

McCall Redevelopment Agency
Agenda *Revised
March 15, 2022 – 8:00 am
Legion Hall
216 E. Park Street, McCall, ID 83638 and [Teams Meeting](#)

Due to McCall's commitment to stay healthy in response to the COVID-19 Emergency and ensuring that the City's Business continues, this will be both an in person and virtual meeting. The Legion Hall's 6-foot social distancing Occupancy Capacity is **16**. The Board Members and staff who are anticipated to be in attendance is **8**. The first **8** persons who appear will be allowed to be present in the meeting location. **Social distancing will be enforced, and masks are encouraged.**

All other persons may attend virtually via Teams. Any member of the public can join and listen only to the meeting at 8:00 a.m. by calling in as follows: 208-634-8900 Meeting ID 391 182 710# If there are any questions or you would like a computer link, contact Michelle Groenevelt, Community and Economic Development Director at mgroenevelt@mccall.id.us or (208)534-5229.

CALL TO ORDER AND ROLL CALL

Monty Moore, Colby Nielsen, Mike Maciaszek, Tabitha Martineau, Lew Ross, Clair Bowman and Michelle Rentzsch.

CONSENT AGENDA (ACTION ITEMS)

- Minutes February 15th, 2022
- *Invoice – Elam & Burke February 28th, 2022

NEW BUSINESS

- Public Comment Regarding the 2021 Annual Report (Action Item)
- Consider Resolution No. 03-2022 Accepting the 2021 Annual Report and instructing the Chair and/or Agency Administrator to file the Annual Report with the City Clerk and other governmental entities as may be required by statute, and authorizing the publication of the legal notice of filing (Action Item)
- Presentation of the FY2020 Audit
- Consider acceptance of the FY2020 Audit (Action Item)
- Financials and Cash Flow – Linda Stokes
- Lakefront Construction Project Update – Kurt Wolf, Nathan Stewart
- Approval to reimburse The City of McCall for expenditures related to the Lake Street – Waterfront Improvement Project – **(Action Item)**

NEXT MEETING

Next Regular Meeting – July 19, 2022

ADJOURN

American with Disabilities Act Notice: McCall Legion Hall is accessible to persons with disabilities. If you need assistance, contact City Hall at 634-7142.

McCall Redevelopment Agency
Minutes
February 15, 2022 – 8:00 am
Legion Hall
216 E. Park Street, McCall, ID 83638 and [Teams Meeting](#)

This was both an in person and virtual meeting.

CALL TO ORDER AND ROLL CALL

Monty Moore, Mike Maciaszek, Clair Bowman and Michelle Rentzsch were present. Colby Nielsen, Tabitha Martineau and Lew Ross were absent. Public Works Director, Parks and Recreation Director Kurt Wolf, Assistant City Planner Meredith Todd, Permit Technician Rachel Santiago-Govier and Consulting Attorney Meghan Conrad were also present.

CONSENT AGENDA (ACTION ITEMS)

- Minutes January 18, 2022
- December 31, 2021 Elam & Burke Invoice

Member Rentzsch made a motion to approve the Consent Agenda. Member Moore seconded the motion. All members voted aye and the motion carried.

NEW BUSINESS

- Consider tentative approval of the 2021 Annual Report, Schedule Meeting to Take Public Comment and Authorize Publication of the Meeting Notice - (**Action Item**)

Member Bowman made a motion to tentatively approve the 2021 Annual Report and Publicly Notice for Comment. Member Rentzsch seconded the motion. All members voted aye and the motion carried.

- Consider Resolution No. 02-2022 Amending the Amended and Restated Bylaws (2021) to update the meeting schedule (**Action Item**)

Member Rentzsch made a motion to approve Resolution 02-2022 with change of 2021 to 2022 and to amend the bylaws to have the election of officers in February as there is no January meeting on the new schedule. Member Bowman seconded the motion. All members voted aye and the motion carried.

- Financials and Cash Flow – Linda Stokes

Ms. Stokes was not present to make the presentation. Financials and Cash Flow were briefly discussed.

- Lakefront Construction Project Update – Kurt Wolf, Nathan Stewart

Kurt Wolf gave an update on the project. The parks crew was able to spread some black sand to reduce snowpack and get in there earlier this spring. Project is projected to be complete by the Memorial Day. The paving of the pathway and laying 60% of the sod to completion and a number of standard punch list items common to any large landscape project. The playground equipment provided by land and water conservation fund grant and LOT funds. Installer will be here as soon as weather permits. The equipment is here and stored near the site until installation.

Any member of the committee who would like to visit the site, he would be happy to schedule a time to go down there for a tour.

- Approval to reimburse The City of McCall for expenditures related to the Lake Street – Waterfront Improvement Project – (**Action Item**)

This is just a line item. The board approved to expend the remaining funds of the Agency for the Lake Street Improvement Project and Brown Park. Every time the City has an expense, Linda is showing what is being transferred from the MRA to the City for their expenditures.

Member Moore made a motion to approve the \$48,464 for Horrocks Engineers. Member Rentzsch seconded the motion. All members voted aye and the motion carried.

NEXT MEETING

Next Regular Meeting – March 15, 2022

ADJOURN

Member Rentzsch made a motion to adjourn. Member Moore seconded the motion. All members voted aye and the meeting was adjourned.

251 East Front Street, Suite 300
Post Office Box 1539
Boise, Idaho 83701
Telephone 208 343-5454
Fax 208 384-5844

Tax Id No. 82-0451327

McCall Redevelopment Agency
Attn: Michelle Groenevelt
216 East Park Street
McCall, ID 83638

February 28, 2022

Invoice # 194917
Billing Atty - MSC

FOR PROFESSIONAL SERVICES RENDERED

From February 7, 2022 Through February 28, 2022

RE: General

CLIENT/MATTER: 09259-00003

		HOURS		AMOUNT
2/07/22	MSC	.90	Review draft February meeting agenda. Provide comment on specific agenda items and circulate back to agency staff for finalization and additional input.	202.50
2/08/22	MSC	.30	Review email communication from Linda Stokes concerning status of the FY2020 audit. Review email communication from Michelle Groenevelt concerning the annual report process. Confirm process used in 2021 for the CY2020 report and draft response to Ms. Groenevelt re same.	67.50
2/09/22	MSC	.10	Review and respond to multiple email communications related to processing payments.	22.50
2/10/22	MSC	.20	Review and respond to email communication from Linda Stokes concerning agency's legal name. Provide background information with citations in the response.	45.00
2/11/22	MSC	2.20	Review and revise draft February meeting agenda and circulate to agency staff. Review and respond to email communication re status of agenda items. Work on drafting the resolution re bylaw amendment and circulate the same to agency staff. Review and provide comment on the draft 2021 annual report. Review and follow up on ability to add agenda items and prepare to follow up with agency staff concerning same.	495.00
2/14/22	MSC	.50	Review email communications from Michelle Groenevelt concerning finalizing the 2021 annual	112.50

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RE: General

CLIENT/MATTER: 09259-00003

February 28, 2022

Invoice # 194917

			report and project update from City staff. Draft response re same. Review agenda and packet. Review status update email re meeting attendance and agenda items.	
2/15/22	MSC	.50	Attend and participate (virtually) in the agency board meeting. Review and assess updated financial information from Linda Stokes for purposes of finalizing the annual report.	112.50
2/16/22	KSK	.60	Draft resolution approving annual report, pre-meeting and post-meeting public notices for publishing re annual report.	60.00
2/16/22	MSC	.10	Review and respond to email communication from Rachel Santiago-Govier re meeting follow up.	22.50
PROFESSIONAL FEES				1,140.00

Timekeeper	Staff	Rate	Hours	Amount	Non-Chargeable Hours	Amount
Conrad, Meghan S.	Shareholder	225.00	4.80	1,080.00	.00	.00
Kline, Kim S.	Paralegal	100.00	.60	60.00	.00	.00
			5.40	1,140.00	.00	.00

INVOICE TOTAL 1,140.00

2021 ANNUAL REPORT
URBAN RENEWAL AGENCY OF THE CITY OF McCALL, ALSO KNOW 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, on or before March 31 of each year, a report of its activities for the preceding calendar year, which shall include a complete financial statement setting forth its assets, liabilities, income and operating expense at the end of the calendar year. An urban renewal agency's fiscal year commences October 1 and ends September 30. Consequently, any formal financial statement would be limited to a report through the end of the Agency's fiscal year. 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 Agency's audit for fiscal year ending September 30, 2021, is currently underway. Idaho Code § 67-450B requires the Agency to upload the completed audit report to the Legislative Services Office within nine months after the end of the audit period, but no later than June 30 of the following year. Beginning in Fiscal Year 2022, the FY2021 audit will be submitted to the new central registry and reporting portal on the state controller's website pursuant to Idaho Code Section 67-1076.

The budgetary process, which the Agency completed on August 18, 2021, resulted in a termination budget approval that depicts actual and budgeted figures for Fiscal Years 2020, 2021 and 2022 identifying budgeted obligations and costs related to completing the E. Lake Street Waterfront & Brown Park Improvements Project and final year costs. Additionally, the Agency Board approved a budget for the Downtown West Urban Renewal Project that depicts actual and budgeted figures for Fiscal Years 2021 and 2022. A copy of the approved budgets are attached as Exhibit 1 to this report. Under reporting requirements set forth in Idaho Code § 67-1076, the Agency must submit certain information to the State controller's website by December 1 each year. The Agency will timely submit the necessary information to the registry on or before December 1, 2022. For FY2021, under prior law, the Agency had to submit certain information to the Legislative Services Office by December 1 each year. The Agency timely submitted its FY2021 budget; however, the Agency's 2020 audit is in progress, but has not been completed. 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 1990 Urban Renewal Plan for the Railroad Avenue Area on December 13, 1990, by Ordinance No. 578 (the "Lake Front Plan") establishing the revenue allocation project area (the "Lake Front Project Area"). The ordinance became effective upon publication. Since that approval, the Agency has work on implementation of the Lake Front Plan. In 2006, pursuant to Section 900 of the Lake Front Plan, the Agency prepared the 2006 Updated Urban Renewal Plan (the "Amended Lake Front Plan"). The Lake Front Project Area terminated on September 30, 2021, as formally acknowledged in City Council Ordinance No. 1007, dated September 23, 2021.

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 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 2021 included Bob Giles, Monty Moore, Colby Nielsen, Rick Fereday, Mike Maciaszek, Tabitha Martineau, Lew Ross and Nic Swanson. Officers for the year were Rick Fereday, Chairman, and Nick Swanson, 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.

AGENCY ACTIVITIES

Lake Front Project Area

Design and Engineering for the Lake Front Improvement Plan

During 2020, the Agency began working on the design and engineering for projects to be undertaken by the Agency in support of completing the Lake Front Improvement Plan prior to termination of the Lake Front Project Area on September 30, 2021. The Agency budgeted approximately \$1.7 million to spend on projects in the final year. During 2020 and 2021, the City Council and Agency entered into several agreements addressing construction management and funding of the projects approved by the City Council and Agency Board.

E. Lake Street and Brown Park Engineering and Constructability Evaluation

The Board spent significant time working with Horrocks and City staff defining planning project areas, and working on designs and engineering for the remaining projects on E. Lake Street and Brown Park. Ultimately, the E. Lake Street and Brown Park Engineering and Constructability Evaluation was adopted by the MRA Board and City Council to inform the remaining projects in the Lake Front Project Area. This past year included design, bidding and construction for stabilizing Brown Park Shoreline and then the Park itself.

Brown Park Slope Stabilization and Park Reconstruction Project

Falvey's LLC was the low bidder and awarded the scope of work on the Brown Park Slope Stabilization project by the City Council. This work occurred in the fall of 2020 while Payette Lake was at low pool. The encroachment permit was obtained. During 2020 it was determined deeper borings were necessary to confirm what is needed to secure the platform and a geo tech study was required for construction in 2021. Additionally, during 2020, project prioritization was confirmed and the sequencing of projects was mapped out to determine what portion of the Agency's remaining Lake Front Project Area revenues are available to fund the proposed designed and engineered projects. Furthermore, the Agency in partnership with other grant and city resources provided funding for the reconstruction of Brown Park.

Transfer of MRA Parcels

MRA adopted a resolution to transfer the two MRA-owned parcels to the City of McCall. As part of the termination process, the agency divested itself of real property, specifically the parcel

at 1614 Davis and the two unaddressed properties around the area of Railroad and Pine Streets. There is a restricted covenant agreement that the parcels will be maintained for ‘public use’.

Public Art

The Agency Board committed \$100,000 for public art within the Lake Front Project Area. Pursuant to a competitive process in 2020, artist Amy Westover was selected and brought three concepts to the Agency Board for discussion and selection. Amy Westover developed three concepts for public art projects. The three ideas were titled Tree Ring, Mill Whistle and The Lake Platforms. Considerations for weather, construction, historical significance, inspiration and build technique were discussed for each. Ultimately, the Mill Whistle was selected, created and blew to commemorate the last time it blew on October 28th, 1977 at 1:55pm. An event was held at Legacy Park on October 28, 2021, to celebrate the accomplishments of the Lake Front Project Area and to test the Whistle.

Termination of the Lake Front Project Area

The MRA Board worked with Staff and the MRA Attorney to complete all the steps to terminate and close out the Lake Front Project Area. Due to construction delays primarily due to COVID-19 resulting in supply chain issues and labor shortages, the East Lake Street and Brown Park Improvement Project was not completed and carried over to FY2022. The Project is anticipated to be completed with existing revenue allocation proceeds by spring/summer 2022. Any remaining surplus funds will be returned to the County for pro-rata distribution to the affected taxing districts. The Agency is completing its scope of work and is not receiving additional revenue allocation are proceeds as the increment value became available for the overlapping taxing districts to use is setting their respective FY2022 budgets.

