CITY OF COTTONWOOD, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2024

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Independent Auditor's Report

Honorable Mayor
and City Council
Cottonwood, Idaho

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottonwood, Idaho (the City) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottonwood, Idaho, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

City of Cottonwood, Idaho's 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Cottonwood, Idaho's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of the net pension liability, and schedule of City contributions on pages 33 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cottonwood, Idaho's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2025, on our consideration of the City of Cottonwood, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cottonwood, Idaho's internal control over financial reporting and compliance.

Zwygart John and Associates CPAs, PLLC

Nampa, Idaho
March 4, 2025

City of Cottonwood, Idaho
Statement of Net Position
September 30, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 602,075	$ 1,337,302	$ 1,939,377
Receivables, Net:			
Accounts	31,409	175,163	206,572
Taxes	9,423	-	9,423
Intergovernmental	27,885	-	27,885
Interest	2,513	5,539	8,052
Prepaid Items	1,846	1,365	3,211
Total Current Assets	675,151	1,519,369	2,194,520
Noncurrent Assets:			
Restricted Cash	-	6,500	6,500
Restricted Investments	-	119,654	119,654
Capital Assets:			
Land & Easements	373,499	101,588	475,087
Construction in Progress	336,941	255,279	592,220
Buildings, Net	173,843	149,696	323,539
Improvements, Net	952,550	1,264,660	2,217,210
Equipment, Net	446,980	143,138	590,118
Total Noncurrent Assets	2,283,813	2,040,515	4,324,328
Total Assets	2,958,964	3,559,884	6,518,848
Deferred Outflows			
Pension Related Items	41,827	32,865	74,692
Total Deferred Outflows	41,827	32,865	74,692
Liabilities			
Current Liabilities:			
Accounts Payable	33,764	161,583	195,347
Accrued Wages	3,639	6,341	9,980
Accrued Interest	-	11,636	11,636
Customer Deposits	-	6,500	6,500
Non-Current Liabilities:			
Due within One Year:			
Compensated Absences	14,057	9,649	23,706
Bonds and Notes Payable	-	60,978	60,978
Due in More than One Year:			
Bonds and Notes Payable	-	595,814	595,814
Net Pension Liability	173,028	135,952	308,980
Total Liabilities	224,488	988,453	1,212,941
Deferred Inflows			
Pension Related Items	3,140	2,466	5,606
Total Deferred Inflows	3,140	2,466	5,606
Net Position			
Invested in Capital Assets, Net of Related Debt	-	1,257,569	1,257,569
Restricted for:			
Highways and Streets	211,327	-	211,327
Debt Service		126,154	126,154
Unrestricted (Deficit) Surplus	2,561,836	1,218,107	3,779,943
Total Net Position	$ 2,773,163	$ 2,601,830	$ 5,374,993

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

City of Cottonwood, Idaho
Statement of Activities
For the Year Ended September 30, 2024

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government:							
Governmental Activities:							
General and Administrative	$ 111,331	$ 33,921	$ 409,589	$ -	$ 332,179	$ -	$ 332,179
Public Safety	174,330	-	-	-	(174,330)	-	(174,330)
Highways and Streets	306,436	-	-	-	(306,436)	-	(306,436)
Airport	10,090	1,600	-	-	(8,490)	-	(8,490)
Culture and Recreation	93,660	-	-	-	(93,660)	-	(93,660)
Total Governmental Activities	695,847	35,521	409,589	-	(250,737)	-	(250,737)
Business-type Activities:							
Water	536,118	427,284	-	-	-	(108,834)	(108,834)
Sewer	455,926	378,961	-	-	-	(76,965)	(76,965)
Sanitation	186,978	192,051	-	-	-	5,073	5,073
Total Business-type Activities	1,179,022	998,296	-	-	-	(180,726)	(180,726)
Total Primary Government	$ 1,874,869	$ 1,033,817	$ 409,589	$ -	(250,737)	(180,726)	(431,463)
General Revenues:							
Property Taxes					324,793	-	324,793
Intergovernmental					394,084	201,673	595,757
Other					31,473	21,398	52,871
Unrestricted Investment Earnings					29,389	71,885	101,274
Total General Revenues					779,739	294,956	1,074,695
Change in Net Position					529,002	114,230	643,232
Net Position, Beginning of Year					2,244,161	2,487,600	4,731,761
Net Position, End of Year					$ 2,773,163	$ 2,601,830	$ 5,374,993

