2,701,102)	\$
Public protection	5,132,495	584,204	12,495		(4,535,796)		(4,535,796)	
Streets and airport	5,576,874	1,966,340		3,563,746	(46,788)		(46,788)	
Health and sanitation	377,941	1,346,970	32,911		1,001,940		1,001,940	
Library and recreation	2,924,736	456,450	54,095	1,280,086	(1,134,105)		(1,134,105)	
Loss on sale of assets	14,030				(14,030)		(14,030)	
Interest on long-term debt	113,490				(113,490)		(113,490)	
Total Governmental Activities	17,411,934	4,870,910	153,821	4,843,832	(7,543,371)		(7,543,371)	
Business-Type Activities								
Water	3,356,575	4,782,439		539,943		1,965,807	1,965,807	
Sewer	2,690,783	3,423,461				732,678	732,678	
Sanitation	1,414,201	1,460,903				46,702	46,702	
Golf course	1,085,828	550,901				(534,927)	(534,927)	
Fiber	508,980	146,055		1,244,817		881,892	881,892	
Total Business-Type Activities	9,056,367	10,363,759		1,784,760		3,092,152	3,092,152	
Total Primary Government	26,468,301	15,234,669	153,821	6,628,592	(7,543,371)	3,092,152	(4,451,219)	
Component Units								
Urban Renewal Agency	\$ 191,293	\$	\$	\$	\$	\$	\$	\$ (191,293)

See accompanying notes to basic financial statements

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF ACTIVITIES (CONTINUED)
For the Year Ended September 30, 2025

	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION (CONTINUED)			Component Units
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
	\$ (7,543,371)	\$ 3,092,152	\$ (4,451,219)	\$ (191,293)
General Revenues and Transfers				
Property taxes	8,016,974		8,016,974	694,467
Sales taxes /revenue sharing	1,865,762		1,865,762	
Liquor apportionment	217,429		217,429	
Franchise fees	247,902		247,902	
Earnings on investments	447,995	440,408	888,403	76,684
Miscellaneous	36,063	166,074	202,137	
Net operating transfers	(537,253)	537,253		
Total General Revenues and Transfers	<u>10,294,872</u>	<u>1,143,735</u>	<u>11,438,607</u>	<u>771,151</u>
Change in Net Position	2,751,501	4,235,887	6,987,388	579,858
Net Position				
Beginning of Year	<u>34,272,645</u>	<u>42,269,759</u>	<u>76,542,404</u>	<u>3,230,840</u>
Aggregate restatement	(614,633)	(134,806)	(749,439)	
Beginning of Year, Restated	<u>33,658,012</u>	<u>42,134,953</u>	<u>75,792,965</u>	<u>3,230,840</u>
End of Year	<u>\$ 36,409,513</u>	<u>\$ 46,370,840</u>	<u>\$ 82,780,353</u>	<u>\$ 3,810,698</u>

See accompanying notes to basic financial statements

CITY OF MOUNTAIN HOME, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025

	MAJOR FUNDS				NON-MAJOR	TOTAL
	General Fund	Street Oiling Fund	Recreation Fund	Airport Fund	FUNDS	
ASSETS						
Cash and investments	\$ 1,481,626	\$ 2,301,672	\$ 150	\$ 276,264	\$ 6,382,911	\$ 10,442,623
Restricted cash	214,702				571,106	785,808
Receivables:						
Property taxes	6,970,161	152,943	496,162	74,015	1,023,752	8,717,033
Sales tax	490,743					490,743
Other governments	44,616	212,572				257,188
Accrued interest	25,285	7,375		4,733	24,281	61,674
Due from other funds	280,701					280,701
Other receivables	58,818		1,354	192,072		252,244
Lease receivable	1,050,176			147,278		1,197,454
Prepaid expenses	<u>74,035</u>	<u>267</u>	<u>981</u>	<u></u>	<u>3,851</u>	<u>79,134</u>
Total Assets	<u>\$ 10,690,863</u>	<u>\$ 2,674,829</u>	<u>\$ 498,647</u>	<u>\$ 694,362</u>	<u>\$ 8,005,901</u>	<u>\$ 22,564,602</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 479,575	\$ 186,616	\$ 50,004	\$ 684,423	\$ 81,849	\$ 1,482,467
Accrued expense			11,152			11,152
Unearned revenue	11,455					11,455
Deposits payable	10,000					10,000
Due to other funds			<u>280,701</u>			<u>280,701</u>
Total Liabilities	501,030	186,616	341,857	684,423	81,849	1,795,775
Deferred Inflows of Resources						
Unavailable revenue - leases	969,292			142,698		1,111,990
Unavailable revenue - property taxes	6,952,754	152,598	493,862	73,790	1,020,538	8,693,542
Unavailable revenue - other	<u>4,178</u>			<u>192,072</u>		<u>196,250</u>
Total Deferred Inflows of Resources	7,926,224	152,598	493,862	408,560	1,020,538	10,001,782
Fund Balances						
Nonspendable	74,035	267	981		3,851	79,134
Restricted	214,702	2,335,348			2,619,128	5,169,178
Assigned					4,280,535	4,280,535
Unassigned	<u>1,974,872</u>		<u>(338,053)</u>	<u>(398,621)</u>		<u>1,238,198</u>
Total Fund Balances	<u>2,263,609</u>	<u>2,335,615</u>	<u>(337,072)</u>	<u>(398,621)</u>	<u>6,903,514</u>	<u>10,767,045</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,690,863</u>	<u>\$ 2,674,829</u>	<u>\$ 498,647</u>	<u>\$ 694,362</u>	<u>\$ 8,005,901</u>	<u>\$ 22,564,602</u>

See accompanying notes to basic financial statements

CITY OF MOUNTAIN HOME, IDAHO
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2025

Total fund balance - total governmental funds	\$	10,767,045
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.		30,815,326
Some of the City's revenues will be collected after year-end, but are not available soon enough to pay the current period's expenditures, and therefore are reported as advanced revenue in the funds.		
Property taxes	161,222	
Grant revenues	<u>196,250</u>	
		357,472
Deferred outflows of resources are not available to pay for current period expenditures, and certain deferred inflows of resources are not due and payable in the current period, and therefore, are not reported in the funds.		
Pension related deferred outflows	717,530	
Pension related deferred inflows	<u>(1,111,879)</u>	
		(394,349)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(80,289)
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:		
Lease liabilities	(823,992)	
Certificates of participation	(775,000)	
Compensated absences payable	(1,017,599)	
Net pension liability	<u>(2,439,101)</u>	
Total long term liabilities		<u>(5,055,692)</u>
Total net position of governmental activities	\$	<u><u>36,409,513</u></u>

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, 2025

	MAJOR FUNDS				NON-MAJOR	TOTAL
	General Fund	Street Oiling Fund	Recreation Fund	Airport Fund	FUNDS	
REVENUES						
Property taxes	\$ 6,050,615	\$ 124,473	\$ 798,035	\$ 80,899	\$ 1,118,788	\$ 8,172,810
Sales tax / revenue sharing	1,100,062		765,700			1,865,762
Highway users		1,353,065				1,353,065
County road apportionment		312,861				312,861
State liquor apportionment	217,429					217,429
Franchise fees	247,902					247,902
Licenses, permits, and fees	475,361	2,680				478,041
Court revenue	64,908					64,908
Charges for services			271,212	450	2,064,402	2,336,064
Earnings on investments	117,019	79,844	3,297	8,718	239,117	447,995
Earnings on leases	41,585			58,110	6,914	106,609
Refunds and reimbursements	177,624	24,482	919	4,936	11,401	219,362
Grant revenue:						
Federal	50,000	24,702		3,539,044		3,613,746
State	4,320		1,295,256			1,299,576
Local	32,911					32,911
Contributions	12,495		3,561		3,074	19,130
Sponsorship			24,400		7,890	32,290
Miscellaneous	<u>23,159</u>	<u>2,500</u>	<u> </u>	<u>2,105</u>	<u>8,299</u>	<u>36,063</u>
Total Revenues	\$ 8,615,390	\$ 1,924,607	\$ 3,162,380	\$ 3,694,262	\$ 3,459,885	\$ 20,856,524