Downtown West Project Area

No projects were planned for the new district to allow time to acquire funding for future projects.

REVENUES

Tax Increment Revenue

The only source of Agency income is revenue allocation proceeds, also referred to as tax increment revenue, generated within the Lake Front Project Area and 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 Lake Front Project Area, the Agency received \$799,276 tax increment revenue and \$3,067 interest earnings totaling \$802,243 in 2021. For the Downtown West Project Area, the Agency received \$85,589 tax increment revenue and \$0 interest earnings totaling \$85,589.

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 each revenue allocation area. The Agency continues to

coordinate with property owners and public entities in an effort to determine redevelopment opportunities. To date the focus has been on funding public infrastructure improvements, which in turn, draws patrons to downtown McCall, with the effect of increasing the economic vitality of the community. The public improvements, which includes those made to Legacy Park, have had a significant impact on economic development.

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 1 to this report.

ASSETS

The Agency's Assets are comprised of cash accounts and property taxes receivable. The Agency owned parcels were transferred to the City during the fall of 2021. 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
FY2021 Budgets

CITY OF MCCALL
REVENUES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2020

URBAN RENEWAL AGENCY FUND

		PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEARNED	PCNT
	<u>TAX INCREMENT REVENUE</u>					
90-30-010-100.0	TAX INCREMENT	.00	763,765.26	750,000.00	(13,765.26)	101.8
	TOTAL TAX INCREMENT REVENUE	.00	763,765.26	750,000.00	(13,765.26)	101.8
	<u>INTEREST REVENUE</u>					
90-30-045-100.0	INTEREST INCOME	.00	9,374.25	15,000.00	5,625.75	62.5
	TOTAL INTEREST REVENUE	.00	9,374.25	15,000.00	5,625.75	62.5
	<u>APPROPRIATED FUND BALANCE</u>					
90-30-050-997.0	APPROPRIATED FUND BALANCE	.00	.00	1,086,214.00	1,086,214.00	.0
	TOTAL APPROPRIATED FUND BALANCE	.00	.00	1,086,214.00	1,086,214.00	.0
	<u>SOURCE 060</u>					
90-30-060-983.0	TRANSFER FROM CAPITAL PRJ.	53,498.34	53,498.34	.00	(53,498.34)	.0
	TOTAL SOURCE 060	53,498.34	53,498.34	.00	(53,498.34)	.0
	TOTAL FUND REVENUE	53,498.34	826,637.85	1,851,214.00	1,024,576.15	44.7

CITY OF MCCALL
EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2020

URBAN RENEWAL AGENCY FUND

		PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEXPENDED	PCNT
	<u>URBAN RENEWAL AGENCY EXPENSES</u>					
	<u>OPERATING EXPENSE</u>					
90-40-150-300.0	PROFESSIONAL SERVICES	.00	22,753.52	50,000.00	27,246.48	45.5
90-40-150-410.0	INSURANCE	.00	1,443.00	1,443.00	.00	100.0
90-40-150-657.0	BANK CHARGES	.00	1,389.63	4,500.00	3,110.37	30.9
	TOTAL OPERATING EXPENSE	.00	25,586.15	55,943.00	30,356.85	45.7
	<u>CAPITAL EXPENSE</u>					
90-40-200-998.0	RESERVED - FUTURE CAPITAL	.00	.00	1,071,376.00	1,071,376.00	.0
	TOTAL CAPITAL EXPENSE	.00	.00	1,071,376.00	1,071,376.00	.0
	<u>DEBT RELATED EXPENSE</u>					
90-40-350-500.0	REVENUE BOND PRINCIPAL	.00	.00	435,000.00	435,000.00	.0
90-40-350-510.0	REVENUE BOND INTEREST	.00	2,235.00	19,575.00	17,340.00	11.4
	TOTAL DEBT RELATED EXPENSE	.00	2,235.00	454,575.00	452,340.00	.5
	<u>INTER-FUND TRANSFER EXPENSE</u>					
90-40-600-971.0	FUND TRF-COMMERCIAL WATERFRONT	.00	189,615.74	269,320.00	79,704.26	70.4
	TOTAL INTER-FUND TRANSFER EXPENSE	.00	189,615.74	269,320.00	79,704.26	70.4
	<u>CLASSIFICATION 650</u>					
90-40-650-980.0	DEPRECIATION EXPENSE	.00	331,860.00	.00	(331,860.00)	.0
	TOTAL CLASSIFICATION 650	.00	331,860.00	.00	(331,860.00)	.0
	TOTAL URBAN RENEWAL AGENCY EXPENSE	.00	549,296.89	1,851,214.00	1,301,917.11	29.7
	TOTAL FUND REVENUE	53,498.34	826,637.85	1,851,214.00	1,024,576.15	44.7
	TOTAL FUND EXPENDITURES	.00	549,296.89	1,851,214.00	1,301,917.11	29.7
	NET REVENUE OVER EXPENDITURES	53,498.34	277,340.96	.00	(277,340.96)	.0
	<u>CONTINGENCY</u>					

CITY OF MCCALL
EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2020

URBAN RENEWAL AGENCY FUND

	PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEXPENDED	PCNT
REV/EXP WITH CONTINGENCY	53,498.34	277,340.96	.00	(277,340.96)	.0

CITY OF MCCALL
REVENUES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2021

URBAN RENEWAL AGENCY FUND

		PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEARNED	PCNT
	<u>TAX INCREMENT REVENUE</u>					
90-30-010-100.0	TAX INCREMENT	15,211.00	782,833.42	793,819.00	10,985.58	98.6
	TOTAL TAX INCREMENT REVENUE	15,211.00	782,833.42	793,819.00	10,985.58	98.6
	<u>INTEREST REVENUE</u>					
90-30-045-100.0	INTEREST INCOME	104.94	2,961.80	8,400.00	5,438.20	35.3
	TOTAL INTEREST REVENUE	104.94	2,961.80	8,400.00	5,438.20	35.3
	<u>APPROPRIATED FUND BALANCE</u>					
90-30-050-997.0	APPROPRIATED FUND BALANCE	.00	.00	1,215,162.00	1,215,162.00	.0
	TOTAL APPROPRIATED FUND BALANCE	.00	.00	1,215,162.00	1,215,162.00	.0
	<u>OTHER REVENUE</u>					
90-30-070-900.0	MISCELLANEOUS REVENUE	.16	16,442.52	.00	(16,442.52)	.0
	TOTAL OTHER REVENUE	.16	16,442.52	.00	(16,442.52)	.0
	TOTAL FUND REVENUE	15,316.10	802,237.74	2,017,381.00	1,215,143.26	39.8

CITY OF MCCALL
EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2021

URBAN RENEWAL AGENCY FUND

		PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEXPENDED	PCNT
	<u>URBAN RENEWAL AGENCY EXPENSES</u>					
	<u>OPERATING EXPENSE</u>					
90-40-150-300.0	PROFESSIONAL SERVICES	2,259.50	59,624.67	51,250.00	(8,374.67)	116.3
90-40-150-350.0	ENGINEER SERVICES	.00	.00	100,000.00	100,000.00	.0
90-40-150-410.0	INSURANCE	.00	1,546.00	1,546.00	.00	100.0
90-40-150-657.0	BANK CHARGES	.00	1,989.05	1,625.00	(364.05)	122.4
	TOTAL OPERATING EXPENSE	2,259.50	63,159.72	154,421.00	91,261.28	40.9
	<u>CAPITAL EXPENSE</u>					
90-40-200-700.0	DT PUBLIC ART	.00	101,750.00	90,000.00	(11,750.00)	113.1
	TOTAL CAPITAL EXPENSE	.00	101,750.00	90,000.00	(11,750.00)	113.1
	<u>INTER-FUND TRANSFER EXPENSE</u>					
90-40-600-971.0	FUND TRF-COMMERCIAL WATERFRONT	211,399.89	1,173,932.66	1,772,960.00	599,027.34	66.2
	TOTAL INTER-FUND TRANSFER EXPENSE	211,399.89	1,173,932.66	1,772,960.00	599,027.34	66.2
	<u>CLASSIFICATION 650</u>					
90-40-650-980.0	DEPRECIATION EXPENSE	331,860.00	331,860.00	.00	(331,860.00)	.0
	TOTAL CLASSIFICATION 650	331,860.00	331,860.00	.00	(331,860.00)	.0
	TOTAL URBAN RENEWAL AGENCY EXPENSE	545,519.39	1,670,702.38	2,017,381.00	346,678.62	82.8
	TOTAL FUND REVENUE	15,316.10	802,237.74	2,017,381.00	1,215,143.26	39.8
	TOTAL FUND EXPENDITURES	545,519.39	1,670,702.38	2,017,381.00	346,678.62	82.8
	NET REVENUE OVER EXPENDITURES	(530,203.29)	(868,464.64)	.00	868,464.64	.0
	<u>CONTINGENCY</u>					
	REV/EXP WITH CONTINGENCY	(530,203.29)	(868,464.64)	.00	868,464.64	.0

CITY OF MCCALL
REVENUES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2021

DT W URBAN RENEWAL PRJ.

		PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEARNED	PCNT
	<u>TAX INCREMENT REVENUE</u>					
91-30-010-100.0	TAX INCREMENT	494.00	83,835.74	84,664.00	828.26	99.0
	TOTAL TAX INCREMENT REVENUE	494.00	83,835.74	84,664.00	828.26	99.0
	<u>INTEREST REVENUE</u>					
91-30-045-100.0	INTEREST INCOME	.00	.00	1,000.00	1,000.00	.0
	TOTAL INTEREST REVENUE	.00	.00	1,000.00	1,000.00	.0
	<u>OTHER REVENUE</u>					
91-30-070-900.0	MISCELLANEOUS REVENUE	.00	1,753.64	.00	(1,753.64)	.0
	TOTAL OTHER REVENUE	.00	1,753.64	.00	(1,753.64)	.0
	TOTAL FUND REVENUE	494.00	85,589.38	85,664.00	74.62	99.9

CITY OF MCCALL
EXPENDITURES WITH COMPARISON TO BUDGET
FOR THE 12 MONTHS ENDING SEPTEMBER 30, 2021

DT W URBAN RENEWAL PRJ.

		PERIOD ACTUAL	YTD ACTUAL	BUDGET	UNEXPENDED	PCNT
	<u>DT W URBAN RENEWAL PRJ EXPENSES</u>					
	<u>OPERATING EXPENSE</u>					
91-40-150-300.0	PROFESSIONAL SERVICES	.00	.00	20,000.00	20,000.00	.0
	TOTAL OPERATING EXPENSE	.00	.00	20,000.00	20,000.00	.0
	<u>CAPITAL EXPENSE</u>					
91-40-200-998.0	RESERVED - FUTURE CAPITAL	.00	.00	65,664.00	65,664.00	.0
	TOTAL CAPITAL EXPENSE	.00	.00	65,664.00	65,664.00	.0
	TOTAL DT W URBAN RENEWAL PRJ EXPNSE	.00	.00	85,664.00	85,664.00	.0
	TOTAL FUND REVENUE	494.00	85,589.38	85,664.00	74.62	99.9
	TOTAL FUND EXPENDITURES	.00	.00	85,664.00	85,664.00	.0
	NET REVENUE OVER EXPENDITURES	494.00	85,589.38	.00	(85,589.38)	.0
	<u>CONTINGENCY</u>					
	REV/EXP WITH CONTINGENCY	494.00	85,589.38	.00	(85,589.38)	.0

RESOLUTION NO. 03-2022

BY THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF THE CITY OF McCALL, IDAHO:

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF THE CITY OF McCALL, IDAHO, A/K/A THE McCALL REDEVELOPMENT AGENCY, TO BE TERMED THE “ANNUAL REPORT RESOLUTION,” APPROVING THE ANNUAL REPORT OF THE URBAN RENEWAL AGENCY, FOR CALENDAR YEAR 2021; APPROVING THE NOTICE OF FILING THE ANNUAL REPORT WITH THE CITY AND IDAHO STATE CONTROLLER; DIRECTING THE CHAIR, VICE-CHAIR, OR AGENCY ADMINISTRATOR TO FILE SAID REPORT; AND PROVIDING AN EFFECTIVE DATE.

THIS RESOLUTION, made on the date hereinafter set forth by the Urban Renewal Agency of the City of McCall, Idaho, also known as the McCall Redevelopment Agency, an independent public body, corporate and politic, authorized under the authority of the Idaho Urban Renewal Law of 1965, Chapter 20, Title 50, Idaho Code, as amended (hereinafter the “Law”) and the Local Economic Development Act, Chapter 29, Title 50, Idaho Code, as amended (hereinafter the “Act”), a duly created and functioning urban renewal agency for McCall, Idaho, hereinafter referred to as the “Agency.”

