

CITY OF HORSESHOE BEND, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2020

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Independent Auditor's Report

Honorable Mayor
and City Council
Horseshoe Bend, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Horseshoe Bend, Idaho (the City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Horseshoe Bend, Idaho, as September 30, 2020, 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of net pension liability, and schedule of City contributions on pages 29 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 2, 2021, on our consideration of the City of Horseshoe Bend, Idaho' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Horseshoe Bend, Idaho's internal control over financial reporting and compliance.

Zwysart John & Associates, CPAs, PLLC

Nampa, Idaho

April 2, 2021

City of Horseshoe Bend, Idaho
Statement of Net Position
September 30, 2020

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 497,637	\$ 973,013	\$ 1,470,650
Receivables, Net:			
Property Taxes	16,694	-	16,694
Accounts	-	43,508	43,508
Prepaid Insurance	1,847	3,694	5,541
Due from Other Governments	14,265	-	14,265
Total Current Assets	<u>530,443</u>	<u>1,020,215</u>	<u>1,550,658</u>
Restricted Cash	-	63,204	63,204
Capital Assets:			
Land	46,122	35,922	82,044
Construction in Progress	-	338,540	338,540
Buildings and Improvements, Net	66,238	1,741,761	1,807,999
Equipment and Vehicles, Net	120,715	38,495	159,210
Total Capital Assets	<u>233,075</u>	<u>2,154,718</u>	<u>2,387,793</u>
Total Assets	<u>763,518</u>	<u>3,238,137</u>	<u>4,001,655</u>
Deferred Outflows			
Pension Related Items	9,724	19,133	28,857
Total Deferred Outflows	<u>9,724</u>	<u>19,133</u>	<u>28,857</u>
Liabilities			
Current Liabilities:			
Accounts Payable	1,949	14,441	16,390
Accrued Interest	-	19,451	19,451
Salaries Payable	2,334	5,467	7,801
Compensated Absences	5,257	5,646	10,903
Line of Credit	-	354,524	354,524
Current Portion of Long-term Obligations	-	19,900	19,900
Total Current Liabilities	<u>9,540</u>	<u>419,429</u>	<u>428,969</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Obligations	-	259,608	259,608
Net Pension Liability	38,557	75,301	113,858
Total Liabilities	<u>48,097</u>	<u>754,338</u>	<u>802,435</u>
Deferred Inflows			
Pension Related Items	1,213	2,506	3,719
Total Deferred Inflows	<u>1,213</u>	<u>2,506</u>	<u>3,719</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	233,075	1,875,210	2,108,285
Restricted - Debt Service	-	63,204	63,204
Unrestricted	490,857	562,012	1,052,869
Total Net Position	<u>\$ 723,932</u>	<u>\$ 2,500,426</u>	<u>\$ 3,224,358</u>

The accompanying notes are an integral
part of the financial statements.

City of Horseshoe Bend, Idaho
Statement of Activities
For the Year Ended September 30, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General and Administrative	\$ 175,138	\$ 74,544	\$ -	\$ -	\$ (100,594)	\$ -	\$ (100,594)
Public Safety	125,714	28,040	-	-	(97,674)	-	(97,674)
Highways and Streets	38,782	-	-	-	(38,782)	-	(38,782)
Parks and Recreation	25,125	150	-	-	(24,975)	-	(24,975)
Dog Control	9,893	245	-	-	(9,648)	-	(9,648)
Total Governmental Activities	374,652	102,979	-	-	(271,673)	-	(271,673)
Business-type Activities:							
Water	367,518	367,184	-	-	-	(334)	(334)
Sewer	194,387	268,489	-	-	-	74,102	74,102
Total Business-type Activities	561,905	635,673	-	-	-	73,768	73,768
Total Primary Government	\$ 936,557	\$ 738,652	\$ -	\$ -	(271,673)	73,768	(197,905)

General Revenues:			
Property Taxes	193,081	-	193,081
State Sources	123,154	-	123,154
Other	25,094	5,784	30,878
Unrestricted Investment Earnings	256	1,804	2,060
Total General Revenues and Special Items	<u>341,585</u>	<u>7,588</u>	<u>349,173</u>
Change in Net Position	69,912	81,356	151,268
Net Position, Beginning	<u>654,020</u>	<u>2,419,070</u>	<u>3,073,090</u>
Net Position, Ending	<u>\$ 723,932</u>	<u>\$ 2,500,426</u>	<u>\$ 3,224,358</u>

The accompanying notes are an integral part of the financial statements.