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

City of Cottonwood, Idaho
Balance Sheet - Governmental Funds
September 30, 2024

	General	Street	Recreation	Nonmajor Fund Airport	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 432,246	$ 145,423	$ 1,174	$ 23,232	$ 602,075
Receivables, Net:					
Property Taxes	5,785	3,295	218	125	9,423
Intergovernmental	10,350	13,206	3,911	418	27,885
Interest	1,812	606	4	91	2,513
Accounts Receivable	-	3,092	28,317	-	31,409
Prepaid Items	708	1,002	68	68	1,846
Total Assets	$ 450,901	$ 166,624	$ 33,692	$ 23,934	$ 675,151
Liabilities					
Accounts Payable	$ 26,351	$ 6,188	$ 1,034	$ 191	$ 33,764
Accrued Wages	2,588	978	73	-	3,639
Total Liabilities	28,939	7,166	1,107	191	37,403
Deferred Inflows					
Unavailable Revenue - Property Taxes	5,281	3,008	199	114	8,602
Total Deferred Inflows	5,281	3,008	199	114	8,602
Fund Balances					
Nonspendable	708	1,002	68	68	1,846
Restricted for:					
Highway and Streets	-	155,448	32,318	23,561	211,327
Unassigned	415,973	-	-	-	415,973
Total Fund Balances	416,681	156,450	32,386	23,629	629,146
Total Liabilities, Deferred Inflows and Fund Balances	$ 450,901	$ 166,624	$ 33,692	$ 23,934	$ 675,151

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

City of Cottonwood, Idaho
Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
September 30, 2024

Total Fund Balances - Governmental Funds			$ 629,146
Amounts reported for governmental activities in the Statement of Net Position are different because of the following:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets consist of:			
Land and Construction in Progress	$	710,440	
Buildings, net of $951,727 accumulated depreciation		173,843	
Improvments, net of $1,020,063 accumulated depreciation		952,550	
Equipment, net of $223,013 accumulated depreciation		446,980	
			2,283,813
Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and, therefore, are deferred in the funds.			8,602
Long-term liabilities, applicable to the City's governmental activities, are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Position.			
Compensated Absences			(14,057)
The District participates in the Public Employer Retirement			
Net Pension Liability	$	(173,028)	
Pension Related Deferred Inflows		(3,140)	
Pension Related Deferred Outflows		41,827	
			(134,341)
Net Position of Governmental Activities			$ 2,773,163

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

City of Cottonwood, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended September 30, 2024

	General	Street	Recreation	Nonmajor Fund Airport	Total Governmental Funds
Revenues					
Taxes	$ 202,261	$ 115,215	$ 7,612	$ 4,382	$ 329,470
Licenses and Permits	4,825	-	-	-	4,825
Intergovernmental	65,728	144,208	182,566	1,582	394,084
Charges for Services	395	-	-	1,600	1,995
Fines	75	-	-	-	75
Miscellaneous	55,400	10,614	52,374	1,940	120,328
Total Revenues	328,684	270,037	242,552	9,504	850,777
Expenditures					
Current:					
General and Administrative	90,603	-	-	-	90,603
Public Safety	151,029	-	-	-	151,029
Highways and Streets	-	224,238	-	-	224,238
Culture and Recreation	29,641	-	59,610	-	89,251
Airport	-	-	-	9,175	9,175
Capital Outlay	-	-	266,330	-	266,330
Total Expenditures	271,273	224,238	325,940	9,175	830,626
Excess (Deficiency) of Revenues Over Expenditures	57,411	45,799	(83,388)	329	20,151
Other Financing Sources (Uses)					
Transfers In	-	-	34,500	-	34,500
Transfers Out	(34,500)	-	-	-	(34,500)
Total Other Financing Sources (Uses)	(34,500)	-	34,500	-	-
Net Change in Fund Balances	22,911	45,799	(48,888)	329	20,151
Fund Balances - Beginning	393,770	110,651	81,274	23,300	608,995
Fund Balances - Ending	$ 416,681	$ 156,450	$ 32,386	$ 23,629	$ 629,146

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

City of Cottonwood, Idaho
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of the
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2024

Total Net Change in Fund Balance - Governmental Funds		$ 20,151
Amounts reported for governmental activities in the Statement of Activities are different because of the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:		
Capital Outlay	$ 266,330	
Depreciation Expense	(116,152)	
Sale of Assets	378,749	
		528,927
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.		(4,677)
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the net change in compensated absences.		1,167
The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities.		(16,566)
Change in Net Position of Governmental Activities		$ 529,002

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

City of Cottonwood, Idaho
Statement of Net Position - Proprietary Funds
September 30, 2024