WHEREAS, the City Council (“City Council”) of the city of McCall, Idaho (“City”), after notice duly published, conducted a public hearing on the 1990 Urban Renewal Plan for the Railroad Avenue Area (the “Railroad Avenue Plan”);

WHEREAS, following said public hearing the City Council adopted its Ordinance No. 578 on December 13, 1990, approving the Railroad Avenue Plan, establishing the Railroad Avenue revenue allocation area (the “Railroad Avenue Project Area”), and making certain findings;

WHEREAS, in 2006, pursuant to Section 900 of the Railroad Avenue Plan, the Agency prepared the 2006 Updated Urban Renewal Plan (the “Amended Railroad Avenue Plan”);

WHEREAS, the Railroad Avenue Project Area was terminated in 2021, and the Agency will not receive revenue allocation area proceeds for the Railroad Avenue Project Area in FY2022; however, the Agency is utilizing existing revenue allocation area proceeds accrued in the Railroad Avenue Project Area to complete projects that were unable to be completed on or

before September 30, 2021, due to unavoidable project delays, which projects are anticipated to be completed on or before September 30, 2022;

WHEREAS, the City Council, after notice duly published, conducted a public hearing on the Urban Renewal Plan for the Downtown West Urban Renewal Project (the “Downtown West Plan”);

WHEREAS, following said public hearing the City Council adopted its Ordinance No. 982 on October 24, 2019, approving the Downtown West Plan, establishing the Downtown West revenue allocation area (the “Downtown West Project Area”) and making certain findings;

WHEREAS, the Railroad Avenue Plan, as amended, and the Downtown West Plan contain revenue allocation financing provisions pursuant to the Act;

WHEREAS, pursuant to Idaho Code Section 20-2006(5)(c), the Agency is required to prepare an annual report and file the annual report with the City and the Idaho State Controller, on or before March 31 of each year;

WHEREAS, the Agency Board reviewed and tentatively approved the draft annual report at the February 15, 2022, Agency Board meeting and directed that the report be made available and notice of availability be posted;

WHEREAS, the Agency Administrator took steps to provide a copy of the report for public review and comment;

WHEREAS, on March 15, 2021, pursuant to Idaho Code Section 50-2006(5)(c), the Agency held an open public meeting, properly noticed, to report these findings in the annual report and to take comments from the public at the McCall Legion Hall, 216 E. Park Street, McCall, Idaho, on the proposed annual report.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE BOARD OF COMMISSIONERS OF THE URBAN RENEWAL AGENCY OF THE CITY OF McCALL, IDAHO, A/K/A THE McCALL REDEVELOPMENT AGENCY, AS FOLLOWS:

Section 1: That the above statements are true and correct.

Section 2. That the annual report attached hereto as **Exhibit A** and the notice of filing the annual report attached hereto as **Exhibit B** are hereby approved and adopted by the Agency Board.

Section 3: That the Board Chair, Vice-Chair, or Agency Administrator shall submit said annual report to the city of McCall, Idaho, and the Idaho State Controller, as directed by the Idaho State Controller’s staff, on or before March 31, 2022.

Section 4: That this Resolution shall be in full force and effect immediately upon its adoption and approval.

PASSED AND ADOPTED by the Urban Renewal Agency of the City of McCall, Idaho, also known as the McCall Redevelopment Agency, on March 15, 2022. Signed by the Chair of the Board of Commissioners and attested by the Secretary to the Board of Commissioners, on March 15, 2021.

APPROVED:

Chair of the Board

ATTEST:

Secretary
4858-2120-8591, v. 1

DRAFT

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September 30, 2020

City of McCall, Idaho

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Independent Auditor's Report

Members of the City Council
City of McCall, Idaho
McCall, Idaho

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer's share of net pension liability – PERSI, and schedule of employer contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 11, 2022, on our consideration of the City of McCall, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

DRAFT

Boise, Idaho
March 11, 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, 2020. 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, 2020 by \$83,168,125 (net position) in comparison to \$72,587,433 (net position) as of September 30, 2019. Of this amount \$12,772,287 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.
- During fiscal year 2020 the City's total Net Position increased \$10,580,692. Net Position of the governmental activities increased \$9,135,801 and Net Position of business-type activities increased \$1,444,891.
- Total expenses during the year were \$13,047,159 compared to total revenues and transfers of \$23,627,851.
- Fund balance of governmental funds at September 30, 2020 totaled \$11,634,106. Of this amount, \$190,756 is nonspendable, \$1,865,329 is restricted, \$4,368,838 is assigned which represents the remaining fund balance of the special revenue funds: 1) \$1,394,684 Streets / Public Works, 2) \$928,791 Airport, 3) \$834,934 Library, 4) \$637,735 Recreation, 5) \$76,504 Capital Projects, and 6) \$774,841 Streets Local Option Taxes. The Unassigned portion of fund balance is \$5,209,183 which represents the remaining fund balance of the General Fund.
- The City has \$1,698,729 in long-term debt and compensated absences. In governmental activities, the only balance is compensated absences. In business-type activities, there are balances in compensated absences, a drinking water note payable to the Idaho Department of Environmental Quality, and capital leases for golf carts.

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.

There are two government-wide statements:

Statement of Net Position

Reports all of 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 of the 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 of 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.

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.

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 \$83,168,125 in 2020. The largest portion of the City's Net Position, 82%, is invested in capital assets, net of related debt. Capital assets include land, buildings, equipment, machinery, and infrastructure. Unrestricted Net Position equals 16% of total Net Position.

The condensed Statements of Net Position for the years ended September 30, 2020 and 2019 are presented in the table below.

	Primary Government					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Current and Other Assets	\$ 20,919,766	\$ 21,203,265	\$ 5,867,287	\$ 4,500,554	\$ 26,787,053	\$ 25,703,819
Capital Assets	48,739,708	38,601,071	20,842,700	21,072,231	69,582,408	59,673,302
Total Assets	69,659,474	59,804,336	26,709,987	25,572,785	96,369,461	85,377,121
Deferred Outflows of Resources	529,967	193,268	129,517	93,469	659,484	286,737
Total Assets and Deferred Outflows of Resources	70,189,441	59,997,604	26,839,504	25,666,254	97,028,945	85,663,858
Current Liabilities	2,404,680	1,442,209	685,556	678,121	3,090,236	2,120,330
Long-term Liabilities	2,319,332	1,126,102	1,541,019	1,769,814	3,860,351	2,895,916
Total Liabilities	4,724,012	2,568,311	2,226,575	2,447,935	6,950,587	5,016,246
Deferred Inflows of Resources	6,808,494	7,908,159	101,739	152,020	6,910,233	8,060,179
Total Liabilities and Deferred Inflows of Resources	11,532,506	10,476,470	2,328,314	2,599,955	13,860,820	13,076,425
Net Position						
Net investment in Capital Assets	\$ 48,739,708	\$ 38,601,071	\$ 19,790,801	\$ 19,667,879	\$ 68,530,509	\$ 58,268,950
Restricted	1,865,329	2,680,143	-	-	1,865,329	2,680,143
Unrestricted	8,051,898	8,239,920	4,720,389	3,398,420	12,772,287	11,638,340
Total Net Position	58,656,935	49,521,134	24,511,190	23,066,299	83,168,125	72,587,433
	\$ 70,189,441	\$ 59,997,604	\$ 26,839,504	\$ 25,666,254	\$ 97,028,945	\$ 85,663,858

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, 2020 and 2019. During the year the City's financial position increased by \$10,580,692.

	Primary Government					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Revenues						
Program Revenues						
Charges for services	\$ 1,444,903	\$ 1,209,418	\$ 4,420,471	\$ 3,708,860	\$ 5,865,374	\$ 4,918,278
Operating grants and contributions	1,438,118	426,094	-	-	1,438,118	426,094
Capital grants and contributions	5,337,932	420,810	10,000	6,000	5,347,932	426,810
General revenue:						
Property taxes	6,382,139	6,101,416	-	-	6,382,139	6,101,416
Franchise fees	307,724	315,696	-	-	307,724	315,696
Sales tax and other governmental	3,842,104	3,624,537	-	-	3,842,104	3,624,537
Unrestricted investment earnings	158,295	268,215	45,983	87,439	204,278	355,654
Other revenue	146,898	42,325	35,475	100,033	182,373	142,358
Total Revenues	19,058,113	12,408,511	4,511,929	3,902,332	23,570,042	16,310,843
Expenses						
General Government						
Executive & Legislative	205,019	184,597	-	-	205,019	184,597
Administration	1,269,702	1,013,830	-	-	1,269,702	1,013,830
Public Safety	1,529,262	1,643,147	-	-	1,529,262	1,643,147
Parks	130,792	193,090	-	-	130,792	193,090
Recreation	1,423,819	1,218,555	-	-	1,423,819	1,218,555
Community Services	883,720	806,260	-	-	883,720	806,260
Library	466,299	520,836	-	-	466,299	520,836
Airport	673,325	627,179	-	-	673,325	627,179
Local Option Tax	353,510	249,741	-	-	353,510	249,741
Streets/Public Works	2,936,386	2,389,001	-	-	2,936,386	2,389,001
Enterprise - Golf and Water	-	-	3,175,325	3,034,498	3,175,325	3,034,498
Total Expenses	9,871,834	8,846,236	3,175,325	3,034,498	13,047,159	11,880,734
Excess (deficiency) of revenues over expenditures before transfers	9,186,279	3,562,275	1,336,604	867,834	10,522,883	4,430,109
Transfers - internal activities	(50,478)	(302,777)	108,287	190,688	57,809	(112,089)
Change in Net Position	9,135,801	3,259,498	1,444,891	1,058,522	10,580,692	4,318,020
Net Position, Beginning of Year	49,521,134	46,261,636	23,066,299	22,007,777	72,587,433	68,269,413
Net Position, End of Year	\$ 58,656,935	\$ 49,521,134	\$ 24,511,190	\$ 23,066,299	\$ 83,168,125	\$ 72,587,433

Governmental Activities

The City of McCall saw a 41.94% increase in building permit and planning fee revenues, as compared to 2019, an indication that development activity continues to grow within the city and surrounding area. Governmental activities increased the City's Net Position by \$9,186,279. The streets local option tax generated \$2,176,578, a 4.4% increase in local sales tax revenue in 2020 as compared to \$2,084,110 in 2019.

The City of McCall experienced the onset of the COVID-19 pandemic in March 2020. The City and the State of issued emergency declarations in March and the Governor issued "stay at home" orders for the month of April which included prohibitions on discretionary travel, no indoor restaurant or bar services, and no gatherings. The Governor began reopening the state slowly through May with full reopening in June. The City Council issued a mask mandate in June 2020 which remained in effect for almost a year.

Since McCall is a tourist destination with sales and lodging taxes generated by visitors, the City took a conservative financial approach for revenue forecasts for the second half of the fiscal year. Major capital purchases and projects were delayed until the financial impacts of the pandemic could be analyzed and understood. The Downtown Core reconstruction project which began in Summer of 2018 is on track to be completed in 2023 and is primarily funded with the streets local option tax revenue.

The City saw a decrease in sales and lodging taxes for the month of April, but those taxes rebounded once the Governor lifted travel restrictions. Ultimately the city saw higher than average sales and lodging taxes as McCall was seen as a safe and convenient vacation destination for Idahoans who were unable to travel to other states or outside of the country during 2020.

The City Council adopted a Broadband Strategic Plan called "RAPID" for the future deployment of a municipal fiber utility throughout the city. The City is actively pursuing grants and funding sources potentially available through CARES Act and other sources to support rural broadband. The vision is for the utility to be financed by future Local Improvement Districts (LID) created for each neighborhood that chooses to opt-in to the system with property owners repaying the city for the extension of fiber to the home from the city main fiber line. The conduit for the fiber backbone was installed throughout the city in 2020.

The Library Board of Trustees embarked upon a capital fund raising campaign to expand the existing library. In 2018 the McCall Public Library Foundation was created to assist in their fund-raising efforts. The City Council placed a \$6.5 million General Obligation Bond on the May 2020 election ballot which was narrowly defeated by the voters. The plan is to survey the community and present a new General Obligation Bond at the May 2021 election.

The McCall Redevelopment and the City of McCall entered into an agreement to renovate and improve Brown Park, replace the playground equipment, and to restore the shoreline on the east side of Payette lake.

Business-Type Activities

The business-type activities of the City include Golf and Water. The City of McCall issued 113 equivalent domestic use permits in the water system in 2020 as compared to 84 in 2019. The number of new water connections were up 34.52%.

The Water Utility was viewed by Council as an essential service during the COVID-19 pandemic. To assist water utility customers who found themselves unable to pay during the pandemic shutdown, the Council adopted a temporary policy to waive late fees and water shut-off's due to non-payment. After 12 months the Council ended the temporary policy and water customers who were delinquent were placed on payment plans to catch up. There were 37 accounts who took part in the program and the City waived \$10,207 in late fees.

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 Golf department saw an increase in rounds played during the pandemic due to the sport being seen as a safe outdoor recreation activity. Golf revenues were strong. The City Council initiated a Golf Course Asset Management Master Plan to identify the replacement needs of the infrastructure, such as irrigation systems, along with course improvements to keep the public course playable and accessible for all types.

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, 2020 was \$6,986,587, a decrease of 1.9% 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 did not change the original adopted budget for the fund. Contingency line items are not included in the original budget amounts on the Schedule of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual – General Fund, Street / Public Works Fund, Airport Fund, Recreation Fund, Library Fund and Streets Local Option Tax Fund.

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 City secured funding through the CARES Act to provide wireless internet hotspots at various locations throughout McCall.

The Tourism Local Option Tax generated approximately \$691,188 in revenue in 2020 of which \$390,384 was used internally by the General Fund and \$300,804 externally for programs and non-profit groups. The programs and groups recommended for funding by the LOT commission and approved by Council in 2020 include the following; 1) McCall Area Chamber of Commerce, 2) Valley County Recreation, 3) Payette Lakes Ski Club, 4) MCPAWS Regional Animal Shelter, 5) Treasure Valley Transit, 6) Payette Lakes Community Association, 7) Manchester Ice and Event Center, 8) McCall Winter Sports Club, 9) McCall Hockey/Ice Skating Association, 10) McCall Figure Skating Club, 11) Roots Forest Scholl, Inc., 12) McCall Arts and Humanities Council, 13) Valley County Search and Rescue, and 14) West Central Mountains Housing Trust.