City of Horseshoe Bend, Idaho
 Balance Sheet - Governmental Funds
 September 30, 2020

	General
Assets	
Cash and Cash Equivalents	\$ 497,637
Receivables, Net:	
Property Taxes	16,694
Due from Other Governments	14,265
Prepaid Insurance	1,847
Total Assets	\$ 530,443
Liabilities and Fund Balances	
Liabilities:	
Accounts Payable	\$ 1,949
Salaries Payable	2,334
Total Liabilities	4,283
Deferred Inflows	
Unavailable Revenue - Property Taxes	15,021
Fund Balance:	
Nonspendable	1,847
Unassigned	509,292
Total Fund Balance	511,139
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 530,443

The accompanying notes are an integral
 part of the financial statements.

City of Horseshoe Bend, Idaho
 Reconciliation of the Balance Sheet of the
 Governmental Funds to the Statement of Net Position
 September 30, 2020

Total Fund Balances - Governmental Funds \$ 511,139

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:

Land and Nondepreciable Infrastructure	\$ 46,122	
Buildings and Improvements, Net of \$125,827 Accum. Depreciation	66,238	
Equipment, Net of \$202,005 Accum. Depreciation	<u>120,715</u>	
		233,075

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore, are deferred in the funds. 15,021

Compensated absences are not accrued in governmental funds but rather recognized as an expenditure when due. Compensated absences at year end totaled: (5,257)

The City participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$ (38,557)	
Pension Related Deferred Inflows	(1,213)	
Pension Related Deferred Outflows	<u>9,724</u>	
		<u>(30,046)</u>

Net Position of Governmental Activities \$ 723,932

The accompanying notes are an integral
 part of the financial statements.

City of Horseshoe Bend, Idaho
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2020

	General
Revenues	
Property Taxes	\$ 196,009
Charges for Services	102,979
Intergovernmental	123,154
Interest Earned	256
Other	39,194
Total Revenues	461,592
Expenditures	
Current:	
General and Administrative	168,579
Public Safety	98,257
Highways and Streets	40,276
Parks and Recreation	22,301
Dog Control	9,051
Capital Outlay	25,268
Total Expenditures	363,732
Excess (Deficiency) of Revenues of Expenditures	97,860
Net Change in Fund Balances	97,860
Fund Balances - Beginning	413,279
Fund Balances - Ending	\$ 511,139

The accompanying notes are an integral
part of the financial statements.

City of Horseshoe Bend, Idaho
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2020

Total Net Change in Fund Balance - Governmental Funds \$ 97,860

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Capital Outlays	\$ 29,768	
Sale of Assets	(14,100)	
Depreciation Expense	<u>(30,570)</u>	
Net		(14,902)

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (2,928)

Compensated absences are not accrued in governmental funds but rather recognized as an expenditure when due. They are, however, recorded as expenditures in the Statement of Activities. (575)

The City participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities. (9,543)

Change in Net Position of Governmental Activities \$ 69,912

The accompanying notes are an integral
 part of the financial statements.

