

2023 ANNUAL REPORT
URBAN RENEWAL AGENCY OF THE CITY OF McCALL, ALSO KNOWN AS THE
McCALL REDEVELOPMENT AGENCY

Pursuant to Idaho Code § 50-2006(5)(c), an urban renewal agency is required to file with the local governing body and the Idaho State Controller, on or before March 31 of each year, a report of its activities for the preceding calendar year, which shall include certain financial information, specifically the fiscal year 2022 audit and the fiscal year 2023 budget. An urban renewal agency's fiscal year commences October 1 and ends September 30.

Pursuant to Idaho Code § 67-450B, an urban renewal agency is required to prepare certain audited financial statements as described in that section depending on the agency's overall expenditures. The McCall Redevelopment Agency ("MRA" or "Agency") authorized an audit of its financial statements for fiscal year ending September 30, 2022, which audit was completed and received by the Agency in 2023. A copy of the Agency's 2022 audited financial statements are attached hereto as **Exhibit 1**. The fiscal year 2022 audit was uploaded to the Local Government Registry administered by the Idaho State Controller's Office prior to December 1, 2023, as required by Idaho Code Section 67-1076. The fiscal year 2023 audit is underway and is anticipated to be completed in or around March 2024.

The fiscal year budgetary process, which the Agency completed on August 16, 2022, resulted in an approved budget for the Downtown West Urban Renewal Project that depicts actual and budgeted figures for Fiscal Years 2021 and 2022, and the proposed 2023 budget. A copy of the approved budget is attached as **Exhibit 2**. The fiscal year 2024 budget was adopted on August 28, 2023. The fiscal year 2023 budget was uploaded to the Local Government Registry administered by the Idaho State Controller's Office prior to December 1, 2023, as required by Idaho Code Section 67-1076. The Agency was determined by the Idaho State Controller's Office to be in compliance with the Local Government Registry reporting requirements for 2023. The Agency is also required to submit certain information to the Idaho State Tax Commission for the urban renewal registry pursuant to Idaho Code Section 50-2913. The Agency timely submitted the necessary information.

The McCall City Council formally approved the Urban Renewal Plan for the Downtown West Urban Renewal Project on October 24, 2019, by Ordinance No. 928 (the "Downtown West Plan") establishing the Downtown West Project Area (the "Downtown West Project Area"). The ordinance became effective upon publication. The Agency is working on implementation of the Downtown West Project Area.

AGENCY BOARD MEMBERS, OFFICERS, CONSULTANTS AND SUPPORT STAFF

Board members for calendar year 2023 included Monty Moore, Colby Nielsen, Mike Maciaszek, Tabitha Martineau, Clair Bowman and Michelle Rentzsch. There was one vacancy on the Board. Officers for the year were Mike Maciaszek, Chairman, and Tabitha Martineau, Vice-Chairman.

Elam & Burke, P.A. served as legal counsel on certain matters as requested by the Agency Board and/or Agency Staff. Michelle Groenevelt, the Community and Economic Development Director for the City of McCall serves as the Agency's Administrator. Additional administrative support for the Agency is provided by Rachel Santiago-Govier who acts as the Secretary. Linda Stokes, the City Treasurer, performs treasurer duties for the Agency.

Public Works Director Nathan Stewart and Parks and Recreation Director Kurt Wolf attend regularly for project specific items. Economic Development Planner Delta James also attends meetings for economic development related items like Public Art.

AGENCY ACTIVITIES

Downtown West Project Area

Downtown Benches and Trash Receptacle

The MRA approved funding for 6 benches and 1 trash receptacle not to exceed \$22,000 for locations in the Downtown West Project Area.

Public Art

The MRA Board supported public art projects in the amount of \$15,000 for the downtown mural project and utility box wraps. Member Martineau served on the selection committee for the mural project.

The MRA is currently acquiring funding for potential future projects.

REVENUES

Tax Increment Revenue

The only source of Agency income in FY2023 is revenue allocation proceeds, also referred to as tax increment revenue, generated within the Downtown West Project Area. Because of the provisions of the Local Economic Development Act, Title 50, Chapter 29, Idaho Code, and the ad valorem tax system, for the Downtown West Project Area, the Agency received \$265,212. tax increment revenue and \$11,635 interest earnings totaling \$276,847.

EXPENDITURES

Leverage of Agency Dollars

An integral component of the Agency's program is to develop outside funding sources to leverage Agency dollars for improvements within the revenue allocation area. The Agency continues to coordinate with property owners and public entities in an effort to determine redevelopment opportunities.

The Agency intends to seek, review and approve funding, where appropriate, for other projects that positively impact each revenue allocation area and its residents.

OPERATING EXPENSES

The Agency's operating expenses are minimal. Those expenses are shown on Exhibit 2 to this report.

ASSETS

The Agency's Assets are comprised of cash accounts and property taxes receivable. The major portions of property taxes are received twice per year (end of January and end of July) with smaller amounts of delinquent taxes received during the course of the year.

LIABILITIES AND DEBT

As of the fiscal year end, the Agency's liabilities consist only of current accounts payable and deferred revenue.

SIGNIFICANT CHANGES IN AGENCY'S FINANCIAL POSITION

The Agency currently operates in a "pay-as-you-go" environment, committing only those funds to projects that can be funded out of current funds or projected tax increment revenues in a given fiscal year, though the Agency continues to consider how to better leverage Agency funds.

Mike Maciaszek, Chairman

Exhibit 1
FY2022 Audit

Component Unit pages: 3,7, 16-19, 20 Note A, 48 Note K, and 59

Financial Statements

City of McCall, Idaho
Includes Supplementary Information
Year Ended September 30, 2022



Table of Contents

Independent Auditors' Report	3
Management's Discussion and Analysis	6
Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities	18
Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Reconciliation of the Government Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
Notes to the Financial Statements	30
Required Supplementary Information	
Statements of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual:	
General Fund	50
Street / Public Works Fund	51
Library Fund	52
Recreation Fund	53
Airport Fund	54
Local Option Tax Fund	55
Debt Service Fund	56
Schedule of Employers' Proportionate Share of Net Pension Liability	57
Federal Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	61
Schedule of Expenditures of Federal Awards	63
Notes to Schedule of Expenditures of Federal Awards	64
Schedule of Findings and Questioned Costs	65
Schedule of Prior Audit Findings	66

INDEPENDENT AUDITORS' REPORT

To the City Council
City of McCall
McCall, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of McCall, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of McCall's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of McCall, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.





- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of McCall's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of McCall's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of McCall's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 on our consideration of City of McCall's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of McCall's internal control over financial reporting and compliance.

Harris CPAs

Meridian, Idaho
March 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF MCCALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

As management of the City of McCall, Idaho (City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of McCall for the fiscal year ended September 30, 2022. Please use this information in conjunction with the information furnished in the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of McCall exceeded its liabilities and deferred inflows of resources as of September 30, 2022 by \$95,231,197 (net position) in comparison to \$84,200,88 (net position) as of September 30, 2021. Of this amount \$24,830,226 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.
- During fiscal year 2022 the City's total Net Position increased \$9,363,213. Net Position of the governmental activities increased \$7,447,274 and Net Position of business-type activities increased \$1,915,939.
- Total expenses during the year were \$17,904,952 compared to total revenues of \$26,296,396.
- Fund balance of governmental funds on September 30, 2022 totaled \$19,775,690. Of this amount, \$1,040,229 is non-spendable, \$1,494,481 is restricted, \$11,977,860 is assigned which represents the remaining fund balance of the special revenue funds: 1) \$1,644,018 Streets / Public Works, 2) \$875,302 Airport, 3) \$801,224 Library, 4) \$(339,567) Recreation, 5) \$78,065 Capital Projects, 6) \$4,013,707 Streets Local Option Taxes, and 7) \$4,272,266 Debt Service. The Unassigned portion of fund balance is \$5,263,120 which represents the remaining fund balance of the General Fund and the negative fund balance of Recreation.
- The City has \$4,677,235 in long-term debt. In governmental activities debt consists of general obligation bonds and compensated absences. In business-type activities debt consists of compensated absences, a drinking water note payable to the Idaho Department of Environmental Quality, and capital equipment leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of McCall's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

These statements are designed to provide readers with a broad overview of the City of McCall's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting. The current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

**CITY OF MCCALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

There are two government-wide statements:

Statement of Net Position

Reports all the City's assets and liabilities with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities

Reports how the City's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of McCall include City administration, community planning and development, public safety, parks and recreation, library, airport, public works and streets, and local option tax. The business-type activities of the City include the golf course and water system.

The government-wide financial statements include not only the City of McCall itself (known as the primary government), but also the McCall Redevelopment Agency, a legally separate entity, and a component unit of the City. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

The Fund financial statements provide information about the City's major funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds may be required by law or may be established by the City Council. All the funds of the City of McCall can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

**CITY OF MCCALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

The City maintains seven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the general, airport, street / public works, recreation, library, and local option tax fund. These are considered major funds. Data from the other non-major fund (capital projects) is also included.

Proprietary Funds

The City of McCall only has one type of propriety fund, the enterprise fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented separately in the Proprietary Funds Statement of Net Position and the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position for the golf and water funds, which are considered major funds.

Notes to the Financial Statements

The notes provide additional information that is necessary to fully understand the data presented in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required and non-required supplementary information. Budget to actual comparisons are presented as required supplementary information for the General Fund, the Street / Public Works Fund, the Airport Fund, the Recreation Fund, the Library Fund, and the Local Option Tax Fund.

Two additional schedules are included as required supplementary information. The Schedule of Employer's Share of Net Pension Liability – PERSI and the Schedule of Employer Contributions are included as required by Governmental Accounting Standards Board (GASB) No. 68.

**CITY OF MCCALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net Position measures the difference between assets and deferred outflows of resources (what the City owns) and liabilities and deferred inflows of resources (what the City owes). The City's combined assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$102,912,895 in 2022. The largest portion of the City's Net Position, 74%, is invested in capital assets, net of related debt. Capital assets include land, buildings, equipment, machinery, and infrastructure. Unrestricted Net Position equals 24% of total Net Position.

The condensed Statements of Net Position for the years ended September 30, 2022 and 2021 are presented in the table below.