Capital Assets

At the end of 2020 the City had \$69,582,408 invested in capital assets (net of accumulated depreciation), compared to \$59,673,302 at the end of 2019. Additional information can be found in Note 5 of the financial statements.

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Land	\$ 9,568,894	\$ 1,142,320	\$ 10,711,214
Buildings and Improvements	1,591,425	5,995,549	7,586,974
Infrastructure	11,562,696	-	11,562,696
Improvements Other Than Buildings	10,038,888	10,935,908	20,974,796
Equipment	1,413,535	715,020	2,128,555
Construction in Progress	14,564,270	2,053,903	16,618,173
Total	\$ 48,739,708	\$ 20,842,700	\$ 69,582,408

The City recorded current year depreciation of \$1,637,802 in governmental activities and \$977,832 in business-type activities.

Long-Term Debt

Business-type activity outstanding debt includes \$1,377,295 in a note payable to the Idaho Department of Environmental Quality. The City is allowed a general obligation debt limit of 2% of market valuation of real and personal property in its taxing area. As of September 30, 2020, based on valuations from Valley County, the limit would be \$32.3M. The City did not issue any new debt in 2020. Detailed information on the City's long-term debt can be found in Note 7 of the financial statements.

FY21 Budgetary Considerations

The 2021 budget includes several capital projects including implementation of the City's campus Site Improvements, pathway improvement, Brown Park Improvements, and continued emphasis on pavement rehabilitation in the Governmental Funds. In the Enterprise funds the 2021 budget includes continued water line replacement, implementation of the water master plan and the third annual water utility rate increase, and reconstruction of the golf club house parking lot. The City is moving forward with rehabilitating the remaining apron pavement. Construction costs are funded by an FAA grant in summer of 2021. The Library Board is moving forward with their capital campaign for the Library Expansion project. The board has hired a general manager and general contractor for the project and a May 2021 General Obligation bond election was approved by the McCall City Council.

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.

City of McCall, Idaho
Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Urban Renewal
Assets and Deferred Outflows of Resources				
Current Assets				
Deposits and investments	\$ 8,835,962	\$ 4,951,462	\$ 13,787,424	\$ 1,396,008
Receivables				
Taxes	6,307,503	-	6,307,503	765,454
Intergovernmental	330,350	-	330,350	-
Accounts, net of allowance	584,346	463,431	1,047,777	-
Grants	2,815,185	-	2,815,185	-
Other	-	-	-	276
Prepays	18,084	5,200	23,284	-
Internal and component unit balances	181,495	57,785	239,280	(239,280)
Inventory	87,672	83,430	171,102	-
Total current assets	19,160,597	5,561,308	24,721,905	1,922,458
Noncurrent Assets				
Restricted deposits and investments	1,674,169	390,979	2,065,148	-
Long-term internal balances	85,000	(85,000)	-	-
Capital assets				
Land and construction in progress, not depreciated	24,133,164	3,196,223	27,329,387	293,115
Buildings, improvements and equipment, net of depreciation	24,606,544	17,646,477	42,253,021	799,290
Total noncurrent assets	50,498,877	21,148,679	71,647,556	1,092,405
Deferred Outflows of Resources				
Deferred net pension	529,967	129,517	659,484	-
Total assets and deferred outflows of resources	\$ 70,189,441	\$ 26,839,504	\$ 97,028,945	\$ 3,014,863

City of McCall, Idaho
Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Urban Renewal
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Vouchers and interest payable	\$ 1,857,334	\$ 248,467	\$ 2,105,801	\$ 5,734
Payroll payable	384,745	82,386	467,131	-
Advanced revenue	162,601	-	162,601	-
Capital lease obligations, current portion	-	20,382	20,382	-
Current portion of long-term liabilities	-	334,321	334,321	-
Total current liabilities	2,404,680	685,556	3,090,236	5,734
Noncurrent Liabilities				
Net pension liability	2,113,183	403,142	2,516,325	-
Compensated absences payable	206,149	49,702	255,851	-
Capital lease obligations, non-current	-	45,201	45,201	-
Other long-term debt, non-current	-	1,042,974	1,042,974	-
Total liabilities	4,724,012	2,226,575	6,950,587	5,734
Deferred Inflows of Resources				
Deferred net pension	62,742	101,739	164,481	-
Unavailable revenue	6,166,592	-	6,166,592	762,984
Irrevocable split-interest agreement	579,160	-	579,160	-
Total deferred inflows of resources	6,808,494	101,739	6,910,233	762,984
Net Position				
Net invested in capital assets	48,739,708	19,790,801	68,530,509	1,092,405
Restricted for				
Local option tax	641,298	-	641,298	-
Franchise fees	1,094,514	-	1,094,514	-
Library	83,767	-	83,767	-
Highways	45,750	-	45,750	-
Urban renewal	-	-	-	1,153,740
Unrestricted	8,051,898	4,720,389	12,772,287	-
Total net position	58,656,935	24,511,190	83,168,125	2,246,145
	\$ 70,189,441	\$ 26,839,504	\$ 97,028,945	\$ 3,014,863

See Notes to Financial Statements

City of McCall, Idaho
Statement of Activities
Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities								
General government								
Executive and legislative	\$ 205,019	\$ -	\$ -	\$ -	\$ (205,019)	\$ -	\$ (205,019)	\$ -
Administrative	1,269,702	50,458	-	-	(1,219,244)	-	(1,219,244)	-
Public safety	1,529,262	31,313	2,950	-	(1,494,999)	-	(1,494,999)	-
Parks and recreation								
Parks	130,792	-	-	50	(130,742)	-	(130,742)	-
Recreation	1,423,819	23,104	48,765	-	(1,351,950)	-	(1,351,950)	-
Community services								
Community services	883,720	948,073	367,273	25,000	456,626	-	456,626	-
Library	466,299	10,286	12,365	10,803	(432,845)	-	(432,845)	-
Airport	673,325	226,477	71,089	5,043,748	4,667,989	-	4,667,989	-
Local Option Tax	353,510	-	771,970	258,331	676,791	-	676,791	-
Streets/Public Works	2,936,386	155,192	163,706	-	(2,617,488)	-	(2,617,488)	-
Total Governmental Activities	9,871,834	1,444,903	1,438,118	5,337,932	(1,650,881)	-	(1,650,881)	-
Business-type Activities								
Water	2,109,514	3,546,585	-	-	-	1,437,071	1,437,071	-
Golf	1,065,811	873,886	-	10,000	-	(181,925)	(181,925)	-
Total Business-type Activities	3,175,325	4,420,471	-	10,000	-	1,255,146	1,255,146	-
Total Primary Government	\$ 13,047,159	\$ 5,865,374	\$ 1,438,118	\$ 5,347,932	(1,650,881)	1,255,146	(395,735)	-
Component Unit								
Urban Renewal	\$ 359,680	\$ -	\$ -	\$ -				\$ (359,680)

City of McCall, Idaho
Statement of Activities
Year Ended September 30, 2020

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Total
General revenues			
Property taxes, levied for			
General purposes	3,847,143	-	3,847,143
Recreation	267,841	-	267,841
Library	465,353	-	465,353
Airport	72,797	-	72,797
Street/Public Works	1,729,005	-	1,729,005
Franchise fees	307,724	-	307,724
Local option tax	2,860,240	-	2,860,240
Sales tax and other governmental	981,864	-	981,864
Investment earnings	158,295	45,983	204,278
Miscellaneous	146,898	35,475	182,373
Transfers	(50,478)	108,287	57,809
Total General Revenues and Transfers	10,786,682	189,745	10,976,427
Change in Net Position	9,135,801	1,444,891	10,580,692
Net Position, Beginning of Year	49,521,134	23,066,299	72,587,433
Net Position, End of Year	\$ 58,656,935	\$ 24,511,190	\$ 83,168,125
			\$ 2,246,145

City of McCall, Idaho
Balance Sheet – Governmental Funds
September 30, 2020

	General	Street / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
Assets								
Deposits and investments	\$ 6,024,137	\$ 1,454,266	\$ -	\$ 580,516	\$ 857,404	\$ 1,067,364	\$ 134,093	\$ 10,117,780
Receivables								
Taxes	3,693,011	1,732,669	81,767	288,649	511,407	-	-	6,307,503
Intergovernmental	232,404	45,750	16,798	17,204	-	18,194	-	330,350
Accounts	189,077	1,799	34,565	29,206	9,760	319,875	64	584,346
Grants	367,273	-	2,321,818	-	-	126,094	-	2,815,185
Prepays	18,084	-	-	-	-	-	-	18,084
Due from other funds and component units	-	119,000	-	257,840	151,513	-	59,938	588,291
Interfund loans receivable	85,000	-	-	-	-	-	-	85,000
Inventory	-	87,672	-	-	-	-	-	87,672
Restricted deposits and investments	1,094,514	-	-	-	579,655	-	-	1,674,169
	<u>\$ 11,703,500</u>	<u>\$ 3,441,156</u>	<u>\$ 2,454,948</u>	<u>\$ 1,173,415</u>	<u>\$ 2,109,739</u>	<u>\$ 1,531,527</u>	<u>\$ 194,095</u>	<u>\$ 22,608,380</u>

City of McCall, Idaho
Balance Sheet – Governmental Funds
September 30, 2020

	General	Street / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Deficit in deposits	\$ -	\$ -	\$ 1,217,725	\$ -	\$ -	\$ -	\$ 64,093	\$ 1,281,818
Accounts payable	462,838	236,193	208,308	187,294	11,803	750,898	-	1,857,334
Payroll payable	227,355	67,843	11,475	52,402	19,882	5,788	-	384,745
Due to other funds	340,063	13,235	-	-	-	-	53,498	406,796
Advanced revenue	1,137	-	-	7,888	153,576	-	-	162,601
Total liabilities	1,031,393	317,271	1,437,508	247,584	185,261	756,686	117,591	4,093,294
Deferred Inflows of Resources								
Unavailable revenue	3,685,520	1,729,201	88,649	288,066	510,384	-	-	6,301,820
Irrevocable split- interest agreement	-	-	-	-	579,160	-	-	579,160
Total deferred inflows of resources	3,685,520	1,729,201	88,649	288,066	1,089,544	-	-	6,880,980
Fund Balances								
Nonspendable	103,084	87,672	-	-	-	-	-	190,756
Restricted	1,674,320	45,750	-	61,492	83,767	-	-	1,865,329
Assigned	-	1,261,262	928,791	576,273	751,167	774,841	76,504	4,368,838
Unassigned	5,209,183	-	-	-	-	-	-	5,209,183
Total fund balances	6,986,587	1,394,684	928,791	637,765	834,934	774,841	76,504	11,634,106
	\$ 11,703,500	\$ 3,441,156	\$ 2,454,948	\$ 1,173,415	\$ 2,109,739	\$ 1,531,527	\$ 194,095	\$ 22,608,380

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

September 30, 2020

Fund balance - total governmental funds		\$ 11,634,106
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.		48,739,708
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.		135,228
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(206,149)
Net pension liabilities applicable to the City's governmental funds are not reported as fund liabilities.		(2,113,183)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to pensions:		
Differences between expected and actual experience	386,869	
Changes in assumptions	32,858	
Contributions made subsequent to measurement date	<u>110,240</u>	
		529,967
Deferred inflows of resources related to pensions:		
Net difference between projected and actual investment earnings on pension plan investments	63,342	
Differences between expected and actual experience	<u>(126,084)</u>	
		<u>(62,742)</u>
Net position of governmental activities		<u>\$ 58,656,935</u>

City of McCall, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2020

	General	Street / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
Revenues								
Property taxes	\$ 3,814,410	\$ 1,724,739	\$ 88,232	\$ 267,126	\$ 464,097	\$ -	\$ -	\$ 6,358,604
Local option tax	630,698	-	-	52,964	-	2,176,578	-	2,860,240
Interest	78,201	14,789	11,269	3,488	10,628	37,960	-	156,335
Licenses and permits	600,768	-	-	7,278	-	759,889	1,960	1,369,895
Intergovernmental	1,377,087	163,706	5,043,748	46,318	10,803	258,331	-	6,899,993
Fines and forfeitures	29,218	-	-	-	1,353	-	-	30,571
Charges for services	1,530,170	39,607	281,966	15,826	8,933	-	-	1,876,502
Miscellaneous	32,687	55,274	4,122	52,985	1,230	-	53,498	199,796
Total revenues	8,093,239	1,998,115	5,429,337	445,985	497,044	3,232,758	55,458	19,751,936
Expenditures								
Current								
General government	1,682,047	-	-	-	-	-	-	1,682,047
Public safety	1,426,724	-	-	-	-	-	-	1,426,724
Parks and recreation	8,795	-	-	-	-	-	-	8,795
City clerk	265,751	-	-	-	-	-	-	265,751
Community services	968,390	-	-	-	447,669	-	-	1,416,059
Streets	-	2,040,748	-	-	-	-	-	2,040,748
Airport	-	-	304,911	-	-	-	-	304,911
Recreation	-	-	-	1,191,027	-	-	-	1,191,027
Local Option Tax	-	-	-	-	-	337,199	-	337,199
Capital outlay	2,166,066	309,530	5,043,206	347,922	142,604	3,767,111	-	11,776,439
Total expenditures	6,517,773	2,350,278	5,348,117	1,538,949	590,273	4,104,310	-	20,449,700
Excess (Deficiency) of Revenues over (under) expenditures	1,575,466	(352,163)	81,220	(1,092,964)	(93,229)	(871,552)	55,458	(697,764)

