CITY OF CULDESAC

FINANCIAL STATEMENTS

Year Ended September 30, 2024

CITY OF CULDESAC

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PRESNELL GAGE, PLLC
ACCOUNTING AND CONSULTING

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Culdesac
Culdesac, Idaho

Report on the Audit of 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 Culdesac, 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 Culdesac, 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 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 the City of Culdesac, 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

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Moscow Office: 609 South Washington, Suite 202, Moscow, Idaho 83843, (208) 882-2211
Grangeville Office: 109 South Mill Street, Grangeville, Idaho 83530, (208) 983-1254
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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 the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 the City'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 the City'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 schedule of pension funding and the budgetary comparison schedules on pages 35 through 37, respectively, 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 the financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Culdesac has not presented the 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 the 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 the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Culdesac's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information 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 a report dated January 27, 2025, on our consideration of the City of Culdesac'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 Culdesac's internal control over financial reporting and compliance.

Presnell Gage, PLLC

January 27, 2025
Lewiston, Idaho

CITY OF CULDESAC

STATEMENT OF NET POSITION
September 30, 2024

	Governmental Activities	Business-Type Activities	**Total**
ASSETS			
CURRENT ASSETS			
Cash	$ 562,015	$ 289,968	**$ 851,983**
Receivables			
Delinquent taxes	15,295		**15,295**
Accounts		110,178	**110,178**
Intergovernmental	17,148		**17,148**
Total current assets	594,458	400,146	**994,604**
RESTRICTED ASSETS			
Cash and investments	0	53,626	**53,626**
NONCURRENT ASSETS			
Capital assets, net of accumulated depreciation	881,662	2,378,135	**3,259,797**
Total noncurrent assets	881,662	2,378,135	**3,259,797**
Total assets	1,476,120	2,831,907	**4,308,027**
DEFERRED OUTFLOWS OF RESOURCES			
Defined benefit pension	11,232	12,402	**23,634**
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	2,307	10,157	**12,464**
Accrued salaries and benefits	798	837	**1,635**
Accrued interest on bonds		7,471	**7,471**
Unearned revenue - ARPA funds		21,808	**21,808**
Current portion of bonds payable		24,480	**24,480**
Total current liabilities	3,105	64,753	**67,858**
LONG-TERM OBLIGATIONS			
Compensated absences	5,737	5,993	**11,730**
Net pension liability	46,933	51,818	**98,751**
Bonds payable		688,268	**688,268**
Total long-term obligations	52,670	746,079	**798,749**
Total liabilities	55,775	810,832	**866,607**
DEFERRED INFLOWS OF RESOURCES			
Defined benefit pension	4,689	5,178	**9,867**
Total deferred inflows of resources	4,689	5,178	**9,867**
NET POSITION			
Investment in capital assets, net of related debt	881,662	1,665,387	**2,547,049**
Restricted for debt service		26,523	**26,523**
Restricted for equipment replacement		27,103	**27,103**
Unrestricted	545,226	309,286	**854,512**
Total net position	$ 1,426,888	$ 2,028,299	**$ 3,455,187**

See accompanying notes

CITY OF CULDESAC

STATEMENT OF ACTIVITIES
Year Ended September 30, 2024

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	**Total**
Governmental Activities							
General government	$ 107,824	$ 650			$ (107,174)		**$ (107,174)**
Fire protection and ambulance	944				(944)		**(944)**
Transportation	46,022		$ 40,191		(5,831)		**(5,831)**
Recreation	24,516				(24,516)		**(24,516)**
Unallocated depreciation	55,611				(55,611)		**(55,611)**
PERSI retirement actuarial change	7,297				(7,297)		**(7,297)**
Total governmental activities	$ 242,214	$ 650	$ 40,191	$ 0	(201,373)	$ 0	**(201,373)**
Business-Type Activities							
Water	$ 115,311	$ 150,608				35,297	**35,297**
Sewer	199,982	115,053				(84,929)	**(84,929)**
Sanitation	62,000	65,045				3,045	**3,045**
Total business-type activities	$ 377,293	$ 330,706	$ 0	$ 0		(46,587)	**(46,587)**
General revenues:							
Property taxes, levied for general purposes					131,731		**131,731**
State liquor taxes					18,006		**18,006**
Other state and federal funding not restricted to specific programs					45,837		**45,837**
Interest and investment earnings					6,338	2,962	**9,300**
Other general revenues					25,820		**25,820**
					227,732	2,962	**230,694**
Change in net position					26,359	(43,625)	**(17,266)**
Net position, beginning					1,400,529	2,071,924	**3,472,453**
Net position, ending					$ 1,426,888	$ 2,028,299	**$ 3,455,187**

See accompanying notes

CITY OF CULDESAC

BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2024

	General	Street	Gem Community	Fire Department	**Total Governmental Funds**
ASSETS					
Cash	$ 333,629	$ 191,101	$ 27,899	$ 9,386	**$ 562,015**
Receivables					
Delinquent taxes	9,603	5,692			**15,295**
Intergovernmental	12,075	5,073			**17,148**
Total assets	$ 355,307	$ 201,866	$ 27,899	$ 9,386	**$ 594,458**
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,291	$ 944		$ 72	**$ 2,307**
Accrued salaries and benefits	556	242			**798**
Total liabilities	1,847	1,186	0	72	**3,105**
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	9,043	5,348			**14,391**
Total deferred inflows of resources	9,043	5,348	0	0	**14,391**
FUND BALANCES					
Assigned, report in:					
Special revenue funds		195,332	27,899	9,314	**232,545**
Unassigned	344,417				**344,417**
Total fund balances	344,417	195,332	27,899	9,314	**576,962**
Total liabilities and fund balances	$ 355,307	$ 201,866	$ 27,899	$ 9,386	**$ 594,458**