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 502,253	$ 825,012	$ 10,037	$ 1,337,302
Receivables:				
Accounts, Net	23,609	139,781	11,773	175,163
Interest, Net	2,125	3,381	33	5,539
Prepaid Expenses	660	705	-	1,365
Total Current Assets	528,647	968,879	21,843	1,519,369
Noncurrent Assets:				
Restricted Cash	6,500	-	-	6,500
Restricted Investments	119,654	-	-	119,654
Capital Assets:				
Land and Easements	13,867	87,721	-	101,588
Construction in Progress	138,415	116,864	-	255,279
Buildings, Net	67,811	81,885	-	149,696
Improvements, Net	1,082,454	182,206	-	1,264,660
Equipment, Net	98,697	44,441	-	143,138
Total Noncurrent Assets	1,527,398	513,117	-	2,040,515
Total Assets	2,056,045	1,481,996	21,843	3,559,884
Deferred Outflows				
Pension Related Items	16,433	14,191	2,241	32,865
Total Deferred Outflows	16,433	14,191	2,241	32,865
Liabilities				
Current Liabilities:				
Accounts Payable	28,465	120,541	12,577	161,583
Accrued Wages	3,416	2,754	171	6,341
Compensated Absences	4,651	4,651	347	9,649
Customer Deposits	6,500	-	-	6,500
Bond Payable - Current Portion	60,978	-	-	60,978
Accrued Interest Payable	11,636	-	-	11,636
Total Current Liabilities	115,646	127,946	13,095	256,687
Noncurrent Liabilities				
Bonds Payable - Net of Current Portion	595,814	-	-	595,814
Net Pension Liability	67,976	58,706	9,270	135,952
Total Noncurrent Liabilities	663,790	58,706	9,270	731,766
Total Liabilities	779,436	186,652	22,365	988,453
Deferred Inflows				
Pension Related Items	1,233	1,065	168	2,466
Total Deferred Inflows	1,233	1,065	168	2,466
Net Position				
Invested in Capital Assets, Net of Related Debt	744,452	513,117	-	1,257,569
Restricted for Debt Service	126,154	-	-	126,154
Unrestricted	421,203	795,353	1,551	1,218,107
Total Net Position	$ 1,291,809	$ 1,308,470	$ 1,551	$ 2,601,830

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

City of Cottonwood, Idaho
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
For the Year Ended September 30, 2024

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating Revenues				
Charges for Services	$ 427,284	$ 378,961	$ 192,051	$ 998,296
Miscellaneous	11,585	9,205	608	21,398
Intergovernmental	57,154	144,519	-	201,673
Total Operating Revenues	496,023	532,685	192,659	1,221,367
Operating Expenses				
Personal Services	121,250	136,498	9,291	267,039
Contractual Services	151,057	77,389	-	228,446
Supplies	1,571	1,538	370	3,479
Heath, Lights, and Power	22,259	6,422	626	29,307
Other Services and Charges	128,695	171,881	176,691	477,267
Depreciation	89,081	62,198	-	151,279
Total Operating Expenses	513,913	455,926	186,978	1,156,817
Operating Income (Loss)	(17,890)	76,759	5,681	64,550
Nonoperating Revenues (Expenses)				
Interest Earned	31,839	39,891	155	71,885
Interest Expense	(22,205)	-	-	(22,205)
Total Nonoperating Revenues (Expenses)	9,634	39,891	155	49,680
Change in Net Position	(8,256)	116,650	5,836	114,230
Net Position - Beginning	1,300,065	1,191,820	(4,285)	2,487,600
Net Position - Ending	$ 1,291,809	$ 1,308,470	$ 1,551	$ 2,601,830

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

City of Cottonwood, Idaho
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2024

	Water	Sewer	Sanitation	Total
Cash Flows From Operating Activities				
Receipts from Customers	$ 524,737	$ 434,531	$ 191,326	$ 1,150,594
Payments to Suppliers	(311,237)	(171,048)	(179,867)	(662,152)
Payments to Employees	(114,522)	(130,767)	(8,428)	(253,717)
Net Cash Provided (Used) by Operating Activities	98,978	132,716	3,031	234,725
Cash Flows From Capital and Related Financing Activities				
Acquisition of Capital Assets	(138,415)	(116,864)	-	(255,279)
Principal Paid on Revenue Bonds	(60,183)	-	-	(60,183)
Interest Paid on Revenue Bonds	(30,475)	-	-	(30,475)
Net Cash Used by Capital and Related Financing Activities	(229,073)	(116,864)	-	(345,937)
Cash Flows From Investing Activities				
Reinvested Dividends	(3,190)	-	-	(3,190)
Interest and Dividends	32,284	39,583	122	71,989
Net Cash Provided (Used) by Investing Activities	29,094	39,583	122	68,799
Net Change in Cash and Cash Equivalents	(101,001)	55,435	3,153	(42,413)
Cash and Cash Equivalents, Beginning	609,754	769,577	6,884	1,386,215
Cash and Cash Equivalents, Ending	$ 508,753	$ 825,012	$ 10,037	$ 1,343,802
Displayed As:				
Cash	$ 502,253	$ 825,012	$ 10,037	$ 1,337,302
Restricted Cash	6,500	-	-	6,500
	$ 508,753	$ 825,012	$ 10,037	$ 1,343,802

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

City of Cottonwood, Idaho
Statement of Cash Flows - Proprietary Funds (continued)
For the Year Ended September 30, 2024