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, 2025

	MAJOR FUNDS				NON-MAJOR FUNDS	TOTAL
	General Fund	Street Oiling Fund	Recreation Fund	Airport Fund		
EXPENDITURES						
Current						
General government	\$ 1,344,877	\$	\$	\$	\$	\$ 1,344,877
Public protection	5,455,559					5,455,559
Streets and airport		1,169,485		2,869,370	160,093	4,198,948
Health and sanitation					354,458	354,458
Library and recreation	908,127		858,519		815,503	2,582,149
Debt service						
Principal	170,121	93,804	12,229	19,645	8,177	303,976
Interest	48,978	33,795	2,565	645	1,466	87,449
Capital outlay	<u>686,507</u>	<u>246,070</u>	<u>2,614,929</u>	<u>101,689</u>	<u>77,712</u>	<u>3,726,907</u>
Total Expenditures	<u>8,614,169</u>	<u>1,543,154</u>	<u>3,488,242</u>	<u>2,991,349</u>	<u>1,417,409</u>	<u>18,054,323</u>
Excess (Deficiency) of Revenues Over Expenditures	1,221	381,453	(325,862)	702,913	2,042,476	2,802,201
OTHER FINANCING SOURCES (USES)						
Lease proceeds	225,207					225,207
Transfers out	<u>(537,253)</u>					<u>(537,253)</u>
Net Other Financing Sources (Uses)	<u>(312,046)</u>					<u>(312,046)</u>
Net Change in Fund Balances	(310,825)	381,453	(325,862)	702,913	2,042,476	2,490,155
FUND BALANCES, Beginning of Year	<u>2,574,434</u>	<u>1,954,162</u>			<u>3,748,294</u>	<u>8,276,890</u>
Change within financial reporting entity, (nonmajor to major fund)			(11,210)	(1,101,534)	1,112,744	
FUND BALANCES, Beginning of Year, Restated	<u>2,574,434</u>	<u>1,954,162</u>	<u>(11,210)</u>	<u>(1,101,534)</u>	<u>4,861,038</u>	<u>8,276,890</u>
FUND BALANCES, End of Year	<u>\$ 2,263,609</u>	<u>\$ 2,335,615</u>	<u>\$ (337,072)</u>	<u>\$ (398,621)</u>	<u>\$ 6,903,514</u>	<u>\$ 10,767,045</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, 2025

Net change in fund balances - total governmental funds \$ 2,490,155

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

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

Property taxes	3,073	
Grant revenues	(158,909)	
	(158,909)	(155,836)

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	3,726,907	
Net loss from cancelled construction in progress	(14,030)	
Transfers of capital assets	(1,436,476)	
Amortization expense	(24,971)	
Depreciation expense	(2,075,837)	
	(2,075,837)	
Excess of capital outlay over depreciation expense		175,593

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

Lease proceeds	(225,207)	
Certificates of participation payments	90,000	
Lease liability payments	213,976	
	213,976	78,769

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.

Pension expense	201,914	
Increase in accrued interest payable	(26,041)	
Increase in compensated absence payable	(13,053)	
	(39,094)	
		162,820

		\$ 2,751,501
Change in Net Position of Governmental Activities		2,751,501

See accompanying notes to basic financial statements

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Fiber</u>	<u>Non Major</u> <u>Tap</u> <u>Deposit</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Course</u>	<u>Fund</u>	<u>Fund</u>	
ASSETS AND DEFERRED							
OUTFLOWS							
Current Assets							
Cash and cash equivalents	\$ 7,435,430	\$ 2,430,824	\$ 623,588	\$ 423,408	\$ 1,154,789	\$ 174,586	\$12,242,625
Receivables							
Accounts, net	939,481	286,779	129,660		839,127		2,195,047
Accrued interest	24,387	9,139	1,787		15,314		50,627
Other	143,834			7,042			150,876
Leases - Current portion		98,627			1,685		100,312
Due from other funds						38,761	38,761
Inventory					74,193		74,193
Prepaid expenses	<u>17,086</u>	<u>2,734</u>	<u> </u>	<u>1,479</u>	<u>307</u>	<u> </u>	<u>21,606</u>
Total Current Assets	8,560,218	2,828,103	755,035	431,929	2,085,415	213,347	14,874,047
Non-current Assets							
Capital Assets							
Land and sewer lagoons	1,085,024	1,104,349	69,205	1,677,429			3,936,007
Buildings and improvements	403,002	224,170	58,616	380,733	60,165		1,126,686
Systems and equipment	2,155,596	2,532,415	32,819	878,724	349,547		5,949,101
Intangibles	1,207,510						1,207,510
Construction in progress	9,437,106	352,481					9,789,587
Infrastructure	26,338,220	23,152,463		324,790	1,047,942		50,863,415
Right of use asset - leases	8,871	8,871		261,611			279,353
Less accumulated depreciation	<u>(16,660,124)</u>	<u>(15,015,213)</u>	<u>(90,891)</u>	<u>(1,029,774)</u>	<u>(133,609)</u>	<u> </u>	<u>(32,929,611)</u>
Total capital assets, net of accumulated depreciation	23,975,205	12,359,536	69,749	2,493,513	1,324,045		40,222,048
Leases receivable, less current portion		49,510					49,510
Restricted cash	<u>116,948</u>	<u> </u>	<u> </u>	<u> </u>	<u>61,367</u>	<u> </u>	<u>178,315</u>
Total Assets	32,652,371	15,237,149	824,784	2,925,442	3,470,827	213,347	55,323,920
Deferred outflows							
Pension related items	<u>67,924</u>	<u>61,343</u>	<u>4,602</u>	<u>92,038</u>	<u>13,806</u>	<u> </u>	<u>239,713</u>
Total Assets and Deferred Outflows	<u>\$32,720,295</u>	<u>\$15,298,492</u>	<u>\$ 829,386</u>	<u>\$ 3,017,480</u>	<u>\$ 3,484,633</u>	<u>\$ 213,347</u>	<u>\$55,563,633</u>

See accompanying notes to basic financial statements

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
September 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Fiber</u>	<u>Non Major</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Course</u>	<u>Fund</u>	<u>Tap</u>	
				<u>Fund</u>	<u>Fund</u>	<u>Deposit</u>	
						<u>Fund</u>	
LIABILITIES AND DEFERRED							
INFLOWS							
CURRENT LIABILITIES							
Accounts payable	\$ 605,809	\$ 74,418	\$ 110,846	\$ 25,544	\$ 14,255	\$ 213,347	\$ 1,044,219
Accrued interest payable	5,349	5,605		6,358	4,747		22,059
Due to other funds	38,761						38,761
Unearned revenue	343,349			15,033	168,476		526,858
Accrued compensated balances	101,171	37,203		66,202	19,794		224,370
Current portion of lease liabilities	5,066	5,066		78,126			88,258
Current portion of bonds payable	140,000				69,729		209,729
Current portion of notes payable	<u>161,628</u>	<u>368,531</u>					<u>530,159</u>
Total Current Liabilities	1,401,133	490,823	110,846	191,263	277,001	213,347	2,684,413
NON-CURRENT LIABILITIES							
Net pension liability	230,895	208,525	15,643	312,866	46,930		814,859
Long-term portion of lease liabilities	32,871	32,871		192,909			258,651
Long-term portion of bond payable	145,000				805,271		950,271
Long-term portion of notes payable	<u>2,805,755</u>	<u>1,184,102</u>					<u>3,989,857</u>
Total Noncurrent Liabilities	<u>3,214,521</u>	<u>1,425,498</u>	<u>15,643</u>	<u>505,775</u>	<u>852,201</u>		<u>6,013,638</u>
Total Liabilities	4,615,654	1,916,321	126,489	697,038	1,129,202	213,347	8,698,051
DEFERRED INFLOWS							
Pension related items	105,255	95,057	7,131	142,622	21,393		371,458
Lease related items		<u>121,674</u>			<u>1,610</u>		<u>123,284</u>
Total Deferred Inflows	<u>105,255</u>	<u>216,731</u>	<u>7,131</u>	<u>142,622</u>	<u>23,003</u>		<u>494,742</u>
NET POSITION							
Net investment in capital assets	20,684,885	10,768,966	69,749	2,222,478	449,045		34,195,123
Restricted	116,948				61,367		178,315
Unrestricted	<u>7,197,553</u>	<u>2,396,474</u>	<u>626,017</u>	<u>(44,658)</u>	<u>1,822,016</u>		<u>11,997,402</u>
Total Net Position	<u>27,999,386</u>	<u>13,165,440</u>	<u>695,766</u>	<u>2,177,820</u>	<u>2,332,428</u>		<u>46,370,840</u>
Total Liabilities, Deferred							
Inflows and Net Position	<u>\$32,720,295</u>	<u>\$15,298,492</u>	<u>\$ 829,386</u>	<u>\$ 3,017,480</u>	<u>\$ 3,484,633</u>	<u>\$ 213,347</u>	<u>\$55,563,633</u>