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
Current and Other Assets	\$ 32,573,671	\$ 28,736,615	\$ 9,165,792	\$ 7,505,434	\$ 41,739,463	\$ 36,242,049
Capital Assets	60,577,799	54,194,303	21,210,123	21,733,278	81,787,922	75,927,581
Total Assets	93,151,470	82,930,918	30,375,915	29,238,712	123,527,385	112,169,630
Deferred Outflows of Resources	2,079,727	1,269,970	393,195	183,085	2,472,922	1,453,055
Total Assets and Deferred Outflows of Resources	95,231,197	84,200,888	30,769,110	29,421,797	126,000,307	113,622,685
Current Liabilities	4,938,401	2,841,964	675,712	1,236,875	5,614,113	4,078,839
Long-term Liabilities	8,209,971	4,290,763	1,269,909	921,174	9,479,880	5,211,937
Total Liabilities	13,148,372	7,132,727	1,945,621	2,158,049	15,093,993	9,290,776
Deferred Inflows of Resources	7,977,862	10,410,472	15,557	371,755	7,993,419	10,782,227
Total Liabilities and Deferred Inflows of Resources	21,126,234	17,543,199	1,961,178	2,529,804	23,087,412	20,073,003
Net Position						
Net investment in Capital Assets	\$ 56,163,552	\$ 49,914,868	\$ 20,424,636	\$ 20,559,879	\$ 76,588,188	\$ 70,474,747
Restricted	1,494,481	2,637,485			1,494,481	2,637,485
Unrestricted	16,446,930	14,105,336	8,383,296	6,332,114	24,830,226	20,437,450
Total Net Position	74,104,963	66,657,689	28,807,932	26,891,993	102,912,895	93,549,682
	\$95,231,197	\$84,200,888	\$30,769,110	\$29,421,797	\$126,000,307	\$113,622,685

**CITY OF MCCALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Changes in Net Position

The following condensed financial information as presented in the table below was derived from the government-wide Statements of Activities for years ended September 30, 2022 and 2021. During the year the City's financial position increased by \$9,363,213.

	Primary Government					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
Revenues						
Program Revenues						
Charges for services	\$ 1,703,587	\$ 1,616,498	\$ 5,307,494	\$ 5,276,814	\$ 7,011,081	\$ 6,893,312
Operating grants and contributions	749,075	1,060,325			749,075	1,060,325
Capital grants and contributions	1,859,519	2,549,848			1,859,519	2,549,848
General revenue:						
Property taxes	7,270,839	6,283,399			7,270,839	6,283,399
Franchise fees	326,454	331,681			326,454	331,681
Sales tax and other governmental	5,094,883	4,869,815			5,094,883	4,869,815
Pension revenue	-	415,807			-	415,807
Unrestricted investment earnings	134,816	24,656	43,851	11,490	178,667	36,146
Other revenue	288,322	104,518	81,560	2,432	369,882	106,950
Total Revenues	17,427,495	17,256,547	5,432,905	5,290,736	22,860,400	22,547,283
Expenses						
General Government						
Government Administration	3,001,006	2,329,305			3,001,006	2,329,305
Public Safety	1,856,726	1,890,562			1,856,726	1,890,562
Parks and Recreation	4,770,011	1,291,760			4,770,011	1,291,760
Community Services	1,096,658	1,331,443			1,096,658	1,331,443
Library	360,447	360,547			360,447	360,547
Airport	609,386	611,313			609,386	611,313
Local Option Tax	86,205	182,334			86,205	182,334
Streets/Public Works	2,722,753	2,491,116			2,722,753	2,491,116
Enterprise - Golf and Water			3,401,760	2,833,083	3,401,760	2,833,083
Total Expenses	14,503,192	10,488,380	3,401,760	2,833,083	17,904,952	13,321,463
Excess (deficiency) of revenues over expenditures before transfers	2,924,303	6,768,167	2,031,145	2,457,653	4,955,448	9,225,820
Transfers - internal activities	1,168,535	1,232,587	(115,206)	(76,850)	1,053,329	1,155,737
Change in Net Position	4,092,838	8,000,754	1,915,939	2,380,803	6,008,777	10,381,557
Net Position, Beginning of Year	66,657,689	58,656,935	26,891,993	24,511,190	93,549,682	83,168,125
Net Position, End of Year	\$70,750,527	\$66,657,689	\$28,807,932	\$26,891,993	\$ 99,558,459	\$ 93,549,682

**CITY OF MCCALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Governmental Activities

The City of McCall experienced the onset of the COVID-19 pandemic in March 2020. The City enacted a mask mandate in June of 2020 and lifted it in May 2021. The City received the first tranche of federal State Local Financial Relief funds from the State of Idaho in 2021 in the amount of \$386,850 and received the second tranche in the same amount in summer 2022. The City claimed the funds under the “revenue replacement” category allowed by US Treasury rules. The City Council will appropriate the funds to qualifying uses in future budget years.

2022 was a year dedicated to improving McCall for today’s residents, businesses, and visitors as well as planning for our future. With prudent financial planning and leveraging federal, state, and private funding sources we were able to accomplish many important projects for the community we serve. The City Council took important steps to address their number one priority - our local housing shortage due to the lack of long-term rental units and homes for sale at price points affordable for local wages. Council adopted a Housing Action Plan developed by a community steering committee with 27 strategies to implement over 5 years. The Plan received a National APA award for rural communities and an Idaho Gem award. The Council established a new Housing Authority, accepted a donated housing unit for worker housing, and dedicated over \$400,000 of 2022 lodging taxes to the housing program. To improve residential neighborhood quality, Council adopted new laws regulating short-term rentals to reduce their impacts on neighbors and provide for the safety of guests.

The McCall Senior Center building, owned by the city, was renovated for energy efficiency and ADA standards. A 20-year master plan for the airport was adopted that lays out improvements to continue McCall’s reputation as the gateway to the Idaho backcountry and as the strategic airbase location for U.S. Forest Service wildfire response. The 20-year Parks, Recreation, and Open Space planning effort commenced in 2022. A Waterways Management Plan, with new regulations for Big Payette Lake our sole drinking water source, was written in collaboration with the County and is anticipated to be implemented in 2023.

The major renovation of Brown Park, thanks to the McCall Urban Renewal Agency, created a beautiful, playful lakeside public park on the site of a former timber mill that highlights our timber past along with our outdoor recreation present. This was the last project of the now-terminated Lakefront urban renewal area. Now the Urban Renewal Agency is focused on projects in the Downtown urban renewal area.

Ground was broken on the construction of the library expansion project thanks to the voter-approved bonds issued by the city in fall 2021. Construction on the library will continue through 2023 with completion anticipated in 2024 due to our weather-related short construction season. A new debt service fund was established for the project’s bonds.

To start the library expansion project, the Parks and Recreation department had to be moved from their old facility next door to the library which was razed to accommodate the footprint of the new library. The City Council approved an interest-free 5-year loan of \$1 Million from the General Fund to the Recreation Fund to construct a new facility for the Parks maintenance department with \$200k repayments each year using Tourism Local Option Taxes (lodging taxes) to replenish the General Fund. 2022 was the first year of the loan and the first repayment. Please see Note J which identifies a deficit in the Recreation Fund. The deficit reflects the liability owed to the General Fund for this loan and it is expected the Recreation Fund will return to a positive fund balance upon full repayment of the loan in 2026.

In 10 years, our population has increased 32% and our visitor numbers have likewise skyrocketed with the corresponding growth in population in the Boise area. As a result, there are impacts to our area’s infrastructure that will need to be addressed in the future. The community’s wastewater system, which is owned by a special service district, needs collection system upgrades. The city will embark on drinking water system capacity upgrades per our 20-year master plan. Our regional Fire/EMS responders need more equipment and personnel to ensure adequate response times to new development. And the region needs substantial fiber infrastructure upgrades for our better access to the internet. We are working with our intergovernmental partners at the Sewer District, Fire District, Economic Development Council, County and State to tackle these challenges and ensure McCall is a high quality, vibrant, healthy, affordable, and sustainable community.

**CITY OF MCCALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

The McCall area saw strong real property value growth in 2022 due to high demand for second homes and vacation rental investment property by out of the area purchasers. Rising mortgage interest rates and inflation in 2022 caused real estate sales to slow with very little inventory on the market by the end of 2022. Prices appear to have stabilized but reductions in price have not yet occurred.

Business-Type Activities

The Water Utility continues to see an increase in the number of new connections for service and increased overall demand for water. In summer 2022 the City Council received an updated engineering study of the Water System Master Plan along with an updated rate study to ensure appropriate treatment capacity is maintained and funded. The Council adopted revisions to the tiered rate structure to further incentivize water conservation and the city continued its educational campaign to encourage water conservation.

The Golf Course continues to receive a subsidy from the general fund to help cover personnel costs, assist with capital improvements, and to plow cart paths in the winter to provide the general public a free recreational resource. The contract for Golf Pro services to run the Pro Shop and tournaments ended in October 2022. The City brought those services in-house in order to more efficiently run the course and to generate revenues for investment into capital projects identified in the 2020 Golf Course Asset Management Plan. The Plan identifies priorities for upgrades of the infrastructure, such as irrigation systems, along with course improvements to keep the public course playable and accessible for all types. The first projects will be constructed in 2023. The new management model is intended to reduce the general fund subsidy of the course over time.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

General Fund

The general fund is the principal fund used for the City's major operations. The fund balance as of September 30, 2022 was \$8,429,975, an increase of 7.72% over the fund balance at the end of the prior fiscal year. The City's conservative spending continues to keep expenditures at or below budget. Fund balance is primarily used to fund one-time expenditures and to fund the City's five (5) year Capital Improvement Plan.

General Fund Budgetary Highlights

General Fund

As part of the budget, Council adopts both contingent revenue and expense amounts to allow for the receipt and expenditure of small amounts of unexpected revenues without a formal budget amendment. Throughout the year, several unexpected grants, donations, and other miscellaneous revenues were received. City Council approved budget line-item transfers from contingency line items to the appropriate revenue and expense accounts. These transfers do not change the original adopted budget for the funds.