	Water	Sewer	Sanitation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ (17,890)	$ 76,759	$ 5,681	$ 64,550
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	89,081	62,198	-	151,279
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	29,714	(98,154)	(1,333)	(69,773)
(Increase) Decrease in Deferred Outflows	14,952	12,913	2,039	29,904
Increase (Decrease) in Accounts Payable	(7,655)	86,182	(2,180)	76,347
Increase (Decrease) in Accrued Wages	52	(58)	(4)	(10)
Increase (Decrease) in Compensated Absences	168	168	(20)	316
Increase (Decrease) in Customer Deposits	(1,000)	-	-	(1,000)
Increase (Decrease) in Net Pension Liability	(9,677)	(8,357)	(1,320)	(19,354)
Increase (Decrease) in Deferred Inflows	1,233	1,065	168	2,466
Net Cash Provided (Used) by Operating Activities	$ 98,978	$ 132,716	$ 3,031	$ 234,725

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

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

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

- Indirect expenses are expenses of the general government related to the administration and support of the City's programs, such as personnel and accounting (but not interest on long-term debt) and are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

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

The City reports the following major governmental funds:

- *General fund.* This is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- *Street fund.* This fund accounts for the resources accumulated for the maintenance and construction of city streets.
- *Recreation fund.* This fund accounts for the resources accumulated for the maintenance and construction of parks and recreational facilities.

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

The City has the following major enterprise funds:

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

Basis of Accounting

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

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

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

Fund Balance Reporting in Governmental Funds

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

The City uses the following fund balance categories in the governmental fund financial statements:

- *Nonspendable.* Prepaid items that are permanently precluded from conversion to cash.
- *Restricted.* Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned.* Balances available for any purpose.

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

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

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

C. Assets and Liabilities

Cash Equivalents

For presentation in the statement of cash flows, investments in the investment pool and others with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents.

Property Tax Calendar

The City levies its real property taxes through the county on or before the 2nd Monday of September. One-half of the real property taxes are due on or before the 20th of December. The remaining one-half of the real property tax is due on or before June 20th the following year. Property taxes are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Capital Assets

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

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

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Buildings and Improvements	$5,000	Straight-Line	5 – 50 Years
Equipment and Vehicles	$5,000	Straight-Line	5 – 30 Years

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

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

Accounts Receivable

The City has created an allowance for doubtful accounts for water and sewer balances deemed uncollectible. The amount in the allowance is currently $0.

Accounts Payable

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

Pensions

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

Use of Estimates

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

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2024, the carrying amount of the City's deposits was $47,047 and the respective bank balances totaled $47,843. The entire bank balance was insured or collateralized with pool securities held by the pledging institution in the name of the City.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2024, all of the City's deposits were covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and thus were not exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk for deposits. The City also had $233 of cash on hand at the end of the year.

Custodial Credit Risk – Investments

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

Interest Rate Risk

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

Investments

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

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

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

The City's investments at September 30, 2024, are summarized below:

		Investment Maturities (in Years)	
Investment	Fair Value	Less than 1	1 - 5
External Investment Pool	$ 1,898,597	$ 1,898,597	$ -
Certificate of Deposit	119,654	-	119,654
	$ 2,018,251	$ 1,898,597	$ 119,654

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

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 9,544	$ 31,103	$ 40,647
Investments categorized as deposits	592,398	1,306,199	1,898,597
Restricted Cash	-	6,500	6,500
Restricted Investments	-	119,654	119,654
	$ 601,942	$ 1,463,456	$ 2,065,398

3. COMPENSATED ABSENCES

The City presently accumulates unused vacation days and sick leave calculated on an individual basis according to an employee's total years worked and total hours-per-week worked. In the event of termination, an employee is reimbursed for accumulated leave.

A summary of the current year activity and year-end liability for the government-wide financial statements is as follows:

	9/30/2023	Increase	Decrease	9/30/2024	Current Portion
Governmental Activities	$ 15,102	$ 13,596	$ (14,641)	$ 14,057	$ 14,057
Business-type Activities	9,454	11,469	(11,274)	9,649	9,649
Total	$ 24,556	$ 25,065	$ (25,915)	$ 23,706	$ 23,706

4. PROPERTY TAXES

The City receives property tax revenue from Idaho County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the City by the County as of September 30, 2024, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2024, are not considered available for use by the City and are recorded as deferred revenue.

5. PENSION PLAN

Plan Description

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

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

Pension Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. 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) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for public safety. As of June 30, 2024 it was 6.71% for general employees and 9.83% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for police and firefighters. The City of Cottonwood, Idaho's contributions were $46,441 for the year ended September 30, 2024.

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

At September 30, 2024, the City of Cottonwood, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Cottonwood, Idaho's proportion of the net pension liability was based on the City of Cottonwood, Idaho's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2024, the City of Cottonwood, Idaho's proportion was 0.0082601 percent.