City of McCall, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2020

	General	Street / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Fund (Capital Projects)	Total Governmental Funds
Other Financing Sources (Uses)								
Contributions	50	-	-	2,447	12,365	-	-	14,862
Transfers in	-	250,807	-	1,241,113	298,889	-	-	1,790,809
Transfers out	(1,709,480)	-	-	-	-	-	(53,498)	(1,762,978)
Total other financing sources (uses)	(1,709,430)	250,807	-	1,243,560	311,254	-	(53,498)	42,693
Net Change in Fund Balance	(133,964)	(101,356)	81,220	150,596	218,025	(871,552)	1,960	(655,071)
Fund Balance, Beginning of Year	7,120,551	1,496,040	847,571	487,169	616,909	1,646,393	74,544	12,289,177
Fund Balance, End of Year	<u>\$ 6,986,587</u>	<u>\$ 1,394,684</u>	<u>\$ 928,791</u>	<u>\$ 637,765</u>	<u>\$ 834,934</u>	<u>\$ 774,841</u>	<u>\$ 76,504</u>	<u>\$ 11,634,106</u>

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

Net change in fund balances - total governmental funds	\$ (655,071)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of (\$11,776,439) exceeded depreciation (\$1,637,802) in the current period.	10,138,637
Some property tax and special assessment revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	39,135
Compensated absences are not recorded in the governmental funds because they are not a use of current financial resources. However, in the statement of activities, the change is recorded as a revenue (expense).	(57,534)
Pension revenues (expenses) are not recorded in the governmental funds because they are not a use of current financial resources. However, in the statement of activities, the change is recorded as a revenue (expense).	<div style="border-top: 1px solid black; border-bottom: 3px double black;">(329,366)</div>

Change in Net Position	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 9,135,801</div>
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	Enterprise Funds		
	Water	Golf	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Deposits and investments	\$ 4,368,638	\$ 582,824	\$ 4,951,462
Receivables			
Accounts, net of allowance	451,218	12,213	463,431
Due from other funds	15,285	42,500	57,785
Prepays	-	5,200	5,200
Inventory	83,430	-	83,430
Total current assets	4,918,571	642,737	5,561,308
Noncurrent Assets			
Restricted deposits and investments	390,979	-	390,979
Capital assets			
Land	562,326	579,994	1,142,320
Buildings	12,000,457	952,595	12,953,052
Improvements other than buildings	17,598,216	3,746,178	21,344,394
Equipment	867,168	488,637	1,355,805
Construction in progress	2,053,903	-	2,053,903
Less accumulated depreciation	(14,651,192)	(3,355,582)	(18,006,774)
Total noncurrent assets	18,821,857	2,411,822	21,233,679
Deferred Outflows of Resources			
Deferred net pension	90,364	39,153	129,517
Total assets and deferred outflows of resources	\$ 23,830,792	\$ 3,093,712	\$ 26,924,504

	Enterprise Funds		
	Water	Golf	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts and interest payable	\$ 220,206	\$ 28,261	\$ 248,467
Payroll payable	43,932	38,454	82,386
Capital lease obligations, current portion	-	20,382	20,382
Current portion of long-term liabilities	334,321	-	334,321
Total current liabilities	598,459	87,097	685,556
Long-Term Debt			
Net pension liability	274,155	128,987	403,142
Compensated absences payable	30,358	19,344	49,702
Capital lease obligations, non-current	-	45,201	45,201
Other long-term debt, non-current	1,042,974	-	1,042,974
Long-term interfund loans payable	-	85,000	85,000
Total liabilities	1,945,946	365,629	2,311,575
Deferred Inflows of Resources			
Deferred net pension	80,408	21,331	101,739
Net Position			
Net invested in capital assets	17,444,562	2,346,239	19,790,801
Unrestricted	4,359,876	360,513	4,720,389
Total net position	21,804,438	2,706,752	24,511,190
	<u>\$ 23,830,792</u>	<u>\$ 3,093,712</u>	<u>\$ 26,924,504</u>

	Enterprise Funds		
	Water	Golf	Total
Operating Revenues			
Charges for services	\$ 2,898,946	\$ 873,886	\$ 3,772,832
Local option tax	-	-	-
Other	14,463	21,012	35,475
Total operating revenues	2,913,409	894,898	3,808,307
Operating Expenses			
Personnel services	679,200	539,789	1,218,989
Contractual services	179,175	36,080	215,255
Materials and supplies	111,118	88,924	200,042
Utilities	149,179	128,402	277,581
Repairs and maintenance	160,740	93,321	254,061
Depreciation	803,416	174,416	977,832
Total operating expenses	2,082,828	1,060,932	3,143,760
Operating Income (Loss)	830,581	(166,034)	664,547
Nonoperating Revenues (Expenses)			
Interest income	44,348	1,635	45,983
Bad debt expense	2,824	-	2,824
Private contributions	-	10,000	10,000
Hook-on fees	647,639	-	647,639
Interest expense	(29,510)	(4,879)	(34,389)
Total nonoperating revenues (expenses)	665,301	6,756	672,057
Income (Loss) Before Contributions and Transfers	1,495,882	(159,278)	1,336,604
Transfers out	(131,807)	-	(131,807)
Transfers in	-	240,094	240,094
Change in Net Position	1,364,075	80,816	1,444,891
Net Position, Beginning of Year	20,440,363	2,625,936	23,066,299
Net Position, End of Year	\$ 21,804,438	\$ 2,706,752	\$ 24,511,190

City of McCall, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2020

	Enterprise Funds		
	Water	Golf	Total
Operating Activities			
Received from user charges	\$ 2,852,730	\$ 895,108	\$ 3,747,838
Payments to employees for services	(634,677)	(508,755)	(1,143,432)
Payments to suppliers for goods and services	(636,785)	(350,433)	(987,218)
Net Cash from Operating Activities	1,581,268	35,920	1,617,188
Noncapital Financing Activities			
Transfers in	-	240,094	240,094
Transfers out	(131,807)	-	(131,807)
Net payments on due to other funds	(19,469)	(48,203)	(67,672)
Net Cash from (used for) Noncapital Financing Activities	(151,276)	191,891	40,615
Capital and Related Financing Activities			
Acquisition of capital assets	(748,301)	-	(748,301)
Hook-on fees	647,639	-	647,639
Private contributions	-	10,000	10,000
Principal payments on long-term debt	(327,161)	-	(327,161)
Principal payments on capital lease	-	(19,033)	(19,033)
Interest paid	(29,510)	(5,997)	(35,507)
Net Cash used for Capital and Related Financing Activities	(457,333)	(15,030)	(472,363)
Capital and Related Investing Activities			
Interest received on investments	44,348	1,635	45,983
Net Cash from Capital and Related Investing Activities	44,348	1,635	45,983
Net Change in Cash and Cash Equivalents	1,017,007	214,416	1,231,423
Cash and Cash Equivalents, Beginning of Year	3,742,610	368,408	4,111,018
Cash and Cash Equivalents, End of Year	<u>\$ 4,759,617</u>	<u>\$ 582,824</u>	<u>\$ 5,342,441</u>
Presented on the State of Net Position - Proprietary Funds			
Cash and cash equivalents	\$ 4,368,638	\$ 582,824	\$ 4,951,462
Restricted cash	390,979	-	390,979
	<u>\$ 4,759,617</u>	<u>\$ 582,824</u>	<u>\$ 5,342,441</u>

City of McCall, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2020

	Enterprise Funds		
	Water	Golf	Total
Reconciliation of operating income (loss) to net cash from operating activities			
Operating income (loss)	\$ 830,581	\$ (166,034)	\$ 664,547
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation and amortization	803,416	174,416	977,832
Pension related items	19,076	16,187	35,263
Changes in assets and liabilities			
Accounts receivable	(60,679)	210	(60,469)
Prepays	-	2,600	2,600
Inventory	(6,945)	-	(6,945)
Vouchers payable	(29,628)	(6,306)	(35,934)
Compensated absences	3,863	164	4,027
Payroll payable	21,584	14,683	36,267
Net Cash from Operating Activities	<u>\$ 1,581,268</u>	<u>\$ 35,920</u>	<u>\$ 1,617,188</u>

Note 1 - Summary of Significant Accounting Policies

The City of McCall, Idaho (the City) incorporated in the State of Idaho on 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 recreation, community services, streets, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

These basic financial statements present the City and its component unit as required by generally accepted accounting principles. Component units are organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The component unit column in the government-wide financial statements represents the financial data of the City's single component unit, the Urban Renewal Agency (URA). URA is a separate and distinct legal entity created by state statute. The directors for URA are appointed by the Mayor and approved by the City Council. URA provides urban renewal services for the citizens of the City.

Government-Wide and Fund 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, 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 function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Recreation Fund - 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 – A special revenue fund 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 – To account for the operation of the City's Local Option Tax over tourism.

The City has reported the following nonmajor governmental fund:

Capital Project Fund - To account for certain capital projects of the City.

The City reports the following major proprietary funds:

Water Fund - To account for the operations of the water system.

Golf Fund - To account for the operations of the City's public golf course.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business when the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government when elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Water and Sewer Funds also recognize, as non-operating revenue, the portion of hook-on fees intended to recover the cost of connecting new customers to the system.

Deposits and Investments

The City pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principal offices in Idaho. All cash is either covered with FDIC insurance or fully collateralized in the name of the City.

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool (LGIP) is managed by the State of Idaho Treasurer's office. The funds of the Pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

An annual audit of Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool.

Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The City policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Custodial Credit Risk

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.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation 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 limits on credit risk are based on Idaho Code.

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.

Property Taxes Receivable

Within the governmental fund financial statement, property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year-end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20.

Taxpayers may pay all or one-half of their tax liability on or before December 20. If one-half of the amount is paid on December 20, the remaining balance is due by the following June 20. Since the City is on a September 30 fiscal year-end, property taxes levied during September for the succeeding year's collection are recorded as deferred inflows of resources at the City's year-end and recognized as revenue in the following fiscal year for all governmental funds. Valley County bills and collects taxes for the City.

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. There is an allowance for doubtful accounts as of September 30, 2020, of \$4,649. As of September 30, 2020, accounts past 90 days totaled \$2,730.

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. There is an allowance for doubtful accounts as of September 30, 2020, of \$296. As of September 30, 2020, there are no accounts past 90 days.

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).

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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated acquisition value on the date donated. Public domain infrastructure consisting of roads, sidewalks, water and sewer lines are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful Life (Years)
Buildings	12 - 40
Infrastructure	20 - 50
Improvements other than buildings	10 - 40
Machinery and equipment	5 - 10

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

Deferred Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The one item is as follows: the pension obligation, reported in the government-wide statement of net position.

Bonded Indebtedness

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. 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.

Compensated Absences Payable

The City provides personal leave to its full-time employees and sick leave to both full and part-time employees. Personal leave is either paid to employees when taken or paid to employees or their beneficiaries upon the employee's termination, retirement or death. Sick leave is either paid to employees when taken or paid to employees or their beneficiaries upon the employee's termination, retirement or death for hours accrued in excess of 500 to a maximum of 720. The amount of unpaid leave accumulated by City employees is accrued as an expense when incurred in the government-wide and the proprietary funds financial statements, which use the accrual basis of accounting. In the Governmental Funds, only the amount that normally would be liquidated with expendable available financial resources is accrued as current year expenditures. Unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditures are accrued. Therefore, the entire unpaid liability for the Governmental Funds is considered long-term and is recorded in the government-wide financial statement only.

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.

Fund Balance Reporting

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.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are non-cash or legally or contractually required to be maintained intact such as inventory, long-term loans receivable, property held for sale, endowment or permanent fund principal, and prepaid items.
- Restricted fund balance—amounts that have externally enforceable limitations on their uses; amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City Council itself; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same level action to remove or change the constraint.
- Assigned fund balance—amounts the City Council intend to use for a specific purpose; intent can be expressed by the City Council or by an official designated by the City Council by resolution.

- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

	General	Streets / Public Works	Airport	Recreation	Library	Local Option Tax	Nonmajor Governmental Funds
Nonspendable							
Prepays	\$ 18,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	87,672	-	-	-	-	-
Long-term interfund note receivable	85,000	-	-	-	-	-	-
Total nonspendable	103,084	87,672	-	-	-	-	-
Restricted							
Local Option Tax	579,806	-	-	61,492	-	-	-
Library	-	-	-	-	83,767	-	-
Highway user fee	-	45,750	-	-	-	-	-
Franchise fees	1,094,514	-	-	-	-	-	-
Total restricted	1,674,320	45,750	-	61,492	83,767	-	-
Assigned							
Street/Public works	-	1,261,262	-	-	-	-	-
Airport	-	-	928,791	-	-	-	-
Library	-	-	-	-	751,167	-	-
Recreation	-	-	-	576,273	-	-	-
Local Option Tax	-	-	-	-	-	774,841	-
Capital Projects	-	-	-	-	-	-	76,504
Total assigned	-	1,261,262	928,791	576,273	751,167	774,841	76,504
Unassigned							
Unassigned	5,209,183	-	-	-	-	-	-
Total unassigned	5,209,183	-	-	-	-	-	-
	\$ 6,986,587	\$ 1,394,684	\$ 928,791	\$ 637,765	\$ 834,934	\$ 774,841	\$ 76,504

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category reported on the government-wide statement of net position. They are the employer pension assumption, property taxes, and an irrevocable split-interest agreement.

The City reports unavailable revenue as a deferred inflow of resources on its statement of net position and fund balance sheet. On the government fund financial statements property taxes that are delinquent are recorded as unavailable revenue since they are not available within 60 days of the fiscal year end, however in the government-wide financial statements delinquent taxes are recognized in the year they are measurable. Taxes levied during September for the succeeding year's collection are recorded as deferred inflows of resources at the City's year-end and recognized as revenue in the following fiscal year for all governmental funds and governmental activities.