City of Horseshoe Bend, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2020

	Water	Sewer	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 613,939	\$ 359,074	\$ 973,013
Receivables, Net	29,704	13,804	43,508
Prepaid Insurance	1,847	1,847	3,694
Total Current Assets	<u>645,490</u>	<u>374,725</u>	<u>1,020,215</u>
Noncurrent Assets:			
Restricted Cash	-	63,204	63,204
Land	35,922	-	35,922
Construction in Progress	-	338,540	338,540
Buildings and Improvements, Net	69,659	1,672,102	1,741,761
Equipment and Vehicles, Net	27,141	11,354	38,495
Total Noncurrent Assets	<u>132,722</u>	<u>2,085,200</u>	<u>2,217,922</u>
Total Assets	<u>778,212</u>	<u>2,459,925</u>	<u>3,238,137</u>
Deferred Outflows			
Pension Related Items	17,176	1,957	19,133
Total Deferred Outflows	<u>17,176</u>	<u>1,957</u>	<u>19,133</u>
Liabilities			
Current Liabilities:			
Accounts Payable	1,044	13,397	14,441
Salaries Payable	4,696	771	5,467
Compensated Absences	5,646	-	5,646
Accrued Interest	-	19,451	19,451
Bonds, Notes, and Loans Payable	-	19,900	19,900
Line of Credit	-	354,524	354,524
Total Current Liabilities	<u>11,386</u>	<u>408,043</u>	<u>419,429</u>
Noncurrent Liabilities:			
Bonds, Notes, and Loans Payable	-	259,608	259,608
Net Pension Liability	68,062	7,239	75,301
Total Liabilities	<u>79,448</u>	<u>674,890</u>	<u>754,338</u>
Deferred Outflows			
Pension Related Items	2,150	356	2,506
Total Deferred Outflows	<u>2,150</u>	<u>356</u>	<u>2,506</u>
Net Position			
Invested in Capital Assets,			
Net of Related Debt	132,722	1,742,488	1,875,210
Restricted - Debt Service	-	63,204	63,204
Unrestricted	581,068	(19,056)	562,012
Total Net Position	<u>\$ 713,790</u>	<u>\$ 1,786,636</u>	<u>\$ 2,500,426</u>

The accompanying notes are an integral
part of the financial statements.

City of Horseshoe Bend, Idaho
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2020

	Water	Sewer	Total
Operating Revenues			
Charges for Services	\$ 367,184	\$ 268,489	\$ 635,673
Total Operating Revenues	<u>367,184</u>	<u>268,489</u>	<u>635,673</u>
Operating Expenses			
Wages	102,152	17,195	119,347
Employee Benefits	68,019	8,838	76,857
Dues	2,660	510	3,170
Utilities	25,846	15,297	41,143
Treatment, Chemicals, and Testing	19,288	9,539	28,827
Repairs and Maintenance	39,899	22,938	62,837
Supplies	23,990	7,805	31,795
Contract Services	56,057	135	56,192
Billing and Operation	18,778	12,233	31,011
Insurance	4,681	4,219	8,900
Training	420	60	480
Depreciation	5,728	72,510	78,238
Total Operating Expenses	<u>367,518</u>	<u>171,279</u>	<u>538,797</u>
Income From Operations	<u>(334)</u>	<u>97,210</u>	<u>96,876</u>
Nonoperating Revenues (Expenses)			
Interest Income	833	971	1,804
Other	5,384	400	5,784
Interest Expense	-	(23,108)	(23,108)
Total Nonoperating Revenues (Expenses)	<u>6,217</u>	<u>(21,737)</u>	<u>(15,520)</u>
Change in Net Position	5,883	75,473	81,356
Net Position, Beginning	707,907	1,711,163	2,419,070
Net Position, Ending	<u>\$ 713,790</u>	<u>\$ 1,786,636</u>	<u>\$ 2,500,426</u>

The accompanying notes are an integral
part of the financial statements.

City of Horseshoe Bend, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2020

	Water	Sewer	Total
Cash Flows from Operating Activities			
Receipts from Customers	\$ 364,214	\$ 268,673	\$ 632,887
Payments to Suppliers	(197,229)	(70,174)	(267,403)
Payments to Employees	(156,012)	(24,349)	(180,361)
Net Cash Provided (Used) by Operating Activities	<u>10,973</u>	<u>174,150</u>	<u>185,123</u>
Cash Flows from Noncapital Financing Activities			
Other Receipts	<u>5,384</u>	<u>400</u>	<u>5,784</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>5,384</u>	<u>400</u>	<u>5,784</u>
Cash Flows from Capital and Related Financing Activities			
Purchases and Construction of Capital Assets	(15,259)	(13,000)	(28,259)
Principal Paid on Capital Debt	-	(23,217)	(23,217)
Interest Paid on Capital Debt	-	(13,623)	(13,623)
Net Cash Used by Capital and Related Financing Activities	<u>(15,259)</u>	<u>(49,840)</u>	<u>(65,099)</u>
Cash Flows from Investing Activities			
Interest Received	<u>833</u>	<u>971</u>	<u>1,804</u>
Net Cash Provided (Used) by Investing Activities	<u>833</u>	<u>971</u>	<u>1,804</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,931	125,681	127,612
Cash and Cash Equivalents, Beginning	<u>612,008</u>	<u>296,597</u>	<u>908,605</u>
Cash and Cash Equivalents, Ending	<u>\$ 613,939</u>	<u>\$ 422,278</u>	<u>\$ 1,036,217</u>
Displayed As:			
Cash and Cash Equivalents	\$ 613,939	\$ 359,074	\$ 973,013
Restricted Cash	-	63,204	63,204
	<u>\$ 613,939</u>	<u>\$ 422,278</u>	<u>\$ 1,036,217</u>

The accompanying notes are an integral part of the financial statements.