See accompanying notes

CITY OF CULDESAC

RECONCILIATION OF THE STATEMENT OF NET POSITION
TO THE BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2024

Total fund balances - Governmental Funds		$ 576,962
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 as assets in governmental funds:		
Cost of capital assets	2,385,885	
Accumulated depreciation	(1,504,223)	
		881,662
Deferred outflows and deferred inflows for pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability		(46,933)
Deferred outflows		11,232
Deferred inflows		(4,689)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(5,737)
Property taxes receivable to be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		14,391
Total net position - Governmental Activities		$ 1,426,888

See accompanying notes

CITY OF CULDESAC

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended September 30, 2024

	General	Streets	Gem Community	Fire Department	**Total Governmental Funds**
REVENUES					
Property taxes	$ 79,742	$ 49,048			**$ 128,790**
Licenses and permits	2,735				**2,735**
Intergovernmental revenues	63,808	40,226			**104,034**
Charges for services	650				**650**
Earnings on investments	4,440	1,774	$ 86	$ 38	**6,338**
Other	2,270		20,497	318	**23,085**
Total revenues	153,645	91,048	20,583	356	**265,632**
EXPENDITURES					
Current					
General government	111,410				**111,410**
Fire protection				944	**944**
Transportation		46,022			**46,022**
Recreation			24,516		**24,516**
Total expenditures	111,410	46,022	24,516	944	**182,892**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE	42,235	45,026	(3,933)	(588)	**82,740**
OTHER FINANCING SOURCES (USES)					
Transfers in				740	**740**
Transfers out	(740)				**(740)**
Total other financing sources (uses)	(740)	0	0	740	**0**
NET CHANGE IN FUND BALANCES	41,495	45,026	(3,933)	152	**82,740**
FUND BALANCES AT BEGINNING OF YEAR	302,922	150,306	31,832	9,162	**494,222**
FUND BALANCES AT END OF YEAR	$ 344,417	$ 195,332	$ 27,899	$ 9,314	**$ 576,962**

See accompanying notes

CITY OF CULDESAC

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2024

Net change in fund balances - Governmental Funds	$	82,740
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation:		
Current year depreciation		(55,611)
Net pension liability and the related deferred outflows and deferred inflows are not considered available for the governmental funds in the current year.		
Current year net pension liability, deferred outflows, and deferred inflows		(7,297)
Amounts borrowed on long-term debt are reported in the governmental funds as other financing sources. Amounts repaid on long-term debt are reported in the governmental funds as expenditures. However, for governmental activities, the borrowing and repayment of funds is reflected as outstanding long-term debt:		
Change in compensated absences		3,586
Some amounts receivable will not be collected for several months after the fiscal year-ends and they are not considered available revenues in the governmental funds. Instead, they are counted as unavailable tax revenues. They are, however, recorded as revenues in the statement of activities:		
Current year taxes receivable		14,391
Prior year taxes receivable		(11,450)
Change in net position - Governmental Activities	$	26,359

See accompanying notes

CITY OF CULDESAC

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	**Totals**
ASSETS				
CURRENT ASSETS				
Cash	$ 197,303	$ 74,441	$ 18,224	**$ 289,968**
Receivables				
Accounts	59,018	33,252	17,908	**110,178**
Total current assets	256,321	107,693	36,132	**400,146**
RESTRICTED ASSETS				
Cash and investments	18,420	35,206		**53,626**
Total restricted assets	18,420	35,206	0	**53,626**
NONCURRENT ASSETS				
Capital assets, net	388,624	1,989,511		**2,378,135**
Total noncurrent assets	388,624	1,989,511	0	**2,378,135**
Total assets	663,365	2,132,410	36,132	**2,831,907**
DEFERRED OUTFLOWS OF RESOURCES				
Defined benefit pension	6,342	6,060	0	**12,402**
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	2,137	2,691	5,329	**10,157**
Accrued salaries and benefits	419	418		**837**
Accrued interest on bonds	5,462	2,009		**7,471**
Unearned revenue - ARPA funds	21,808			**21,808**
Current portion of bonds payable	12,091	12,389		**24,480**
Total current liabilities	41,917	17,507	5,329	**64,753**
LONG-TERM OBLIGATIONS				
Compensated absences	2,990	3,003		**5,993**
Net pension liability	26,499	25,319		**51,818**
Bonds payable	128,556	559,712		**688,268**
Total long-term obligations	158,045	588,034	0	**746,079**
Total liabilities	199,962	605,541	5,329	**810,832**
DEFERRED INFLOWS OF RESOURCES				
Defined benefit pension	2,648	2,530		**5,178**
Total deferred inflows of resources	2,648	2,530	0	**5,178**
NET POSITION				
Investment in capital assets, net of related debt	247,977	1,417,410		**1,665,387**
Restricted for debt service	18,420	8,103		**26,523**
Restricted for equipment replacement		27,103		**27,103**
Unrestricted	200,700	77,783	30,803	**309,286**
Total net position	$ 467,097	$ 1,530,399	$ 30,803	**$ 2,028,299**