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 the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Risk Management

The City is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for liability, medical and disability insurance. The City's exposure to loss from its participation in ICRMP is limited to the extent of their deductible only.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Deposits and Investments

At September 30, 2020, the City's deposits in banks were entirely covered by FDIC insurance or collateralized with securities held in the City's name as follows:

	<u>Rating</u>	<u>Maturity</u>	
Deposits			
Insured or collateralized	N/A	N/A	\$ 1,779,786
Idaho First Bank Certificate of Deposit	N/A	October 3, 2020	<u>246,755</u>
			<u>\$ 2,026,541</u>

Certain assets are reported at fair value in the City's financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the City develops inputs using the best information available in the circumstances.

Investments' fair value measurements are as follows at September 30, 2020:

Equities and Money Market Mutual Funds: Valued at fair value based on the quoted prices for active markets.

Fixed Income: Corporate bonds, U.S. Government obligations, and municipal bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, state interest rates, and market-rate assumptions.

Real Estate Assets: Values are based on trust statement value of real estate assets.

The related fair values of these assets are determined as follows:

	Total	Level 1	Level 2	Level 3
Equities	\$ 355,973	\$ 355,973	\$ -	\$ -
Fixed Income				
Municipal Securities	206,815	-	206,815	-
Total investments by fair value level	562,788	355,973	206,815	-
Investments measured at net asset value (NAV)				
State of Idaho Local Government Investment Pool (LGIP)	12,962,915	-	-	-
Total investments	<u>\$ 13,525,703</u>	<u>\$ 355,973</u>	<u>\$ 206,815</u>	<u>\$ -</u>

Investments valued using the net asset value (NAV) per share generally do not have readily obtainable market values and are instead valued based on the City's pro-rata share of the pool's fair value of the underlying assets. The City values these investments based on information provided by the State of Idaho Treasurer's Office. The City's certificate of deposit was established at a financial institution, matures on October 3, 2020, and is valued at original cost plus accrued interest.

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates.

As of September 30, 2020, the City had the following investments subject to interest rate risk:

	<u>Rating</u>	<u>Maturity</u>	
Deposits			
Insured or collateralized	N/A	N/A	\$ 1,779,786
Idaho First Bank Certificate of Deposit	N/A	October 3, 2020	<u>246,755</u>
			<u>\$ 2,026,541</u>

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB requires disclosure of credit quality ratings for investments in debt securities. (The credit risk ratings below are issued upon standards set by Standard and Poor's).

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities	\$ 355,973	\$ 355,973	\$ -	\$ -
Fixed Income				
Municipal Securities	<u>206,815</u>	<u>-</u>	<u>206,815</u>	<u>-</u>
Total investments by fair value level	<u>562,788</u>	<u>355,973</u>	<u>206,815</u>	<u>-</u>
Investments measured at net asset value (NAV)				
State of Idaho Local Government Investment Pool (LGIP)	<u>12,962,915</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 13,525,703</u>	<u>\$ 355,973</u>	<u>\$ 206,815</u>	<u>\$ -</u>

Note 3 - Restricted Assets

Restricted assets are required to be segregated as to use and are therefore identified as restricted assets. The restricted assets are as follows:

Deposits and investments	
General Fund, Franchise Fees	\$ 1,094,514
Library Fund, Irrevocable Split Interest Trust	579,655
Water Fund, DEQ Loan Reserves	<u>390,979</u>
	<u>\$ 2,065,148</u>

Note 4 - Intergovernmental and Grant Receivables

The following summarizes the intergovernmental receivables at September 30, 2020:

<u>Source</u>	
State of Idaho	
Revenue sharing	\$ 232,404
Highway users	45,750
Payette Lakes Recreational Water Sewer District	18,194
United States Forest Service	16,798
Valley County Waterways	17,204
	<u>\$ 330,350</u>

Grants owed to the City at September 30, 2020, by source are:

Federal Aviation Administration	\$ 2,321,818
State of Idaho CARES Act	367,273
Idaho Transportation Investment Program	53,829
Idaho Community Development Block Grant	72,265
	<u>\$ 2,815,185</u>

Governmental funds report unavailable revenue in connection with property taxes receivables that are not considered to be available to liquidate liabilities of the current period as deferred inflows of resources.

Governmental funds also defer revenue recognition in connection with resources that were raised for the subsequent fiscal year.

At the end of the current fiscal year, the various components reported in the governmental funds as deferred inflows of resources were as follows:

	<u>Delinquent Taxes</u>	<u>Subsequent Tax Levy</u>	<u>Total</u>
Property taxes (general fund)	\$ 51,732	\$ 3,633,788	\$ 3,685,520
Property taxes (street fund)	47,345	1,681,856	1,729,201
Property taxes / hangar lease (airport fund)	16,607	72,042	88,649
Property taxes (recreation fund)	5,509	282,557	288,066
Property taxes (library fund)	14,035	496,349	510,384
	<u>\$ 135,228</u>	<u>\$ 6,166,592</u>	<u>\$ 6,301,820</u>
Total unavailable revenue			

Note 5 - Capital Assets

Changes in capital assets of governmental activities are as follows:

	<u>Oct. 1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Sept. 30, 2020</u>
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 9,568,894	\$ -		\$ -	\$ 9,568,894
Construction in progress	3,468,962	11,162,234	(66,926)	-	14,564,270
Total capital assets, not depreciated	<u>13,037,856</u>	<u>11,162,234</u>	<u>(66,926)</u>	<u>-</u>	<u>24,133,164</u>
Capital assets, depreciated					
Buildings	3,755,681	-	-	-	3,755,681
Infrastructure	18,425,600	99,824	-	-	18,525,424
Improvements other than buildings	19,502,052	366,773	66,926	-	19,935,751
Equipment	5,110,849	147,608	-	80,564	5,177,893
Total capital assets, depreciated	<u>46,794,182</u>	<u>614,205</u>	<u>66,926</u>	<u>80,564</u>	<u>47,394,749</u>
Less accumulated depreciation for					
Buildings	2,085,445	78,811	-	-	2,164,256
Infrastructure	6,383,564	579,164	-	-	6,962,728
Improvements other than buildings	9,172,738	724,125	-	-	9,896,863
Equipment	3,589,220	255,702	-	80,564	3,764,358
Total accumulated depreciation	<u>21,230,967</u>	<u>1,637,802</u>	<u>-</u>	<u>80,564</u>	<u>22,788,205</u>
Total net capital assets, depreciated	<u>25,563,215</u>	<u>(1,023,597)</u>	<u>66,926</u>	<u>-</u>	<u>24,606,544</u>
Governmental activities capital assets, net	<u>\$ 38,601,071</u>	<u>\$ 10,138,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,739,708</u>

Changes in capital assets of business-type activities are as follows:

	Oct. 1, 2019	Additions	Transfers	Deletions	Sept. 30, 2020
Business-type activities					
Capital assets, not depreciated					
Land	\$ 1,142,320	\$ -	\$ -	\$ -	\$ 1,142,320
Construction in progress	1,305,602	748,301	-	-	2,053,903
Total capital assets, not depreciated	2,447,922	748,301	-	-	3,196,223
Capital assets, depreciated					
Buildings	12,953,052	-	-	-	12,953,052
Improvements other than buildings	21,344,394	-	-	-	21,344,394
Equipment	1,378,727	-	-	22,922	1,355,805
Total capital assets, depreciated	35,676,173	-	-	22,922	35,653,251
Less accumulated depreciation for					
Buildings	6,639,194	318,309	-	-	6,957,503
Improvements other than buildings	9,858,931	549,555	-	-	10,408,486
Equipment	553,739	109,968	-	22,922	640,785
Total accumulated depreciation	17,051,864	977,832	-	22,922	18,006,774
Total net capital assets, depreciated	18,624,309	(977,832)	-	-	17,646,477
Business-type activities capital assets, net	<u>\$ 21,072,231</u>	<u>\$ (229,531)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,842,700</u>

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

Governmental activities	
General government	\$ 233,497
Recreation	195,491
Public works / Streets	852,420
Library	2,700
Airport	353,694
Total depreciation expense - governmental activities	<u>\$ 1,637,802</u>
Business-type activities	
Water	\$ 174,416
Golf	803,416
Total depreciation expense - business-type activities	<u>\$ 977,832</u>

Note 6 - Interfund Receivables, Payables, and Transfers

Incoming receipts and outgoing disbursements are sometimes deposited to/disbursed from one fund on behalf of another fund. At that time, a corresponding receivable/payable and operating transfer is recorded between the funds. The composition of interfund balances as of September 30, 2020 is as follows:

Amounts due to the General Fund from:	
Golf, long-term receivable balance	\$ 85,000
Amounts due to the Street / Public Works Fund from:	
General	\$ 119,000
Amounts due to the Golf Fund from:	
General	\$ 42,500
Amounts due to the Water Fund from:	
Street / Public Works	\$ 13,235
General	2,050
	\$ 15,285
Amounts due to the Library Fund from:	
General	\$ 151,513
Amounts due to the Recreation Fund from:	
General	\$ 25,000
Urban Renewal Agency	232,840
	\$ 257,840
Amounts due to the Capital Projects Fund from:	
Urban Renewal Agency	\$ 6,440

Interfund transfers were made for the purpose of funding operations and the settlement of internal balances.

Interfund transfers for the year ended September 30, 2020, were:

Interfund transfers	Golf Fund	Urban Renewal Agency	Recreation	Streets	Library	Total
Transfers out						
General	\$ 240,094	\$ -	\$ 1,051,497	\$ 119,000	\$ 298,889	\$ 1,709,480
Water	-	-	-	131,807	-	131,807
Urban Renewal Agency	-	-	189,616	-	-	189,616
Nonmajor Governmental Funds	-	53,498	-	-	-	53,498
	<u>\$ 240,094</u>	<u>\$ 53,498</u>	<u>\$ 1,241,113</u>	<u>\$ 250,807</u>	<u>\$ 298,889</u>	<u>\$ 2,084,401</u>

Note 7 - Long-Term Debt

The following is a summary of changes in long-term liabilities of the City for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<i>Governmental Activities</i>					
Compensated absences	\$ 148,615	\$ 71,084	\$ 13,550	\$ 206,149	\$ -
Governmental activities long-term liabilities	<u>\$ 148,615</u>	<u>\$ 71,084</u>	<u>\$ 13,550</u>	<u>\$ 206,149</u>	<u>\$ -</u>
<i>Business-type Activities</i>					
Compensated absences	\$ 45,675	\$ 5,837	\$ 1,810	\$ 49,702	\$ -
Notes payable					
Department of Environmental Quality	1,704,456	-	327,161	1,377,295	334,321
Capital leases					
Golf carts	84,616	-	19,033	65,583	20,382
Business-type activities long-term liabilities	<u>\$ 1,834,747</u>	<u>\$ 5,837</u>	<u>\$ 348,004</u>	<u>\$ 1,492,580</u>	<u>\$ 354,703</u>

Compensated absences will be liquidated by all funds as the associated payroll is expended.

Business-type activities long-term debt at September 30, 2020 is comprised of the following:

Note payable to State of Idaho, for \$5,908,755. Due in semi-annual installments of \$179,955 through 2024; interest accrues at 2.0%, unsecured.	<u>\$ 1,377,295</u>
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The annual requirements to amortize all debt outstanding as of September 30, 2020, are as follows:

	Business-type Activities	
	Principal	Interest
2021	\$ 334,321	\$ 25,877
2022	340,746	19,163
2023	347,595	12,314
2024	354,633	5,328
	<u>\$ 1,377,295</u>	<u>\$ 62,682</u>

In Idaho, a municipality is allowed a general obligation bond debt limit of 2% of the market valuation of the real and personal property in its taxing area. The City's legal debt limits for 2020, based on data available from Valley County as of September 30, 2020, would be approximately \$32,300,000. The City has no aggregate general obligation bond indebtedness on September 30, 2020.

Note 8 - Leases

The City leases office space, copiers, and various equipment under long-term leases / purchase agreements through fiscal year 2025. The terms of the agreements call for transfer of ownership and a balloon payment at the end of the lease terms, however, the equipment dealer has entered into a buyback guarantee for the amount of the balloon payment, which the City intends to exercise. The leases with balloon payments expire in fiscal years 2022, 2023, and 2024 wherein the balloon payments of \$858,000, \$185,000, and \$265,000, respectively, are due. Based on the terms of the agreement and the intent of the City, the leases have been reported as operating leases.

Leased property under capital leases includes \$109,646 of equipment with accumulated depreciation of \$40,203 as of September 30, 2020.

Future minimum lease payments, not including the balloon payments, are as follows:

	Capital Leases	Operating Leases
2021	\$ 25,030	\$ 309,591
2022	25,030	303,592
2023	25,030	343,516
2024	-	325,922
2025	-	6,396
Total minimum lease payments	75,090	<u>\$ 1,289,017</u>
Less portion representing interest	<u>9,507</u>	
Present value of minimum lease payments - Note 7	<u>\$ 65,583</u>	

Total lease expense for the year ended September 30, 2020 totaled \$304,494.

Note 9 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits to 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) of the average monthly salary for the highest consecutive 42 months.

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police. As of June 30, 2020, it was 7.16% for general employees and 8.81% for police. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police. The City's contributions were \$493,865 for the year ended September 30, 2020.

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

At September 30, 2020, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2020, the City's proportion was 0.001083627 percent, which was a decrease of 0.000019367 percent from June 30, 2019.

For the year ended September 30, 2020, the City recognized pension expense of \$911,301.

At September 30, 2020, the City 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	\$ 196,602	\$ 82,164
Changes in assumptions or other inputs	42,556	-
Net difference between projected and actual earnings on pension plan investments	288,419	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	82,317
City contributions subsequent to the measurement date	131,907	-
Total	<u>\$ 659,484</u>	<u>\$ 164,481</u>

The \$131,907 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, 2021.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020, is 4.7.