CITY OF MCCALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

The City of McCall funds a large portion of its Five-Year Capital Improvement Plan (CIP) for the governmental funds through the General Fund. Tax dollars reserved for capital expenditures in the General Fund are internally transferred to the Street / Public Works Fund, Airport Fund, Recreation Fund, Library Fund, and Golf Fund as needed per the CIP and project completion. Funds are retained within the General Fund until expenditures are incurred, and / or the project is completed. The City is constantly looking for ways to leverage limited city funding by actively seeking out grant and potential cost-sharing opportunities.

The Tourism Local Option Tax (LOT) generated \$1,079,886, a modest increase in revenue of 5.68% as compared to \$1,018,512 in 2021. During 2022 \$687,953 for internal programs and \$391,933 externally for programs and non-profit groups. The programs and non-profit groups recommended for funding by the LOT Commission and approved by Council in 2022 include the following; 1) McCall Area Chamber of Commerce, 2) Valley County Recreation, 3) Payette Lakes Ski Club, 4) Valley County Pathways, 5) Treasure Valley Transit, 6) Payette Lakes Community Association, 7) Manchester Ice and Event Center, 8) Central Idaho Historical Museum, 9) Courageous Kids Climbing, 10) Roots Forest School, Inc., 11) McCall Music Society, 13) Valley County Search and Rescue, 14) McCall Senior Center, 15) Payette Avalanche Center, 16) Little League West Central Idaho, 17) Payette Riverwalk Alliance Inc., 18) Seven Devils New Plan Foundry, 19) McCall Ultra Sed Dog Challenge, 20) West Centra Mountains Housing Trust, 21) Wilderness Science Education, and 22) Payette Land Trust. The LOT Commission also recommended funding the following City programs and projects: 1) Administrative Costs, 2) Winter Sidewalk Snow Removal, 3) Local Housing Initiatives, 4) Noxious Weed Program, 5) McCall Public Library Building Expansion project, 6) Outdoor Ice Rink / Movie Nights, 7) Repave Golf Cart Paths, and 8) Parks and Recreation Move.

Capital Assets

At the end of 2022 the City had \$81,787,922 invested in capital assets (net of accumulated depreciation), compared to \$75,927,581 at the end of 2021. Additional information can be found in Note C of the financial statements.

Capital Assets as of September 30, 2022
(net of depreciation)

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
Land	\$ 9,997,579	\$ 1,142,320	\$ 11,139,899
Buildings and Improvements	1,585,443	5,400,852	6,986,295
Infrastructure	11,766,488		11,766,488
Improvements Other Than Buildings	12,506,171	13,107,291	25,613,462
Equipment	1,198,119	561,733	1,759,852
Construction in Progress	23,216,984	933,277	24,150,261
Right of Use Lease Equipment	307,015	64,650	371,665
Total	\$ 60,577,799	\$ 21,210,123	\$ 81,787,922

The City recorded current year depreciation of \$5,264,373 in governmental activities and \$1,068,918 in business-type activities.

**CITY OF MCCALL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

Long-Term Debt

Business-type activity outstanding debt includes \$725,914 in a note payable to the Idaho Department of Environmental Quality. Governmental Activity outstanding debt includes \$3,595,000 in General Obligation bonds issued in 2021 for the Library Expansion Project. Detailed information on the City's long-term debt can be found in Note H of the financial statements.

FY22 Budgetary Considerations

The FY23 budget maintains the current level of services in all program areas. Recruitment of key positions has been challenging due to our wage levels and high cost of housing in our area. The FY23 budget included pay scale adjustments for public works positions in order to hire and retain snowplow operators prior to the winter season. McCall receives an average of 135 inches of snow each winter and plow operations are critical for school buses, hospital, and emergency services. The winter of 2022-23 brought over 200 inches of snow, the most in 13 years, further justifying the need for personnel and equipment. The FY23 budget includes completion of several capital projects started in FY22 such as implementation of the City's campus site improvements including rehabilitation of the Senior Center using a CDBG grant, pathway improvements, Brown Park Improvements, and continued emphasis on pavement rehabilitation in the Governmental Funds.

In the Enterprise funds the 2023 budget includes continued water line replacement, implementation of the watermaster plan and the fourth annual water utility rate increase. In the Airport Fund the City is moving forward with rehabilitating runways and the remaining apron pavement using FAA grant funds. Sales taxes and lodging taxes continue at their record high collections but have plateaued. The city continues to budget conservatively for the use of these taxes as they are dependent on the visitor economy and can fluctuate.

Requests for Information

This report is designed to provide a general overview of the City of McCall's finances for our citizens and customers. If you have questions about this report or need additional financial information, contact the Finance Office: 216 East Park Street, McCall, Idaho 83638, (208) 634-2103.

BASIC FINANCIAL STATEMENTS

CITY OF MCCALL, IDAHO
STATEMENT OF NET POSITION
September 30, 2022

	Primary Government			Component Units
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and Investments	\$ 19,558,752	\$ 8,179,269	\$ 27,738,021	\$ 242,488
Receivables				
Accounts		579,873	579,873	
Property tax	7,598,847		7,598,847	265,860
Due from other governments	349,294	40,000	389,294	
Grants	670,868		670,868	
Other	712,706	23,667	736,373	1,963
Due from other funds	848,184		848,184	
Prepaid expenses	192,046	342,983	535,029	
Total Current Assets	29,930,697	9,165,792	39,096,489	510,311
Noncurrent Assets				
Restricted cash	2,642,974		2,642,974	
Capital assets, net of accumulated depreciation	60,577,799	21,210,123	81,787,922	
Total Noncurrent Assets	63,220,773	21,210,123	84,430,896	
Total Assets	93,151,470	30,375,915	123,527,385	510,311
Deferred Outflows				
Pension obligations	2,079,727	393,195	2,472,922	
Total Assets and Deferred Outflows	\$ 95,231,197	\$ 30,769,110	\$ 126,000,307	\$ 510,311

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF NET POSITION (Continued)
September 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Total
LIABILITIES AND DEFERRED INFLOWS				
Current Liabilities				
Accounts payable	\$ 2,197,670	\$ 280,224	\$ 2,477,894	\$ 685
Accrued expenses	312,194	24,207	336,401	
Due to other funds	865,995		865,995	22,189
Advanced revenue	1,427,542		1,427,542	
Due Within One Year				
Bonds payable	135,000		135,000	
Notes payable		371,281	371,281	
Total Current Liabilities	4,938,401	675,712	5,614,113	22,874
Noncurrent Liabilities				
Due in More Than One Year				
Accrued compensated absences	205,005	151,316	356,321	
Deferred bond premium amortization	515,519		515,519	
Lease liability	303,728	59,573	363,301	
Bonds payable	3,460,000		3,460,000	
Notes payable		354,633	354,633	
Net pension liability	3,725,719	704,387	4,430,106	
Total Noncurrent Liabilities	8,209,971	1,269,909	9,479,880	
Total Liabilities	13,148,372	1,945,621	15,093,993	22,874
Deferred Inflows				
Deferred tax revenue	7,480,486		7,480,486	264,743
Split interest	415,092		415,092	
Pensions	82,284	15,557	97,841	
Total Deferred Inflows	7,977,862	15,557	7,993,419	264,743
NET POSITION				
Net investment in capital assets	56,163,552	20,424,636	76,588,188	
Unrestricted	16,446,930	8,383,296	24,830,226	
Restricted	1,494,481		1,494,481	222,694
Total Net Position	74,104,963	28,807,932	102,912,895	222,694
Total	\$ 95,231,197	\$ 30,769,110	\$ 126,000,307	\$ 510,311

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Units
Functions/Programs	Expenses				Governmental Activities	Business-Type Activities	Total	Total
Governmental Activities								
General government	\$ 3,001,006	\$ 79,505	\$	\$	\$ (2,921,501)	\$	\$ (2,921,501)	\$
Public safety	1,856,726	34,757	9,469		(1,812,500)		(1,812,500)	
Parks and recreation	4,770,011	51,965	81,720		(4,636,326)		(4,636,326)	
Community Services	1,096,658	1,125,236	313,833		342,411		342,411	
Library	360,447	11,504	41,811		(307,132)		(307,132)	
Airport	609,386	335,696			(273,690)		(273,690)	
Local option tax	86,205		125,152	1,859,519	1,898,466		1,898,466	
Street/public works	2,722,753	64,924	177,090		(2,480,739)		(2,480,739)	
Total Governmental Activities	14,503,192	1,703,587	749,075	1,859,519	(10,191,011)		(10,191,011)	
Business-Type Activities								
Water	2,373,896	3,659,027				1,285,131	1,285,131	
Golf course	1,027,864	1,090,198				62,334	62,334	
Total Business-Type Activities	3,401,760	4,749,225				1,347,465	1,347,465	
Total Primary Government	17,904,952	6,452,812	749,075	1,859,519	(10,191,011)	1,347,465	(8,843,546)	
Component Units								
Urban Renewal Agency	353,500							(353,500)

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF ACTIVITIES (Continued)
For the Year Ended September 30, 2022

	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Units Total
Net (Expense) Revenue and Changes in Net Position (Continued)	(10,191,011)	1,347,465	(8,843,546)	(353,500)
General Revenues and Transfers				
Property taxes	7,270,839		7,270,839	164,424
Sales taxes	4,089,195		4,089,195	
Revenue sharing	1,005,688		1,005,688	
Earnings on investments	134,816	43,851	178,667	1,532
Miscellaneous	288,322	81,560	369,882	300
Water and franchise fees	326,454	558,269	884,723	
Transfer of assets from MURA	3,354,436		3,354,436	
Net operating transfers	1,168,535	(115,206)	1,053,329	(1,053,329)
Total General Revenues and Transfers	17,638,285	568,474	18,206,759	(887,073)
Change in Net Position	7,447,274	1,915,939	9,363,213	(1,240,573)
Net Position				
Beginning of Year	66,657,689	26,891,993	93,549,682	1,463,267
End of Year	\$ 74,104,963	\$ 28,807,932	\$ 102,912,895	\$ 222,694