See accompanying notes to basic financial statements

CITY OF MOUNTAIN HOME, IDAHO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Fiber</u>	<u>Non Major</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Course</u>	<u>Fund</u>	<u>Tap</u>	
				<u>Fund</u>		<u>Deposit</u>	
						<u>Fund</u>	
Operating Revenues							
Charges for services	\$ 4,782,439	\$ 3,323,523	\$ 1,460,903	\$ 513,020	\$ 146,055	\$	\$ 10,225,940
Rental income		<u>99,938</u>		<u>37,881</u>			<u>137,819</u>
Total Operating Revenues	4,782,439	3,423,461	1,460,903	550,901	146,055		10,363,759
Operating Expenses							
Salaries	827,843	687,007	59,591	348,128	107,434		2,030,003
Fringe benefits	341,007	281,619	24,191	95,818	73,035		815,670
Gas and oil	24,971	15,839		20,386	6,380		67,576
Professional fees	130,560	170,925	1,300,595	13,463	34,054		1,649,597
Postage and freight	25,214	21,513	21,747		21		68,495
Utilities and telephone	519,617	21,978		36,242	6,215		584,052
Repairs	329,119	193,993	9,277	226,152	59,913		818,454
Supplies	130,892	143,036		55,345	63,179		392,452
Education, dues, and assessments	29,077	20,861		6,287	1,617		57,842
Miscellaneous expense	321	359	3,550	1,632	55,372		61,234
Insurance	60,390	119,625					180,015
Depreciation	<u>910,914</u>	<u>977,392</u>		<u>112,100</u>	<u>42,496</u>		<u>2,042,902</u>
Total Operating Expenses	<u>3,329,925</u>	<u>2,654,147</u>	<u>1,418,951</u>	<u>915,553</u>	<u>449,716</u>		<u>8,768,292</u>
Operating Income (Loss)	1,452,514	769,314	41,952	(364,652)	(303,661)		1,595,467
Non-operating Revenues (Expenses)							
Investment earnings (loss)	302,228	96,246	23,823		18,111		440,408
Special assessments					1,198,208		1,198,208
Capital contribution					9,849		9,849
Grant revenue	539,943				36,760		576,703
Net pension expense	69,880	29,006	4,750	(157,145)	(54,517)		(108,026)
Interest expense	(96,530)	(65,642)		(13,130)	(4,747)		(180,049)
Miscellaneous income (expense)	<u>11,295</u>	<u>(25,560)</u>	<u>(585)</u>	<u>75,446</u>	<u>105,478</u>		<u>166,074</u>
Total Non-operating Revenues							
(Expenses)	<u>826,816</u>	<u>34,050</u>	<u>27,988</u>	<u>(94,829)</u>	<u>1,309,142</u>		<u>2,103,167</u>
Income (Loss) Before Transfers	2,279,330	803,364	69,940	(459,481)	1,005,481		3,698,634
Operating Transfers In (Out)							
Transfers in				<u>537,253</u>			<u>537,253</u>
Total Operating Transfers In (Out)				<u>537,253</u>			<u>537,253</u>
Change in Net Position	2,279,330	803,364	69,940	77,772	1,005,481		4,235,887
Net Position, Beginning of Year	<u>25,775,274</u>	<u>12,386,607</u>	<u>625,826</u>	<u>2,119,417</u>	<u>1,362,635</u>		<u>42,269,759</u>
Aggregate restatements	(55,218)	(24,531)		(19,369)	(35,688)		(134,806)
Net Position, Beginning of Year, Restated	<u>25,720,056</u>	<u>12,362,076</u>	<u>625,826</u>	<u>2,100,048</u>	<u>1,326,947</u>		<u>42,134,953</u>
Net Position, End of Year	<u>\$27,999,386</u>	<u>\$13,165,440</u>	<u>\$ 695,766</u>	<u>\$ 2,177,820</u>	<u>\$ 2,332,428</u>	<u>\$</u>	<u>\$ 46,370,840</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, 2025

	Water	Sewer	Sanitation	Golf		Non Major	
	Fund	Fund	Fund	Course	Fiber	Tap	Total
				Fund	Fund	Deposit	
						Fund	
Cash Flow From Operating Activities							
Cash received from customers	\$ 4,849,340	\$ 3,451,397	\$ 1,456,936	\$ 548,341	\$ (686,241)	\$	\$ 9,619,773
Cash payments to suppliers for goods	(1,473,751)	(973,121)	(1,353,570)	(447,724)	(427,042)		(4,675,208)
Cash payments to employees for services	<u>(811,396)</u>	<u>(689,623)</u>	<u>(59,591)</u>	<u>(308,084)</u>	<u>(111,600)</u>		<u>(1,980,294)</u>
Net Cash Provided By (Used in)							
Operating Activities	2,564,193	1,788,653	43,775	(207,467)	(1,224,883)		2,964,271
Cash Flows From Noncapital Financing Activities							
Operating transfers	2,468			537,253		(759)	538,962
Other non-operating income (loss)	<u>11,295</u>	<u>(25,560)</u>	<u>(585)</u>	<u>75,444</u>	<u>101,299</u>		<u>161,893</u>
Net Cash Provided By (Used in)							
Noncapital Financing Activities	13,763	(25,560)	(585)	612,697	101,299	(759)	700,855
Cash Flow From Capital and Related Financing Activities							
Acquisition of capital assets	(2,697,292)	(684,700)		(381,551)	(41,691)		(3,805,234)
Capital contributions					9,849		9,849
Special assessments					1,198,208		1,198,208
Proceeds from grant funding	539,943			3,018			542,961
Proceeds from bonds payable					875,000		875,000
Proceeds from notes payable				261,611			261,611
Principal payments on long-term debt	(367,868)	(372,075)		(103,862)			(843,805)
Interest payments on long-term debt	<u>(97,533)</u>	<u>(66,968)</u>		<u>(7,985)</u>	<u>(4,747)</u>		<u>(177,233)</u>
Net Cash Used in Capital and Related							
Financing Activities	(2,622,750)	(1,123,743)		(228,769)	2,036,619		(1,938,643)
Cash Flows From Investing Activities							
Interest on investments	<u>310,523</u>	<u>95,367</u>	<u>24,386</u>				<u>430,276</u>
Net Increase (Decrease) in Cash							
and Cash Equivalents	265,729	734,717	67,576	176,461	913,035	(759)	2,156,759
Cash and Cash Equivalents							
Beginning of Year	<u>7,286,649</u>	<u>1,696,107</u>	<u>556,012</u>	<u>246,947</u>	<u>303,121</u>	<u>175,345</u>	<u>10,264,181</u>
Cash and Cash Equivalents							
End of Year	<u>\$ 7,552,378</u>	<u>\$ 2,430,824</u>	<u>\$ 623,588</u>	<u>\$ 423,408</u>	<u>\$ 1,216,156</u>	<u>\$ 174,586</u>	<u>\$12,420,940</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, 2025

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Fiber</u>	<u>Non Major</u> <u>Tap</u> <u>Deposit</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
Reconciliation of Operating Income (Loss) To							
Net Cash Provide by (Used in) Operating Activities							
Operating Income (Loss)	\$ 1,452,514	\$ 769,314	\$ 41,952	\$ (364,652)	\$ (303,661)	\$	\$ 1,595,467
Adjustments to Reconcile Operating Income							
(Loss) to Net Cash Provided by (Used in)							
Operating Activities							
Depreciation and Amortization	910,914	977,392		112,100	42,496		2,042,902
Deferred Outflows - Pensions	33,754	20,228	2,292	(29,996)	(13,806)		12,472
Deferred Inflows - Pensions	86,638	80,121	5,869	131,262	21,393		325,283
Deferred Inflows - Leases		94,000			(773)		93,227
Net pension (expense) income	69,880	29,006	4,750	(157,145)	(54,517)		(108,026)
Change in Assets and Liabilities:							
(Increase) decrease in accounts receivable	82,828	(11,374)	(3,967)		(832,290)		(764,803)
(Increase) decrease in inventory					(74,193)		(74,193)
(Increase) decrease in prepaid expense	(4,541)	5,480			(14)		925
(Increase) decrease in other receivables	(15,927)	45,021		(2,560)			26,534
(Increase) decrease in lease receivables		(99,711)			767		(98,944)
Increase (decrease) in accounts payable	121,958	11,147	5,790	7,601	(53,049)		93,447
Increase (decrease) in net pension liability	(190,272)	(129,355)	(12,911)	55,879	46,930		(229,729)
Increase (decrease) in accrued compensated absences payable	16,447	(2,616)		40,044	(4,166)		49,709
Net Cash Provided By (Used in)							
Operating Activities	<u>\$ 2,564,193</u>	<u>\$ 1,788,653</u>	<u>\$ 43,775</u>	<u>\$ (207,467)</u>	<u>\$ (1,224,883)</u>	<u>\$</u>	<u>\$ 2,964,271</u>

See accompanying notes to basic financial statements

CITY OF MOUNTAIN HOME, IDAHO NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

General Statement

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

Financial Reporting Entity

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

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

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

Basis of Presentation

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

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

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

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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

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

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

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

The *Recreation Fund* is used to account for operation of City recreation programs. Financing is provided by a specific annual property tax levy to the extent miscellaneous revenues are not sufficient to provide such financing.

The *Airport Fund* is used to account for the operation of the City's local airport. Financing is provided through property taxes, charges for services and state and federal grants.

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

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

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

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

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

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.

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 acquisition cost 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.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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
Right of use leases	2-5

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.

Adoption of New Standard

As of October 1, 2024, the City adopted GASB Statement No. 101, Compensated Absences. The provisions of this standard modernize the types of leave that are considered compensated absences and provides guidance for a consistent recognition of measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note L.

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.