See accompanying notes

CITY OF CULDESAC

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
Year Ended September 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	**Totals**
OPERATING REVENUES				
Charges for sales and services	$ 150,608	$ 115,053	$ 65,045	**$ 330,706**
Total operating revenues	150,608	115,053	65,045	**330,706**
OPERATING EXPENSES				
Production and treatment	72,508			**72,508**
Collection and transmission		99,191		**99,191**
Depreciation	33,672	91,937		**125,609**
Garbage services			62,000	**62,000**
Total operating expenses	106,180	191,128	62,000	**359,308**
OPERATING INCOME (LOSS)	44,428	(76,075)	3,045	**(28,602)**
NONOPERATING REVENUES (EXPENSES)				
PERSI retirement actuarial change	(2,493)	(819)		**(3,312)**
Interest revenue	1,854	1,108		**2,962**
Interest expense	(6,638)	(8,035)		**(14,673)**
Total nonoperating revenues (expenses)	(7,277)	(7,746)	0	**(15,023)**
CHANGE IN NET POSITION	37,151	(83,821)	3,045	**(43,625)**
NET POSITION AT BEGINNING OF YEAR	429,946	1,614,220	27,758	**2,071,924**
NET POSITION AT END OF YEAR	$ 467,097	$ 1,530,399	$ 30,803	**$ 2,028,299**

See accompanying notes

CITY OF CULDESAC

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended September 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	**Totals**
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 137,543	$ 111,468	$ 62,677	**$ 311,688**
Cash paid for payroll	(43,722)	(39,583)		**(83,305)**
Cash paid for operating expenses	(29,989)	(61,401)	(61,488)	**(152,878)**
Net cash provided (used) by operating activities	63,832	10,484	1,189	**75,505**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Bond principal payments	(16,355)	(12,221)		**(28,576)**
Bond interest paid	(7,064)	(8,035)		**(15,099)**
Net cash provided (used) by capital financing activities	(23,419)	(20,256)	0	**(43,675)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,854	1,108		**2,962**
Net cash provided (used) by investing activities	1,854	1,108	0	**2,962**
Net change in cash	42,267	(8,664)	1,189	**34,792**
Cash and cash equivalents at beginning of year	173,456	118,311	17,035	**308,802**
Cash and cash equivalents at end of year	$ 215,723	$ 109,647	$ 18,224	**$ 343,594**
CASH COMPONENTS				
Current assets, cash	$ 197,303	$ 74,441	$ 18,224	**$ 289,968**
Cash and investments, restricted	18,420	35,206		**53,626**
	$ 215,723	$ 109,647	$ 18,224	**$ 343,594**

See accompanying notes

CITY OF CULDESAC

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended September 30, 2024

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Sanitation	**Totals**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ 44,428	$ (76,075)	$ 3,045	**$ (28,602)**
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	33,672	91,937		**125,609**
Changes in:				
Accounts receivable	(13,065)	(3,585)	(2,368)	**(19,018)**
Accounts payable	703	108	512	**1,323**
Accrued salaries and benefits	(1,906)	(1,901)		**(3,807)**
Net cash provided (used) by operating activities	$ 63,832	$ 10,484	$ 1,189	**$ 75,505**

See accompanying notes

1. SIGNIFICANT ACCOUNTING POLICIES

The City of Culdesac is an incorporated city of the State of Idaho. The City operates under an elected Mayor-Council form of government and provides the following services as authorized by its charter: public safety, public works, streets, culture-recreation, public improvements, and general administrative services. Other services include utility operations.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City, for financial purposes, includes all the funds relevant to the operations of the City of Culdesac, Idaho. The City is also required to include in its financial statements those separately administered organizations (component units) with which the City has significant operational or financial relationships. The criteria for including organizations as component units within the City's reporting entity include whether the organization is legally separate and whether the City holds the corporate powers, whether the City appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the City. Based on the foregoing criteria, the City of Culdesac has no component units.

B. Measurement Focus Basis of Accounting and Basis of Presentation

Government-Wide and Proprietary Fund Financial Statements: The government-wide and proprietary financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are non-exchange transactions, and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus Basis of Accounting and Basis of Presentation (Continued)

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

Proprietary funds are presented in the financial statements on the accrual basis of accounting, similar to the basis used by government-wide statements and are accounted for on a flow of economic resources measurement focus. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period they are incurred.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this measurement, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measureable" and "available"). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measureable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of long-term debt are reported as other financing resources.

The City considers all revenues available if they are collected within sixty (60) days after year-end. The City reports unearned revenue in its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Intergovernmental revenues and sales and services are not susceptible to accrual because they generally are not measurable until received in cash.

Restricted Resources

Program expenses are allocated to restricted program revenue first and then to the next highest level of restricted net position/fund balances when both restricted and unrestricted resources are available.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus Basis of Accounting and Basis of Presentation (Continued)

Restricted Resources (Continued)

Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions,* defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable. Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted. Includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutional provisions, or enabling legislation.

Committed. Includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned. Includes amounts that are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed.

Unassigned. Residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned.

Government-Wide Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes, intergovernmental revenues, and other non-exchange transactions, from business-type activities, generally financed in whole or in part with fees charged to external customers. Eliminations have been made to minimize the double-counting of internal activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and 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. These revenues are subject to externally imposed restrictions to these program uses. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus Basis of Accounting and Basis of Presentation (Continued)

Government-Wide Statements (Continued)

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, including the reclassification or elimination of internal activity (between or within funds).

Fund Financial Statements

The fund financial statements provide information about the City's fund categories. Separate statements for governmental funds and proprietary funds. The City does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and sanitation funds are charges to customers for sales and services. The enterprise funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the 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.

Governmental Funds. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The City reports the following major governmental funds:

- General Fund. The general fund is the City's primary operating fund. It is used to account for all financial resources except those accounted for in another fund.
- Street Fund. The street fund is responsible for the construction and maintenance of streets and traffic services within the City.
- Gem Community. The gem community fund is responsible for the planning, fundraising, and financing of the Shebang Days and other events within the City.
- Fire Department Fund. The fire fund is used to assist in fire suppression efforts within the City.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary Funds. All proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Proprietary funds include enterprise funds and internal service funds.