City of Horseshoe Bend, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2020

	Water	Sewer	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (334)	\$ 97,210	\$ 96,876
Adjustment to Reconcile Operating Income (Loss) to Net Income Provided (Used) by Operating Activities:			
Depreciation	5,728	72,510	78,238
(Increase) Decrease in Accounts Receivable	(2,970)	184	(2,786)
(Increase) Decrease in Deferred Outflows	(10,408)	(1,041)	(11,449)
Increase (Decrease) in Accounts Payable	(5,610)	2,562	(3,048)
Increase (Decrease) in Compensated Absences Payable	(2,681)	-	(2,681)
Increase (Decrease) in Net Pension Liability	38,629	3,863	42,492
Increase (Decrease) in Deferred Inflows	(11,381)	(1,138)	(12,519)
Net Cash Provided (Used) by Operating Activities	\$ 10,973	\$ 174,150	\$ 185,123

The accompanying notes are an integral
part of the financial statements.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the City of Horseshoe Bend, Idaho (the City), which has responsibility and control over all activities related to public safety and water and sewer services within the City. The City receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the City's reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the City. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses are expenses of the general government related to the administration and support of the City's programs, such as personnel and accounting (but not interest on long-term debt), and are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds, if applicable.

The City reports the following major governmental funds:

- *General fund.* This 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.

Proprietary fund operating revenues and expenses are related to providing water and sewer services to the residents and businesses of the City and providing services to other parts of the City government. Revenues and expenses that arise from capital and non-capital financing activities and from investing activities are presented as non-operating revenues or expenses.

The City has the following major enterprise funds:

- *Water fund.* This fund accounts for the activities of the City's water supply system.
- *Sewer fund.* This fund accounts for the activities of the City's pumping stations, sewage treatment plant, and collection systems.

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The City uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable*. Prepaid expenditures that are permanently precluded from conversion to cash.
- *Unassigned*. Balances available for any purpose or fund deficits.

The remaining fund balance classifications (restricted, committed, and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the City Council, the City's highest level of decision-making authority, through a formal action. The City Council would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position or fund balances available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the City's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets and Liabilities

Cash Equivalents

The City'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. All short-term cash surpluses are maintained in a cash and state investment pool, the earnings from which are allocated to each fund based on month-end deposit and investment balances.

Property Tax Calendar

The City levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July 1. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are shown below:

Governmental Funds:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$5,000	Straight-Line	10 – 40 Years
Equipment and Vehicles	\$5,000	Straight-Line	5 – 20 Years

Proprietary Funds: Same as above, except capitalization threshold is \$1,000.

General infrastructure assets acquired prior to October 2003, are not reported in the basic financial statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to October 1, 2003.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are not over 60 days past due.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2020, the carrying amount of the City's deposits was \$1,426,838 and the respective bank balances totaled \$1,419,151. All of the total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the City.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2020, the accounts of the City's deposits were covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus were not exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk. The City holds \$200 in the cash register.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

2. CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Investments

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The City voluntarily participates in the State of Idaho Investment Pool, which was not rated. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the City's investment in the pool is the same as the value of the pool shares.

The City follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the City to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The City's investments at September 30, 2020, are summarized below:

	Fair Value	Investment Maturities (in Years)	
Investment		Less than 1	1 - 5
External Investment Pool	\$ 106,816	\$ 106,816	\$ -

At year-end, cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 497,637	\$ 929,401	\$ 1,427,038
Investments categorized as cash	-	43,612	\$ 43,612
Restricted investments categorized as cash	-	63,204	\$ 63,204
	<u>\$ 497,637</u>	<u>\$ 1,036,217</u>	<u>\$ 1,533,854</u>

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

3. RESTRICTED CASH

The City has \$63,204 on deposit at September 30, 2020, which is restricted for debt reserve requirements in the Water and Sewer funds.

