

CITY OF MARSING, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2019

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Independent Auditor's Report

Honorable Mayor
and City Council
Marsing, 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 Marsing (the City), Idaho, as of and for the year ended September 30, 2019, 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 Marsing, Idaho as of September 30, 2019, 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 the Net Pension Liability, and schedule of City contributions on pages 30 through 36 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.

The City has not presented management's discussion and analysis that governmental 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marsing, Idaho's basic financial statements. The supplemental schedules or revenue by source and expenditure by object are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules or revenue by source and expenditure by object are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplemental schedules or revenue by source and expenditure by object are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020, on our consideration of the City of Marsing, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Marsing, Idaho's internal control over financial reporting and compliance.

Zwyzart John & Associates, CPAs PLLC

Nampa, Idaho
June 17, 2020

City of Marsing, Idaho
Statement of Net Position
September 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 72,322	\$ 1,548,898	\$ 1,621,220
Receivables, Net			
Accounts	-	74,972	74,972
Property Taxes	23,693	-	23,693
Prepaid Items	10,241	4,780	15,021
Due From Other Governments	12,902	-	12,902
Total Current Assets	<u>119,158</u>	<u>1,628,650</u>	<u>1,747,808</u>
Noncurrent Assets:			
Restricted Cash	-	176,079	176,079
Capital Assets:			
Land	103,941	119,000	222,941
Buildings, Net	392,822	2,386	395,208
Equipment, Net	17,095	27,228	44,323
Improvements, Net	615,510	3,171,167	3,786,677
Total Noncurrent Assets	<u>1,129,368</u>	<u>3,495,860</u>	<u>4,625,228</u>
Total Assets	<u>1,248,526</u>	<u>5,124,510</u>	<u>6,373,036</u>
Deferred Outflows			
Pension Related Items	9,841	11,099	20,940
Total Deferred Outflows	<u>9,841</u>	<u>11,099</u>	<u>20,940</u>
Liabilities			
Accounts Payable and Other Current Liabilities	23,466	24,600	48,066
Deposits From Others	-	1,950	1,950
Accrued Interest	-	56,041	56,041
Long-Term Liabilities:			
Due Within One Year:			
Compensated Absences	3,351	6,641	9,992
Loans Payable	-	79,907	79,907
Due in More than One Year:			
Loans Payable	-	1,567,893	1,567,893
Net Pension Liability	42,268	47,663	89,931
Total Liabilities	<u>69,085</u>	<u>1,784,695</u>	<u>1,853,780</u>
Deferred Inflows			
Pension Related Items	19,381	21,858	41,239
Total Deferred Inflows	<u>19,381</u>	<u>21,858</u>	<u>41,239</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	1,129,368	1,671,981	2,801,349
Restricted	39,275	176,079	215,354
Unrestricted (Deficit) Surplus	1,258	1,480,996	1,482,254
Total Net Position	<u>\$ 1,169,901</u>	<u>\$ 3,329,056</u>	<u>\$ 4,498,957</u>

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

City of Marsing, Idaho
Statement of Activities
For the Year Ended September 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Administration	392,720	\$ 108,818	\$ -	\$ -	\$ (283,902)	\$ -	\$ (283,902)
Roads and Streets	155,544	-	-	203,784	48,240	-	48,240
Other Governmental Activities	79,023	-	66,662	-	(12,361)	-	(12,361)
Total Governmental Activities	<u>627,287</u>	<u>108,818</u>	<u>66,662</u>	<u>203,784</u>	<u>(248,023)</u>	<u>-</u>	<u>(248,023)</u>
Business-Type Activities:							
Water	398,250	486,901	-	-	-	88,651	88,651
Sewer	252,889	295,464	-	-	-	42,575	42,575
Irrigation	45,915	43,274	-	-	-	(2,641)	(2,641)
Sanitation	103,445	99,680	-	-	-	(3,765)	(3,765)
Total Business-Type Activities	<u>800,499</u>	<u>925,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,820</u>	<u>124,820</u>
Total Primary Government	<u>\$ 1,427,786</u>	<u>\$ 1,034,137</u>	<u>\$ 66,662</u>	<u>\$ 203,784</u>	<u>(248,023)</u>	<u>124,820</u>	<u>(123,203)</u>
General Revenues:							
Property Taxes					184,736	-	184,736
State Sources					215,774	-	215,774
Disposal of Capital Assets					(30,000)	-	(30,000)
Other					36,418	-	36,418
Unrestricted Investment Earnings					10,253	30,984	41,237
Transfers Between Governmental and Business Funds					(60,000)	60,000	-
Total General Revenues and Special Items					<u>357,181</u>	<u>90,984</u>	<u>448,165</u>
Change in Net Position					109,158	215,804	324,962
Net Position, Beginning of Year					<u>1,060,743</u>	<u>3,113,252</u>	<u>4,173,995</u>
Net Position, End of Year					<u>\$ 1,169,901</u>	<u>\$ 3,329,056</u>	<u>\$ 4,498,957</u>