Enterprise Funds. Enterprise funds are used to account for activities that are similar to those often found in the private sector.

The City reports the following major Enterprise Funds:

- Water Fund. This activity provides and distributes water primarily to City residents.
- Sewer Fund. This activity provides for sewer collection and wastewater treatment services to City residents.
- Sanitation Fund. This activity provides sanitation services to all City residents.

Internal Service Funds. The City does not have any internal service funds.

C. Assets, Liabilities, and Equity

Deposits and Investments. The City considers cash to represent demand deposits and cash on hand. The City's investments consist of deposits in the Idaho State Treasurer's Local Government Investment Pool (LGIP) and are stated at fair value. Deposits in the LGIP represent an interest in the pool rather than ownership of specific securities. The State Treasurer is the custodian of the LGIP and no other regulatory oversight for the pool is established. The State Treasurer combines deposits from all governmental entities in the state, which participate in the pool, and purchases the following types of investments:

Local Certificates of Deposit
Repurchase Agreements
Corporate Bond/s Notes
U.S. Government Securities
Money Market Funds

The participating entities' interest in the pool is calculated by dividing the individual entity's deposits by the total deposits held in the pool. The purpose of this is to increase the overall rate of return and reduce the risk of default.

The City's policy allows for investment of idle funds consistent with *Idaho Code* 67-1210 and 67-1210A.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

Receivables and Payables. Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund balances" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements.

All trade accounts receivable are shown net of an allowance for doubtful accounts. Trade accounts receivable allowance for uncollectibles is calculated based upon past experience and management's assessment of the current receivables. Allowances for the Water, Sewer, and Sanitation funds are $0, $0, and $0, respectfully. Substantially, all property taxes are collected; therefore, no allowance is provided for property taxes.

The City's property taxes are levied by Nez Perce County in November and payable on December 20 and June 20 following the levy date. Taxes are remitted to the City in the month following collection. The taxes are delinquent and a lien is filed the day following the due date. A tax deed is issued on property three years from the date of delinquency. At fiscal year-end, the receivables represent delinquent taxes. Amounts not paid within 30 days are recorded as deferred revenue for the fund financial statements.

Restricted Assets. Bond covenants of the City's water and sewer funds require a portion of the debt proceeds as well as other resources to be set aside for various purposes. These amounts are reported as restricted assets.

Capital Assets. Capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The City records all capital assets at their original cost. Assets acquired prior to 2003 are recorded at their estimated original cost. Interest is capitalized on proprietary fund capital assets during the construction period. Also, included in capital assets are infrastructure assets (e.g., streets, bridges, sidewalks, and similar items) constructed, acquired, or completed on or after October 1, 2003.

The City capitalizes equipment with an original unit cost of $3,000 or more and an expected life of more than 3 years. The City capitalizes property improvements with an estimated cost of $10,000 or more that is expected to extend the property life by 10 years or more.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings – 30 years; vehicles – 7 years; machinery and equipment – 7-15 years; road equipment – 7-15 years; computer equipment – 3 years; water and sewer system 30 years.

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, 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

Compensated Absences. The City is required to accrue a liability for employees' compensation for future absences if specific conditions are met. The City does meet these conditions. Full time, permanent employees are granted vacation benefits in varying amounts to be specified maximums depending on tenure with the City. Vacation benefits are reported as accrual in the government-wide and proprietary financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Cash Flow Statement. The City considers all bank accounts to be cash for statement of cash flow purposes.

Use of Estimates. Management of the City uses estimates and assumptions in preparing financial statements in accordance with United States generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

Government-Wide and Proprietary Fund Net Position. Government-wide and proprietary fund net position are divided into three components:

- Invested in capital assets, net of related debt—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

- Restricted net position—consists of net position that is restricted by the City's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

- Unrestricted—all other net position is reported in this category.

Governmental Fund Balances. Governmental fund balances are reported as "restricted" when the balances are not available for appropriation or expenditure (for example because they represent supplies inventories) or because they are legally segregated for a specific future use (for example because the government has encumbered assets pending vendor completion of supplies orders).

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Deferred Outflows/Inflows of Resources. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. For example, grant expenditures paid in advance of meeting timing requirements. Deferred outflows of resources reported in this year's government-wide and proprietary fund financial statements include amounts related to the City's participation in PERSI as outlined in Note 4D – Pension Plan. No deferred outflows of resources affect the fund financial statements in the current year.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

Deferred Outflows/Inflows of Resources (Continued). In addition to liabilities, the statement of net position will sometimes report 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide and proprietary fund financial statements include amounts related to the City's participation in PERSI as outlined in Note 4D – Pension Plan.

2. BUDGETARY AND LEGAL COMPLIANCE

Budgetary Information. The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to September 1, the City Clerk submits to the City Council 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.

Public hearings are conducted at various times during the year to obtain taxpayer comments. Prior to the second Monday in September, the budget is legally enacted through passage of an ordinance. The budget covers all governmental and proprietary fund types. The City adopts budgets on the modified accrual basis of accounting for all governmental fund types and proprietary fund types.

The City Council is authorized to transfer budgeted amounts between departments within any fund; however, expenditures from the emergency fund, or any revisions that alter the total expenditures of any fund, must be approved by the City Council. The legal level of budgetary control is the fund level.

Encumbrance accounting is employed for capital projects in the governmental fund types. For budgetary purposes, the encumbrances (i.e., purchase orders, contracts) are considered expenditures when incurred.

For GAAP reporting purposes, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Unencumbered appropriations lapse at year-end.