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2022

	MAJOR FUNDS							NON-MAJOR FUNDS	TOTAL
	General	Street /Public Works	Library	Recreation	Airport	Local Option Tax	Debt Service	Capital Projects	
ASSETS									
Cash and investments	\$ 6,400,468	\$ 1,620,978	\$ 1,486,311	\$ 593,204	\$ 723,510	\$ 4,390,403	\$ 4,266,047	\$ 77,831	\$ 19,558,752
Restricted cash and investments	2,226,386		416,588						2,642,974
Receivables									
Property taxes	4,247,625	2,082,485	552,076	372,641	84,350		259,670		7,598,847
Intergovernmental	244,401	44,725			60,168				349,294
Grants	316,025			59,756	203,323	91,764			670,868
Due from other funds	800,000			48,183				1	848,184
Other receivables	307,658	22,522	637	360	8,029	365,454	7,813	233	712,706
Prepaid expenses	24,565	146,481		21,000					192,046
Total Assets	<u>\$ 14,567,128</u>	<u>\$ 3,917,191</u>	<u>\$ 2,455,612</u>	<u>\$ 1,095,144</u>	<u>\$ 1,079,380</u>	<u>\$ 4,847,621</u>	<u>\$ 4,533,530</u>	<u>\$ 78,065</u>	<u>\$ 32,573,671</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 895,815	\$ 137,599	\$ 267,890	\$ 210,608	\$ 104,289	\$ 579,969	\$ 1,500		\$ 2,197,670
Accrued expense	174,498	58,378	19,639	45,130	10,604	3,945			312,194
Due to other funds	65,995			800,000					865,995
Advanced revenue	<u>764,156</u>		<u>401,089</u>	<u>7,286</u>	<u>5,011</u>	<u>250,000</u>			<u>1,427,542</u>
Total Liabilities	1,900,464	195,977	688,618	1,063,024	119,904	833,914	1,500	0	4,803,401
Deferred Inflows									
Unavailable revenue	4,236,689	2,077,196	550,678	371,687	84,174		259,064		7,579,488
Irrevocable split-interest agreement			415,092						415,092
Fund Balances									
Nonspendable	824,565	146,481		69,183					1,040,229
Restricted	1,449,756	44,725							1,494,481
Assigned	483,784	1,452,812	801,224		875,302	4,013,707	4,272,966	78,065	11,977,860
Unassigned	<u>5,671,870</u>			<u>(408,750)</u>					<u>5,263,120</u>
Total Fund Balances	<u>8,429,975</u>	<u>1,644,018</u>	<u>801,224</u>	<u>(339,567)</u>	<u>875,302</u>	<u>4,013,707</u>	<u>4,272,966</u>	<u>78,065</u>	<u>19,775,690</u>
Total	<u>\$ 14,567,128</u>	<u>\$ 3,917,191</u>	<u>\$ 2,455,612</u>	<u>\$ 1,095,144</u>	<u>\$ 1,079,380</u>	<u>\$ 4,847,621</u>	<u>\$ 4,533,530</u>	<u>\$ 78,065</u>	<u>\$ 32,573,671</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2022

Total fund balance - total governmental funds \$ 19,775,690

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

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

Land	\$ 9,997,579	
Buildings	3,911,867	
Improvements other than buildings	47,305,010	
Equipment	5,455,565	
Construction in progress	23,216,984	
Right of use asset	424,203	
Accumulated depreciation	<u>(29,733,409)</u>	
Total capital assets, net of accumulated depreciation		60,577,799

Some of the City's taxes will be collected after year-end, but are not
available soon enough to pay the current period's expenditures, and
therefore are reported as advanced revenue in the funds. 99,002

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

Net pension liability	\$ (3,725,719)	
Pension related deferred inflows	(82,284)	
Pension related deferred outflows	<u>2,079,727</u>	
Total long term liabilities		(1,728,276)

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

Deferred bond premium amortization	\$ (515,519)	
Bonds payable	(3,595,000)	
Lease liability	(303,728)	
Compensated absences payable	<u>(205,005)</u>	
Total long term liabilities		<u>(4,619,252)</u>

Total net position of governmental activities \$ 74,104,963

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2022

	MAJOR FUNDS						NON-MAJOR FUNDS	TOTAL
	<u>General</u>	<u>Street /Public Works</u>	<u>Library</u>	<u>Recreation</u>	<u>Airport</u>	<u>Local Option Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues								
Property taxes	\$ 4,202,875	\$ 1,738,327	\$ 668,641	\$ 308,173	\$ 78,330	\$	\$ 273,936	\$
Local option taxes	601,878		85,665	370,499		3,031,153		
Intergovernmental	1,328,990	177,090	41,811	81,720	1,859,519	125,152		
Licenses, permits, and fees	712,552				335,696			
Charges for services	819,483	64,924	11,504	51,965				
Refunds and reimbursements	70,000							
Fines	34,757							
Interest	67,362	9,324		114	4,802	22,183	29,826	1,205
Miscellaneous	<u>20,863</u>	<u>116,690</u>	<u>18,393</u>	<u>25,674</u>	<u>11,052</u>	<u>95,152</u>	<u>498</u>	
Total Revenues	7,858,760	2,106,355	826,014	838,145	2,289,399	3,273,640	304,260	1,205
Expendiures								
Current								
General government	1,992,030						1,500	
Public protection	1,813,312							
City clerk	313,376							
Community Services	1,091,558		357,106					
Streets		1,773,648						
Airport					263,101			
Recreation				1,175,214				
Local option tax						86,205		
Debt service								
Principal							120,000	
Interest							119,756	
Capital outlay	<u>1,021,072</u>	<u>410,852</u>	<u>658,012</u>	<u>2,221,642</u>	<u>2,098,408</u>	<u>1,030,559</u>		
Total Expenditures	<u>6,231,348</u>	<u>2,184,500</u>	<u>1,015,118</u>	<u>3,396,856</u>	<u>2,361,509</u>	<u>1,116,764</u>	<u>241,256</u>	

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (Continued)
For the Year Ended September 30, 2022

	MAJOR FUNDS						NON-MAJOR FUNDS	TOTAL	
	<u>General</u>	<u>Street /Public Works</u>	<u>Library</u>	<u>Recreation</u>	<u>Airport</u>	<u>Local Option Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Excess (Deficiency) of Revenues Over Expenditures	1,627,412	(78,145)	(189,104)	(2,558,711)	(72,110)	2,156,876	63,004	1,205	950,427
Other Financing Sources (Uses)									
Transfers in (out)	<u>(976,273)</u>	<u>117,453</u>	<u>(36,753)</u>	<u>1,701,235</u>	<u>(65,812)</u>	<u></u>	<u></u>	<u></u>	<u>739,850</u>
Net Change in Fund Balances	651,139	39,308	(225,857)	(857,476)	(137,922)	2,156,876	63,004	1,205	1,690,277
Fund Balances, Beginning of Year	<u>7,778,836</u>	<u>1,604,710</u>	<u>1,027,081</u>	<u>517,909</u>	<u>1,013,224</u>	<u>1,856,831</u>	<u>4,209,962</u>	<u>76,860</u>	<u>18,085,413</u>
Fund Balances, End of Year	\$ 8,429,975	\$ 1,644,018	\$ 801,224	\$ (339,567)	\$ 875,302	\$ 4,013,707	\$ 4,272,966	\$ 78,065	\$ 19,775,690

See accompanying notes to basic financial statements.

CITY OF MCALL, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

Net change in fund balances - total governmental funds \$ 1,690,277

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

Revenues that will not be collected for several months after the City's fiscal year end are not considered "available" revenues and are deferred in the governmental funds. Advanced revenues increased by this amount this year. 557

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

Capital outlay	\$ 7,440,545	
Right of use asset	424,203	
Transfer from MURA	3,783,121	
Depreciation expense	<u>(5,264,373)</u>	
Excess of capital outlay over depreciation expense		6,383,496

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

Lease liability payments	\$ (303,728)	
Bond payments	120,000	
Bond amortization	<u>48,916</u>	
		(134,812)

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

Change in pension revenue	\$ (498,125)	
Decrease in compensated absence payable	<u>5,881</u>	
		<u>(492,244)</u>

Change in Net Position of Governmental Activities	\$ <u>7,447,274</u>
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See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2022

	<u>Water Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 6,825,234	\$ 1,354,035	\$ 8,179,269
Receivables			
Accounts	579,873		579,873
Due from other funds		40,000	40,000
Other		23,667	23,667
Prepaid expenses	<u>342,983</u>	<u></u>	<u>342,983</u>
Total Current Assets	7,748,090	1,417,702	9,165,792
Non-current Assets			
Capital Assets			
Construction in progress	881,913	51,364	933,277
Land	562,326	579,994	1,142,320
Buildings	12,049,935	952,595	13,002,530
Equipment	900,911	488,637	1,389,548
Improvements other than buildings	20,706,457	3,974,700	24,681,157
Right of Use Asset - Leases		116,369	116,369
Less accumulated depreciation	<u>(16,300,925)</u>	<u>(3,754,153)</u>	<u>(20,055,078)</u>
Total capital assets, net of accumulated depreciation	<u>18,800,617</u>	<u>2,409,506</u>	<u>21,210,123</u>
Total Assets	26,548,707	3,827,208	30,375,915
Deferred outflows			
Pension related items	<u>269,549</u>	<u>123,646</u>	<u>393,195</u>
Total Assets and Deferred Outflows	<u>\$ 26,818,256</u>	<u>\$ 3,950,854</u>	<u>\$ 30,769,110</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (Continued)
September 30, 2022

	<u>Water Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 248,670	\$ 31,554	\$ 280,224
Accrued interest payable	6,352	1,285	7,637
Accrued compensated balances	95,337	55,979	151,316
Other accrued expenses	11,570	5,000	16,570
Current portion of notes payable	<u>347,908</u>	<u>23,373</u>	<u>371,281</u>
Total Current Liabilities	709,837	117,191	827,028
Non-Current Liabilities			
Long-term portion of notes payable	354,633		354,633
Lease liability		59,573	59,573
Net pension liability	<u>482,882</u>	<u>221,505</u>	<u>704,387</u>
Total Noncurrent Liabilities	<u>837,515</u>	<u>281,078</u>	<u>1,118,593</u>
Total Liabilities	1,547,352	398,269	1,945,621
Deferred Inflows			
Pension related items	<u>10,665</u>	<u>4,892</u>	<u>15,557</u>
NET POSITION			
Invested in capital assets	18,098,076	2,326,560	20,424,636
Restricted			
Unrestricted	<u>7,162,163</u>	<u>1,221,133</u>	<u>8,383,296</u>
Total Net Position	<u>25,260,239</u>	<u>3,547,693</u>	<u>28,807,932</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 26,818,256</u>	<u>\$ 3,950,854</u>	<u>\$ 30,769,110</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2022