For the year ended September 30, 2024, the City of Cottonwood, Idaho recognized pension expense(revenue) of $76,025 . At September 30, 2024, the City of Cottonwood, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 49,192	$ -
Changes in assumptions or other inputs	12,239	-
Net difference between projected and actual earnings on pension plan investments	-	5,606
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	-
The City of Cottonwood, Idaho's contributions subsequent to the measurement date	13,261	-
Total	$ 74,692	$ 5,606

$13,261 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, 2024.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2024, the beginning of the measurement period ended June 30, 2023, is 4.6 and 4.6 for the measurement period June 30, 2024.

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

For the Year Ended September 30:	PERSI
2025	$ 28,511
2026	57,610
2027	(9,935)
2028	(7,100)

Actuarial Assumptions

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

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%
Salary inflation	3.05%
Investment rate of return	6.35%, net of investment expense
Cost-of-living adjustments	1%

Contributing Members, Service Retirement Members, and Beneficiaries
General Employees and All Beneficiaries – males Pub-2010 General Tables, increased 11%
General Employees and All Beneficiaries – Females Pub-2010 General Tables, increased 21%
Teachers – Males Pub-2010 Teachers Tables, increased 12%
Teachers – Females Pub-2010 Teachers Tables, increased 21%
Fire & Police – Males Pub-2010 Safety Tables, increased 21%
Fire & Police – Females Pub-2010 Safety Tables, increased 26%
Disabled Members – Males Pub-2010 Disabled Tables, increased 38%
Disabled Members – Females Pub-2010 Disabled Tables, increased 36%

An experience study was performed for the period July 1, 2015 through June 30,2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability (Asset) as of June 30, 2024 is based on the results of an actuarial valuation date July 1, 2024.

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

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2024.

Asset Class	
Fixed Income	30.00%
US/Global Equity	55.00%
International Equity	15.00%
Cash	0.00%
Total	100.00%

Discount Rate

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

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.35 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	**Current Discount Rate (6.35%)**	**1% Increase (7.35%)**
Employer's proportionate share of the net pension liability (asset)	$ 587,157	$ 308,980	$ 81,779

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.

6. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of state revenue sharing of $27,697 and $188 due from Cottonwood Rural Fire for a total of $27,885.

7. RISK MANAGEMENT

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

8. OTHER COMMITMENTS

The City has credit cards available for use with a total credit limit of $10,000 and an interest rate of 8.90%. As of September 30, 2024, $1,556 of the available credit was in use.

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2024, was as follows:

	Balance 9/30/2023	Additions	Disposals	Balance 9/30/2024
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 373,499	$ -	$ -	$ 373,499
Construction in Progress	70,611	266,330	-	336,941
Total Historical Cost	444,110	266,330	-	710,440
Capital Assets Being Depreciated:				
Buildings	396,856	-	-	396,856
Improvements	1,972,613	-	-	1,972,613
Equipment	1,019,958	378,749	-	1,398,707
Total Historical Cost	3,389,427	378,749	-	3,768,176
Less: Accumulated Depreciation				
Buildings	215,642	7,371	-	223,013
Improvements	947,855	72,208	-	1,020,063
Equipment	915,154	36,573	-	951,727
Total Acc. Depr.	2,078,651	116,152	-	2,194,803
Governmental Activities Capital Assets – Net	$ 1,754,886	$ 528,927	$ -	$ 2,283,813

	Balance 9/30/2023	Additions	Disposals	Balance 9/30/2024
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land and Easements	$ 101,588	$ -	$ -	$ 101,588
Construction in Progress	-	255,279	-	255,279
Total Historical Cost	101,588	255,279	-	356,867
Capital Assets Being Depreciated:				
Buildings	354,512	-	-	354,512
Improvements	4,575,628	-	-	4,575,628
Equipment	708,970	-	-	708,970
Total Historical Cost	5,639,110	-	-	5,639,110
Less: Accumulated Depreciation				
Buildings	195,952	8,864	-	204,816
Improvements	3,209,023	101,945	-	3,310,968
Equipment	525,362	40,470	-	565,832
Total Acc. Depr.	3,930,337	151,279	-	4,081,616
Business-type Activities				
Capital Assets – Net	$ 1,810,361	$ 104,000	$ -	$ 1,914,361

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

Governmental Activities:	
General and Administrative	$ 18,345
Public Safety	15,905
Highways and Streets	77,465
Airport	619
Culture and Recreation	3,818
	$ 116,152
Business - type Activities	
Water	$ 89,081
Sewer	62,198
	$ 151,279

10. LONG-TERM LIABILITIES

Business-type Activities – Revenue Bond

The City issues bonds where the City pledges income derived from the acquired or construct assets to pay debt service. The Water Revenue Bond Series 2002 in the amount of $1,000,000 to finance improvements to the domestic water system. The Water Revenue Bond Series 2003 in the amount of $475,800 to finance improvements to the domestic water system.