Expenditures may not exceed the budget at the individual fund level. The GEM Community Fund had expenditures exceed budget in the current fiscal year.

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Deposits and investment policies are disclosed in Note 1.

The bank balance of bank deposits amounted to $873,328 of which, $565,231 was not covered by federal depository insurance.

At September 30, 2024, the City's investments in the Idaho State Treasurer's Local Government Investment Pool, measured at fair value, was $32,281. All of which, was not covered by federal depository insurance.

The state investment pool is considered as cash on the financial statements.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will reduce the value of the City's investments. The City does not have a policy regarding interest rate risk.

Custodial Risk. Custodial risk is the risk that, in the event of the failure of the investment custodian, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the custodian. The City owns a percentage of each investment held by the Idaho State Treasurer's Local Government Investment Pool and the Pool diversifies investments to minimize credit risk to any individual government. As of September 30, 2024, the City's investment in the Idaho State Treasurer's Local Government Investment Pool has not been issued an external credit quality rating.

Concentration of Credit Risk. The City has no policy on the amount they may invest in any one issuer.

Fair Value. Investments are measured on a recurring basis within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investment in the Idaho State Treasurer's Local Government Investment Pool is measured with Level 2 inputs, which is the same inputs as the pool uses for its underlying investments.

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

B. Receivables

Delinquent taxes represent delinquent property amounts due from individuals. Over time, substantially all property taxes are collected.

Accounts receivable represent:	
Customer utility billings for water, wastewater collection, and sanitation	$ 110,178
Allowance for uncollectible accounts	0
Business-Type Activities	$ 110,178
Intergovernmental receivables represent:	
State of Idaho, state revenue sharing	$ 12,075
State of Idaho, highway user fees	5,073
State of Idaho, state liquor apportionment	0
Governmental Activities	$ 17,148

C. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Depreciable assets				
Buildings and improvements	$ 2,302,943			$ 2,302,943
Equipment	87,442		$ (4,500)	82,942
	$ 2,390,385	$ 0	$ (4,500)	2,385,885
Accumulated depreciation				
Buildings and improvements	$ 1,383,184	$ 51,049		1,434,233
Equipment	69,928	4,562	$ (4,500)	69,990
	$ 1,453,112	$ 55,611	$ (4,500)	1,504,223
				$ 881,662
Business-Type Activities				
Land	$ 23,797			$ 23,797
Construction in progress	78,973			78,973
System and improvements	5,060,937			5,060,937
Equipment	25,815			25,815
	$ 5,189,522	$ 0	$ 0	5,189,522
Accumulated depreciation				
System and improvements	$ 2,667,755	$ 123,890		2,791,645
Equipment	18,023	1,719		19,742
	$ 2,685,778	$ 125,609	$ 0	2,811,387
				$ 2,378,135

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

C. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities		Business-Type Activities	
Unallocated	$ 55,611	Water	$ 33,672
		Sewer	91,937

D. Bonds Payable

Bonds payable at September 30, 2024, are comprised of the following individual revenue bond issues:

Business-type Activities

A Water Revenue Bond in the amount of $300,000 issued in 1999, is due in annual installments of $18,420 (including interest) through November 2033, interest at 4.5 percent.

A Sewer Revenue Bond in the amount of $620,000 issued in 2020, is due in annual installments of $20,255 (including interest) through August 2060, interest at 1.375 percent.

The annual requirements to amortize all debt outstanding as of September 30, 2024, are as follows:

Year Ending	Water Rev Bond	Sewer Rev Bond	Interest Amount	Total
2025	12,091	12,389	14,195	$ 38,675
2026	12,635	12,559	13,481	$ 38,675
2027	13,203	12,732	12,740	$ 38,675
2028	13,797	12,907	11,971	$ 38,675
2029	14,418	13,085	11,172	$ 38,675
2030-2034	74,503	68,172	36,077	$ 178,752
2035-2039		72,989	28,286	$ 101,275
2040-2044		78,148	23,127	$ 101,275
2045-2049		83,670	17,605	$ 101,275
2050-2054		89,582	11,693	$ 101,275
2055-2059		95,873	5,402	$ 101,275
2060		19,995	235	$ 20,230
	$ 140,647	$ 572,101	$ 185,984	$ 898,732

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Changes in General Long-Term Obligations

The following is a summary of changes in long-term debt:

	09/30/23	Additions	Reductions	09/30/24	Due Within One Year
Business Activities					
Bonds payable	$ 741,324	$ 0	$ 28,576	$ 712,748	$ 24,480

Total interest expense for 2024 amounted to $14,673 in the business-type activities. All interest is reported as direct program expenses.

4. OTHER INFORMATION

A. Risk Management

Comprehensive Liability

The City of Culdesac purchases liability and property insurance through the Idaho Counties Risk Management Program (ICRMP). ICRMP assumes or reinsures all risk covered for claims. Participants are charged an annual insurance premium. The amounts of settlements have not exceeded the insurance coverage for any of the last three years.

The general insurance limits are as follows:

General liability	$2,000,000 per claim, $3,000,000 aggregate
Automobile liability	$2,000,000 per claim
Public official liability	$500,000 per claim
Employee dishonesty bond	$500,000 per claim
Law enforcement liability	$2,000,000 per claim
Umbrella excess liability	$1,000,000 per claim
Property	Total insured value

B. Segment Information

The City has issued revenue bonds to support the water and wastewater collection services. The fund financial statements report these two funds as major funds and disclose the required segment information.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

4. OTHER INFORMATION (CONTINUED)

D. Pension Plan

Plan Description. The City contributes to the Base Plan, which is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Public Employee Retirement System of Idaho (PERSI) that covers substantially all employees of the State of Idaho, its agencies, and various participating political subdivisions. The cost to administer the Plan is financed through the contributions and investment earnings of the Plan.