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

City of Marsing, Idaho
 Balance Sheet -
 Governmental Funds
 September 30, 2019

	General	Roads and Streets	Parks	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 32,099	\$ -	\$ 40,223	\$ 72,322
Property Taxes Receivable, Net	17,094	4,473	2,126	23,693
Prepaid Items	7,054	1,593	1,594	10,241
Internal Balances	149,368	-	-	149,368
Due From Other Governments	12,902	-	-	12,902
Total Assets	\$ 218,517	\$ 6,066	\$ 43,943	\$ 268,526
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable and Other Current Liabilities	\$ 17,461	\$ 4,452	\$ 1,553	\$ 23,466
Internal Balances	-	149,368	-	149,368
Total Liabilities	17,461	153,820	1,553	172,834
Deferred Inflows				
Unearned Revenue - Property Taxes	12,173	3,212	1,521	16,906
Total Deferred Inflows	12,173	3,212	1,521	16,906
Fund Balances:				
Nonspendable	7,054	1,593	1,594	10,241
Restricted	-	-	39,275	39,275
Unassigned	181,829	(152,559)	-	29,270
Total Fund Balances	188,883	(150,966)	40,869	78,786
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 218,517	\$ 6,066	\$ 43,943	\$ 268,526

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

City of Marsing, Idaho
 Reconciliation of the Balance Sheet of the
 Governmental Funds to the Statement of Net Position
 September 30, 2019

Total Fund Balances - Governmental Funds \$ 78,786

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. The cost of assets consist of:

Land and Construction in Progress	\$ 103,941	
Buildings, Net of \$186,957 Accumulated Depreciation	392,822	
Improvements, Net of \$59,316 Accumulated Depreciation	17,095	
Equipment, Net of \$198,167 Accumulated Depreciation	<u>615,510</u>	
		1,129,368

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 16,906

The District 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	\$ (42,268)	
Pension Related Deferred Inflows	(19,381)	
Pension Related Deferred Outflows	<u>9,841</u>	
		(51,808)

Long-term liabilities, applicable to the City's governmental activities, are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Position

Compensated Absences (3,351)

Net Position of Governmental Activities \$ 1,169,901

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

City of Marsing, Idaho
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2019

	General	Roads and Streets	Parks	Total Governmental Funds
Revenues				
Property Taxes	\$ 133,738	\$ 34,995	\$ 15,736	\$ 184,469
Licenses and Permits	48,818	-	-	48,818
Rents	60,000	-	-	60,000
Intergovernmental	122,251	82,994	10,529	215,774
Grants	-	203,784	66,662	270,446
Interest	7,589	2,533	131	10,253
Other	21,153	15,265	-	36,418
Total Revenues	<u>393,549</u>	<u>339,571</u>	<u>93,058</u>	<u>826,178</u>
Expenditures				
Current:				
Personnel Services	87,465	27,151	27,076	141,692
Supplies and Other Charges	220,985	280,285	41,709	542,979
Capital Outlay	164,104	99,270	81,548	344,922
Total Expenditures	<u>472,554</u>	<u>406,706</u>	<u>150,333</u>	<u>1,029,593</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(79,005)</u>	<u>(67,135)</u>	<u>(57,275)</u>	<u>(203,415)</u>
Other Financing Sources (Uses)				
Transfers In	-	-	150,000	150,000
Transfers (Out)	(210,000)	-	-	(210,000)
Total Other Financing Sources (Uses)	<u>(210,000)</u>	<u>-</u>	<u>150,000</u>	<u>(60,000)</u>
Net Change in Fund Balances	<u>(289,005)</u>	<u>(67,135)</u>	<u>92,725</u>	<u>(263,415)</u>
Fund Balances - Beginning	<u>477,888</u>	<u>(83,831)</u>	<u>(51,856)</u>	<u>355,306</u>
Fund Balances - Ending	<u>\$ 188,883</u>	<u>\$ (150,966)</u>	<u>\$ 40,869</u>	<u>\$ 91,891</u>

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

City of Marsing, 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, 2019

Total Net Change in Fund Balance - Governmental Funds \$ (263,415)

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 and any remaining balance is deducted when disposed. In the current period these amounts are:

Capital Outlay	483,463
Disposal of Capital Assets	(30,000)
Depreciation Expense	(81,177)

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.	267
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The District 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.	(857)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Change in Compensated Absences	877
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Change in Net Position of Governmental Activities	\$ 109,158
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The accompanying notes are an integral
 part of the financial statements.