Changes in long-term obligations for the year ended September 30, 2024, are as follows:

Business-type Activities:							Current
Description	Maturity	Rate	9/30/2023	Increase	Decrease	9/30/2024	Portion
Water Bond Series 2002	2033	4.625%	$ 489,846	$ -	$ (41,478)	$ 448,368	$ 41,478
Water Bond Series 2003	2033	4.250%	227,129	-	(18,705)	208,424	19,500
			$ 716,975	$ -	$ (60,183)	$ 656,792	$ 60,978

Debt service requirements on long-term debt at September 30, 2024, are as follows:

Year Ending	Business-type Activities Bonds and Notes	
September 30,	Principal	Interest
2025	$ 60,978	$ 29,680
2026	63,725	26,933
2027	66,596	24,062
2028	69,597	21,061
2029	72,733	17,925
2030 - 2034	323,162	37,638
	$ 656,792	$ 157,298

There was $ 22,205 of interest expense for the year ended September 30, 2024. No interest was capitalized during the year.

11. TRANSFERS

The City had the following transfers during the year:

$ 34,500	From the General Fund to the Recreation Fund to cover maintenance costs
$ 34,500	

REQUIRED SUPPLEMENTARY INFORMATION

City of Cottonwood, Idaho
Budgetary (GAAP Basis) Comparison Schedule
General Fund
For the Year Ended September 30, 2024

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Taxes	$ 199,750	$ 199,750	$ 202,261	$ 2,511
Licenses and Permits	3,900	3,900	4,825	925
Intergovernmental	68,290	68,290	65,728	(2,562)
Charges for Services	400	400	395	(5)
Fines	50	50	75	25
Miscellaneous	31,275	31,275	55,400	24,125
Total Revenues	303,665	303,665	328,684	25,019
Expenditures				
Current:				
General Government	89,300	93,700	90,603	3,097
Public Safety	161,006	165,506	151,029	14,477
Culture and Recreation	34,095	34,095	29,641	4,454
Capital Outlay	20,050	20,050	-	20,050
Total Expenditures	304,451	313,351	271,273	42,078
Excess (Deficiency) of Revenues Over Expenditures	(786)	(9,686)	57,411	67,097
Other Financing Sources (Uses)				
Transfers Out	(50,125)	(65,125)	(34,500)	30,625
Total Other Financing Sources (Uses)	(50,125)	(65,125)	(34,500)	30,625
Net Change in Fund Balances	(50,911)	(74,811)	22,911	97,722
Fund Balances - Beginning	50,911	74,811	393,770	318,959
Fund Balances - Ending	$ -	$ -	$ 416,681	$ 416,681

City of Cottonwood, Idaho
Budgetary (GAAP Basis) Comparison Schedule
Street Fund
For the Year Ended September 30, 2024

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Taxes	$ 113,715	$ 113,715	$ 115,215	$ 1,500
Intergovernmental	976,700	976,700	144,208	(832,492)
Miscellaneous	1,700	1,700	10,614	8,914
Total Revenues	1,092,115	1,092,115	270,037	(822,078)
Expenditures				
Current:				
Highways and Streets	271,370	271,370	224,238	47,132
Capital Outlay	895,870	895,870	-	895,870
Total Expenditures	1,167,240	1,167,240	224,238	943,002
Excess (Deficiency) of Revenues Over Expenditures	(75,125)	(75,125)	45,799	120,924
Other Financing Sources (Uses)				
Transfers In	25,125	25,125	-	(25,125)
Total Other Financing Sources (Uses)	25,125	25,125	-	(25,125)
Net Change in Fund Balances	(50,000)	(50,000)	45,799	95,799
Fund Balances - Beginning	50,000	50,000	110,651	60,651
Fund Balances - Ending	$ -	$ -	$ 156,450	$ 156,450

City of Cottonwood, Idaho
Budgetary (GAAP Basis) Comparison Schedule
Recreation Fund
For the Year Ended September 30, 2024

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues				
Taxes	$ 7,580	$ 7,580	$ 7,612	$ 32
Intergovernmental	65,370	172,370	182,566	10,196
Miscellaneous	33,100	33,100	52,374	19,274
Total Revenues	106,050	213,050	242,552	29,502
Expenditures				
Current:				
Culture and Recreation Expense	43,050	43,050	59,610	(16,560)
Capital Outlay	188,000	310,000	266,330	43,670
Total Expenditures	231,050	353,050	325,940	27,110
Excess (Deficiency) of Revenues Over Expenditures	(125,000)	(140,000)	(83,388)	56,612
Other Financing Sources (Uses)				
Transfers In	25,000	40,000	34,500	(5,500)
Total Other Financing Sources (Uses)	25,000	40,000	34,500	(5,500)
Net Change in Fund Balances	(100,000)	(100,000)	(48,888)	51,112
Fund Balances - Beginning	100,000	100,000	81,274	(18,726)
Fund Balances - Ending	$ -	$ -	$ 32,386	$ 32,386

1. BUDGETS AND BUDGETARY ACCOUNTING

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

A. Prior to September 1, the City Clerk, Mayor, and City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

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

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

D. The City is authorized to transfer budgeted amounts between departments within any fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for enterprise funds may also be revised in the same manner as those situations involving federal and state grants.

E. Formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue funds.

City of Cottonwood, Idaho
Schedule of Required Supplemental Information
Public Employee Retirement System of Idaho
Last 10 - Fiscal Years

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

Year	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.0082601%	$ 308,980	$ 397,627	77.71%	85.54%
2023	0.0088448%	352,967	380,914	92.66%	83.83%
2022	0.0105703%	416,339	399,077	104.33%	83.09%
2021	0.0091307%	(7,211)	360,581	-2.00%	100.36%
2020	0.0093055%	112,343	343,275	32.73%	88.22%
2019	0.0090885%	103,743	320,068	32.41%	93.79%
2018	0.0082857%	122,216	265,849	45.97%	91.69%
2017	0.0080682%	126,818	259,822	48.81%	90.68%
2016	0.0083498%	169,263	249,240	67.91%	87.26%
2015	0.0073295%	96,518	203,354	47.46%	91.38%

Data reported is measured as of June 30, 2024

Schedule of City Contributions

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2024	$ 46,441	$ 46,441	$ -	$ 397,627	11.68%
2023	45,249	45,249	-	380,914	11.88%
2022	47,827	47,827	-	399,077	11.98%
2021	43,223	43,223	-	360,581	11.99%
2020	41,157	41,157	-	343,275	11.99%
2019	36,801	36,801	-	320,068	11.50%
2018	30,247	30,247	-	265,849	11.38%
2017	29,558	29,558	-	259,822	11.38%
2016	28,353	28,353	-	249,240	11.38%
2015	23,160	23,160	-	203,354	11.39%

Data reported is measured as of September 30, 2024

SUPPLEMENTAL INFORMATION

City of Cottonwood, Idaho
Supplemental Schedule of Revenues by Source -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2024

	Budget	Actual	Variance
Taxes			
Current	$ 198,750	$ 200,678	$ 1,928
Penalties and Interest	1,000	1,583	583
Total Taxes	199,750	202,261	2,511
Licenses and Permits			
Alcoholic Beverages	1,200	1,400	200
Building Permits	2,000	2,623	623
Animal	700	802	102
Total Licenses and Permits	3,900	4,825	925
Intergovernmental			
Fire Protection	5,000	5,000	-
Revenue Sharing	39,940	38,443	(1,497)
State Liquor Apportionment	14,050	12,958	(1,092)
Court Revenues	300	327	27
Grants	9,000	9,000	-
Total Intergovernmental	68,290	65,728	(2,562)
Charges for Services:			
Planning and Zoning Fees	400	395	(5)
Total Charges for Services	400	395	(5)
Fines			
Animal Control	50	75	25
Total Fines	50	75	25
Miscellaneous			
Interest	5,000	21,233	16,233
Rent	25,150	23,429	(1,721)
Donations	-	200	200
Refunds and Reimbursements	125	9,534	9,409
Miscellaneous	1,000	1,004	4
Total Other	31,275	55,400	24,125
Total Revenue	$ 303,665	$ 328,684	$ 25,019

City of Cottonwood, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2024

	Budget	Actual	Variance
General Government			
Mayor and Council			
Personal Services	$ 21,100	$ 17,846	$ 3,254
Administration			
Personal Services	26,000	25,445	555
Supplies	500	1,138	(638)
Other Services and Charges	46,100	46,174	(74)
Total Administrative	72,600	72,757	(157)
Total General Government	93,700	90,603	3,097
Public Safety			
Law Enforcement			
Personal Services	95,200	89,220	5,980
Supplies	1,500	1,440	60
Other Services and Charges	34,600	23,657	10,943
Capital Outlay	7,000	-	7,000
Total Law Enforcement	138,300	114,317	23,983
Fire Department			
Personal Services	750	728	22
Other Services and Charges	33,256	35,852	(2,596)
Capital Outlay	3,050	-	3,050
Total Fire Department	37,056	36,580	476
Animal Control			
Supplies	150	132	18
Other Services and Charges	50	-	50
Total Animal Control	200	132	68
Total Public Safety	175,556	151,029	24,527

City of Cottonwood, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund (continued)
For the Year Ended September 30, 2024