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

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 for retirement, disability, death, and survivor benefits of eligible members or beneficiaries. Benefits are based upon members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with 5 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 classifications. The annual service retirement allowance for each month of credited service is 2.0 percent (2.3 percent 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 percent minimum cost of living increase per year provided the *Consumer Price Index* increases 1 percent 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 percent, whichever is less; however, any amount above the 1 percent 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 percent of the employer rate for general employees and 72 percent for police and firefighters. At June 30, 2024, it was 6.71 percent for general employees. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18 percent for general employees.

4. OTHER INFORMATION (CONTINUED)

D. Pension Plan (Continued)

Pension Liabilities, Assets, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2024, the City reported a liability of $98,751 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'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, 2024, the City's proportion was 0.00263994 percent.

For the year ended September 30, 2024, the City recognized a net pension expense of $10,609. At September 30, 2024, 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
City contributions made subsequent to the measurement date	$ 4,000	
Differences between expected and actual experience	$ 15,722	
Changes in the City's proportion and differences between the City's contributions and the City's proportionate contributions		$ 8,075
Changes in assumptions or other inputs	$ 3,912	
Net difference between projected and actual earnings on pension plan investments		$ 1,792

Contributions made subsequent to the measurement date in the above table, will be recognized as a decrease of the net pension liability in the subsequent fiscal year.

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, 2024, is 4.4.

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

2025	$ 2,161
2026	16,046
2027	(5,143)
2028	(3,298)

4. OTHER INFORMATION (CONTINUED)

D. Pension Plan (Continued)

Actuarial Assumptions. Valuations are based upon 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. PERSI amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period 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 including inflation	3.05%
Investment rate of return	6.35%, net of pension plan investment expense
Cost of Living Adjustments (COLA)	1.00%

Several different sets of mortality rates are used in the valuation for contributing members, service retirement members, and beneficiaries. These rates were adopted for the valuation dated July 1, 2024.

Contributing Members, Service Retirement Members, and Beneficiaries.

General Employees and All Beneficiaries – Male	Pub-2010 General Tables, increased 11%
General Employees and All Beneficiaries – Female	Pub-2010 General Tables, increased 21%
Teachers – Male	Pub-2010 Teacher Tables, increased 12%
Teachers – Female	Pub-2010 Teacher Tables, increased 21%
Fire and Police – Male	Pub-2010 Safety Tables, increased 21%
Fire and Police – Female	Pub-2010 Safety Tables, increased 26%
Disabled Members – Male	Pub-2010 Disabled Tables, increased 38%
Disabled Members – Female	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 other than mortality. The total pension liability as of June 30, 2024, is based on the results of an actuarial valuation date of 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.

4. OTHER INFORMATION (CONTINUED)

D. Pension Plan (Continued)

Actuarial Assumptions (Continued).

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

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

CAPITAL MARKET ASSUMPTIONS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash	0%	0.00%
Large Cap	18%	4.50%
Small/Mid Cap	11%	4.70%
International Equity	15%	4.50%
Emerging Markets Equity	10%	4.90%
Domestic Fixed	20%	(0.25%)
TIPS	10%	(0.30%)
Real Estate	8%	3.75%
Private Equity	8%	6.00%

Discount Rate. The discount rate used to measure the total pension liability was 6.35 percent. 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 plan's 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.

4. OTHER INFORMATION (CONTINUED)

D. Pension Plan (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.35 percent, as well as what the City'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%)
City's proportionate share of the net pension liability (asset)	$ 187,657	$ 98,751	$ 26,137

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.

E. Interfund Receivables and Payables

There were no interfund payables at fiscal year-end.

F. Deficit Fund Balances

No funds had a deficit fund balance at fiscal year-end.

G. Bond Ordinance Disclosures

(a) Sewer Revenue Bond, Series 2020 Earnings Ratio

City of Culdesac Ordinance No. 307, provides that sewer rates of the City must be maintained at a level sufficient to provide net earnings from operations before depreciation and interest of not less than 1.20 times the amount required to pay all principal and interest to be paid on the bonds in the next succeeding fiscal year.

For the year ended September 30, 2024, the following analysis reflects the ratio.

Net profit (loss) from operations	$ (76,075)
Add:	
Depreciation	91,937
(a) Net earnings before depreciation and interest	$ 15,862
(b) Amount required to retire bonds and to pay interest maturing in next year	$ 20,255
Ratio (a / b)	0.78

Therefore, the City is not in compliance with the earnings ratio.

4. OTHER INFORMATION (CONTINUED)

G. Bond Ordinance Disclosures (Continued)

(b) Sewer Revenue Bond, Series 2020 Reserve Account

The City was required to create a "Reserve Account." This account is required to have one tenth of the annual payment placed into it annually until an amount equal to one year's payment is accumulated ($20,255). The City reserve account balance is $8,696 and is in compliance as of September 30, 2024.