City of Marsing, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2019

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer	Irrigation	Sanitation	
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 885,468	\$ 658,389	\$ 5,041	\$ -	\$ 1,548,898
Receivables, Net	39,574	23,784	3,997	7,617	74,972
Prepaid Items	1,593	1,593	1,594	-	4,780
Internal Balances	17,886	-	-	-	17,886
Total Current Assets	<u>944,521</u>	<u>683,766</u>	<u>10,632</u>	<u>7,617</u>	<u>1,646,536</u>
Noncurrent Assets:					
Restricted Cash	102,850	73,229	-	-	176,079
Capital Assets:					
Land	55,000	64,000	-	-	119,000
Buildings, Net	1,193	1,193	-	-	2,386
Equipment, Net	14,001	12,002	1,225	-	27,228
Improvements, Net	2,773,239	396,463	1,465	-	3,171,167
Total Noncurrent Assets	<u>2,946,283</u>	<u>546,887</u>	<u>2,690</u>	<u>-</u>	<u>3,495,860</u>
Total Assets	<u>3,890,804</u>	<u>1,230,653</u>	<u>13,322</u>	<u>7,617</u>	<u>5,142,396</u>
Deferred Outflows					
Pension Related Items	6,282	3,142	1,675	-	11,099
Total Deferred Outflows	<u>6,282</u>	<u>3,142</u>	<u>1,675</u>	<u>-</u>	<u>11,099</u>
Liabilities					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	6,776	9,437	339	8,048	24,600
Internal Balances	-	-	-	17,886	17,886
Compensated Absences	5,088	-	1,553	-	6,641
Accrued Interest	52,465	3,576	-	-	56,041
Deposits From Others	1,950	-	-	-	1,950
Current Portion Notes Payable	41,875	38,032	-	-	79,907
Total Current Liabilities	<u>108,154</u>	<u>51,045</u>	<u>1,892</u>	<u>25,934</u>	<u>187,025</u>
Noncurrent Liabilities:					
Notes Payable Less Current Portion	1,352,110	215,783	-	-	1,567,893
Net Pension Liability	26,979	13,489	7,195	-	47,663
Total Liabilities	<u>1,379,089</u>	<u>229,272</u>	<u>7,195</u>	<u>-</u>	<u>1,615,556</u>
Deferred Inflows					
Pension Related Items	12,372	6,187	3,299	-	21,858
Total Deferred Inflows	<u>12,372</u>	<u>6,187</u>	<u>3,299</u>	<u>-</u>	<u>21,858</u>
Net Position					
Invested in Capital Assets, Net of Related Debt	1,449,448	219,843	2,690	-	1,671,981
Restricted for Debt Service	102,850	73,229	-	-	176,079
Unrestricted	845,173	654,219	(79)	(18,317)	1,480,996
Total Net Position	<u>\$ 2,397,471</u>	<u>\$ 947,291</u>	<u>\$ 2,611</u>	<u>\$ (18,317)</u>	<u>\$ 3,329,056</u>

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

City of Marsing, Idaho
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				Total
	Water	Sewer	Irrigation	Sanitation	
Operating Revenues					
Charges for Services	\$ 459,928	\$ 283,464	\$ 41,136	\$ 99,680	\$ 884,208
Hookups	12,390	12,000	-	-	24,390
Other Revenue	14,583	-	2,138	-	16,721
Total Operating Revenues	<u>486,901</u>	<u>295,464</u>	<u>43,274</u>	<u>99,680</u>	<u>925,319</u>
Operating Expenses					
Personnel Services	57,644	91,412	3,852	5,826	158,734
Personnel Benefits	47,299	33,769	1,218	466	82,752
Legal and Professional	11,991	6,657	1,460	-	20,108
Purchased Services	23,868	32,820	4,547	97,790	159,025
Operating Supplies	14,975	28,292	12,768	(637)	55,398
Utilities	16,557	16,464	18,369	-	51,390
Insurance	3,397	3,397	1,624	-	8,418
Other Services and Charges	6,116	-	480	-	6,596
Purchased Repairs	6,264	5,037	-	-	11,301
Travel and Meetings	4,128	729	-	-	4,857
Capital Outlay	8,652	597	830	-	10,079
Depreciation	96,019	21,891	767	-	118,677
Total Operating Expenses	<u>296,910</u>	<u>241,065</u>	<u>45,915</u>	<u>103,445</u>	<u>687,335</u>
Operating Income (Loss)	<u>189,991</u>	<u>54,399</u>	<u>(2,641)</u>	<u>(3,765)</u>	<u>237,984</u>
Nonoperating Revenues (Expenses)					
Interest Expense	(101,340)	(11,824)	-	-	(113,164)
Investment Earnings	19,235	11,476	248	25	30,984
Transfers In	50,000	-	10,000	-	60,000
Total Nonoperating Revenues (Expenses)	<u>(32,105)</u>	<u>(348)</u>	<u>10,248</u>	<u>25</u>	<u>(22,180)</u>
Change in Net Position	157,886	54,051	7,607	(3,740)	215,804
Net Position - Beginning, Previously Stated	2,239,585	893,240	(4,996)	(14,577)	3,113,252
Net Position - Beginning	2,239,585	893,240	(4,996)	(14,577)	3,113,252
Net Position - Ending	<u>\$ 2,397,471</u>	<u>\$ 947,291</u>	<u>\$ 2,611</u>	<u>\$ (18,317)</u>	<u>\$ 3,329,056</u>