4. ACCOUNTS RECEIVABLE

AMBULANCE

Accounts receivable for ambulance services can be found in the governmental funds. The amount reported is net of the allowance for doubtful accounts. Accounts are considered doubtful if they are more than 30 days past due and consist of self-pay amounts. Net accounts receivable is made up of the following amounts:

Accounts Receivable	\$ 12,038
Allowance for Doubtful Accounts	<u>(12,038)</u>
Accounts Receivable, Net	<u><u>\$ -</u></u>

SEWER AND WATER

Accounts receivable for sewer and water services can be found in the business-type funds. The amount is reported in net of the allowance for doubtful accounts. Accounts are considered doubtful if they are more than 120 days past due. Net accounts receivable is made up of the following amounts:

	Water	Sewer
Accounts Receivable	\$46,086	\$26,503
Allowance for Doubtful Accounts	<u>(16,382)</u>	<u>(12,699)</u>
Accounts Receivable, Net	<u><u>\$29,704</u></u>	<u><u>\$13,804</u></u>

5. PROPERTY TAXES

The City of Horseshoe Bend, Idaho receives tax revenue from the County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the City by the County as of September 30, 2020, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2020, are not considered available for use by the City and are recorded as deferred revenue.

6. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units (State of Idaho) consist of state revenue sharing and sales tax of \$14,265.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

7. CAPITAL ASSETS

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

	Balance 9/30/19	Additions	Disposals	Balance 9/30/20
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 46,122	\$ -	\$ -	\$ 46,122
Capital Assets Being Depreciated:				
Buildings and Improvements	192,065	-	-	192,065
Equipment and Vehicles	361,547	29,768	(68,595)	322,720
Total Historical Cost	553,612	29,768	(68,595)	514,785
Less: Accumulated Depreciation				
Buildings and Improvements	119,972	5,855	-	125,827
Equipment and Vehicles	231,785	24,715	(54,495)	202,005
Total Acc. Depr.	351,757	30,570	(54,495)	327,832
Net Depreciable Assets	201,855	(802)	(14,100)	186,953
Governmental Activities Capital Assets - Net	<u>\$ 247,977</u>	<u>\$ (802)</u>	<u>\$ (14,100)</u>	<u>\$ 233,075</u>
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 35,922	\$ -	\$ -	\$ 35,922
Construction in Progress	330,540	8,000	-	338,540
Total Historical Cost	366,462	8,000	-	374,462
Capital Assets Being Depreciated:				
Buildings and Improvements	4,722,292	-	-	4,722,292
Equipment	84,160	20,258	-	104,418
Total Historical Cost	4,806,452	20,258	-	4,826,710
Less: Accumulated Depreciation				
Buildings and Improvements	2,907,590	72,942	-	2,980,532
Equipment	60,628	5,296	-	65,924
Total Acc. Depr.	2,968,218	78,238	-	3,046,456
Net Depreciable Assets	1,838,234	(57,980)	-	1,780,254
Governmental Activities Capital Assets - Net	<u>\$2,204,696</u>	<u>\$ (49,980)</u>	<u>\$ -</u>	<u>\$2,154,716</u>

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

7. CAPITAL ASSETS (continued)

Depreciation expense was charged to the functions of the City as follows:

Governmental Activities:	
General and Administrative	\$ 1,213
Public Safety	26,335
Highways and Streets	1,140
Parks and Recreation	1,882
	<u>\$ 30,570</u>
Business-type Activities:	
Water	\$ 5,296
Sewer	72,942
	<u>\$ 78,238</u>

8. COMPENSATED ABSENCES

Vacation leave is granted to all regular City employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. A summary of the current year activity and year-end liability is as follows:

	<u>9/30/2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2020</u>	<u>Current Portion</u>
Governmental Activities	\$ 4,682	\$ 3,264	\$ (2,689)	\$ 5,257	\$ 5,257
Business-type Activities	8,327	6,941	(9,622)	5,646	5,646
	<u>\$ 13,009</u>	<u>\$ 10,205</u>	<u>\$ (12,311)</u>	<u>\$ 10,903</u>	<u>\$ 10,903</u>

9. RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts and professional liabilities.

10. OTHER COMMITMENTS

The City has credit cards with a credit limit of \$5,000. As of September 30, 2020, \$223 of the credit was in use.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

11. PENSION PLAN

Plan Description

The City of Horseshoe Bend, 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% 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.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

11. PENSION PLAN (continued)

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) 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. As of June 30, 2020, it was 7.16% for general employees. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees. The City of Horseshoe Bend, Idaho's contributions were \$21,672 the year ended September 30, 2020.