(c) Sewer Revenue Bond, Series 2020 Short-Lived Asset Reserve Account

The City was required to create a "Reserve Account." This account is required to have $11,753 deposited into it annually to replace equipment with a useful life of 1-15 years. The City is in compliance as of September 30, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CULDESAC

SCHEDULE OF PENSION FUNDING

SCHEDULE OF THE CITY'S SHARE OF NET PENSION ASSET AND LIABILITY - PERSI BASE PLAN
Data reported is measured as of June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's portion of the net pension (asset) liability	0.0026399%	0.0029509%	0.0030488%	0.0031722%	0.0032505%	0.0033369%	0.0034464%	0.0034062%	0.0034394%	0.0034734%
Employer's proportionate share of the net pension (asset) liability	$ 98,751	$ 117,759	$ 120,083	$ (2,505)	$ 75,000	$ 38,000	$ 51,000	$ 54,000	$ 70,000	$ 45,700
Employer's covered payroll	129,374	125,469	120,226	118,384	115,745	107,446	105,126	100,302	95,369	92,236
Employer's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	76%	94%	100%	-2%	65%	35%	49%	54%	73%	50%
Plan fiduciary net position as a percentage of the total pension liability	86%	84%	83%	100%	88%	94%	92%	91%	87%	91%

SCHEDULE OF THE CITY'S CONTRIBUTIONS TO PENSION PLANS - PERSI BASE PLAN
Data reported is measured as of September 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 13,343	$ 14,395	$ 13,712	$ 15,950	$ 13,973	$ 13,621	$ 12,693	$ 12,063	$ 11,618	$ 11,200
Contributions in relation to the statutorily required contribution	13,343	14,395	13,712	15,950	13,973	13,621	12,693	12,063	11,618	11,200
Contribution (deficiency) excess	0	0	0	0	0	0	0	0	0	0
Employer's covered payroll	113,159	120,561	114,841	133,584	117,023	113,825	112,133	106,563	102,629	98,941
Contributions as a percentage of covered payroll	11.79%	11.94%	11.94%	11.94%	11.94%	11.97%	11.32%	11.32%	11.32%	11.32%

CITY OF CULDESAC

BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts Budgetary	Variance With
	Original	Final	Basis	Final Budget
REVENUES				
Property taxes	$ 94,105	$ 94,105	$ 79,742	$ (14,363)
Licenses and permits	1,211	1,211	2,735	1,524
Intergovernmental revenues	394,013	394,013	63,808	(330,205)
Charges for services	575	575	650	75
Earnings on investments	800	800	4,440	3,640
Other	13,420	13,420	2,270	(11,150)
Total revenues	504,124	504,124	153,645	(350,479)
EXPENDITURES				
Personnel services	75,438	75,438	54,708	20,730
Supplies and materials	2,500	2,500	732	1,768
Services and charges	391,527	391,527	55,970	335,557
Capital outlay	56,298	56,298		56,298
Total expenditures	525,763	525,763	111,410	414,353
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,639)	(21,639)	42,235	63,874
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(800)	(800)	(740)	60
Total other financing sources (uses)	(800)	(800)	(740)	60
NET CHANGE IN FUND BALANCE	(22,439)	(22,439)	41,495	63,934
FUND BALANCE AT BEGINNING OF YEAR	22,439	22,439	302,922	280,483
FUND BALANCE AT END OF YEAR	$ 0	$ 0	$ 344,417	$ 344,417

Note: The budgetary comparison schedule is presented on the modified accrual basis of accounting, which is the same basis of accounting used by the City in the fund financial statements.

CITY OF CULDESAC

BUDGETARY COMPARISON SCHEDULE -
STREET FUND
Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	$ 51,084	$ 51,084	$ 49,048	$ (2,036)
Intergovernmental revenues	571,892	571,892	40,226	(531,666)
Earnings on investments			1,774	1,774
Total revenues	622,976	622,976	91,048	(531,928)
EXPENDITURES				
Current				
Personnel services	17,591	17,591	25,209	(7,618)
Supplies and materials	7,150	7,150	1,350	5,800
Services and charges	594,750	594,750	19,463	575,287
Capital outlay	4,184	4,184		4,184
Total expenditures	623,675	623,675	46,022	577,653
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(699)	(699)	45,026	45,725
FUND BALANCE AT BEGINNING OF YEAR	699	699	150,306	149,607
FUND BALANCE AT END OF YEAR	$ 0	$ 0	$ 195,332	$ 195,332

Note: The budgetary comparison schedule is presented on the modified accrual basis of accounting, which is the same basis of accounting used by the City in the fund financial statements.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT - *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members
of the City Council
City of Culdesac
Culdesac, Idaho

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Culdesac, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Culdesac's basic financial statements and have issued our report thereon dated January 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Culdesac's internal control over financial reporting (internal control) as a basis for designing 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 Culdesac's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Culdesac'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control (finding #2024-001).

Lewiston Office: 1216 Idaho Street, Lewiston, Idaho 83501, (208) 746-8281
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Grangeville Office: 109 South Mill Street, Grangeville, Idaho 83530, (208) 983-1254
Orofino Office: P.O. Box 632, 216 Johnson Avenue, Orofino, Idaho 83544, (208) 476-3012
Pullman Office: 1230 SE Bishop Blvd., Pullman, Washington 99163, (509) 332-6541
Eagle Office: 1159 E Iron Eagle Drive, Suite 100, Eagle, Idaho 83616, (208) 319-2929

Report on Compliance and Other Matters

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

City of Culdesac's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Culdesac's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Culdesac's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Presnell Gage, PLLC

January 27, 2025
Lewiston, Idaho

Finding #2024-001: Segregation of Duties

Criteria: Internal control systems generally attempt to divide up accounting tasks among multiple individuals (segregation of duties) to improve the ability of the organization to identify errors within the accounting system.

Condition: The City of Culdesac has concentrated many accounting duties to one individual such that the desired segregation of duties is not possible. There are a limited number of personnel available to provide for the desired "segregation of duties."

Cause and Effect: Many accounting duties are performed by a single individual with limited oversight available within the City of Culdesac.

Management's Response: The City's management and the City Council believe that the cost of hiring additional accounting staff outweighs the benefits that segregation of duties would provide.

Recommendation: We concur with the City's response.