Paid vacation and other compensated absences with similar characteristics are accrued as a liability in the financial statements as the benefits are earned by the employee if the following conditions are met:

- The employee's right to receive compensation is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means

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:

Net investment in capital assets – 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 “net investment in capital assets” 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 2025 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, 2025, 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, 2025, the City’s cash and investments excluding the component unit consisted of the following:

Cash, Investments, and Restricted Cash	<u>Bank Balance</u>	<u>Carrying Amount</u>
Bank deposits	\$ 3,308,279	\$ 3,005,428
Cash on hand	N/A	400
Local Government Investment Pool	<u>20,643,543</u>	<u>20,643,543</u>
Total Cash, Investments and Restricted Cash	<u>\$ 23,951,822</u>	<u>\$ 23,649,371</u>

Investment in State Investment Pools

The City is a voluntary participant in the State of Idaho Local Government Investment Pool (LGIP). The LGIP is regulated by State of Idaho code under the oversight of the Treasurer of the State of Idaho. Investments in LGIP are valued using the net asset per share as they do not have readily obtainable fair values and are instead valued based on the City’s pro-rata share of the pool’s net position. The City values these investments based on information provided by the State of Idaho’s Treasurer’s Office.

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

Note B – Cash and Investments (Continued)

Investment in State Investment Pools (Continued)

The LGIP is not rated for by a national recognized rating agency for the purpose of credit risk. The State Treasurer is responsible of insuring and collateralizing deposits and investments in LGIP. The following table presents unfunded commitments, redemption frequency and the redemption notice period for the District’s investments measured at net asset value

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Local Government Investment Pool	\$ 20,643,543	None	Next Business Day	3 Days; Over \$10,000,000

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, 2025, \$2,629,487 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 Local Government Investment Pool (LGIP) is not rated. The funds objectives and overall strategy and structure have not changed.

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The City’s policy to mitigate interest rate risk is to structure the City’s portfolio so that securities mature to meet the City’s cash demands and ongoing operations, thereby precluding the need to sell securities to the open market prior to their maturity and primarily invest in shorter-term securities. The City’s investment in the State Treasurer’s Investment Pool has a weighted average maturity of 68 days as of September 30, 2025. The City’s banking and investment policy ranks yield behind safety and liquidity when making deposit and investment decisions, and invests accordingly to meet these policy requirements

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, 2025, the reserve account held \$214,702. In addition, 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. The City has reserves funds totaling \$688,054 as of September 30, 2025 associated with DEQ loans. In addition, the City has a debt serve requirement related to Local Improvement District No. 1 Bond Series 2025. The City had reserve fund totaling \$61,367 as of September 30, 2026.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note C – Capital Assets

Capital asset activity for the year ended September 30, 2025 is as follows:

Governmental Activities

	Balance October 1, 2024	Additions	Retirements	Transfers	Balance September 30, 2025
Capital assets not being depreciated					
Land	\$ 2,465,215	\$ 23,807	\$	\$	\$ 2,489,022
Construction in progress	<u>3,225,204</u>	<u>566,742</u>	<u>(1,440,657)</u>	<u>(1,749,252)</u>	<u>602,037</u>
Total capital assets, not being depreciated	5,690,419	590,549	(1,440,657)	(1,749,252)	3,091,059
Capital assets being depreciated					
Building and Improvements	6,289,354	12,150			6,301,504
Systems and Equipment	9,360,398	359,697		59,819	9,779,914
Infrastructure	<u>95,422,273</u>	<u>2,764,511</u>		<u>1,679,584</u>	<u>99,866,368</u>
Total capital assets, being depreciated	<u>111,072,025</u>	<u>3,136,358</u>		<u>1,739,403</u>	<u>115,947,786</u>
Less accumulated depreciation for:					
Buildings and Improvements	(4,143,102)	(249,712)			(4,392,814)
Systems and Equipment	(6,438,843)	(528,211)			(6,967,054)
Infrastructure	<u>(75,580,118)</u>	<u>(1,297,913)</u>			<u>(76,878,031)</u>
Total accumulated depreciation	<u>(86,162,063)</u>	<u>(2,075,836)</u>			<u>(88,237,899)</u>
Right to use leased assets being amortized					
Right of use leased equipment	<u>114,267</u>				<u>114,267</u>
Accumulated amortization	<u>(74,915)</u>	<u>(24,972)</u>			<u>(99,887)</u>
Net right of use leased assets	<u>39,352</u>	<u>(24,972)</u>			<u>14,380</u>
Total capital assets, net	<u>\$ 30,639,733</u>	<u>\$ 1,626,099</u>	<u>(1,440,657)</u>	<u>(9,849)</u>	<u>\$ 30,815,326</u>

For governmental activities depreciation and amortization expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 74,742
Public Protection	280,660
Streets and Airport	1,377,925
Library and Recreation	343,998
Health and Safety	<u>23,483</u>
Total depreciation and amortization expense	<u>\$ 2,100,808</u>

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

Note C – Capital Assets (Continued)

Business-Type Activities

	Balance October 1, 2024	Additions	Retirements	Transfers	Balance September 30, 2025
Capital assets not being depreciated					
Land and Sewer Lagoons	\$ 3,936,007	\$	\$	\$	\$ 3,936,007
Construction in progress	8,172,027	2,677,025		(1,059,465)	9,789,587
Intangibles	<u>1,207,510</u>	<u> </u>	<u> </u>	<u> </u>	<u>1,207,510</u>
Total capital assets, not being depreciated	13,315,544	2,677,025		(1,059,465)	14,933,104
Capital assets being depreciated					
Building and Improvements	1,005,358	121,328			1,126,686
Systems and Equipment	5,299,121	664,093	(14,113)		5,949,101
Infrastructure	<u>49,722,773</u>	<u>81,177</u>	<u> </u>	<u>1,059,465</u>	<u>50,863,415</u>
Total capital assets, being depreciated	<u>56,027,252</u>	<u>866,598</u>	<u>(14,113)</u>	<u>1,059,465</u>	<u>57,939,202</u>
Less accumulated depreciation for:					
Buildings and Improvements	(762,355)	(23,184)			(785,539)
Systems and Equipment	(3,000,120)	(321,144)	14,113		(3,307,151)
Infrastructure	<u>(27,144,669)</u>	<u>(1,636,927)</u>	<u> </u>	<u> </u>	<u>(28,781,596)</u>
Total accumulated depreciation	<u>(30,907,144)</u>	<u>(1,981,255)</u>	<u>14,113</u>	<u> </u>	<u>(32,874,286)</u>
Right to use leased assets being amortized					
Right of use leased equipment	<u>89,478</u>	<u>261,611</u>	<u>(71,736)</u>	<u> </u>	<u>279,353</u>
Accumulated amortization	<u>(65,414)</u>	<u>(61,647)</u>	<u>71,736</u>	<u> </u>	<u>(55,325)</u>
Net right of use leased assets	<u>24,064</u>	<u>199,964</u>	<u> </u>	<u> </u>	<u>224,028</u>
Total capital assets, net	<u>\$ 38,459,716</u>	<u>\$ 1,762,332</u>	<u>\$</u>	<u>\$</u>	<u>\$ 40,222,048</u>

For business activities depreciation and amortization expense was charged to functions/programs as follows:

<u>Business Activities</u>	
Golf Course	\$ 112,100
Water	910,914
Sewer	977,392
Fiber	<u>42,496</u>
Total depreciation and amortization expense	<u>\$ 2,042,902</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note D – Receivables

Amounts due from other governments and other receivables as of September 30, 2025 consist of the following:

Governmental Activities

Due From Other Governments

	<u>General</u>	<u>Street Oiling</u>	<u>Recreation</u>	<u>Airport</u>	<u>Non-Major Funds</u>	<u>Total</u>
State of Idaho						
Liquor apportionment	\$ 44,616	\$	\$	\$	\$	\$ 44,616
Highway user revenue		212,572				212,572
Totals	\$ 44,616	\$ 212,572	\$	\$	\$	\$ 257,188

Other Receivables

	<u>General</u>	<u>Street Oiling</u>	<u>Recreation</u>	<u>Airport</u>	<u>Non-Major Funds</u>	<u>Total</u>
User Fees	\$ 13,770	\$	\$ 1,354	\$ 192,072	\$	\$ 207,196
State Grants	4,177					4,177
Franchise fees	40,871					40,871
Totals	\$ 58,818	\$	\$ 1,354	\$ 192,072	\$	\$ 252,244

Business-Type Activities

Other Receivables

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Golf</u>	<u>Fiber</u>	<u>Total</u>
User Fees	\$ 14,386	\$	\$	\$ 7,042	\$	\$ 21,428
State Grant	129,448					129,448
Totals	\$ 143,834	\$	\$	\$ 7,042	\$	\$ 150,876

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note E – Government Fund Balances

As of September 30, 2025, 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, 2025, fund balances are comprised of the following:

	General <u>Fund</u>	Street Oiling <u>Fund</u>	Recreation <u>Fund</u>	Airport <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable						
Prepaid items	\$ 74,035	\$ 267	\$ 981	\$ _____	\$ 3,851	\$ 79,134
Restricted:						
Debt Service	214,702				1,498	216,200
Water Availability					151,400	151,400
Sewer Availability					419,706	419,706
Parks Development					335,310	335,310
Fire Development					586,369	586,369
Police Development					372,570	372,570
Street Development		2,335,348			742,124	3,077,472
Other	_____	_____	_____	_____	10,151	10,151
	214,702	2,335,348			2,619,128	5,169,178
Assigned						
General government	_____	_____	_____	_____	4,280,535	4,280,535
Unassigned	<u>1,974,872</u>	_____	<u>(338,053)</u>	<u>(398,621)</u>	_____	<u>1,238,198</u>
Total Fund Balances	<u>\$ 2,263,609</u>	<u>\$ 2,335,615</u>	<u>\$ (337,072)</u>	<u>\$ (398,621)</u>	<u>\$ 6,903,514</u>	<u>\$10,767,045</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note F – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2025 is as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
TAP Deposit Fund	Water fund	<u>\$ 38,761</u>

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, 2025, interfund transfers consisted of the following:

		<u>General Fund</u>
Transfer to:	Golf course fund	<u>\$ 537,253</u>

Note G – Leases

Lessee Activities - Government. The City has entered into various non-cancelable leases, primarily for equipment. Such leases expire at various times through 2026. The lease liabilities are valued using discount rates of 3.5% which was based on the City’s incremental borrowing rate. Remaining principal and interest payments on the leases are as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	<u>\$ 15,359</u>	<u>\$ 181</u>

Lessee Activities – Business-Type. The City has entered into various non-cancelable leases, primarily for equipment. Such leases expire at various times through 2029. The lease liabilities are valued using discount rates from 3.5% to 5.64% which was based on the City’s incremental borrowing rate. Remaining principal and interest payments on the leases are as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 49,602	\$ 11,939
2027	49,921	9,180
2028	52,811	6,290
2029	<u>55,867</u>	<u>3,234</u>
	<u>\$ 208,201</u>	<u>\$ 30,643</u>

Lessor Activities. The City has accrued a lease receivable for ten Airport Hanger land leases and one storage lease. The remaining receivable for these leases was \$1,347,276 for the year ended September 30, 2025. Deferred inflows related to the leases were \$1,235,274. There are no variable payments associated with any of the leases. Interest revenue recognized on these leases was \$48,208 and the City recognized \$139,815 in lease revenue for the year ended September 30, 2025. The interest rates on the leases is 3.5%. Final receipt is expected in fiscal year 2080.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – 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.

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2025 was 7.18% for general employees and 10.36% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.96% general employees and 13.48% for police and firefighters. City of Mountain Home, Idaho's contributions were \$839,931 for the year ended September 30, 2025.

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

At September 30, 2025, 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, 2025, 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, 2025, the City's proportion was 0.1345633 percent.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Pension Plan (Continued)

For the year ended September 30, 2025, City of Mountain Home, Idaho recognized net pension revenue of \$93,888. At September 30, 2025 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	\$ 613,189	\$
Changes in assumptions or other inputs		572,200
Net difference between projected and actual earnings on pension plan investments		836,483
Changes in the City's proportion and differences between the City's contributions and the employer's proportionate contributions	139,622	74,654
City's contributions subsequent to the measurement date	<u>204,432</u>	<u> </u>
Total	<u>\$ 957,243</u>	<u>\$ 1,483,337</u>

\$204,432 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, 2026.

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, 2024 the beginning of the measurement period ended June 30, 2025 is 4.4 and 4.4 for the measurement period June 30, 2024.

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:

<u>Year Ending September 30:</u>	<u>Amount</u>
2026	\$ 559,328
2027	(526,474)
2028	(468,351)
2029	(295,029)

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Pension Plan (Continued)

Actuarial Assumptions

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

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases including inflation	3.15%
Investment rate of return, net of investment fees	6.55%
Cost-of-living (COLA) adjustments	1.00%

Contributing Members, Service Retirement Members, and Beneficiaries

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

Actuarial valuation involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension asset are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Economic assumptions were studied in an experience study performed for the period 2020 through 2024. Demographic assumptions, including mortality were studied for the period 2020 through 2024.

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 Directors to develop capital market assumptions in analyzing the System’s asset allocation. The assumptions and the System’s formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System’s assets.

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

Note H – Pension Plan (Continued)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2025.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.55%. 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 plan's 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 6.55 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.55 percent) or 1-percentage-point higher (7.55 percent) than the current rate:

	1% Decrease (5.55%)	Current Discount Rate (6.55%)	1% Increase (7.55%)
Employer's proportionate share of the net pension liability	<u>\$ 7,829,044</u>	<u>\$ 3,253,960</u>	<u>\$ (483,680)</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, 2025, the City reported no payables to the defined benefit pension plan for legally required employer contributions which had been withheld from employee wages but not yet remitted to PERSI.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note I – Long-Term Obligations

Changes in Long-Term Liabilities

During the year ended September 30, 2025, the following changes occurred in long-term debt:

	<u>October 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2025</u>	<u>Due within a year</u>
<u>Governmental activities</u>					
Certificates of Participation	\$ 865,000	\$	\$ (90,000)	\$ 775,000	\$ 95,000
Lease Liabilities -Notes	771,451	225,207	(188,025)	808,633	150,661
Lease Liabilities	41,310		(25,951)	15,359	15,359
Compensated Absences*	389,913	627,686		1,017,599	1,017,599
Total	<u>\$ 2,067,674</u>	<u>\$ 852,893</u>	<u>\$ (303,976)</u>	<u>\$ 2,616,591</u>	<u>\$ 1,278,619</u>
<u>Business-Type activities</u>					
Lease Liabilities	\$ 24,884	\$ 261,611	\$ (78,294)	\$ 208,201	\$ 49,602
Lease Liabilities-Notes	196,504		(57,796)	138,708	38,656
Notes Payable-DEQ	5,092,734		(572,718)	4,520,016	530,159
Revenue Bond	420,000		(135,000)	285,000	140,000
LID Bond Series 2025		875,000		875,000	69,729
Compensated absences*	51,584	172,786		224,370	224,370
Total	<u>\$ 5,785,706</u>	<u>\$ 1,309,397</u>	<u>\$ (843,808)</u>	<u>\$ 6,251,295</u>	<u>\$ 1,052,516</u>

* The roll-forward schedule only reports the net change in the compensated absences liability.

Governmental Activities

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

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 95,000	\$ 38,750
2027	100,000	34,000
2028	100,000	29,000
2029	105,000	24,000
2030	110,000	18,750
2031	265,000	13,250
	<u>\$ 775,000</u>	<u>\$ 157,750</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note I – Long-Term Obligations(Continued)

Leases Liabilities-Notes: The City has entered into notes payable to finance the acquisition of equipment and vehicles for various departments and funds. The notes vary in interest rate ranging from 3.31% to 4.09%. Monthly payments range from \$6,000 up to \$50,000 on the notes, maturing at different times through 2031. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 150,661	\$ 37,461
2027	185,689	46,004
2028	160,799	26,365
2029	149,099	17,184
2030	120,769	8,790
2031	<u>41,616</u>	<u>1,956</u>
	<u>\$ 808,633</u>	<u>\$ 137,760</u>

Business-Type Activities

Revenue Bonds Series 2012B: During fiscal year 2012, the City refinanced and consolidated Water Loan #1 and Water Loan #2 through the issuance of Revenue Bonds Series 2012B. 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 \$140,000 to \$145,000 due semiannually, including interest at ranging from 4% to 5% throughout the term of the loan. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 140,000	\$ 1,140
2027	<u>145,000</u>	<u>5,800</u>
	<u>\$ 285,000</u>	<u>\$ 6,940</u>

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

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 368,531	\$ 51,175
2027	381,542	38,164
2028	394,955	24,751
2029	<u>407,606</u>	<u>10,749</u>
	<u>\$ 1,552,634</u>	<u>\$ 124,839</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note I – Long-Term Debt (Continued)

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

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 102,174	\$ 14,774
2027	103,969	12,978
2028	105,768	11,180
2029	107,656	9,292
2030	109,548	7,400
2031-2035	<u>340,325</u>	<u>10,519</u>
	<u>\$ 869,440</u>	<u>\$ 66,143</u>

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

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 59,454	\$ 28,768
2027	121,208	55,234
2028	124,425	51,154
2029	128,010	48,433
2030	131,554	44,888
2031-2035	714,361	166,872
2036-2040	<u>818,930</u>	<u>63,281</u>
	<u>\$ 2,097,942</u>	<u>\$ 458,630</u>

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note I – Long-Term Debt (Continued)

Lease Liabilities-Notes : The City has entered into notes payable to finance the acquisition of equipment and vehicles for various departments and funds. The notes vary in interest rate ranging from 3.1% to 5.2%. Monthly payments range from \$6,700 up to \$47,000 on the notes, maturing at different times through 2029. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 38,656	\$ 7,739
2027	25,081	5,764
2028	26,279	4,566
2029	<u>48,692</u>	<u>3,306</u>
	<u>\$ 138,708</u>	<u>\$ 21,375</u>

The City issued Local Improvement District No. 1 Bond Series 2025 on August 21, 2025 in the amount of \$875,000 for the purpose of providing for the financing or refinancing of the costs and expenses of construction and installation of certain fiber optic system improvements benefiting certain property within the Fiber Optic Local Improvement District No. 1. The bond has an interest rate of 4.950%. Payment installments of \$113,041 are due annually through August 21, 2025. Future principal and interest payments are detailed below.