	Budget	Actual	Variance
Culture and Recreation			
Community Hall			
Personal Services	$ 8,500	$ 5,518	$ 2,982
Supplies	2,000	2,050	(50)
Other Services and Charges	23,595	22,073	1,522
Capital Outlay	10,000	-	10,000
Total Community Hall	44,095	29,641	14,454
Total Culture and Recreation	44,095	29,641	14,454
Total General Fund	$ 313,351	$ 271,273	$ 42,078

City of Cottonwood, Idaho
Schedule of Revenues - Budget and Actual
Special Revenue Funds
For the Year Ended September 30, 2024

	Budget	Actual	Variance
Street:			
Taxes:			
Current	$ 113,215	$ 114,313	$ 1,098
Penalties and Interest	500	902	402
Total Taxes	113,715	115,215	1,500
Intergovernmental:			
Highway Users	50,700	89,211	38,511
State Revenue Sharing	72,000	49,958	(22,042)
Grants	850,000	-	(850,000)
Road and Bridge	4,000	5,039	1,039
Total Intergovernmental	976,700	144,208	(832,492)
Miscellaneous:			
Interest	1,500	7,063	5,563
Refunds and Reimbursements	200	3,551	3,351
Total Miscellaneous	1,700	10,614	8,914
Total Street	$ 1,092,115	$ 270,037	$ (822,078)
Airport			
Taxes:			
Current	$ 4,305	$ 4,348	$ 43
Penalties and Interest	25	34	9
Total Taxes	4,330	4,382	52
Intergovernmental:			
State Revenue Sharing	1,640	1,582	(58)
Total Intergovernmental	1,640	1,582	(58)
Charges for Services			
Fees	1,200	1,600	400
Miscellaneous:			
Interest	400	1,093	693
Leases	845	847	2
Total Miscellaneous	1,245	1,940	695
Total Airport	$ 8,415	$ 9,504	$ 1,089

City of Cottonwood, Idaho
Schedule of Revenues - Budget and Actual
Special Revenue Funds (continued)
For the Year Ended September 30, 2024

	Budget	Actual	Variance
Recreation:			
Taxes:			
Current	$ 7,480	$ 7,552	$ 72
Penalties and Interest	100	60	(40)
Total Taxes	7,580	7,612	32
Intergovernmental:			
State Revenue Sharing	15,370	14,795	(575)
Grants	157,000	167,771	10,771
Total Intergovernmental	172,370	182,566	10,196
Miscellaneous:			
Rent	3,000	4,350	1,350
Refunds and Reimbursements	100	17,384	17,284
Donations	30,000	30,640	640
Total Miscellaneous	33,100	52,374	19,274
Total Recreation	$ 213,050	$ 242,552	$ 29,502

City of Cottonwood, Idaho
Schedule of Expenditures - Budget and Actual
Special Revenue Funds
For the Year Ended September 30, 2024

	Budget	Actual	Variance
Street:			
Highways and Streets:			
Maintenance:			
Personal Services	$ 106,000	$ 109,765	$ (3,765)
Supplies	500	1,168	(668)
Other Services and Charges	141,870	89,919	51,951
Capital Outlay	895,870	-	895,870
Total Maintenance	1,144,240	200,852	943,388
Street Lighting	23,000	23,386	(386)
Total Highways and Streets	$ 1,167,240	$ 224,238	$ 943,002
Airport:			
Airport:			
Personal Services	$ 3,800	$ 2,629	$ 1,171
Other Services and Charges	5,800	6,546	(746)
Capital Outlay	2,359	-	2,359
Total Airport	$ 11,959	$ 9,175	$ 2,784
Recreation:			
Culture and Recreation:			
Personal Services	$ 24,000	$ 40,231	$ (16,231)
Other Services and Charges	19,050	19,379	(329)
Capital Outlay	310,000	266,330	43,670
Total Culture and Recreation	$ 353,050	$ 325,940	$ 27,110

FEDERAL REPORTS

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

Honorable Mayor
and City Council
Cottonwood, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottonwood, Idaho, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Cottonwood, Idaho's basic financial statements and have issued our report thereon dated March 4, 2025.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Response to Findings

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

Purpose of this Report

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

Zwygart John and Associates CPAs, PLLC

Nampa, Idaho
March 4, 2025

Finding 2024-001

Material Weakness in Internal Control over Financial Reporting—Inadequate Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently, the same individual that reconciles the bank accounts is also a signer on the bank accounts.

Context: We observed inadequate segregation of duties by reviewing an organizational chart, observing the bank reconciliation and review process, and through interviews of personnel and management.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the cash reconciliation activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Cause: The entity's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Recommendation: Management and the council should consider a formal evaluation of their risks associated with this lack of duties segregation over cash reconciliation. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with a lack of segregation of duties, such as providing increased council oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent labor to perform certain functions including daily balancing and monthly reconciliations.

Management's Response: Management will work to put controls in place to make sure that the bank reconciliations are being done by someone who is not a signer on the accounts.