CITY OF CULDESAC

GEM COMMUNITY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2024

	Budget	Actual	Variances Favorable (Unfavorable)
REVENUES			
Miscellaneous			
Earnings on investments	$ 100	$ 86	$ (14)
Miscellaneous	16,450	20,497	4,047
Total miscellaneous	16,550	20,583	4,033
Total revenues	16,550	20,583	4,033
EXPENDITURES			
Recreation			
Supplies	950	678	272
Other services and charges	15,600	23,838	(8,238)
Total recreation	16,550	24,516	(7,966)
Total expenditures	16,550	24,516	(7,966)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	(3,933)	(3,933)
NET CHANGE IN FUND BALANCE	0	(3,933)	(3,933)
FUND BALANCE AT BEGINNING OF YEAR	0	31,832	31,832
FUND BALANCE AT END OF YEAR	$ 0	$ 27,899	$ 27,899

CITY OF CULDESAC

FIRE DEPARTMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended September 30, 2024

	Budget	Actual	Variances Favorable (Unfavorable)
REVENUES			
Intergovernmental revenues			
Grant revenue	$ 30,000		$ (30,000)
Total intergovernmental revenues	30,000	$ 0	(30,000)
Miscellaneous			
Earnings on investments		38	38
Miscellaneous	2,100	318	(1,782)
Total miscellaneous	2,100	356	(1,744)
Total revenues	32,100	356	(31,744)
EXPENDITURES			
Public safety			
Supplies	900	72	828
Other services and charges	7,700	872	6,828
Capital outlay	29,900		29,900
Total public safety	38,500	944	37,556
Total expenditures	38,500	944	37,556
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,400)	(588)	5,812
OTHER FINANCING SOURCES (USES)			
Transfers in	2,400	740	(1,660)
Total other financing sources (uses)	2,400	740	(1,660)
NET CHANGE IN FUND BALANCE	(4,000)	152	4,152
FUND BALANCE AT BEGINNING OF YEAR	4,000	9,162	5,162
FUND BALANCE AT END OF YEAR	$ 0	$ 9,314	$ 9,314

CITY OF CULDESAC

WATER FUND

SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP MODIFIED ACCRUAL)
Year Ended September 30, 2024

	Budget	Actual	Variances Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services			
Water revenue	$ 128,900	$ 139,608	$ 10,708
Hookup fees		11,000	11,000
Total operating revenues	128,900	150,608	21,708
OPERATING EXPENSES			
Personnel services	56,534	41,816	14,718
Supplies	7,600	2,569	5,031
Other services and charges	524,884	28,123	496,761
Capital outlay	95,533		95,533
Total operating expenses	684,551	72,508	612,043
OPERATING INCOME (LOSS)	(555,651)	78,100	633,751
Nonoperating revenues (expenses)			
Interest revenue		1,854	1,854
Interest expense	(18,420)	(6,638)	11,782
Principal payments		(16,355)	(16,355)
Capital contributions	545,000		(545,000)
Total nonoperating revenues (expenses)	526,580	(21,139)	(547,719)
NET INCOME (LOSS)	$ (29,071)	$ 56,961	$ 86,032
Reconciliation of change in fund balance, modified accrual basis, to net income (loss) GAAP basis			
Net income (loss)		$ 56,961	
Budgeted expenses, which do not affect net assets			
Principal payment		16,355	
PERSI retirement actuarial change		(2,493)	
Noncash, nonbudget activity, which affects net assets			
Depreciation		(33,672)	
Net income (loss) GAAP Basis		$ 37,151	

CITY OF CULDESAC

SEWER FUND

SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL (NON-GAAP MODIFIED ACCRUAL)
Year Ended September 30, 2024

	Budget	Actual	Variances Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services			
Sewer revenue	$ 116,000	$ 110,553	$ (5,447)
Hookup fees		4,500	4,500
Total charges for services	116,000	115,053	(947)
OPERATING EXPENSES			
Personal services	50,252	37,682	12,570
Supplies	5,000	2,563	2,437
Other services and charges	56,363	58,946	(2,583)
Capital outlay	30,000		30,000
Total operating expenses	141,615	99,191	42,424
OPERATING INCOME (LOSS)	(25,615)	15,862	41,477
Nonoperating revenues (expenses)			
Interest revenue		1,108	1,108
Interest expense	(22,282)	(8,035)	14,247
Principal payments		(12,221)	(12,221)
Total nonoperating revenues (expenses)	(22,282)	(19,148)	3,134
NET INCOME (LOSS)	$ (47,897)	$ (3,286)	$ 44,611
Reconciliation of change in fund balance, modified accrual basis, to net income (loss) GAAP basis			
Net income (loss)		$ (3,286)	
Budgeted revenue and expenses, which do not affect net assets			
Principal payment		12,221	
PERSI retirement actuarial change		(819)	
Noncash, nonbudget activity, which affects net assets			
Depreciation		(91,937)	
Net income (loss) GAAP Basis		$ (83,821)	

CITY OF CULDESAC

SANITATION FUND

SCHEDULE OF REVENUES AND EXPENSES -
BUDGET AND ACTUAL
Year Ended September 30, 2024

	Budget	Actual	Variances Favorable (Unfavorable)
OPERATING REVENUES			
Charges for services			
Sanitation revenue	$ 68,800	$ 65,045	$ (3,755)
Total charges for services	68,800	65,045	(3,755)
Total operating revenues	68,800	65,045	(3,755)
OPERATING EXPENSES			
Other services and charges	68,800	62,000	6,800
Total operating expenses	68,800	62,000	6,800
NET INCOME (LOSS)	$ 0	$ 3,045	$ 3,045