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>Years ended June 30:</u>	
2021	\$ (35,742)
2022	82,353
2023	133,377
2024	183,108

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 following are the actuarial assumptions and the entry age normal cost method, applied to all periods included in the measurement:

Actuarial Assumptions		
Inflation	3.00%	
Salary increases including inflation	3.75%	
Investment rate of return	7.05%	* Net of plan investment expense
Cost-of-living adjustments	1.00%	

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

- No offset for male police
- Forward one year for female police
- Set back one year for all general employees and all beneficiaries

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

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

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

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	0.55%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.14%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.05%

Discount Rate

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

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

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

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability	\$ 5,160,294	\$ 2,516,325	\$ 330,194

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

At September 30, 2020, the City had no reported payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 10 - Pledged Revenue

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 total principal and interest remaining to be paid on the bonds is \$1,377,295. Principal and interest paid for the current year and total customer net revenues were \$356,671 and \$2,898,946, respectively.

Note 11 - Contingent Liabilities

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of the City. City management believes disallowances, if any, will be immaterial.

The City has entered into various commitments to developers for certain expansion to infrastructure projects. These are contingent on the developments being constructed and no amount has been assigned or accrued.

During 2020, 2021, and 2022 the world-wide coronavirus pandemic continues to impact national and global economies. The City is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the future impact to the City is not known.

Note 12 - Subsequent Events

Subsequent to year end, City of McCall issued Series 2021 General Obligation Bonds for the construction of a new library facility in the par amount of \$3,715,000 issued at a premium of \$564,435. The bonds are due in annual principal payments of \$120,000 to \$250,000 beginning September 1, 2021, plus interest at 4% per annum until 2031 and bi-annual principal payments of \$385,000 to \$490,000 beginning September 1, 2033, plus interest at 3% per annum until 2041.

On August 18, 2020, the Urban Renewal Agency (URA or the Agency) of the City of McCall, Idaho passed a resolution to terminate the Agency following the sunset of the revenue authority which expired December 2020. The resolution allows for collection of any revenues and payment of all final project costs and administrative fees in fiscal year 2021.

Note 13 - Component Unit

The Urban Renewal Agency (URA or the Agency) is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate legal entity.

The following is a summary of the disclosures required for a fair presentation of the component unit in the City's financial statements.

Deposits and Investments

Deposits and investments for URA include amounts in money market accounts and The Local Government Investment Pool (LGIP), which managed by the State of Idaho Treasurer's office. At year-end, the carrying amount of deposits and LGIP reported in deposits and investments was \$1,396,008. The funds of the LGIP are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The Agency's policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits URA investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at amortized cost. Investments in the Joint Powers Investment Pool and repurchase agreements are valued at fair value.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency 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 URA does not have a policy for custodial credit risk outside of the deposit and investment agreements.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation 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 investments of the URA are not rated. The URA does not have a restrictive policy regarding rated investments.

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 URA does not have a policy concerning maturities of investments.

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 entity's 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 URA does not have policy limiting the amount it may invest in any one issuer.

At September 30, 2020, the URA's cash equivalents consisted of the following:

Cash equivalents and investments	
US Bank Money Market Account	\$ 817,748
Local General Investment Pool	578,260
	<u>\$ 1,396,008</u>

The money market funds are managed by First American Funds. The funds are invested in repurchase agreements and U.S. Treasury Strips, Notes, and Bonds. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

Changes in General Fixed Assets

Changes in URA general fixed assets are as follows:

	Balance Oct. 1, 2019	Additions	Deletions	Balance Sept. 30, 2020
Capital assets, not depreciated				
Land	\$ 293,115	\$ -	\$ -	\$ 293,115
Total capital assets, not depreciated	<u>293,115</u>	<u>-</u>	<u>-</u>	<u>293,115</u>
Capital assets, depreciated				
Buildings, improvements and equipment	<u>3,498,650</u>	<u>-</u>	<u>-</u>	<u>3,498,650</u>
Total capital assets, depreciated	<u>3,498,650</u>	<u>-</u>	<u>-</u>	<u>3,498,650</u>
Less accumulated depreciation				
Improvements	<u>2,367,500</u>	<u>331,860</u>	<u>-</u>	<u>2,699,360</u>
Total accumulated depreciation	<u>2,367,500</u>	<u>331,860</u>	<u>-</u>	<u>2,699,360</u>
Buildings, improvements and equipment, net	<u>1,131,150</u>	<u>(331,860)</u>	<u>-</u>	<u>799,290</u>
	<u>\$ 1,424,265</u>	<u>\$ (331,860)</u>	<u>\$ -</u>	<u>\$ 1,092,405</u>

Unavailable Revenue

The URA reports unavailable revenue in connection with property taxes receivables that are not considered to be available to liquidate liabilities of the current period as deferred inflows of resources. The URA also defers revenue recognition in connection with resources that were raised for the subsequent fiscal year. At the end of the current fiscal year, deferred inflows of resources were reported for property taxes.

Long-term Debt

The following is a summary of changes in long-term debt of the URA for the year ended September 30, 2020:

	<u>Long-Term Debt at Oct. 1, 2019</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Long-Term Debt at Sept. 30, 2020</u>
Revenue bonds				
2006 agency bonds	\$ 435,000	\$ -	\$ 435,000	\$ -
Premium on agency bonds	<u>354</u>	<u>-</u>	<u>354</u>	<u>-</u>
	<u>\$ 435,354</u>	<u>\$ -</u>	<u>\$ 435,354</u>	<u>\$ -</u>

Required Supplementary Information
September 30, 2020

City of McCall, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended September 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 3,831,097	\$ 3,831,097	\$ 3,814,410	\$ (16,687)
Local option tax	712,249	712,249	630,698	(81,551)
Interest	50,000	50,000	78,201	28,201
Licenses and permits	283,600	283,600	600,768	317,168
Intergovernmental	900,643	900,643	1,377,087	476,444
Fines and forfeitures	33,600	33,600	29,218	(4,382)
Charges for services	1,361,729	1,361,729	1,530,170	168,441
Miscellaneous	3,300	3,300	32,687	29,387
Total revenues	7,176,218	7,176,218	8,093,239	917,021
Expenditures				
Mayor and council	226,127	226,127	197,563	28,564
Network administration	459,430	459,430	361,499	97,931
City manager	450,147	450,147	430,752	19,395
Administrative	331,354	331,354	316,547	14,807
Finance department	393,240	393,240	375,686	17,554
Public safety	1,792,038	1,792,038	1,426,724	365,314
Parks and recreation	-	90,616	8,795	81,821
City clerk	289,433	289,433	265,751	23,682
Community services	929,864	929,864	668,062	261,802
Local option tax	1,065,359	1,065,359	300,328	765,031
Capital outlay	2,075,591	2,592,091	2,166,066	426,025
Total expenditures	8,012,583	8,619,699	6,517,773	2,101,926
Excess (Deficiency) of Revenues over (under) Expenditures	(836,365)	(1,443,481)	1,575,466	3,018,947
Other Financing Sources (Uses)				
Contributions	-	-	50	50
Transfer out	(2,315,131)	(1,708,015)	(1,709,480)	(1,465)
Total other financing sources (Uses)	(2,315,131)	(1,708,015)	(1,709,430)	(1,415)
Excess (Deficiency) of Revenues and other sources over (under) Expenditures	(3,151,496)	(3,151,496)	(133,964)	\$ 3,017,532
Fund Balance, Beginning of Year	7,120,551	7,120,551	7,120,551	
Fund Balance, End of Year	\$ 3,969,055	\$ 3,969,055	\$ 6,986,587	

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street/Public Works

Fund

Year Ended September 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 1,720,090	\$ 1,720,090	\$ 1,724,739	\$ 4,649
Local option tax	119,000	119,000	-	(119,000)
Interest	10,000	10,000	14,789	4,789
Intergovernmental	463,756	463,756	163,706	(300,050)
Charges for services	-	44,222	39,607	(4,615)
Miscellaneous	35,500	7,500	55,274	47,774
Total revenues	2,348,346	2,364,568	1,998,115	(366,453)
Expenditures				
Streets	1,842,531	2,081,760	2,040,748	41,012
Capital outlay	1,440,987	1,440,987	309,530	1,131,457
Total expenditures	3,283,518	3,522,747	2,350,278	1,172,469
Excess (Deficiency) of Revenues over (under) expenditures	(935,172)	(1,158,179)	(352,163)	806,016
Other Financing Sources (Uses)				
Transfer in	643,029	626,807	250,807	(376,000)
Transfer out	(249,904)	-	-	-
Total other financing sources (uses)	393,125	626,807	250,807	(376,000)
Excess (Deficiency) of Revenues and Other uses over (under) expenditure	(542,047)	(531,372)	(101,356)	\$ 430,016
Fund Balance, Beginning of Year	1,496,040	1,496,040	1,496,040	
Fund Balance, End of Year	\$ 953,993	\$ 964,668	\$ 1,394,684	

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Airport Fund
Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 87,628	\$ 87,628	\$ 88,232	\$ 604
Interest	1,230	1,230	11,269	10,039
Intergovernmental	11,301,250	11,301,250	5,043,748	(6,257,502)
Charges for services	273,833	273,833	281,966	8,133
Miscellaneous	3,000	3,000	4,122	1,122
Total revenues	11,666,941	11,666,941	5,429,337	(6,237,604)
Expenditures				
Airport	279,809	350,691	304,911	45,780
Capital outlay	11,338,036	11,335,000	5,043,206	6,291,794
Total expenditures	11,617,845	11,685,691	5,348,117	6,337,574
Excess (Deficiency) of Revenues over (under) expenditures	49,096	(18,750)	81,220	99,970
Other Financing Sources (Uses)				
Transfer out	(67,846)	-	-	-
Total other financing sources (uses)	(67,846)	-	-	-
Excess (Deficiency) of Revenues over (under) expenditures	(18,750)	(18,750)	81,220	\$ 99,970
Fund Balance, Beginning of Year	847,571	847,571	847,571	
Fund Balance, End of Year	\$ 828,821	\$ 828,821	\$ 928,791	

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Recreation Fund
Year Ended September 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 266,907	\$ 266,907	\$ 267,126	\$ 219
Local option tax	76,567	76,567	52,964	(23,603)
Interest	4,992	4,992	3,488	(1,504)
Licenses and permits	7,300	7,300	7,278	(22)
Intergovernmental	176,304	176,304	46,318	(129,986)
Charges for services	39,100	39,100	15,826	(23,274)
Miscellaneous	13,750	13,750	52,985	39,235
Total revenues	584,920	584,920	445,985	(138,935)
Expenditures				
Recreation	1,263,067	1,263,067	1,191,027	72,040
Capital outlay	863,824	863,824	347,922	515,902
Total expenditures	2,126,891	2,126,891	1,538,949	587,942
Excess (Deficiency) of Revenues over (under) expenditures	(1,541,971)	(1,541,971)	(1,092,964)	449,007
Other Financing Sources (Uses)				
Contributions	5,500	5,500	2,447	(3,053)
Transfer in	1,354,979	1,354,979	1,241,113	(113,866)
Total other financing sources	1,360,479	1,360,479	1,243,560	(116,919)
Excess (Deficiency) of Revenues over (under) expenditures	(181,492)	(181,492)	150,596	\$ 332,088
Fund Balance, Beginning of Year	487,169	487,169	487,169	
Fund Balance, End of Year	\$ 305,677	\$ 305,677	\$ 637,765	

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Library
Year Ended September 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 463,004	\$ 463,004	\$ 464,097	\$ 1,093
Local option tax	250,110	250,110	-	(250,110)
Interest	3,124	3,124	10,628	7,504
Licenses and permits	-	-	-	-
Intergovernmental	250,000	258,406	10,803	(247,603)
Fines and forfeitures	2,000	2,000	1,353	(647)
Charges for services	9,225	9,225	8,933	(292)
Miscellaneous	700	700	1,230	530
Total revenues	978,163	986,569	497,044	(489,525)
Expenditures				
Community services	387,628	742,859	447,669	295,190
Capital outlay	800,110	550,110	142,604	407,506
Total expenditures	1,187,738	1,292,969	590,273	702,696
Excess (Deficiency) of Revenues over (under) expenditures	(209,575)	(306,400)	(93,229)	213,171
Other Financing Sources (Uses)				
Contributions and donations	4,000	4,000	12,365	8,365
Operating transfer in	300,000	300,000	298,889	(1,111)
Transfer out	(105,231)	-	-	-
Total other financing sources (uses)	198,769	304,000	311,254	7,254
Excess (Deficiency) of Revenues over (under) expenditures	(10,806)	(2,400)	218,025	\$ 220,425
Fund Balance, Beginning of Year	616,909	616,909	616,909	
Fund Balance, End of Year	\$ 606,103	\$ 614,509	\$ 834,934	

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Local Option Tax
Year Ended September 30, 2020

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Local option tax	\$ 2,113,000	\$ 2,113,000	\$ 2,176,578	\$ 63,578
Interest	25,165	25,165	37,960	12,795
Licenses and permits	-	-	759,889	759,889
Intergovernmental	600,000	600,000	-	(600,000)
Fines and forfeitures	317,600	317,600	258,331	(59,269)
Total revenues	3,055,765	3,055,765	3,232,758	176,993
Expenditures				
Local option tax	76,943	676,943	1,111,564	(434,621)
Capital outlay	4,236,629	3,636,629	2,992,746	643,883
Total expenditures	4,313,572	4,313,572	4,104,310	209,262
Excess (Deficiency) of Revenues over (under) expenditures	(1,257,807)	(1,257,807)	(871,552)	386,255
Other Financing Sources (Uses)				
Transfer in	1,152,250	1,152,250	-	(1,152,250)
Total other financing sources	1,152,250	1,152,250	-	(1,152,250)
Excess (Deficiency) of Revenues over (under) expenditures	(105,557)	(105,557)	(871,552)	\$ (765,995)
Fund Balance, Beginning of Year	1,646,393	1,646,393	1,646,393	
Fund Balance, End of Year	\$ 1,540,836	\$ 1,540,836	\$ 774,841	

Note 1 - Budgets and Budgetary Accounting

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

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.