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

City of Marsing, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Irrigation	Sanitation	Total
Cash Flows From Operating Activities					
Cash Receipts from Customers	\$ 484,934	\$ 299,848	\$ 41,894	\$ 100,468	\$ 927,144
Payments to Employees for Services	(115,921)	(124,908)	(4,022)	(6,292)	(251,143)
Payments to Suppliers for Goods or Services	(99,063)	(94,377)	(42,076)	(96,819)	(332,335)
Net Cash Provided (Used) by Operating Activities	<u>269,950</u>	<u>80,563</u>	<u>(4,204)</u>	<u>(2,643)</u>	<u>343,666</u>
Cash Flows From Noncapital Financing Activities					
Transfers In	50,000	-	10,000	-	60,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>50,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>60,000</u>
Cash Flows From Capital and Related Financing Activities					
Purchases and Construction of Capital Assets	(188,704)	-	-	-	(188,704)
Principal Paid on Capital Debt	(40,108)	(36,481)	-	-	(76,589)
Interest Paid on Capital Debt	(102,850)	(12,338)	-	-	(115,188)
Net Cash Provided (Used) From Capital and Related Financing Activities	<u>(331,662)</u>	<u>(48,819)</u>	<u>-</u>	<u>-</u>	<u>(380,481)</u>
Cash Flows From Investing Activities					
Interest and Dividends	19,235	11,476	249	25	30,985
Net Increase (Decrease) in Cash and Cash Equivalents	7,523	43,220	6,045	(2,618)	54,170
Cash and Cash Equivalents - Beginning	998,681	688,398	(1,004)	(15,268)	1,670,807
Cash and Cash Equivalents - Ending	<u>\$ 1,006,204</u>	<u>\$ 731,618</u>	<u>\$ 5,041</u>	<u>\$ (17,886)</u>	<u>\$ 1,724,977</u>
Displayed As:					
Cash and Cash Equivalents	\$ 885,468	\$ 658,389	\$ 5,041	\$ -	\$ 1,548,898
Internal Balances	17,886	-	-	(17,886)	-
Restricted Cash	102,850	73,229	-	-	176,079
	<u>\$ 1,006,204</u>	<u>\$ 731,618</u>	<u>\$ 5,041</u>	<u>\$ (17,886)</u>	<u>\$ 1,724,977</u>

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

City of Marsing, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2019

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Irrigation	Sanitation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 189,991	\$ 54,399	\$ (2,641)	\$ (3,765)	\$ 237,984
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation	96,019	21,891	767	-	118,677
(Increase) Decrease in Accounts Receivable	(1,967)	4,384	(1,380)	788	1,825
(Increase) Decrease in Prepaid Expenses	(1,593)	751	(1,594)	-	(2,436)
(Increase) Decrease in Deferred Outflows	2,035	1,017	543	-	3,595
Increase (Decrease) in Accounts Payable	(1,522)	(1,135)	(404)	334	(2,727)
Increase (Decrease) in Compensated Absences	(11,525)	-	902	-	(10,623)
Increase (Decrease) in Net Pension Liability	(7,436)	(3,718)	(1,983)	-	(13,137)
Increase (Decrease) in Deferred Inflows	5,948	2,974	1,586	-	10,508
Net Cash Provided by Operating Activities	<u>\$ 269,950</u>	<u>\$ 80,563</u>	<u>\$ (4,204)</u>	<u>\$ (2,643)</u>	<u>\$ 343,666</u>

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

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the City of Marsing, Idaho (the City), which has responsibility and control over all activities related to public safety; planning and zoning; roads, streets, and parks; 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 identifiable activity 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—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)—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

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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. Planning and Zoning activities within the City limits are accounted for in a separate fund in the City's accounting system. However, for financial statement reporting purposes, this fund is reported as part of the General fund as there have been no third-party restrictions placed on the accumulated resources.
- *Roads and Streets fund.* This fund accounts for the activities related to the City's roads and streets.
- *Parks fund.* This fund accounts for the activities related to the City's parks.

Proprietary fund operating revenues and expenses are related to providing water and sewer services to the residents and businesses of the City of Marsing, Idaho 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, pumping stations, and collection systems.
- *Sewer fund.* This fund accounts for the operations and collections of the City's sewer system.
- *Irrigation fund.* This fund accounts for the operations and collections of the City's irrigation system.
- *Sanitation fund.* This fund accounts for the operations and collections of the City's sanitation services.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

The remaining fund balance classifications (nonspendable, 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.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets/fund balance 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.

The Roads and Streets fund is restricted by both property tax levy and state forest funds. The Parks funds are restricted by property tax levy, as well.

C. Assets and Liabilities

Cash Equivalents

The City requires all cash belonging to the City to be placed in custody of the Clerk. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. See Note 2.

Receivables

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

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. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 of the succeeding year, at which time the property is subject to lien.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$1,000	Straight-Line	5 – 40 Years
Equipment and Vehicles	\$1,000	Straight-Line	3 – 15 Years

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

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

Compensated Absences

The City uses the vesting method to vacation leave.

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.

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.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2019, the carrying amount of the City's deposits was \$352,415 and the respective bank balances totaled \$361,325. All of the 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, 2019, all 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. The City holds \$100 for change in the cash register. The City does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

Custodial 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 has not been 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.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

2. CASH AND INVESTMENTS (continued)

The City's investments at September 30, 2019, are summarized below:

Investment	Fair Value	<u>Maturity (in Years)</u> Less than 1
External Investment Pool	\$ 1,444,784	\$ 1,444,784

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

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ (301,635)	\$ 654,150	\$ 352,515
Restricted investments categorized as deposits	-	165,794	165,794
Investments categorized as deposits	373,957	905,033	1,278,990
	\$ 72,322	\$ 1,724,977	\$ 1,797,299

The restricted cash is money set aside to satisfy bond reserve requirements.