	<u>Water Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 3,659,027	\$ 1,059,504	\$ 4,718,531
Other income		30,694	30,694
Total Operating Revenues	3,659,027	1,090,198	4,749,225
Operating Expenses			
Salaries	442,086	392,848	834,934
Fringe benefits	363,937	44,209	408,146
Professional fees	267,734	46,333	314,067
Utilities and telephone	142,256	57,118	199,374
Maintenance and operations	228,134	161,554	389,688
Supplies	70,854	97,773	168,627
Depreciation	842,723	226,195	1,068,918
Total Operating Expenses	2,357,724	1,026,030	3,383,754
Operating Income (Loss)	1,301,303	64,168	1,365,471
Non-operating Revenues (Expenses)			
Interest revenues	37,383	6,468	43,851
Private contributions		44,197	44,197
Interest expense	(16,172)	(1,834)	(18,006)
Water hook-on fees	558,269		558,269
Miscellaneous income (expense)	37,363		37,363
Total Non-operating Revenues (Expenses)	616,843	48,831	665,674
Income (Loss) Before Transfers	1,918,146	112,999	2,031,145
Operating Transfers In (Out)			
Transfers in		320,443	320,443
Transfers out	(363,779)	(71,870)	(435,649)
Total Operating Transfers In (Out)	(363,779)	248,573	(115,206)
Change in Net Position	1,554,367	361,572	1,915,939
Net Position, Beginning of Year	<u>23,705,872</u>	<u>3,186,121</u>	<u>26,891,993</u>
Net Position, End of Year	<u>\$ 25,260,239</u>	<u>\$ 3,547,693</u>	<u>\$ 28,807,932</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2022

	<u>Water Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Cash Flow From Operating Activities			
Cash received from customers	\$ 3,616,783	\$ 1,080,748	\$ 4,697,531
Cash payments to suppliers for goods	(1,335,064)	(647,997)	(1,983,061)
Cash payments to employees for services	<u>(674,920)</u>	<u>(389,337)</u>	<u>(1,064,257)</u>
Net Cash Provided By (Used in) Operating Activities	1,606,799	43,414	1,650,213
Cash Flows From Noncapital Financing Activities			
Operating transfers	(363,779)	221,073	(142,706)
Other non-operating income (loss)	<u>595,632</u>	<u>44,197</u>	<u>639,829</u>
Net Cash Provided By Noncapital Financing Activities	231,853	265,270	497,123
Cash Flow From Capital and Related Financing Activities			
Acquisition of capital assets	(363,965)	(117,148)	(481,113)
New long-term borrowings			
Principal payments on long-term debt	(340,657)	(21,828)	(362,485)
Interest payments on long-term debt	<u>(16,172)</u>	<u>(1,834)</u>	<u>(18,006)</u>
Net Cash Used in Capital and Related Financing Activities	(720,794)	(140,810)	(861,604)
Cash Flows From Investing Activities			
Interest on investments	<u>37,383</u>	<u>6,468</u>	<u>43,851</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,155,241	174,342	1,329,583
Cash and Cash Equivalents, Beginning of Year	<u>5,669,993</u>	<u>1,179,693</u>	<u>6,849,686</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,825,234</u></u>	<u><u>\$ 1,354,035</u></u>	<u><u>\$ 8,179,269</u></u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
For the Year Ended September 30, 2022

	<u>Water Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) To			
Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ 1,301,303	\$ 64,168	\$ 1,365,471
Adjustments to Reconcile Operating Income			
(Loss) to Net Cash Provided by (Used in)			
Operating Activities			
Depreciation	842,723	226,195	1,068,918
Deferred Outflows	(153,305)	(56,805)	(210,110)
Deferred Inflows	(225,370)	(130,828)	(356,198)
Change in Assets and Liabilities:			
(Increase) decrease in accounts receivable	(42,244)		(42,244)
(Increase) decrease in prepaid expense	(254,181)	2,600	(251,581)
(Increase) decrease in other receivables		(9,450)	(9,450)
Increase (decrease) in accounts payable	(366,943)	(196,373)	(563,316)
Increase (decrease) in net pension liability	490,164	225,692	715,856
Increase (decrease) in accrued expenses	(4,962)	(91,446)	(96,408)
Increase (decrease) in absence payable	19,614	9,661	29,275
Net Cash Provided By (Used in)			
Operating Activities	<u>\$ 1,606,799</u>	<u>\$ 43,414</u>	<u>\$ 1,650,213</u>

See accompanying notes to basic financial statements.

CITY OF MCCALL, IDAHO

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

General Statement

City of McCall, Idaho (the City) was incorporated July 19, 1911. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police), parks and recreations, community services, streets and general administrative services.

Financial Reporting Entity

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

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit. The URA has been discretely presented.

Basis of Presentation

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

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

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

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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

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

Street/Public Works Fund is used to account for the operation of the street maintenance department. Financing is provided by state gasoline and sales taxes as well as property taxes. State law and city ordinance require that these revenues be used to maintain roads and streets.

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

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

Library Fund is used to account for the operation of the public library. Financing is provided principally through property taxes which are restricted for library operations by City ordinance.

Local Option Tax Fund is used to account for the operation of the City's Local Option Tax over tourism.

Debt Service Fund is used to account for the bonds issued for the library during the fiscal year.

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

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

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

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

Measurement Focus/Basis of Accounting

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Measurement Focus/Basis of Accounting (Continued)

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

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

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

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

Accounting Pronouncements Adopted

In 2022, City of McCall adopted GASB Statement No. 87, Leases. Issued June 2017 to better meet the informational needs of financial statement users by improving account and financial reporting for leases by governments and increases the usefulness of governments’ financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities.

Budgetary Control

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

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

1. Prior to September 1, the City Council and City Manager prepare a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Budgetary Control (Continued)

Budgets are adopted on a basis consistent with generally accepted accounting principles for the general, special revenue, capital projects and debt service funds. All annual appropriations lapse at fiscal year-end. The City Manager is authorized to transfer budget amounts within departments and between departments within any fund. Revisions that alter the total expenditure appropriation of any fund must be approved by the City Council. State law does not allow fund expenditures to exceed fund appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds.

Cash and Investments

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

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

Prepaid Expenses

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

Receivables and Payables

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

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

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

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

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	12-40
Improvements other than buildings	10-50
Equipment and vehicles	5-10

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

Compensated Absences

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

Interfund Transactions

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

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The cost of inventory items are recognized as expenditures in governmental funds when purchased (purchase method) and as expenses in proprietary funds when used (consumption method).

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

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

Net Position Classifications

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

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

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

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

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

Use of Restricted/Unrestricted Net Position

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

Use of Estimates

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Property Tax Calendar

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

Under Idaho Code Section 50-235, the City cannot levy taxes over nine-tenths percent (.9%) of the total City adjusted market value for real property located within the City. Taxes are due in two installments on December 20 and June 20 following the levy date. Property taxes levied for 2022 are recorded as receivables if uncollected and a deferred revenue amount is recorded, in the fund financial statements, to the extent of taxes not estimated to be collected within 60 days of the end of the accounting period.

Customer Services Receivable

Amounts owed to the City for customer services are due from area residents and businesses and relate to water services provided by the City. The City analyzes past due accounts and current circumstances to evaluate collectability.

General Fund Accounts Receivable

Amounts owed to the City for customer services are due from a variety of sources. The City analyzes past due accounts and current circumstances to evaluate collectability.

Advanced Revenue

The City reports advanced revenues on its statement of net position and fund balance sheet. Advanced revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the City has a legal claim to the resources, the liability for advanced revenue is removed from the balance sheet and the revenue is recognized.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2022, deferred inflows represented property taxes receivable unavailable for current use.

Pensions

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note B – Cash and Investments

At September 30, 2022, the City's cash and investments consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank Deposits	\$ 1,223,301	\$ 771,408
Cash on Hand		641
Total Cash	<u>\$ 1,223,301</u>	<u>\$ 772,049</u>
	<u>Rating</u>	<u>Fair Value</u>
Investments		
Certificate of Deposit	N/A	\$ 252,968
State Treasurer's Local Government Pool	N/A	28,939,626
Equities and Securities	AAA	658,840
Total Investments		<u>\$ 29,851,434</u>

Reconciliation of the City's deposit and investment balances as of September 30, 2022:

	<u>City's Deposits and Investments</u>	<u>Component Units</u>	<u>Total</u>	<u>Average Maturities</u>
Cash in bank – Deposits	\$ 762,675	\$ 8,733	\$ 771,408	NA
Certificate of Deposit	252,968		252,968	NA
State Treasurer LGIP	28,705,871	233,755	28,939,626	<12 Mo
Equities and Securities	658,840		658,840	NA
Cash on Hand	<u>641</u>		<u>641</u>	<u>NA</u>
Total	<u>\$ 30,380,995</u>	<u>\$ 242,488</u>	<u>\$ 30,623,483</u>	

Custodial Credit Risk – Deposits

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The City's policy requires all investments should be held in the City's name, in the bank's Trust Department, or alternately in the Federal Reserve Bank.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note B – Cash and Investments (Continued)

Credit Risk

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 252,968	\$ 252,968	\$	\$
Equities	416,588	416,588		
Fixed income				
Municipal Securities	<u>242,252</u>	<u></u>	<u>242,252</u>	<u></u>
Total investments	<u>\$ 911,808</u>	<u>\$ 669,556</u>	<u>\$ 242,252</u>	<u>\$ 0</u>

Interest Rate Risk

Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The City's policy to mitigate interest rate risk is to structure the City's portfolio so that securities mature to meet the City's cash demands and ongoing operations, thereby precluding the need to sell securities to the open market prior to their maturity and primarily invest in shorter-term securities.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The City's policy is to invest no more than 50% of their total investments in a single security type or with a single financial institution, with the exception of the U.S. Treasury Securities, and authorized pools.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note C – Capital Assets