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 69,729	\$ 43,313
2027	73,181	39,861
2028	76,803	36,238
2029	80,605	32,437
2030	84,595	28,447
2031-2035	<u>490,087</u>	<u>75,120</u>
	<u>\$ 875,000</u>	<u>\$ 255,416</u>

Note J – 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 K – Deficit Fund Balances

The City has deficit fund balances in the Recreation and Airport special revenue funds totaling (\$337,072) and (\$398,621), respectively. The deficit fund balances are expected to be recovered through the normal course of operations in subsequent fiscal years.

CITY OF MOUNTAIN HOME, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note L – Restatement

Change in Accounting Principle

As of September 30, 2025, City has adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of lease that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. In addition compensated absences balances previously reported in governmental activities were reclassified into the Fiber Optic Enterprise fund at the beginning of the fiscal year. Therefore, compensated absences balance were increased by \$749,439, respectively, as of October 1, 2024. The effect of this change in accounting principle is described in the table below.

	<u>Reporting Units Affected by Adjustments to and Restatements of Beginning Balances</u>								
	<u>Government Funds</u>			<u>Enterprise Funds</u>				<u>Government Wide</u>	
	<u>Non-major</u>	<u>Recreation</u>	<u>Airport</u>	<u>Water</u>	<u>Sewer</u>	<u>Golf Course</u>	<u>Fiber</u>	<u>Governmental</u>	<u>Business</u>
	<u>Funds</u>	<u>Fund Balance</u>	<u>Fund Balance</u>	<u>Net Position</u>	<u>Net Position</u>	<u>Net Position</u>	<u>Net Position</u>	<u>Activities</u>	<u>Type</u>
September 30, 2024, as previously reported	\$ 3,748,294	\$ _____	\$ _____	\$25,775,274	\$12,386,607	\$ 2,119,417	\$ 1,362,635	\$ 34,272,645	\$ 42,269,759
Change within reporting entity, nonmajor to major funds	1,112,744	(11,210)	(1,101,534)						
Redassification of beginning compensated absences balances							(23,961)	23,961	
Adjustment to record implementation of GASB Statement No. 101, <i>accrued compensated absences</i>	_____	_____	_____	(55,218)	(24,531)	(19,369)	(11,727)	(638,594)	(134,806)
September 30, 2024, as restated	<u>\$ 4,861,038</u>	<u>\$ (11,210)</u>	<u>\$ (1,101,534)</u>	<u>\$ 25,720,056</u>	<u>\$ 12,362,076</u>	<u>\$ 2,100,048</u>	<u>\$ 1,326,947</u>	<u>\$ 33,658,012</u>	<u>\$ 42,134,953</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOUNTAIN HOME, IDAHO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ended September 30, 2025

	Budget Original and Final	Actual	Variance
Revenues			
Property taxes	\$ 6,070,353	\$ 6,050,615	\$ (19,738)
Sales tax / Revenue sharing	1,067,000	1,100,062	33,062
State liquor apportionment	235,000	217,429	(17,571)
Franchise fees	220,000	247,902	27,902
Licenses, permits, and fees	507,500	475,361	(32,139)
Court revenue	75,000	64,908	(10,092)
Earnings on investments	160,000	117,019	(42,981)
Earnings on leases	62,000	41,585	(20,415)
Refunds and Reimbursements	159,500	177,624	18,124
Grant revenue			
Federal	8,692,000	50,000	(8,642,000)
State		4,320	4,320
Local		32,911	32,911
Contributions	57,600	12,495	(45,105)
Miscellaneous	74,100	23,159	(50,941)
	<u>17,380,053</u>	<u>8,615,390</u>	<u>(8,764,663)</u>
Total Revenue	17,380,053	8,615,390	(8,764,663)
Expenditures			
Administration			
Salaries	310,576	310,404	172
Benefits	121,125	134,432	(13,307)
Insurance	166,618	166,618	
Professional fees	258,000	180,499	77,501
Supplies	49,500	46,237	3,263
Maintenance and operations	604,915	503,706	101,209
Grant expenses	7,000,000		7,000,000
Contingency	297,873		297,873
Miscellaneous	2,000	2,981	(981)
Capital outlay	203,000	150,404	52,596
	<u>9,013,607</u>	<u>1,495,281</u>	<u>7,518,326</u>
Total Administration	9,013,607	1,495,281	7,518,326

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, 2025

	Budget Original and Final	Actual	Variance
Expenditures (Continued)			
Building Inspection			
Salaries	\$ 366,878	\$ 327,553	\$ 39,325
Benefits	172,433	124,409	48,024
Supplies	20,500	11,139	9,361
Professional fees	37,000	36,572	428
Maintenance and operations	148,800	51,763	97,037
Miscellaneous	800	936	(136)
Capital outlay	36,000	58,868	(22,868)
Principal payments	<u> </u>	<u>25,950</u>	<u>(25,950)</u>
Total Building Inspection	782,411	637,190	145,221
Prosecution			
Attorney fees	<u>240,000</u>	<u>192,000</u>	<u>48,000</u>
Total Prosecution	240,000	192,000	48,000
Police Department			
Salaries	2,503,473	2,309,374	194,099
Benefits	1,179,941	874,361	305,580
Supplies	124,140	121,490	2,650
Professional fees	5,000		5,000
Maintenance and operations	527,449	412,566	114,883
Grant expenses	231,764	58,294	173,470
Miscellaneous	700	688	12
Capital outlay	277,837	253,526	24,311
Principal payments	133,750	106,348	27,402
Interest payments	<u> </u>	<u>47,057</u>	<u>(47,057)</u>
Total Police Department	4,984,054	4,183,704	800,350
Animal Shelter			
Salaries	174,398	158,690	15,708
Benefits	95,919	67,129	28,790
Supplies	7,400	10,319	(2,919)
Maintenance and operations	86,570	33,089	53,481
Miscellaneous	300	140	160
Capital outlay	<u>6,200</u>	<u> </u>	<u>6,200</u>
Total Animal Shelter	370,787	269,367	101,420

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, 2025

	Budget Original and Final	Actual	Variance
Expenditures (Continued)			
Fire Department			
Salaries	\$ 398,125	\$ 301,898	\$ 96,227
Benefits	159,250	103,521	55,729
Professional fees	10,000	10,000	
Supplies	38,750	36,540	2,210
Maintenance and operations	132,488	107,410	25,078
Grant expenses	1,325,000		1,325,000
Capital outlay	<u>239,578</u>	<u>86,189</u>	<u>153,389</u>
Total Fire Department	2,303,191	645,558	1,657,633
Parks Department			
Salaries	488,090	416,743	71,347
Benefits	239,914	161,491	78,423
Supplies	22,250	17,309	4,941
Professional fees	6,500		6,500
Maintenance and operations	360,500	320,739	39,761
Miscellaneous	500	36	464
Grant expenses	120,000		120,000
Principal payments		22,488	(22,488)
Interest expense		1,921	(1,921)
Capital outlay	<u>122,966</u>	<u>250,342</u>	<u>(127,376)</u>
Total Parks Department	1,360,720	1,191,069	169,651
Total Expenditures	<u>19,054,770</u>	<u>8,614,169</u>	<u>10,440,601</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,674,717)	1,221	1,675,938
Other Financing Sources (Uses)			
Leases proceeds		225,207	225,207
Transfers out	<u>(239,380)</u>	<u>(537,253)</u>	<u>(297,873)</u>
Net Other Financing Sources (Uses)	<u>(239,380)</u>	<u>(312,046)</u>	<u>(72,666)</u>
Net Change in Fund Balance	(1,914,097)	(310,825)	1,603,272
Fund Balance, Beginning of Year	<u>1,914,097</u>	<u>2,574,434</u>	<u>660,337</u>
Fund Balance, End of Year	<u>\$ <u>2,263,609</u></u>	<u>\$ <u>2,263,609</u></u>	<u>\$ <u>2,263,609</u></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, 2025

	Budget Original and Final	Actual	Variance
Revenues			
Property taxes	\$ 127,215	\$ 124,473	\$ (2,742)
Licenses and permits	4,500	2,680	(1,820)
Highway users	960,211	1,353,065	392,854
County road apportionment	300,000	312,861	12,861
Refunds and reimbursements	10,500	24,482	13,982
Earnings on investments	65,000	79,844	14,844
Grant revenue	2,360,773	24,702	(2,336,071)
Miscellaneous	<u>2,500</u>	<u>2,500</u>	<u></u>
Total Revenue	3,830,699	1,924,607	(1,906,092)
Expenditures			
Salaries	533,281	486,211	47,070
Benefits	303,970	194,473	109,497
Construction contracts	102,040	17,890	84,150
Supplies	11,350	24,897	(13,547)
Maintenance and operations	1,313,900	446,014	867,886
Miscellaneous	2,000		2,000
Grant Expenses	2,413,566		2,413,566
Capital outlay	252,159	246,070	6,089
Principal payments		93,804	(93,804)
Interest expense		<u>33,795</u>	<u>(33,795)</u>
Total Expenditures	<u>4,932,266</u>	<u>1,543,154</u>	<u>3,389,112</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,101,567)	381,453	1,483,020
Fund Balance, Beginning of Year	<u>1,101,567</u>	<u>1,954,162</u>	<u>852,595</u>
Fund Balance, End of Year	<u><u>\$</u></u>	<u><u>\$</u></u> 2,335,615	<u><u>\$</u></u> 2,335,615