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units (State of Idaho) consist of state revenue sharing of \$12,902.00 .

4. ACCOUNTS RECEIVABLE

Accounts Receivable for the Enterprise Funds consist of the following:

	Water	Sewer	Irrigation	Sanitation
Accounts Receivable	\$ 39,574	\$ 23,784	\$ 3,997	\$ 7,617
Allowance for Uncollectible Accounts	-	-	-	-
Accounts Receivable, Net	\$ 39,574	\$ 23,784	\$ 3,997	\$ 7,617

5. 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) worker's 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.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

6. INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at September 30, 2019. Consist of the following:

\$ 149,368	Due from the Roads and Street fund to the General fund for cash overdrafts.
36,360	Due from Planning & Zoning to the General fund for cash overdrafts
<u>17,886</u>	Due from the Sanitation fund to the Water fund for cash overdrafts.
<u>\$ 203,614</u>	

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019, was as follows:

	<u>9/30/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2019</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 82,502	\$ 51,439	\$ (30,000)	\$ 103,941
Capital Assets Being Depreciated:				
Buildings	470,519	109,260	-	579,779
Improvements	490,913	322,764	-	813,677
Equipment	<u>77,836</u>	<u>-</u>	<u>(1,425)</u>	<u>76,411</u>
Total Historical Cost	<u>1,039,268</u>	<u>432,024</u>	<u>(1,425)</u>	<u>1,469,867</u>
Less: Accumulated Depreciation				
Buildings	172,196	14,761	-	186,957
Improvements	139,540	58,627	-	198,167
Equipment	<u>52,952</u>	<u>7,789</u>	<u>(1,425)</u>	<u>59,316</u>
Total Acc. Depr.	<u>364,688</u>	<u>81,177</u>	<u>(1,425)</u>	<u>444,440</u>
Net Depreciable Assets	<u>674,580</u>	<u>350,847</u>	<u>-</u>	<u>1,025,427</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 757,082</u>	<u>\$ 402,286</u>	<u>\$ (30,000)</u>	<u>\$ 1,129,368</u>

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

General Administration	\$ 15,658
Roads and Streets	19,982
Parks	<u>45,537</u>
	<u>\$ 81,177</u>

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

7. CAPITAL ASSETS (continued)

	<u>9/30/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2019</u>
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 119,000	\$ -	\$ -	\$ 119,000
Capital Assets Being Depreciated:				
Buildings	206,695	-	-	206,695
Improvements	4,425,959	188,704	(5,363)	4,609,300
Equipment	135,587	-	(9,679)	125,908
Total Historical Cost	<u>4,768,241</u>	<u>188,704</u>	<u>(15,042)</u>	<u>4,941,903</u>
Less: Accumulated Depreciation				
Buildings	203,198	1,110	-	204,308
Improvements	1,336,852	106,644	(5,363)	1,438,133
Equipment	97,435	10,923	(9,679)	98,679
Total Acc. Depr.	<u>1,637,485</u>	<u>118,677</u>	<u>(15,042)</u>	<u>1,741,120</u>
Net Depreciable Assets	<u>3,130,756</u>	<u>70,027</u>	<u>-</u>	<u>3,200,783</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 3,249,756</u>	<u>\$ 70,027</u>	<u>\$ -</u>	<u>\$ 3,319,783</u>

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

Water	\$ 96,019
Sewer	767
Sanitation	21,891
	<u>\$ 118,677</u>

8. PENSION PLAN

Plan Description

The City of Marsing, 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) 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.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

8. PENSION PLAN (continued)

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 for 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 September 30, 2019 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City of Marsing, Idaho's contributions were \$30,205 the year ended September 30, 2019.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

8. PENSION PLAN (continued)

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

At September 30, 2019, the City of Marsing, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 Marsing, Idaho's proportion of the net pension liability was based on the City of Marsing'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, 2019, the City of Marsing's proportion was 0.0078786 percent.

For the year ended September 30, 2019, the City of Marsing recognized pension expense/(revenue) of \$32,028. At September 30, 2019, the City of Marsing, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,358	\$ 10,599
Changes in assumptions or other inputs	5,003	-
Net difference between projected and actual earnings on pension plan investments	-	30,637
City of Marsing, Idaho's contributions subsequent to the measurement date	7,577	-
Total	\$ 20,938	\$ 41,236

\$7,577 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, 2019.

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, 2018, the beginning of the measurement period ended June 30, 2018, is 4.8 years and 4.8 for the measurement period June 30, 2019.

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:

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

8. PENSION PLAN (continued)

For the Year Ended	PERSI
September 30:	
2020	\$ 4,338
2021	(13,874)
2022	(6,758)
2023	(4,005)

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, 2019 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 including mortality. The Total Pension Liability as of June 30, 2019, is based on the results of an actuarial valuation date of July 1, 2019.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

8. PENSION PLAN (continued)

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2019.