Public hearings are conducted at City Hall to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.

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.

City of McCall, Idaho
Schedule of Employer's Share of Net Pension Liability - PERSI
September 30, 2020

Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years

	2020	2019	2018	2017	2016	2015
Employer's portion of the net pension liability	0.11%	0.11%	0.11%	0.12%	0.13%	0.12%
Employer's proportionate share of the net pension liability	\$ 2,516,325	\$ 1,259,037	\$ 1,652,595	\$ 1,834,028	\$ 2,479,805	\$ 1,633,159
Employer's covered payroll	\$ 3,884,161	\$ 3,791,742	\$ 3,820,157	\$ 3,782,093	\$ 3,736,238	\$ 3,516,395
Employer's proportional share of the net pension liability as a percentage of its covered payroll	64.78%	33.20%	43.26%	48.49%	66.37%	46.44%
Plan fiduciary net position as a percentage of the total pension liability	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

(1) The City will continue to annually report information until this schedule includes 10 fiscal years.

(2) Amounts as of the measurement date of June 30.

City of McCall, Idaho
Schedule of Employer Contributions
September 30, 2020

**Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years**

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 493,865	\$ 449,137	\$ 430,678	\$ 425,774	\$ 409,600	\$ 393,234
Contributions in relation to the statutorily required contribution	<u>(493,865)</u>	<u>(449,137)</u>	<u>(430,678)</u>	<u>(425,774)</u>	<u>(409,600)</u>	<u>(393,234)</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 4,115,620	\$ 3,934,882	\$ 3,839,839	\$ 3,773,897	\$ 3,624,112	\$ 3,516,395
Contributions as a percentage of covered payroll	12.00%	11.41%	11.22%	11.28%	11.30%	11.18%

(1) The City will continue to annually report information until this schedule includes 10 fiscal years.

Other Information
September 30, 2020

City of McCall, Idaho

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of 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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McCall, Idaho as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of McCall, Idaho's basic financial statements and have issued our report thereon dated March 11, 2022.

Internal Control over Financial Reporting

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses (Finding 2020-001 and Finding 2020-002).

Compliance and Other Matters

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

City of McCall, Idaho's Response to Findings

City of McCall, Idaho's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of McCall, Idaho's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

DRAFT

Boise, Idaho
March 11, 2022

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Members of the City Council
City of McCall, Idaho
McCall, Idaho

Report on Compliance for the Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

DRAFT

Boise, Idaho
March 11, 2022

City of McCall, Idaho
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal FAL/CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>United States Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607		\$ 498
Total United States Department of Justice			498
<u>United States Department of Transportation</u>			
<i>Passed Through from the State of Idaho</i>			
Highway Safety Cluster			
* National Priority Safety Programs December 11, 2019 - January 1, 2020	20.616	M5HVE-2020-EA-00	1,499
* National Priority Safety Programs July 1 - 7, 2020	20.616	M5HVE-2020-EB-00	954
Total Highway Safety Cluster			2,453
Airport Improvement Program - Parallel Taxiway Separation Study	20.106		6,266
Airport Improvement Program - Relocate Taxiway A	20.106		4,867,528
Airport Improvement Program - Master Plan Update	20.106		168,716
Total Airport Improvement Program			5,042,510
<i>Pass Through Payments from State of Idaho</i>			
Highway Planning and Construction Cluster			
* Idaho Transportation Investment Program	20.205	A020 (146))	190,323
Total Highway Planning and Construction Cluster			190,323
Total United States Department of Transportation			5,235,286
<u>United States National Endowment for the Humanities</u>			
<i>Pass Through Payments from State of Idaho</i>			
* COVID-19 CARES Act Mini Grant	45.310	LS-246530-OLS-20	844
* COVID-19 CARES Act Idaho Humanities Council	45.129	SO-263500-49	1,457
Total United States National Endowment for the Humanities			2,301
<u>United States Department of the Treasury</u>			
<i>Pass Through Payments from State of Idaho</i>			
* COVID-19 Coronavirus Relief Fund - CFAC	21.019	20-1892-0-1-806	119,500
* COVID-19 Coronavirus Relief Fund - Broadband	21.019	20-1892-0-1-806	41,700
* COVID-19 Coronavirus Relief Fund - GPSGI	21.019	20-1892-0-1-806	206,072
			367,272
<u>United States Department of Housing and Urban Development</u>			
<i>Pass Through Payments from State of Idaho</i>			
* Idaho Community Development Block Grant	14.228	ICDBG-19-III-14-ED	468,965
Total Federal Financial Assistance			\$ 6,074,322

* Indicates amounts are passed through to the City from another Government Agency

Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of City of McCall, Idaho (the "City"). The reporting entity is defined in Note 1 to the City's basic financial statements. The information 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 the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City. The City received federal awards both directly from federal agencies and indirectly through pass-through entities.

Note 2 - Summary of Significant Accounting Policies

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting as described in Note 1 to the City's basic financial statements. No federal financial assistance has been provided to a subrecipient.

Nonmonetary assistance is reported in the SEFA at the fair market value of the commodities received and disbursed.

Note 3 - Indirect Cost Rate

The City has not elected to use the 10% de minimus cost rate.

SECTION I - Summary of Auditor's ResultsFinancial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major program:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	No

Identification of major program:

<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 low-risk auditee?	Yes

SECTION II - Financial Statement Findings

2020-001 Financial Statement Preparation Material Weakness

Criteria:

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting and the ability to convert the trial balance from modified accrual to full accrual under the requirements of the Governmental Accounting Standards Board (GASB). It also includes the ability to prepare the footnote disclosures required by GASB. Additionally, this includes posting of all material adjustments necessary to close the year and accurately reflect the activity of the City throughout the year.

Condition:

An internal control system design must include elements to accurately prepare financial statements without adjustments by the auditor. As auditors, we were requested to assist management in the preparation of the financial statements from the trial balances. This preparation included certain closing entries, government-wide reporting conversion entries and footnotes.

Cause:

The size of the City and the limited number of accounting personnel makes it difficult to implement this level of internal control.

Effect:

Management relied on the auditing firm to report financial data in accordance with generally accepted accounting principles. The auditor proposed certain accrual closing entries, government-wide reporting conversion entries and prepared the footnotes and reported financial data in accordance with generally accepted accounting principles.

Recommendation:

Management should develop written procedures for year-end closure to ensure that all year-end adjustments are recorded and that the financial information is recorded accurately and in a timely manner. Management and those charged with governance should assess the benefit of implementing an internal control system that includes the preparation of the financial statements and related footnotes in relation to the cost or other considerations.

Views of Responsible Officials:

Management will work to develop procedures for year-end closing entries. Management will consider the cost and benefits of preparing the report in future years.

2020-002 Material Audit Adjustments
Material Weakness

Criteria:

During the course of our engagement, we proposed material audit adjustments that would not have been identified through the City of McCall's internal control process, and therefore could have resulted in a material misstatements of the City's financial statements. The internal control structure should include procedures to ensure that account balances are properly stated and reconciled at year-end.

Condition:

An internal control system design must include elements to properly reconcile account balances at year-end, post closing entries, and to record items in accordance with generally accepted accounting principles.

Cause:

The City does not have a proper internal control structure in place to identify material adjustments.

Effect:

Material audit adjustments were proposed through the course of the audit. If these adjustments were not recorded, the financial statements could have been materially misstated.

Recommendation:

Management should develop a review process to ensure that the financial information is recorded appropriately in accordance with generally accepted accounting principles and is properly reconciled and recorded at year-end.

Views of Responsible Officials:

Management will work to develop the proper procedures to ensure that account balances are appropriately reconciled at year-end and recorded in accordance with generally accepted accounting principles.

SECTION III - Federal Award Findings and Questioned Costs

None reported

Cash Received

	Actual	Actual	Actual	Actual	Actual	Estimated	YTD
1- Cash from Operations	OCT '21	NOV '21	DEC '21	JAN '22	FEB '22		Estimated TOTAL
Increment Receivable as of 09/30/2021	2,549	-	164	19,654	49		22,415
Interest Income	0	79	69	36	13		197
Cash from Operations	2,549	79	232	19,690	62		
2- Additional Cash Received	OCT '21	NOV '21	DEC '21	JAN '22	FEB '22		
Miscellaneous Revenue (MRA Celebration)	300						300
Additional Cash Received	300						
Cash Received	2,849	79	232	19,690	62		

	Actual	Actual	Actual		Estimated	
1- Expenditures from Operations	OCT '21	NOV '21	DEC '21	JAN '22	FEB '22	TOTAL
Professional Services						
Elam & Burke, P.A.		945		2,647		3,592
Redevelopment Assoc.of Idaho						
Star News						
Due to / Due from						
US Bank Acct Charges	183	181	165	183	198	910
Brown Park / E. Lake Str. Imp. Trf to City						
1.Public Art - Amy Westover		5,000				5,000
2.Brown Park / E. Lake Str. Wf						
Falvey's LLC.- Waterfront Improv.	378,234		1,061	38,114		123,843
Horrock's Task Orders:						
TO #21-04A E.Lake Str. Wf/Brwn Park CEI		3,013	1,113	256		480
TO #21-05 Brown Park Improvements		315				484
TO #21-06 E. Lake & Hemlock ROW Strscape		8,682				
SubTotal Spent on Operations	378,417	18,137	2,340	41,200	198	124,807

Cash Flow

	OCT '21	NOV '21	DEC '21	JAN '22	FEB '22		TOTAL
Initial Cash Balance	610,678	235,110	217,052	214,945	193,435	193,298	
Cash Received	2,849	79	232	19,690	62		22,912

Cash Spent	-378,417	-18,137	-2,340	-41,200	-198	-124,807	-565,099
Net Cash Flow (Rev over Exp.)	-375,568	-18,058	-2,107	-21,510	-136	-124,807	-542,187
Cash Balance	235,110	217,052	214,945	193,435	193,298	68,491	

DT W UR Project															Cash Flow (Forecast)	
Cash Received																
Per County Clerk will not receive increment revenue until December 2020														YTD		
1- Cash from Operations	Actual OCT '21	Actual NOV '21	Actual DEC '21	Actual JAN '22	Actual FEB '22	Estimated MAR '22	Estimated APR '22	Estimated MAY '22	Estimated JUN '22	Estimated JUL '22	Estimated AUG '22	Estimated SEP '22	Estimated TOTAL	UNEARNED TOTAL		
Tax Increment	946	13	6,054	87,183	2,242	1,805	4,224	1,326	2,935	28,574	2,505	291	138,097	(37,597.09)		
Interest													-	1,000		
Cash from Operations	946	13	6,054	87,183	2,242	1,805	4,224	1,326	2,935	28,574	2,505	291	(36,597)			
2- Additional Cash Received	OCT '21	NOV '21	DEC '21	JAN '22	FEB '22	MAR '22	APR '22	MAY '22	JUN '22	JUL '22	AUG '22	SEP '22	TOTAL			
Miscellaneous Revenue		-												-		
MRA Share CARES ACT GPSGI		-												-		
Additional Cash Received														-		
Cash Received	946	13	6,054	87,183	2,242	1,805	4,224	1,326	2,935	28,574	2,505	291	(36,596)			
	Actual OCT '21	Actual NOV '21	Actual DEC '21	Actual JAN '22	Actual FEB '22	Estimated MAR '22	Estimated APR '22	Estimated MAY '22	Estimated JUN '22	Estimated JUL '22	Estimated AUG '22	Estimated SEP '22	YTD Actual TOTAL	UNEXPENDED TOTAL		
1- Expenditures from Operations	OCT '21	NOV '21	DEC '21	JAN '22	FEB '22	MAR '22	APR '22	MAY '22	JUN '22	JUL '22	AUG '22	SEP '22	TOTAL	TOTAL		
Professional Services													1,500.00	18,500		
Elam & Burke, P.A.																
SafeChecks	250.00															
Redevelopment Association of ID	1,250.00															
FY21 Audit Harris CPA's						4,000.00							4,000.00			
Insurance	1,673.00												1,673.00	-		
Reserved - Future Capital													-	79,827		
SubTotal Spent on Operations	3,173					4,000								98,327		
Cash Flow																
	OCT '21	NOV '21	DEC '21	JAN '22	FEB '22	MAR '22	APR '22	MAY '22	JUN '22	JUL '22	AUG '22	SEP '22	TOTAL			
Initial Cash Balance	85,095	82,869	82,881	88,935	176,118	178,360	176,165	180,389	181,715	184,649	213,223	215,728				
Cash Received	946	13	6,054	87,183	2,242	1,805	4,224	1,326	2,935	28,574	2,505	291	138,097			
Cash Spent	(3,173)	-	-	-	-	(4,000)	-	-	-	-	-	-	(7,173)			
Net Cash Flow (Rev over Exp.)	(2,227)	13	6,054	87,183	2,242	(2,195)	4,224	1,326	2,935	28,574	2,505	291	130,924			
Cash Balance	82,869	82,881	88,935	176,118	178,360	176,165	180,389	181,715	184,649	213,223	215,728	216,019				