**CITY OF MOUNTAIN HOME, IDAHO
RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ended September 30, 2025**

	Budget Original and Final	Actual	Variance
Revenues			
Property taxes	\$ 799,507	\$ 798,035	\$ (1,472)
Sales tax / revenue sharing	765,700	765,700	
Charges for services	257,500	271,212	13,712
Earnings on investments	15,000	3,297	(11,703)
Refunds and reimbursements	500	919	419
Grant revenue			
State	1,269,000	1,295,256	26,256
Contributions	2,500	3,561	1,061
Sponsorship	30,000	24,400	(5,600)
Miscellaneous	1,000		(1,000)
	<u>3,140,707</u>	<u>3,162,380</u>	<u>21,673</u>
Total Revenue			
Expenditures			
Salaries	391,626	367,267	24,359
Benefits	184,581	95,910	88,671
Professional fees	21,800	486	21,314
Supplies	43,800	40,648	3,152
Maintenance and operations	362,959	353,948	9,011
Miscellaneous	100	260	(160)
Grant Expenses	2,976,023		2,976,023
Capital outlay	92,587	2,614,929	(2,522,342)
Principal payments		12,229	(12,229)
Interest expense		2,565	(2,565)
	<u>4,073,476</u>	<u>3,488,242</u>	<u>585,234</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	(932,769)	(325,862)	606,907
Fund Balance, Beginning of Year	<u>932,769</u>	<u></u>	<u>(932,769)</u>
Chang within financial reporting entity, (nonmajor to major fund)		(11,210)	(11,210)
FUND BALANCES, Beginning of Year, Restated	<u></u>	<u>(11,210)</u>	<u>(943,979)</u>
Fund Balance, End of Year	<u>\$</u>	<u>\$ (337,072)</u>	<u>\$ (337,072)</u>

**CITY OF MOUNTAIN HOME, IDAHO
AIRPORT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For The Year Ended September 30, 2025**

	Budget Original and Final	Actual	Variance
Revenues			
Property taxes	\$ 78,303	\$ 80,899	\$ 2,596
Charges for services	2,500	450	(2,050)
Earnings on investments		8,718	8,718
Earnings on leases	52,500	58,110	5,610
Refunds and reimbursements	1,500	4,936	3,436
Grant revenue:			
Federal	4,045,000	3,539,044	(505,956)
Miscellaneous	<u>50</u>	<u>2,105</u>	<u>2,055</u>
Total Revenue	4,179,853	3,694,262	(485,591)
Expenditures			
Benefits	3,600		3,600
Professional fees	51,000	98	50,902
Supplies	100	79	21
Maintenance and operations	3,024,500	2,863,477	161,023
Insurance	5,365	5,415	(50)
Miscellaneous	500	301	199
Grant Expenses	1,100,000		1,100,000
Capital outlay	110,337	101,689	8,648
Principal payments		19,645	(19,645)
Interest expense		<u>645</u>	<u>(645)</u>
Total Expenditures	<u>4,295,402</u>	<u>2,991,349</u>	<u>1,304,053</u>
Excess (Deficiency) of Revenues Over Expenditures	(115,549)	702,913	818,462
Fund Balance, Beginning of Year	<u>115,549</u>		<u>(115,549)</u>
Chang within financial reporting entity, (nonmajor to major fund)		(1,101,534)	(1,101,534)
FUND BALANCES, Beginning of Year, Restated		<u>(1,101,534)</u>	<u>(1,217,083)</u>
Fund Balance, End of Year	<u>\$</u>	<u>\$ (398,621)</u>	<u>\$ (398,621)</u>

CITY OF MOUNTAIN HOME, IDAHO
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS
For the Year Ended September 30, 2025

Schedule of Employer's Share of Net Pension Liability

PERSI - Base Plan

Last 10 - Fiscal Years

	2025	2024	2023	2022	2021
Employer's portion of net pension liability	0.1345633%	0.1288365%	0.1288365%	0.1342843%	0.1331428%
Employer's proportionate share of the net pension liability	\$ 3,253,960	\$ 4,825,633	\$ 5,141,439	\$ 5,289,134	\$ (105,154)
Employer's covered payroll	\$ 6,469,819	\$ 5,909,766	\$ 5,850,403	\$ 5,295,427	\$ 4,968,710
Employer's proportionate share of net pension liability as a percentage of its covered payroll	50.29%	81.66%	87.88%	99.88%	-2.12%
Plan fiduciary net position as a percentage of total pension liability	90.89%	85.54%	83.83%	83.09%	100.36%
	2020	2019	2018	2017	2016
Employer's portion of net pension liability	0.1394683%	0.1394683%	0.1407257%	0.1464274%	0.1523739%
Employer's proportionate share of the net pension liability	\$ 3,240,523	\$ 1,591,992	\$ 2,075,730	\$ 2,301,587	\$ 3,088,853
Employer's covered payroll	\$ 4,969,188	\$ 4,490,938	\$ 4,527,659	\$ 4,547,933	\$ 4,456,475
Employer's proportionate share of net pension liability as a percentage of its covered payroll	65.21%	35.45%	45.85%	50.61%	69.31%
Plan fiduciary net position as a percentage of total pension liability	88.22%	91.69%	91.69%	90.68%	87.26%

Data reported is measured as of June 30, 2025 (measurement date)

CITY OF MOUNTAIN HOME, IDAHO
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS (CONTINUED)
For the Year Ended September 30, 2025

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years

	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 839,931	\$ 734,997	\$ 654,075	\$ 632,274	\$ 598,749
Contributions in relation to statutorily required contribution	\$ 839,931	\$ 734,997	\$ 654,075	\$ 632,274	\$ 598,749
Contribution (deficiency) excess					
Employer's covered payroll	\$ 6,556,727	\$ 6,076,438	\$ 5,505,853	\$ 5,321,557	\$ 4,964,710
Contributions as a percentage of covered-employee payroll	12.81%	12.10%	11.88%	11.88%	12.06%
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 598,692	\$ 543,701	\$ 516,570	\$ 493,771	\$ 452,950
Contributions in relation to statutorily required contribution	\$ 598,692	\$ 543,701	\$ 516,570	\$ 493,771	\$ 452,950
Contribution (deficiency) excess					
Employer's covered payroll	\$ 4,961,919	\$ 4,710,187	\$ 4,503,780	\$ 4,523,955	\$ 4,411,880
Contributions as a percentage of covered-employee payroll	12.07%	11.54%	11.47%	10.91%	11.43%

Data reported is measured as of September 30, 2025 (fiscal year end)

SUPPLEMENTARY INFORMATION

**CITY OF MOUNTAIN HOME, IDAHO
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2025**

ASSETS	SPECIAL REVENUE FUNDS					
	<u>Cemetery</u>	<i>Formerly Non- major Fund</i> <u>Recreation</u>	<u>Library</u>	<i>Formerly Non- major Fund</i> <u>Airport</u>	<u>Street Lighting</u>	<u>Water Availability</u>
Cash and investments	\$ 110,822	\$	\$ 38,547	\$	\$ 30,758	\$ 1,176,555
Restricted cash						151,400
Prepaid expense			3,851			
Receivables						
Property tax	65,815		796,048		161,889	
Other receivable						
Accrued interest	<u>272</u>		<u>138</u>		<u>62</u>	<u>4,754</u>
Total Assets	<u>\$ 176,909</u>	<u>\$</u>	<u>\$ 838,584</u>	<u>\$</u>	<u>\$ 192,709</u>	<u>\$ 1,332,709</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	<u>\$ 41,251</u>	<u>\$</u>	<u>\$ 19,562</u>	<u>\$</u>	<u>\$ 21,036</u>	<u>\$</u>
Total Liabilities	41,251		19,562		21,036	
Deferred Inflows						
Unavailable revenue property taxes	<u>65,152</u>		<u>793,864</u>		<u>161,522</u>	
Total Deferred Inflows of Resources	<u>65,152</u>		<u>793,864</u>		<u>161,522</u>	
Fund Balances						
Nonspendable			3,851			
Restricted					10,151	151,400
Assigned	<u>70,506</u>		<u>21,307</u>			<u>1,181,309</u>
Total Fund Balances	<u>70,506</u>		<u>25,158</u>		<u>10,151</u>	<u>1,332,709</u>
Total Liabilities, Deferred Inflows and fund balances	<u>\$ 176,909</u>	<u>\$</u>	<u>\$ 838,584</u>	<u>\$</u>	<u>\$ 192,709</u>	<u>\$ 1,332,709</u>