<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	Barclays Aggregate	30.00%	3.05%	0.80%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	8.30%	6.05%
Developed Foreign Equities	MSCI EAFE/World ex US	15.00%	8.45%	6.20%
Assumed Inflation - Mean			2.25%	2.25%
Assumed Inflation - Standard Deviation			1.50%	1.50%
Portfolio Arithmetic Mean Return			6.75%	4.50%
Portfolio Standard Deviation			12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return			6.13%	3.77%
Assumed Investment Expenses			0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expense:			5.73%	3.37%

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

8. PENSION PLAN (continued)

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.19%
Portfolio Standard Deviation	14.16%

Valuation Assumptions Chosen by PERSI Board

Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.05%

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)	\$ 271,629	\$ 89,932	\$ (60,326)

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.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

9. COMPENSATED ABSENCES

Vacation leave is granted to all regular City employees. In the event of termination, an employee is reimbursed for accumulated vacation leave.

Changes in compensated absences for the year ended September 30, 2019, are as follows:

	<u>9/30/18</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/19</u>	<u>Current Portion</u>
Governmental Activities	\$ 3,562	\$ 4,622	\$ (4,833)	\$ 3,351	\$ 3,351
Business-Type Activities	17,929	(2,892)	(8,396)	6,641	6,641
	<u>\$ 21,491</u>	<u>\$ 1,730</u>	<u>\$(13,229)</u>	<u>\$ 9,992</u>	<u>\$ 9,992</u>

LONG-TERM OBLIGATIONS

Business-Type Activities:

Notes payable have been issued to provide funds for sewer projects.

A summary of long-term liability activity for the year ended September 30, 2019, is as follows:

			Required			Current		
	<u>Maturity</u>	<u>Rate</u>	<u>Reserve</u>	<u>9/30/2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2019</u>	<u>Portion</u>
N/P - RD 92-02	2025	4.500%	\$ 34,226	\$ 144,923	\$ -	\$ (18,213)	\$ 126,710	\$ 18,987
N/P - RD 92-03	2025	4.500%	34,121	145,373	-	(18,268)	127,105	19,045
N/P - RD 91-04	2040	4.375%	102,850	1,434,093	-	(40,108)	1,393,985	41,875
			<u>\$ 171,197</u>	<u>\$ 1,724,389</u>	<u>\$ -</u>	<u>\$ (76,589)</u>	<u>\$ 1,647,800</u>	<u>\$ 79,907</u>

Debt service requirements on long-term debt at September 30, 2019, are as follows:

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

10. LONG-TERM OBLIGATIONS (continued)

Year Ending September 30,	Business-Type Activities:		
	Bonds and Notes		
	Interest	Principal	Total
2020	\$ 71,770	\$ 79,907	\$ 151,677
2021	68,322	83,355	151,677
2022	64,725	86,952	151,677
2023	60,972	90,705	151,677
2024	57,058	94,619	151,677
2025-2029	233,207	329,861	563,068
2030-2034	163,637	350,653	514,290
2035-2039	79,919	434,371	514,290
2040	4,256	97,376	101,632
	<u>\$ 803,866</u>	<u>\$ 1,647,800</u>	<u>\$ 2,451,666</u>

The amount of interest charged to expense for long term obligations for the year ending September 30, 2019, was \$113,164. No interest was capitalized.

11. LEASE COMMITMENTS

The City began leasing a copier under an operating lease in October 2016. The lease is for 63 months at \$316.75/mo. Future minimum lease payments are as follows:

Year Ending September 30,	Amount
2020	3,801
2021	3,801
2022	950
	<u>\$ 8,552</u>

Rent expenditures for the year ended September 30, 2019, totaled \$4,341.

12. OTHER COMMITMENTS

The City also has credit cards available for use. As of September 30, 2019, credit available on these credit cards totaled \$17,000, \$1,899 of which was in use.

City of Marsing, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2019

13. DEFICIT FUND BALANCES

The following funds had a deficit fund balance as of September 30, 2019, these amounts are to be repaid in the following year:

Funds:	Deficit Fund Balances
Road and Street	\$ 150,966
Sanitation	\$ 18,317

14. TRANSFERS

During the year ended September 30, 2019, the City had the following interfund transfers:

\$ 150,000	From the General Fund to the Parks Fund to cover operating expenses.
50,000	From the General Fund to the Water Fund to cover operating expenses.
10,000	From the General Fund to the Irrigation Fund to cover operating expenses.
<u>\$ 210,000</u>	

15. SUBSEQUENT EVENTS

This spring the United States has been greatly affected by the Covid-19 virus. Due to it being highly contagious and deadly, the Governor of Idaho issued a Stay at Home Order to all residences in the State of Idaho for all those in non-essential business and activities beginning on March 25, 2020 through April 30, 2020. On May 1, 2020 these restrictions began to be lifted in stages. The restrictions have caused many of the citizens of Marsing to be unable to work during this time frame. In visiting with Jolyn Green, the city clerk, currently they have not had any financial difficulties, but have heard from the state that they should expect a decrease in state revenue sharing, sales tax revenue, liquor revenue, and state highway revenue. At the date of this audit, they have no indication of how much the decrease will be.