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

Governmental Activities

	<u>9/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/22</u>
Capital assets, not being depreciated:				
Land	\$ 9,568,894	\$ 428,685	\$	\$ 9,997,579
Construction in Progress	<u>19,795,442</u>	<u>7,152,340</u>	<u>(3,730,798)</u>	<u>23,216,984</u>
Total	29,364,336	7,581,025	(3,730,798)	33,214,563
Capital assets, being depreciated:				
Buildings	3,776,867	135,000		3,911,867
Infrastructure	18,525,424	1,437,141		19,962,565
Improvements	21,694,352	5,648,093		27,342,445
Equipment	5,302,360	153,205		5,455,565
Right of use leased assets	<u>424,203</u>	<u>424,203</u>		<u>424,203</u>
Total	49,299,003	7,797,642		57,096,645
Less accumulated depreciation for:				
Buildings	2,243,244	83,180		2,326,424
Infrastructure	7,546,468	649,609		8,196,077
Improvements	10,654,734	4,181,540		14,836,274
Equipment	4,024,590	232,856		4,257,446
Right of use leased assets	<u>117,188</u>	<u>117,188</u>		<u>117,188</u>
Total accumulated depreciation	<u>24,469,036</u>	<u>5,264,373</u>		<u>29,733,409</u>
Governmental activities capital assets, net	<u>\$ 54,194,303</u>	<u>\$ 10,114,294</u>	<u>\$ (3,730,798)</u>	<u>\$ 60,577,799</u>

Business-Type Activities

	<u>9/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/22</u>
Capital assets, not being depreciated:				
Land	\$ 1,142,320	\$	\$	\$ 1,142,320
Construction in progress	<u>2,525,769</u>	<u>394,593</u>	<u>(1,987,085)</u>	<u>933,277</u>
Total	3,668,089	394,593	(1,987,085)	2,075,597
Capital assets, being depreciated:				
Buildings and Improvements	13,002,530			13,002,530
Improvements	22,693,014	1,988,143		24,681,157
Equipment	1,355,805	33,743		1,389,548
Right of use leased assets	<u>116,369</u>	<u>116,369</u>		<u>116,369</u>
Total	37,051,349	2,138,255		39,189,604
Less accumulated depreciation for:				
Buildings and Improvements	7,279,247	322,431		7,601,678
Improvements	10,968,995	604,871		11,573,866
Equipment	737,918	89,897		827,815
Right of use leased assets	<u>51,719</u>	<u>51,719</u>		<u>51,719</u>
Total accumulated depreciation	<u>18,986,160</u>	<u>1,068,918</u>	<u>0</u>	<u>20,055,078</u>
Business-type capital assets, net	<u>\$ 21,733,278</u>	<u>\$ 1,463,930</u>	<u>\$ (1,987,085)</u>	<u>\$ 21,210,123</u>

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note C – Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$	322,331
Public Protection		43,414
Community services		5,100
Library		3,341
Streets		949,105
Airport		346,285
Recreation		<u>3,594,797</u>

Total Depreciation Expense	\$	<u>5,264,373</u>
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Business Activities

Golf Course	\$	226,195
Water		<u>842,723</u>

Total Depreciation Expense	\$	<u>1,068,918</u>
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Note D – Government Fund Balances

The Local Option Tax (LOT) was established in 2005 by City Ordinance No. 796, renewed by City Ordinance No. 887 in 2011 effective January 1, 2012, and renewed by City Ordinance No. 965 in 2018 effective January 1, 2019. In 2015, two additional local LOTs were established by City Ordinance 936. The LOT established in 2011 is to be used for programs and groups recommended by the LOT commission and approved by City Council. The two additional LOT's established in 2015 are to be used primarily for street replacement, repair and maintenance. Highway user fees are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements. Franchise fees are established by City Ordinance No. 862 in 2009 for the specific use of funding underground utility expansion.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Resolution 11-19 was adopted in November of 2011 to establish minimum fund balance / net position policies consisting of cash flow and budget stabilization. Those minimum balances enable the City to meet debt payments and other obligations. The minimum balances established for cash flow are expressed as a percentage of the current years' operating budget. Those minimums are as follows: General Fund – 25%, Special Revenue Funds – 20%, Enterprise Funds – 30%, in addition to any sums required under loan or bond agreements. The minimum fund balances established for budget stabilization are expressed as a percentage of the three most recent years' average operating budgets. Those minimums are as follows: General Fund – 15%, Special Revenue Funds – 10%. In the event these minimum balances are used, the City shall strive to restore the balances to the above levels within no more than three fiscal years following the fiscal year in which the reserves were used.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note D – Government Fund Balances (Continued)

As of September 30, 2022, fund balances of the governmental funds are classified as follows:

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

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. Restricted assets included those related to franchise fees, irrevocable split interest trust assets held for library and DEQ loan reserves.

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

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

Unassigned — all other spendable amounts.

As of September 30, 2022, fund balances are comprised of the following:

	<u>General</u>	<u>Street/ Public Works</u>	<u>Library</u>	<u>Recreation</u>	<u>Airport</u>	<u>Local Option</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>
<i>Nonspendable</i>								
Prepaid	\$ 24,565	\$ 146,481	\$	\$ 21,000	\$	\$	\$	\$
Interfund rec	<u>800,000</u>	<u> </u>	<u> </u>	<u>48,183</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	824,565	146,481		69,183				
<i>Restricted</i>								
Highway fee		44,725						
Franchise	<u>1,449,756</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,449,756	44,725						
<i>Assigned</i>								
Street/PW		1,452,812						
Airport					875,302			
Library			801,224					
Local opt.	483,784					4,013,707		
Debt service							4,272,966	
Capital Proj.	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>78,065</u>
	483,784	1,452,812			875,302	4,013,707	4,272,966	78,065
<i>Unassigned</i>	<u>5,671,870</u>	<u> </u>	<u> </u>	<u>(408,750)</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 8,429,975</u>	<u>\$ 1,644,018</u>	<u>\$ 801,224</u>	<u>\$ (339,567)</u>	<u>\$ 875,302</u>	<u>\$ 4,013,707</u>	<u>\$ 4,272,966</u>	<u>\$ 78,065</u>

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note E – Interfund Receivables, Payables, and Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity. For the year then ended September 30, 2022, interfund transfers consisted of the following:

	Transfer from						
	General Fund	Water Fund	Airport Fund	Library Fund	Urban Renewal	Nonmajor Governmental	Total
Transfer to:							
General fund	\$	\$ (363,779)	\$ (65,812)	\$ (36,753)		\$	\$ (466,344)
Golf course fund	248,573						248,573
Recreation	1,701,235				1,053,329		2,754,564
Streets	117,453						117,453
Nonmajor							0
	<u>\$ 2,067,261</u>	<u>\$ (363,779)</u>	<u>\$ (65,812)</u>	<u>\$ (36,753)</u>	<u>\$ 1,053,329</u>	<u>\$ 0</u>	<u>\$ 2,654,246</u>

Note F – Pension Plan

Plan Description

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

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

Employee membership data related to the PERSI Base Plan, as of June 30, 2022 was as follows:

Retirees and beneficiaries	53,190
Terminated and vested	15,489
Active plan members	
Vested	44,288
Non-vested	<u>30,121</u>
	<u>143,088</u>

Pension Benefits

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note F – Pension Plan (Continued)

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for police and firefighters. As of June 30, 2022 it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% general employees and 12.28% for police and firefighters. City of McCall's contributions were \$528,396 for the year ended September 30, 2022.

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

At September 30, 2022, City of McCall reported an asset for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2022, the City's proportion was 0.1124747 percent.

For the year ended September 30, 2022, City of McCall recognized net pension expense of \$498,124. At September 30, 2022 City of McCall 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	\$ 487,150	\$ 19,773
Changes in assumptions or other inputs	722,240	
Net difference between projected and actual Earnings on pension plan investments	1,019,315	
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	103,09	78,068
City of McCall, Idaho's contributions subsequent to the measurement date	<u>141,122</u>	<u></u>
Total	<u>\$ 2,472,922</u>	<u>\$ 97,841</u>

\$141,122 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2022 the beginning of the measurement period ended June 30, 2021 is 4.6 and 4.6 for the measurement period June 30, 2022.

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note F – Pension Plan (Continued)

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

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2023	\$ (528,236)
2024	(573,451)
2025	(265,220)
2026	(842,024)

Actuarial Assumptions

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

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Contributing Members, Service Retirement Members, and Beneficiaries

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

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, 2022 is based on the results of an actuarial valuation date of July 1, 2022.

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note F – Pension Plan (Continued)

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 2022.

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

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share Of the net pension liability (asset)	<u>\$ 7,818,704</u>	<u>\$ 4,430,106</u>	<u>\$ 1,656,627</u>

Pension plan fiduciary net position

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

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

Payables to the pension plan

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

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note G – Leases

Operating Leases Commitments: Under GASB 87, a lessee is required to recognize a lease liability and an intangible right to use asset. The City has entered into various non-cancelable leases, primarily for equipment. Such leases expire at various times through 2028. Amortization of the lease expense was \$168,907 and interest paid was \$14,115 for the year ended September 30, 2022.

<u>Maturity Date</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 112,398	\$ 10,600	\$ 122,998
2024	88,703	3,903	92,606
2025	31,029	1,371	32,400
2026	31,514	886	32,400
2027	32,005	395	32,400
Thereafter	<u>8,079</u>	<u>21</u>	<u>8,100</u>
Total	<u>\$ 303,728</u>	<u>\$ 17,176</u>	<u>\$ 320,904</u>

<u>Maturity Date</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	<u>\$ 59,573</u>	<u>\$ 1,377</u>	<u>\$ 60,950</u>

Note H – Long-Term Debt

Water Fund:

The City has pledged future water customer revenues, net of specified operating expenses, to repay a \$5.9 million drinking water facility promissory note payable to the State of Idaho signed in April 2004. Proceeds from the note provided financing to complete phase II of the water treatment facility. The bonds are payable solely from drinking water facility revenues and are payable through 2024. Annual principal and interest payments on the note are expected to require less than 20 percent of net revenues.