**CITY OF MOUNTAIN HOME, IDAHO
 COMBINING BALANCE SHEET (CONTINUED)
 NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2025**

<u>SPECIAL REVENUE FUNDS</u>					TOTAL SPECIAL	LIBRARY DEBT	
<u>Sewer Availability</u>	<u>Parks Development</u>	<u>Fire Development</u>	<u>Police Development</u>	<u>Street Development</u>	<u>REVENUE FUNDS</u>	<u>SERVICE FUND</u>	<u>TOTAL</u>
\$ 2,995,470 419,706	\$ 334,134	\$ 584,319	\$ 371,270	\$ 739,538	\$ 6,381,413 571,106 3,851	\$ 1,498	\$ 6,382,911 571,106 3,851
					1,023,752		1,023,752
<u>11,943</u>	<u>1,176</u>	<u>2,050</u>	<u>1,300</u>	<u>2,586</u>	<u>24,281</u>		<u>24,281</u>
<u>\$ 3,427,119</u>	<u>\$ 335,310</u>	<u>\$ 586,369</u>	<u>\$ 372,570</u>	<u>\$ 742,124</u>	<u>\$ 8,004,403</u>	<u>\$ 1,498</u>	<u>\$ 8,005,901</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 81,849</u>	<u>\$</u>	<u>\$ 81,849</u>
					81,849		81,849
					<u>1,020,538</u>		<u>1,020,538</u>
					<u>1,020,538</u>		<u>1,020,538</u>
					3,851		3,851
419,706	335,310	586,369	372,570	742,124	2,617,630	1,498	2,619,128
<u>3,007,413</u>					<u>4,280,535</u>		<u>4,280,535</u>
<u>3,427,119</u>	<u>335,310</u>	<u>586,369</u>	<u>372,570</u>	<u>742,124</u>	<u>6,902,016</u>	<u>1,498</u>	<u>6,903,514</u>
<u>\$ 3,427,119</u>	<u>\$ 335,310</u>	<u>\$ 586,369</u>	<u>\$ 372,570</u>	<u>\$ 742,124</u>	<u>\$ 8,004,403</u>	<u>\$ 1,498</u>	<u>\$ 8,005,901</u>

CITY OF MOUNTAIN HOME, IDAHO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	SPECIAL REVENUE FUNDS					
	<u>Cemetery</u>	<i>Formerly Non- major Fund</i> <u>Recreation</u>	<u>Library</u>	<i>Formerly Non- major Fund</i> <u>Airport</u>	<u>Street Lighting</u>	<u>Water Availability</u>
Revenues						
Property taxes	\$ 231,641	\$	\$ 759,665	\$	\$ 127,482	\$
Sales taxes						
Refunds and reimbursements			11,401			
Charges for services	39,020		22,712			497,350
Earnings (loss) on investments	3,092		1,789		1,226	44,506
Earnings on leases			6,914			
Contributions			3,074			
Sponsorships			7,890			
Miscellaneous			<u>8,299</u>			
Total Revenue	<u>273,753</u>		<u>821,744</u>		<u>128,708</u>	<u>541,856</u>
Expenditures						
Current						
Streets and airport					144,093	
Health and sanitation	154,458					200,000
Library and recreation			790,441			
Debt Service						
Principal payment	8,177					
Interest expense	1,466					
Capital outlay	<u>71,662</u>		<u>6,050</u>			
Total Expenditures	<u>235,763</u>		<u>796,491</u>		<u>144,093</u>	<u>200,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>37,990</u>		<u>25,253</u>		<u>(15,385)</u>	<u>341,856</u>
Net Change in Fund Balance	37,990		25,253		(15,385)	341,856
Fund Balance, Beginning of Year	<u>32,516</u>	<u>(11,210)</u>	<u>(95)</u>	<u>(1,101,534)</u>	<u>25,536</u>	<u>990,853</u>
Change within financial reporting entity, (nonmajor to major fund)		11,210		1,101,534		
Fund Balance, Beginning of Year, Restated	<u>32,516</u>		<u>(95)</u>		<u>25,536</u>	<u>990,853</u>
Fund Balance, End of Year	<u>\$ 70,506</u>	<u>\$</u>	<u>\$ 25,158</u>	<u>\$</u>	<u>\$ 10,151</u>	<u>\$ 1,332,709</u>

CITY OF MOUNTAIN HOME, IDAHO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAOR GOVERNMENTAL FUNDS (CONTINUED)
For the Year Ended September 30, 2025

<u>SPECIAL REVENUE FUNDS</u>					TOTAL SPECIAL	LIBRARY DEBT	
<u>Sewer Availability</u>	<u>Parks Development</u>	<u>Fire Development</u>	<u>Police Development</u>	<u>Street Development</u>	<u>REVENUE FUNDS</u>	<u>SERVICE FUND</u>	<u>TOTAL</u>
\$	\$	\$	\$	\$	\$	\$	\$
					1,118,788		1,118,788
					11,401		11,401
810,600	143,292	218,249	123,423	209,756	2,064,402		2,064,402
121,465	11,258	19,397	12,487	23,897	239,117		239,117
					6,914		6,914
					3,074		3,074
					7,890		7,890
					<u>8,299</u>		<u>8,299</u>
932,065	154,550	237,646	135,910	233,653	3,459,885		3,459,885
				16,000	160,093		160,093
					354,458		354,458
					790,441	25,062	815,503
					8,177		8,177
					1,466		1,466
					<u>77,712</u>		<u>77,712</u>
				16,000	<u>1,392,347</u>	<u>25,062</u>	<u>1,417,409</u>
<u>932,065</u>	<u>154,550</u>	<u>237,646</u>	<u>135,910</u>	<u>217,653</u>	<u>2,067,538</u>	<u>(25,062)</u>	<u>2,042,476</u>
932,065	154,550	237,646	135,910	217,653	2,067,538	(25,062)	2,042,476
<u>2,495,054</u>	<u>180,760</u>	<u>348,723</u>	<u>236,660</u>	<u>524,471</u>	<u>3,721,734</u>	<u>26,560</u>	<u>3,748,294</u>
					1,112,744		1,112,744
<u>2,495,054</u>	<u>180,760</u>	<u>348,723</u>	<u>236,660</u>	<u>524,471</u>	<u>4,834,478</u>	<u>26,560</u>	<u>4,861,038</u>
<u>\$ 3,427,119</u>	<u>\$ 335,310</u>	<u>\$ 586,369</u>	<u>\$ 372,570</u>	<u>\$ 742,124</u>	<u>\$ 6,902,016</u>	<u>\$ 1,498</u>	<u>\$ 6,903,514</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 discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Mountain Home, Idaho, as of and for the year ended September 30, 2025, 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 February 27, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Sorren CPAs P.C.

Meridian, Idaho
February 27, 2026



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Mountain Home, Idaho's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Mountain Home, Idaho's major federal programs for the year ended September 30, 2025. City of Mountain Home, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Mountain Home, Idaho complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Sorren CPAs P.C.

Meridian, Idaho
February 27, 2026

CITY OF MOUNTAIN HOME, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2025

<u>Federal Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF DEFENSE:			
Direct payments:			
Community Investment	12.600	N/A	\$ <u>525,736</u>
U.S. DEPARTMENT OF INTERIOR VIA NATIONAL PARK SERVICE:			
Pass through Idaho Department of Parks and Recreation:			
Outdoor Recreation Acquisition, Development and Planning	15.916	P21AP12341-00/ 16-00592	<u>514,142</u>
U.S. DEPARTMENT OF JUSTICE:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	<u>4,178</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
Direct payments:			
(COVID-19) Airport Improvement Program	20.106	N/A	<u>45,918</u>
U.S. DEPARTMENT OF THE TREASURY:			
Passed Through State of Idaho Office of the Governor:			
(COVID-19) Coronavirus State and Local Fiscal Recovery	21.027	18120200811P82400009	<u>36,760</u>
ENVIRONMENTAL PROTECTION AGENCY:			
Pass through from State of Idaho, Department of Environmental Quality:			
Drinking Water State Revolving Fund	66.468	DW-1105	2,214,290
Drinking Water State Revolving Fund	66.468	DW-1801	969,848
Drinking Water State Revolving Fund	66.468	DW-1899	1,908,596
Drinking Water State Revolving Fund	66.468	6544	<u>14,207</u>
Total Environmental Protection Agency			<u>5,106,941</u>
Total Expenditures of Federal Awards			<u>\$ 6,233,675</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, 2025

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 15 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D – Loan Balances

Loans outstanding at the beginning of the year and loans made during the year are included in the schedule of expenditures of federal awards. The City had the following loan balances outstanding at September 30, 2025. 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 Assistance Listing Number</u>	<u>Federal Expenditures</u>
Drinking Water State Revolving Fund	66.468	\$4,520,016

CITY OF MOUNTAIN HOME, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2025

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>Assistance Listing 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: \$ 1,000,000

Auditee qualified as a low-risk auditee? _____ yes X no

CITY OF MOUNTAIN HOME, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended September 30, 2025

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 federal awards were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS) and the Uniform Guidance.