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

At September 30, 2020, the City of Horseshoe Bend, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Horseshoe Bend, Idaho's proportion of the net pension liability was based on the City of Horseshoe Bend, Idaho's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2020, the City of Horseshoe Bend, Idaho's proportion was 0.0049032 percent.

For the year ended September 30, 2020, the City of Horseshoe Bend, Idaho recognized pension expense (revenue) of \$49,739. At September 30, 2020, the City of Horseshoe Bend, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

11. PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,896	\$ 3,718
Changes in assumptions or other inputs	1,926	-
Net difference between projected and actual earnings on pension plan investments	13,050	-
City of Horseshoe Bend, Idaho's contributions subsequent to the measurement date	4,984	-
Total	\$ 28,856	\$ 3,718

\$4,984 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020, is 4.8 years and 4.8 for the measurement period June 30, 2020.

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

For the Year Ended September 30:	
2021	\$ 5,352
2022	4,796
2023	6,510
2024	8,480

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

11. PENSION PLAN (continued)

Actuarial Assumptions

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

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expense
Cost-of-living adjustments	1%

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

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

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

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

11. PENSION PLAN (continued)

Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2020.

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

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

11. PENSION PLAN (continued)

Discount Rate

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

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

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

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 233,493	\$ 113,859	\$ 14,941

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.

12. LONG-TERM OBLIGATIONS

Bonds were issued in a prior year to provide funds for construction of water lines and a sewer lagoon. The required reserve is \$58,944 and the City has set aside \$63,204, which is more than the required amount. Interest cost for the year was \$23,108, none of which was capitalized.

City of Horseshoe Bend, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2020

12. LONG-TERM OBLIGATIONS (continued)

The City received approval for up to \$400,000 bond anticipation note from Zions Bank for a new sewer project with an interest rate of 3.54%. The current balance of the line of credit is \$354,524. A long-term bond from the USDA will be issued to extinguish this note upon completion of the project.

Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Rate	9/30/19	Increase	Decrease	9/30/20	Current Portion
<u>Business-type Activities:</u>						
2004 Sewer Rev. Bond	4.50%	\$ 302,725	\$ -	\$ (23,217)	\$ 279,508	\$ 19,900

Debt service requirements on long-term debt at September 30, 2020, are as follows:

Year Ending September 30,	Business-type Activities	
	Bonds and Notes	
	Principal	Interest
2021	\$ 19,900	\$ 16,940
2022	20,796	16,044
2023	21,731	15,109
2024	22,709	14,131
2025	23,731	13,109
2026-2030	135,669	48,531
2031-2032	34,971	7,509
	<u>\$ 279,508</u>	<u>\$ 131,373</u>

13. LEASE COMMITMENTS

The City leases a copy machine located at City Hall. The lease period is for five years and it is anticipated that the copier will be returned at the end of the lease period, which is January 2023. Future minimum lease payments are as follows:

Year Ending September 30,	Amount
2021	\$ 2,661
2022	2,661
2023	1,108
	<u>\$ 6,430</u>

Lease expenditures for the year ended September 30, 2020, were \$2,661.

REQUIRED SUPPLEMENTARY INFORMATION

City of Horseshoe Bend, Idaho
 Budgetary Comparison Schedule (GAAP Basis)
 General Fund
 For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 194,212	\$ 194,212	\$ 196,009	\$ 1,797
Charges for Services	35,170	35,170	102,979	67,809
Intergovernmental	113,478	113,478	123,154	9,676
Grants and Contributions	20,000	20,000	-	(20,000)
Interest Earned	2,650	2,650	256	(2,394)
Other	1,000	1,000	39,194	38,194
Total Revenues	<u>366,510</u>	<u>366,510</u>	<u>461,592</u>	<u>95,082</u>
Expenditures				
Current:				
General and Administrative	223,200	223,200	168,579	54,621
Public Safety	125,400	125,400	98,257	27,143
Highways and Streets	118,750	118,750	40,276	78,474
Parks and Recreation	24,720	24,720	22,301	2,419
Dog Control	9,730	9,730	9,051	679
Capital Outlay	295,830	295,830	25,268	270,562
Total Expenditures	<u>797,630</u>	<u>797,630</u>	<u>363,732</u>	<u>433,898</u>
Net Change in Fund Balances	(431,120)	(431,120)	97,860	528,980
Fund Balances - Beginning	<u>431,120</u>	<u>431,120</u>	<u>413,279</u>	<u>(17,841)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 511,139</u>	<u>\$ 511,139</u>