REQUIRED SUPPLEMENTARY INFORMATION

City of Marsing, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	125,454	125,454	133,738	\$ 8,284
Licenses and Permits	36,090	36,090	48,818	12,728
Rents	60,000	60,000	60,000	-
Intergovernmental	140,927	140,927	122,251	(18,676)
Interest	2,500	2,500	7,589	5,089
Other	7,520	7,520	21,153	13,633
Total Revenues	<u>372,491</u>	<u>372,491</u>	<u>393,549</u>	<u>21,058</u>
Expenditures				
Current:				
Personnel Services	85,172	85,172	87,465	(2,293)
Supplies and Other Charges	227,900	227,900	220,985	6,915
Capital Outlay	447,184	447,184	164,104	283,080
Total Expenditures	<u>760,256</u>	<u>760,256</u>	<u>472,554</u>	<u>287,702</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(387,765)</u>	<u>(387,765)</u>	<u>(79,005)</u>	<u>308,760</u>
Other Financing Sources (Uses)				
Transfers In				-
Transfers (Out)	(85,000)	(85,000)	(210,000)	(125,000)
Total Other Financing Sources (Uses)	<u>(85,000)</u>	<u>(85,000)</u>	<u>(210,000)</u>	<u>(125,000)</u>
Net Change in Fund Balances	(472,765)	(472,765)	(289,005)	183,760
Fund Balances - Beginning	472,765	472,765	477,888	5,123
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,883</u>	<u>\$ 188,883</u>

City of Marsing, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Roads and Streets
 For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 32,714	\$ 32,714	\$ 34,995	\$ 2,281
Intergovernmental	99,402	99,402	82,994	(16,408)
Grants	253,000	253,000	203,784	(49,216)
Interest	1,000	1,000	2,533	1,533
Other	50	50	15,265	15,215
Total Revenues	<u>386,166</u>	<u>386,166</u>	<u>339,571</u>	<u>(46,595)</u>
Expenditures				
Current:				
Personnel Services	74,324	74,324	27,151	47,173
Supplies and Other Charges	218,611	218,611	280,285	(61,674)
Capital Outlay	139,631	139,631	99,270	40,361
Total Expenditures	<u>432,566</u>	<u>432,566</u>	<u>406,706</u>	<u>25,860</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(46,400)</u>	<u>(46,400)</u>	<u>(67,135)</u>	<u>(20,735)</u>
Other Financing Sources (Uses)				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(46,400)	(46,400)	(67,135)	(20,735)
Fund Balances - Beginning	46,400	46,400	(83,831)	(130,231)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (150,966)</u>	<u>\$ (150,966)</u>

City of Marsing, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Parks
 For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 15,615	\$ 15,615	\$ 15,736	\$ 121
Intergovernmental	15,000	15,000	10,529	(4,471)
Grants	88,840	88,840	66,662	(22,178)
Interest	50	50	131	81
Total Revenues	<u>119,505</u>	<u>119,505</u>	<u>93,058</u>	<u>(26,447)</u>
Expenditures				
Current:				
Personnel Services	14,270	14,270	27,076	(12,806)
Supplies and Other Charges	31,950	31,950	41,709	(9,759)
Capital Outlay	208,285	208,285	81,548	126,737
Total Expenditures	<u>254,505</u>	<u>254,505</u>	<u>150,333</u>	<u>104,172</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>(135,000)</u>	<u>(135,000)</u>	<u>(57,275)</u>	<u>77,725</u>
Other Financing Sources (Uses)				
Transfers In	75,000	75,000	150,000	75,000
Total Other Financing Sources (Uses)	<u>75,000</u>	<u>75,000</u>	<u>150,000</u>	<u>75,000</u>
Net Change in Fund Balances	(60,000)	(60,000)	92,725	152,725
Fund Balances - Beginning	60,000	60,000	(51,856)	(111,856)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,869</u>	<u>\$ 40,869</u>

City of Marsing, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

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, Mayor, 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 Hall 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 and Special Revenue funds.
- 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, 2019.
- H. Expenditures may not legally exceed budgeted appropriations at the fund level. The City does not use the encumbrance method of accounting.

City of Marsing, Idaho
 Schedule of the City's Proportionate Share of the
 Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2019	2018	2017	2016	2015
The City's proportion of the net pension liability (asset)	0.0078786%	0.0077774%	0.0077582%	0.0077517%	0.0076237%
The City's proportionate share of the net pension liability (asset)	\$ 89,932	\$ 114,718	\$ 121,946	\$ 157,139	\$ 56,122
The City's covered-employee payroll	\$ 263,844	\$ 260,142	\$ 234,527	\$ 244,374	\$ 218,854
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.09%	44.10%	52.00%	64.30%	25.64%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	87.26%	87.26%	82.26%	94.95%

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

Data reports is measured as of June 30, 2019

City of Marsing, Idaho
Schedule of City Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contributions	\$ 30,205	\$ 29,454	\$ 26,555	\$ 27,675	\$ 24,787
Contributions in relation to the contractually required contribution	<u>30,205</u>	<u>29,454</u>	<u>26,555</u>	<u>27,675</u>	<u>24,787</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The City's covered-employee payroll	\$ 263,844	\$ 260,142	\$ 234,527	\$ 244,374	\$ 218,854
Contributions as a percentage of covered-employee payroll	11.45%	11.32%	11.32%	11.32%	11.32%