The remaining payments are \$179,955 due semiannually, including interest at 2% throughout the term of the loan. The schedule of debt service requirements until maturity, is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 347,908	\$ 12,314
2024	<u>354,633</u>	<u>5,328</u>
	<u>\$ 702,541</u>	<u>\$ 17,642</u>

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note H – Long-Term Debt (Continued)

Library Fund: The City has obtained a general obligation bond to construct a new library facility. The project is estimated to begin construction in FY2022. Payments range from \$239,756 to \$257,500 and are due annually. The bond will be repaid over 20 years at a 4% interest rate. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 135,000	\$ 122,000
2024	140,000	116,600
2025	145,000	111,000
2026	150,000	105,200
2027	155,000	99,200
2028–2031	690,000	332,200
2032–2036	1,010,000	268,350
2037–2041	<u>1,170,000</u>	<u>107,550</u>
	<u>\$ 3,595,000</u>	<u>\$ 1,262,100</u>

Golf Fund

Equipment Notes Payable: The City has financed the acquisition of equipment for the golf course. The schedule of debt service requirements until maturity is as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest</u>
2023	<u>\$ 23,373</u>	<u>\$ 1,657</u>

Changes in Long-Term Liabilities

During the year ended September 30, 2022, the following changes occurred in long-term debt:

	<u>Balance 9/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/22</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
Compensated absences	\$ 210,886	\$ 15,073	\$ (20,954)	\$ 205,005	\$
Bonds payable	<u>3,715,000</u>		<u>(120,000)</u>	<u>3,595,000</u>	<u>135,000</u>
Total	<u>\$ 3,925,886</u>	<u>\$ 15,073</u>	<u>\$ (140,954)</u>	<u>\$ 3,800,005</u>	<u>\$ 135,000</u>
<i>Business-type Activities</i>					
Compensated absences	\$ 54,000	\$ 101,222	\$ (3,906)	\$ 151,316	\$
Notes Payable	<u>1,088,399</u>		<u>(362,485)</u>	<u>725,914</u>	<u>371,281</u>
Total	<u>\$ 1,142,399</u>	<u>\$ 101,222</u>	<u>\$ (366,391)</u>	<u>\$ 877,230</u>	<u>\$ 371,281</u>

CITY OF MCCALL, IDAHO
NOTES TO FINANCIAL STATEMENTS

Note I – Risk Management

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

Note J - Fund Deficit

As of September 30, 2022, the Recreation Fund had a deficit balance of \$416,036.

Note K – Component Unit

The McCall Redevelopment Agency (MRA or the Agency) is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate legal entity. It follows the same accounting policies outlined above for the city. The following is additional information on the URA.

Cash and Investments

At September 30, 2022, the URA held \$8,733 at US Bank and \$233,755 in the local general investment pool.

Capital Assets

	<u>9/30/21</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/22</u>
Capital assets, not being depreciated:				
Land	\$ 293,115	\$	\$ (293,115)	\$ 0
Capital assets, being depreciated:				
Buildings and improvements	3,498,650		(3,498,650)	0
Less accumulated depreciation	<u>(3,031,220)</u>	<u>(331,860)</u>	<u>3,363,080</u>	<u>0</u>
Buildings and improvements, net	<u>467,430</u>	<u>(331,860)</u>	<u>(428,685)</u>	<u>0</u>
Total	<u>\$ 760,545</u>	<u>\$ (331,860)</u>	<u>\$ (428,685)</u>	<u>\$ 0</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MCCALL, IDAHO**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****For the Year Ended September 30, 2022**

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 4,198,108	\$ 4,202,875	\$ 4,767
Local option tax	1,100,000	601,878	(498,122)
Grants - intergovernmental	1,175,743	1,328,990	153,247
Licences, permits and fees	499,925	712,552	212,627
Charges for services	694,875	819,483	124,608
Refunds and reimbursements		70,000	70,000
Fines	34,200	34,757	557
Interest	22,000	67,362	45,362
Miscellaneous	2,800	20,863	18,063
Total Revenue	7,727,651	7,858,760	131,109
Expenditures			
Mayor and council	338,548	278,298	60,250
Network administration	494,591	448,707	45,884
City manager	485,068	493,691	(8,623)
Administration	510,608	355,976	154,632
Finance Department	420,661	425,765	(5,104)
Public safety	2,131,314	1,813,312	318,002
City clerk	343,901	313,376	30,525
Community Services	911,623	647,299	264,324
Local option tax	1,096,277	433,852	662,425
Capital outlay	1,298,717	1,021,072	277,645
Total Expenditures	8,031,308	6,231,348	1,799,960
Excess (Deficiency) of Revenues Over Expenditures	(303,657)	1,627,412	1,931,069
Other Financing Sources (Uses)			
Transfers in (out)	303,657	(976,273)	(1,279,930)
Total Other Financing Sources	303,657	(976,273)	(1,279,930)
Net Change in Fund Balance	0	651,139	\$ 651,139
Fund Balance, Beginning of Year	<u>7,778,836</u>	<u>7,778,836</u>	
Fund Balance, End of Year	<u>\$ 7,778,836</u>	<u>\$ 8,429,975</u>	

CITY OF MCCALL, IDAHO
STREET / PUBLIC WORKS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended September 30, 2022

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 1,734,168	\$ 1,738,327	\$ 4,159
Grants - intergovernmental	153,379	177,090	23,711
Charges for services	91,788	64,924	(26,864)
Earnings on investments	2,500	9,324	6,824
Miscellaneous	<u>2,500</u>	<u>116,690</u>	<u>114,190</u>
 Total Revenue	 1,984,335	 2,106,355	 122,020
Expenditures			
Streets	2,111,539	1,773,648	337,891
Capital outlay	<u>902,054</u>	<u>410,852</u>	<u>491,202</u>
 Total Expenditures	 <u>3,013,593</u>	 <u>2,184,500</u>	 <u>829,093</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (1,029,258)	 (78,145)	 951,113
Other Financing Sources (Uses)			
Transfers in (out)	<u>1,029,258</u>	<u>117,453</u>	<u>(911,805)</u>
 Total Other Financing Sources	 <u>1,029,258</u>	 <u>117,453</u>	 <u>(911,805)</u>
 Net Change in Fund Balance	 0	 39,308	 <u>\$ 39,308</u>
 Fund Balance, Beginning of Year	 <u>1,604,710</u>	 <u>1,604,710</u>	
 Fund Balance, End of Year	 <u>\$ 1,604,710</u>	 <u>\$ 1,644,018</u>	

CITY OF MCCALL, IDAHO**LIBRARY FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****For the Year Ended September 30, 2022**

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 667,384	\$ 668,641	\$ 1,257
Local option tax		85,665	85,665
Grants - intergovernmental	10,000	41,811	31,811
Charges for services	8,475	11,504	3,029
Earnings on investments	1,000		(1,000)
Miscellaneous	<u>4,054,640</u>	<u>18,393</u>	<u>(4,036,247)</u>
 Total Revenue	 4,741,499	 826,014	 (3,915,485)
 Expenditures			
Community services - library	354,430	357,106	(2,676)
Capital outlay	<u>5,300,572</u>	<u>658,012</u>	<u>4,642,560</u>
 Total Expenditures	 <u>5,655,002</u>	 <u>1,015,118</u>	 <u>4,639,884</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (913,503)	 (189,104)	 724,399
 Other Financing Sources (Uses)			
Transfers in (out)	<u>913,503</u>	<u>(36,753)</u>	<u>(950,256)</u>
 Total Other Financing Sources	 <u>913,503</u>	 <u>(36,753)</u>	 <u>(950,256)</u>
 Net Change in Fund Balance	 0	 (225,857)	 <u>\$ (225,857)</u>
 Fund Balance, Beginning of Year	 <u>1,027,081</u>	 <u>1,027,081</u>	
 Fund Balance, End of Year	 <u>\$ 1,027,081</u>	 <u>\$ 801,224</u>	

CITY OF MCCALL, IDAHO

RECREATION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended September 30, 2022

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 307,679	\$ 308,173	\$ 494
Local option taxes	176,494	370,499	194,005
Grants - intergovernmental	181,946	81,720	(100,226)
Charges for services	40,400	51,965	11,565
Earnings on investments	1,000	114	(886)
Miscellaneous	<u>57,300</u>	<u>25,674</u>	<u>(31,626)</u>
Total Revenue	764,819	838,145	73,326
Expenditures			
Recreation	506,429	1,175,214	(668,785)
Capital outlay	<u>2,021,181</u>	<u>2,221,642</u>	<u>(200,461)</u>
Total Expenditures	<u>2,527,610</u>	<u>3,396,856</u>	<u>(869,246)</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,762,791)	(2,558,711)	(795,920)
Other Financing Sources (Uses)			
Transfers in (out)	<u>1,762,791</u>	<u>1,701,235</u>	<u>(61,556)</u>
Total Other Financing Sources	<u>1,762,791</u>	<u>1,701,235</u>	<u>(61,556)</u>
Net Change in Fund Balance	0	(857,476)	<u>\$ (857,476)</u>
Fund Balance, Beginning of Year	<u>517,909</u>	<u>517,909</u>	
Fund Balance, End of Year	<u>\$ 517,909</u>	<u>\$ (339,567)</u>	

CITY OF MCCALL, IDAHO**AIRPORT****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****For the Year Ended September 30, 2022**

	Budget Original And Final	Actual	Variance
Revenues			
Property taxes	\$ 78,442	\$ 78,330	\$ (112)
Grants - intergovernmental	2,072,433	1,859,519	(212,914)
Licenses, permits and fees	277,850	335,696	57,846
Earnings on investments	1,500	4,802	3,302
Miscellaneous	<u>1,400</u>	<u>11,052</u>	<u>9,652</u>
Total Revenue	2,431,625	2,289,399	(142,226)
Expenditures			
Airport	359,192	263,101	96,091
Capital outlay	<u>2,342,127</u>	<u>2,098,408</u>	<u>243,719</u>
Total Expenditures	<u>2,701,319</u>	<u>2,361,509</u>	<u>339,810</u>
Excess (Deficiency) of Revenues Over Expenditures	(269,694)	(72,110)	197,584
Other Financing Sources (Uses)			
Transfers in (out)	<u>269,694</u>	<u>(65,812)</u>	<u>(335,506)</u>
Total Other Financing Sources	<u>269,694</u>	<u>(65,812)</u>	<u>(335,506)</u>
Net Change in Fund Balance	0	(137,922)	<u>\$ (137,922)</u>
Fund Balance, Beginning of Year	<u>1,013,224</u>	<u>1,013,224</u>	
Fund Balance, End of Year	<u>\$ 1,013,224</u>	<u>\$ 875,302</u>	