City of Horseshoe Bend, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2020

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to September 1, the City Clerk and City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at the City Council meetings to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- D. The City is authorized to transfer budgeted amounts between departments within any fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for enterprise funds may also be revised in the same manner as those situations involving federal and state grants.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund.
- F. The budget for the General fund is adopted on a basis consistent with generally accepted accounting principles.
- G. Budgeted amounts were not amended from the amounts originally adopted during the fiscal year ended September 30, 2020.
- H. Expenditures may not legally exceed budgeted appropriations at the fund level. The City does not use the encumbrance method of accounting.

City of Horseshoe Bend, Idaho
 Schedule of the Required Supplemental Information
 Public Employees Retirement System of Idaho
 Last 10 - Fiscal Years*

Schedule of the City's Proportionate Share of Net Pension Liability

Year	District proportion of the net pension liability	District proportion of the net pension liability	District's covered- employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.0049032%	\$ 113,859	\$ 181,524	62.72%	93.79%
2020	0.0043345%	\$ 49,477	\$ 148,645	33.29%	93.79%
2019	0.0042190%	62,231	138,752	44.85%	87.26%
2018	0.0043468%	68,324	130,293	52.44%	87.26%
2017	0.0051774%	104,954	147,260	71.27%	82.26%
2016	0.0051933%	68,387	147,837	46.26%	91.38%

Data reported is measured as of June 30, 2020.

Schedule of City Contributions

Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 21,672	\$ 21,672	\$ -	\$ 181,524	11.94%
2020	\$ 17,007	\$ 17,007	\$ -	\$ 148,645	11.44%
2019	15,707	15,707	-	138,752	11.32%
2018	14,749	14,749	-	130,293	11.32%
2017	16,670	16,670	-	147,260	11.32%
2016	16,735	16,735	-	147,837	11.32%

Data reported is measured as of September 30, 2020.

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, City of Horseshoe Bend will present information for those years for which information is available.

FEDERAL REPORTS



Independent Auditor's 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

Honorable Mayor
and City Council
Horseshoe Bend, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the fund information of the City of Horseshoe Bend, Idaho (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Horseshoe Bend, Idaho's basic financial statements, and have issued our report thereon dated April 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Horseshoe Bend, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Horseshoe Bend, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Horseshoe Bend, Idaho's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. However, material weaknesses may exist that have not been identified

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. We consider the deficiencies described in the accompanying Schedule of Findings as items 2021-001 to be material weakness.

Compliance and Other Matters

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

City of Horseshoe Bend's Response to Findings

City of Horseshoe Bend's response to the findings identified in our audit is described in the accompanying Management's Response to Findings. City of Horseshoe Bend's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Zwyzart John & Associates, CPAs, PLLC

Nampa, Idaho

April 2, 2021

City of Horseshoe Bend, Idaho
Management's Response to Findings
For the Year Ended September 30, 2020

2021-001: Segregation of Duties

Criteria:

Duties for custody, recording, and authorization should be performed by different personnel to help prevent, detect, and correct misstatements.

Condition:

The treasurer performs duties that involve custody, recording, and authorization over cash, revenue, and expenditures.

Effect:

The lack of this control could cause a misstatement in the annual financial statements and footnotes to go undetected.

Cause:

This situation is common in cities this size and is a direct result of the cost/benefit of having enough staff in place to be able to segregate duties.

Recommendation:

The city council should consider realigning job duties or implementing mitigating controls, such as having a board member review and initial documents related to cash and revenue.

Response:

See Management's Response to Findings.

City of Horseshoe Bend, Idaho
Management's Response to Findings
For the Year Ended September 30, 2020

2021-001: Segregation of Duties

The City Council and mayor will research implementing controls and evaluate the cost-benefit of such controls to ensure a proper segregation of duties over cash, revenue, and payroll to ensure monthly financial information is able to be reported to the Council.