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

Data reports is measured as of September 30, 2019

SUPPLEMENTAL INFORMATION

City of Marsing, Idaho
Supplemental Schedule of Revenues by Source -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Property Taxes			
Property Taxes	\$ 121,954	\$ 131,751	\$ 9,797
Penalties and Interest	3,500	1,987	(1,513)
Total Property Taxes	<u>125,454</u>	<u>133,738</u>	<u>8,284</u>
Licenses and Permits			
Business Licenses	500	1,450	950
Amusement Licenses	40	22	(18)
Beer Licenses	400	460	60
Liquor Licenses	450	600	150
Wine Licenses	600	700	100
Peddlers Licenses	100	-	(100)
Catering Licenses	300	450	150
Dog Licenses	400	750	350
Dog Fines	300	900	600
Total Licenses and Permits	<u>3,090</u>	<u>5,332</u>	<u>2,242</u>
Rents			
	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Intergovernmental			
State Liquor Apportionment	33,945	35,405	1,460
Court Revenue	15,000	9,194	(5,806)
State Sales Tax	41,982	31,038	(10,944)
State Revenue Sharing	50,000	46,614	(3,386)
Total Intergovernmental	<u>140,927</u>	<u>122,251</u>	<u>(18,676)</u>
Interest Earned			
	<u>2,500</u>	<u>7,589</u>	<u>5,089</u>
Other			
	<u>7,520</u>	<u>21,153</u>	<u>13,633</u>
Total Revenue	<u>\$ 339,491</u>	<u>\$ 350,063</u>	<u>\$ 10,572</u>

City of Marsing, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Personnel Services			
City Council Salaries	\$ 7,200	\$ 5,550	\$ 1,650
Mayor's Salary	7,200	6,600	600
City Clerk Salary	38,110	43,063	(4,953)
Salary	5,562	5,123	439
Benefits	21,500	17,376	4,124
Total Personnel Services	<u>79,572</u>	<u>77,712</u>	<u>1,860</u>
Supplies and Other Charges			
Office Supplies	12,200	4,460	7,740
Professional Services	6,500	6,856	(356)
Advertising and Publishing	8,000	9,818	(1,818)
Insurance	11,200	6,913	4,287
Travel and Meetings	3,500	1,497	2,003
Dues and Subscriptions	1,800	3,121	(1,321)
Repairs and Maintenance	5,750	673	5,077
Miscellaneous Services	4,300	6,003	(1,703)
Legal Services	40,000	28,975	11,025
Operating Supplies	-	10,041	(10,041)
Public Relations	20,000	13,759	6,241
Cleaning and Custodial	750	734	16
Telephone	3,000	2,962	38
Computer Maintenance	20,000	15,133	4,867
Utilities	5,000	5,016	(16)
Purchased Repair - Building	1,500	560	940
Other Purchased Services	10,000	8,004	1,996
Indigent Fund	2,000	198	1,802
Law Enforcement/Contingency	35,000	35,000	-
Total Supplies and Other Charges	<u>190,500</u>	<u>159,723</u>	<u>30,777</u>
Capital Outlay	<u>447,184</u>	<u>164,104</u>	<u>283,080</u>
Total Expenditures	<u><u>\$ 717,256</u></u>	<u><u>\$ 401,539</u></u>	<u><u>\$ 315,717</u></u>

FEDERAL REPORT



ZWYGART JOHN

CERTIFIED PUBLIC ACCOUNTANTS

Zwygart John & Associates CPAs, PLLC

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Phone: 208-459-4649 ♦ FAX: 208-229-0404

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
Marsing, 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 Standards* 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 aggregate remaining fund information of the City of Marsing, Idaho, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Marsing, Idaho's basic financial statements, and have issued our report thereon dated June 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Marsing, 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 Marsing, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Marsing, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marsing, 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*.

Response to Findings

City of Middleton's response to the findings identified in our audit are described in the accompanying schedule of findings. The Cities 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.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
June 17, 2020

City of Middleton, Idaho
Schedule of Findings
For the Year Ended September 30, 2019

2019-001: Accounts Payable Reconciliations

Conditions: During the course of our audit, we identified that the City was not performing adequate reconciliations procedures for accounts payable and other balances.

Criteria: The City should design and implement standardized policies and procedures to ensure timely and accurate reconciliation of the cash and other balances.

Cause: The City did not have or follow standardized reconciliation policies and procedures for the cash and other accounts.

Effect: Multiple accounts, across various funds, were materially misstated as a direct result of the lack of reconciliation procedures.

Recommendation: The City should implement internal controls regarding standardized reconciliation procedures, to ensure the cash and other balances are regularly reconciled to supporting documents. The standardized procedures should indicate all accounts that are to be reconciled, as well as the frequency of the reconciliations to be performed. Such procedures will ensure errors do not accumulate, but can be identified and attributed to a particular period, which will make it easier to perform future reconciliations.

City of Middleton, Idaho
Management's Response
For the Year Ended September 30, 2019

2019-001: Account Payable Reconciliations

The new Treasurer has reached out to Casselle to make sure that she has received the proper training to reconcile the Accounts Payable going forward to prevent any future misstatements.

If there are any questions on management's response to findings please contact the City Treasurer at (208)-585-3133.