CITY OF MCCALL, IDAHO

LOCAL OPTION TAX

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended September 30, 2022

	Budget Original And Final	Actual	Variance
Revenues			
Local options tax	\$ 2,965,700	\$ 3,031,153	\$ 65,453
Grants	1,092,404	125,152	(967,252)
Earnings on investments	10,000	22,183	12,183
Miscellaneous		95,152	95,152
Total Revenue	4,068,104	3,273,640	(794,464)
Expenditures			
Local option tax	304,586	86,205	218,381
Capital outlay	4,030,340	1,030,559	2,999,781
Total Expenditures	4,334,926	1,116,764	3,218,162
Excess (Deficiency) of Revenues Over Expenditures	(266,822)	2,156,876	2,423,698
Other Financing Sources (Uses)			
Transfers in (out)	266,822		(266,822)
Total Other Financing Sources	266,822		(266,822)
Net Change in Fund Balance	0	2,156,876	<u>\$ 2,156,876</u>
Fund Balance, Beginning of Year	<u>1,856,831</u>	<u>1,856,831</u>	
Fund Balance, End of Year	<u>\$ 1,856,831</u>	<u>\$ 4,013,707</u>	

CITY OF MCCALL, IDAHO**DEBT SERVICE FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****For the Year Ended September 30, 2022**

	Budget Original And Final	Actual	Variance
Revenues			
Earnings on investments	\$	\$ 29,826	\$ 29,826
Property tax	276,000	273,936	(2,064)
Miscellaneous		498	498
Total Revenue	276,000	304,260	28,260
Expenditures			
General Government		1,500	(1,500)
Principal payments	276,000	120,000	156,000
Interest payments		119,756	(119,756)
Total Expenditures	0	241,256	34,744
Excess (Deficiency) of Revenues Over Expenditures	0	63,004	63,004
Net Change in Fund Balance	<u>\$ 0</u>	63,004	<u>\$ 63,004</u>
Fund Balance, End of Year		<u>4,209,962</u>	
Fund Balance, End of Year		<u>\$ 4,272,966</u>	

**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS**
For the Year Ended September 30, 2022

Schedule of Employer's Share of Net Pension Liability

PERSI - Base Plan
Last 10 - Fiscal Years *

	2015	2016	2017	2018	2019	2020	2021	2022
Employer's portion of the net pension liability	0.12%	0.13%	0.12%	0.11%	0.11%	0.11%	0.12%	0.11%
Employer's proportionate share of the net pension liability	\$ 1,633,159	\$ 2,479,805	\$ 1,834,028	\$ 1,652,595	\$ 1,259,037	\$ 2,516,325	\$ (91,027)	\$ 4,430,106
Employer's covered-employee payroll	\$ 3,516,395	\$ 3,736,238	\$ 3,782,093	\$ 3,820,157	\$ 3,791,742	\$ 3,884,161	\$ 4,372,845	\$ 4,400,419
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	46.44%	66.37%	48.49%	43.26%	33.20%	64.78%	-2.08%	100.67%
Plan fiduciary net position as a percentage of total pension liability	91.38%	87.26%	90.68%	91.69%	93.79%	88.22%	100.36%	83.09%

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

Data reported is measured as of June 30, 2022 (measurement date)

Schedule of Employer Contributions

PERSI - Base Plan
Last 10 - Fiscal Years *

	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily required contribution	\$ 393,234	\$ 409,600	\$ 425,774	\$ 430,678	\$ 449,137	\$ 493,865	\$ 525,135	\$ 529,584
Contributions in relation to statutorily required contribution	\$ 393,234	\$ 409,600	\$ 425,774	\$ 430,678	\$ 449,137	\$ 493,865	\$ 525,135	\$ 528,396
Contribution (deficiency) excess	-	-	-	-	-	-	-	(1,188)
Employer's covered-employee payroll	\$ 3,516,395	\$ 3,624,112	\$ 3,773,897	\$ 3,839,839	\$ 3,934,882	\$ 4,115,620	\$ 4,372,845	\$ 4,400,419
Contributions as a percentage of covered-employee payroll	11.18%	11.43%	11.28%	11.22%	11.41%	12.00%	12.01%	12.01%

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

Data reported is measured as of September 30, 2022 (The City's fiscal year end)

FEDERAL REPORTS

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

To the City Council
City of McCall, Idaho
McCall, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General in the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of McCall, Idaho, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of McCall, Idaho's basic financial statements and have issued our report thereon dated March 29, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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





Purpose of this Report

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

Harris CPAs

Meridian, Idaho
March 31, 2023



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

To the City Council
City of McCall, Idaho
McCall, Idaho

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of McCall, Idaho's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect² on each of City of McCall, Idaho's major federal programs for the year ended September 30, 2022. City of McCall, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of McCall, Idaho complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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





aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of McCall, Idaho's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Harris CPAs

Meridian, Idaho
March 31, 2023

CITY OF MCCALL, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2022

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
LAND OF WATER AND CONSERVATION FUND:			
Pass through from State of Idaho			
Idaho Department of Parks & Recreation LCWF	15.916	P19AP00218 / 16-0589	\$ 75,646
U.S. DEPARTMENT OF TRANSPORTATION:			
Pass through from State of Idaho			
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety	20.600	DD-2022-EA-00-00	639
National Priority Safety Programs	20.616	OP-2022-EA-00-00	<u>2,358</u>
Total Highway Safety Cluster			2,997
<i>Highway Planning and Construction Cluster:</i>			
Idaho Transportation Investment Program	20.205	A020 (146)	97,420
Direct Program:			
Airport Improvement Program	20.106	N/A	<u>1,859,519</u>
Total US Department of Transportation			1,959,936
U.S. DEPARTMENT OF THE TREASURY:			
Pass through from State of Idaho			
SLFRF Act Funding	21.027	N/A	9,544
U.S. DEPARTMENT OF JUSTICE			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	1,536
Small, Rural, and Tribal Law Enforcement			
Agency – Body Worn Camera Policy	16.835	N/A	<u>16,049</u>
Total US Department of Justice			17,585
COMMUNITY DEVELOPMENT BLOCK GRANT			
Pass through from State of Idaho			
Idaho Community Development Block Grant	14.228	ICDBG-21-III-16-SR	238,240
NATIONAL ENDOWMENT FOR THE HUMANITIES:			
Pass through from State of Idaho			
CARES Act grant	45.310	LS-25208-OLS-21	34,400
Idaho Humanities Council Historic Preservation			
Group	15.954	P21AF11017-00	<u>5,000</u>
Total National Endowment for the Humanities			<u>39,400</u>
Total expenditures of federal awards			<u>\$ 2,340,351</u>

See notes to the schedule of expenditures of federal awards

CITY OF MCCALL, IDAHO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2022

Note A – Basis of Presentation

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

Note B – Summary of Significant Accounting Policies

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

Note C – Indirect Cost Rate

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

CITY OF MCCALL, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:		Unmodified	
Internal control over financial reporting:			
• Material weakness identified?	_____ yes	_____ <u>X</u> _____	no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> _____	no
Noncompliance material to the financial statements noted?	_____ yes	_____ <u>X</u> _____	no

Federal Awards

Internal control over major programs:			
• Material weakness identified?	_____ yes	_____ <u>X</u> _____	no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> _____	no
Type of auditors' report issued on compliance for major programs:		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?	_____ yes	_____ <u>X</u> _____	no

Identification of major programs:

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

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF MCCALL, IDAHO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2022

2021-001 Federal Reporting

Condition:

An internal control system design must include elements to insure all reports are filed on time as required by grant compliance.

Resolution

Management implemented a redundancy procedure with a checklist to ensure all required federal reports are submitted on time regardless of a change in staffing mid project. This was not a finding in the current year.

Exhibit 2
FY 2023 Budget

4877-0464-8615, v. 1

Account Number	Account Title	2021-22 Prior year Actual	2021-22 Prior year 2 Budget	2022-23 Current year Actual	2022-23 Prior year Budget
DT W URBAN RENEWAL PRJ.					
DT W URBAN RENEWAL PRJ REVENUE					
91-30-010-100.0	TAX INCREMENT	154,000	100,500	265,212	190,000
	Total TAX INCREMENT REVENUE:	154,000	100,500	265,212	190,000
91-30-045-100.0	INTEREST INCOME	981	1,000	11,635	1,000
	Total INTEREST REVENUE:	981	1,000	11,635	1,000
91-30-050-997.0	APPROPRIATED FUND BALANCE	.00	.00	.00	.00
	Total APPROPRIATED FUND BALANCE:	.00	.00	.00	.00
91-30-070-900.0	MISCELLANEOUS REVENUE	.00	.00	.00	.00
	Total OTHER REVENUE:	.00	.00	.00	.00
	Total DT W URBAN RENEWAL PRJ REVENUE:	154,981	101,500	276,848	191,000
DT W URBAN RENEWAL PRJ EXPNSES					
91-40-150-300.0	PROFESSIONAL SERVICES	5,500	20,000	5,590	20,000
91-40-150-400.0	ADVERTISING/LEGAL PUBLICATIONS	1,080	.00	215	.00
91-40-150-410.0	INSURANCE	1,673	1,673	1,889	1,889
91-40-150-657.0	BANK CHARGES	12	.00	57	2,500
	Total OPERATING EXPENSE:	8,265	21,673	7,750	24,389
91-40-200-998.0	RESERVED - FUTURE CAPITAL	.00	79,827	.00	166,611
	Total CAPITAL EXPENSE:	.00	79,827	.00	166,611
91-40-600-971.0	FUND TRANSFER - GENERAL FUND	.00	.00	29,500	.00
	Total INTER-FUND TRANSFER EXPENSE:	.00	.00	29,500	.00
	Total DT W URBAN RENEWAL PRJ EXPNSES:	8,265	101,500	37,250	191,000
	DT W URBAN RENEWAL PRJ. Revenue Total:	154,981	101,500	276,848	191,000
	DT W URBAN RENEWAL PRJ. Expenditure Total:	8,265	101,500	37,250	191,000
	Net Total DT W URBAN RENEWAL PRJ.:	146,716	.00	239,598	.00
	Net Grand Totals:	146,716	.00	239,598	.00