DAYTON CITY

Financial Statements

For the Year Ended September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
Dayton City
Dayton, Idaho

Opinions

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Dayton City, 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Dayton City, Idaho, and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

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 Dayton City, Idaho '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

My 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 my 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement 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 Dayton City, 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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dayton City, Idaho's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical

context. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with managements responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

MATTHEW REGEN, CPA, PC



Logan, Utah
November 25, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Dayton City (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The total net position (government and business-type activities) of the City increased during fiscal year 2024 by $586,262 to a total of $3,958,078. The governmental net position increased by $182,916 and the business-type net position increased by $403,346.

- The total net position (government and business-type activities) of the City consists of $2,278,720 in capital assets, net of related debt, and $1,679,358 in unrestricted net position.

REPORTING THE CITY AS A WHOLE

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

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- *The statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, there will also be a need to consider other non-financial factors.

- *The statement of activities* presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, roads, parks and recreation, and public works. The business-type activities of the City include the water utility. The government-wide financial statements can be found on pages 10 through 15 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

  The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- **Proprietary funds** - The City maintains only one proprietary fund, an enterprise fund, to account for its culinary water utility operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As determined by generally accepted accounting principles, the Water Fund meets the criteria for major fund classification.

- **Fiduciary funds -** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City currently has no fiduciary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $3,958,078.

A large portion of the City's net position (58 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules present summarized information from the Statement of Net Position and the Statement of Activities:

STATEMENT OF NET POSITION

	Governmental Activities			Business-type Activities		
	2024	2023	2022	2024	2023	2022
Current and other assets	$ 1,052,495	780,062	501,824	661,487	522,541	503,840
Capital assets	1,155,088	1,242,117	1,277,212	1,465,331	858,298	630,880
Total assets	2,207,583	2,022,179	1,779,036	2,126,818	1,380,839	1,134,720
Current liabilities	31,265	28,777	29,888	3,359	2,425	2,507
Note payable	-	-	-	341,699	-	-
Total liabilities	31,265	28,777	29,888	345,058	2,425	2,507
Invested in capital assets, net of debt	1,155,088	1,242,117	1,277,212	1,123,632,	858,298	630,880
Restricted	-	-	-	-	-	-
Unrestricted	1,021,230	751,285	471,936	658,128	520,116	501,333
Total net position	$ 2,176,318	1,993,402	1,749,148	1,781,760	1,378,414	1,132,213

CHANGES IN NET POSITION

	Governmental Activities			Business-type Activities		
	2024	2023	2022	2024	2023	2022
Revenues:						
Program revenues:						
Charges for services	$ 60,204	20,092	6,170	117,939	110,950	101,262
Operating grants	141,933	268,391	183,558	330,717	173,045	345,188
General revenues:						
Property taxes	33,809	33,264	31,935	-	-	-
Sales and use taxes	93,079	93,095	-	-	-	-
Other revenues	33,523	11,575	805	40,611	23,647	950
Total revenues	362,548	426,417	222,468	307,642	307,642	447,400
Expenses:						
General government	88,744	92,457	77,240	-	-	-
City council	4,276	3,876	4,462	-	-	-
Highways & public improv.	70,925	81,781	54,976	-	-	-
Parks and recreation	15,687	4,049	14,904	-	-	-
Water utility	-	-	-	85,921	61,441	69,801
Total expenses	179,632	182,163	151,582	85,921	61,441	69,801
Change in net position	182,916	244,254	70,886	403,346	246,201	377,599
Net position – beginning (10-01)	1,993,402	1,749,148	1,678,262	1,378,414	1,132,213	754,614
Net position – ending (09-30)	$ 2,176,318	1,993,402	1,749,148	1,781,760	1,378,414	1,132,213

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The financial reporting focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $1,021,230, an increase of $269,945 over the prior year. Of this total amount $1,021,230 constitutes unassigned fund balance, which is available to meet the future financial needs of the City.

The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 35 percent of total general fund revenues. The two largest elements of taxes are sales and property taxes. Combined, they represent 100 percent of total tax revenues and 35 percent of total general fund revenues.

The City maintains an enterprise fund to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the current fiscal year the General Fund budget for revenues was $685,179. The actual revenue was $362,549. This resulted in an unfavorable variance of $322,630 for revenue. The General Fund budget for expenditures was $685,179. The actual expenditures were $92,604. This resulted in a favorable variance of $592,575 for expenditures. Overall, the City had a favorable variance for the excess of expenditures over revenues of $269,945.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2024, amounts to $2,620,419 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, water utility equipment and improvements, buildings, machinery and equipment, park facilities, roads and infrastructure (streets, sidewalks, curb and gutter, etc.). The increase in the City's investment in capital assets for the current fiscal year was $605,505 and depreciation expense was $130,501.

Major capital assets purchased during the fiscal year included the following;

- $650,505 for water system improvements

Additional information on the City's capital assets can be found in the footnotes to this financial report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Dayton City, PO Box 12, Dayton, Idaho, 83232.

DAYTON CITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	Primary Government		
Assets	Governmental Activities	Business-type Activities	Total
Pooled cash and cash equivalents	$ 1,009,673	653,646	1,663,319
Receivables, net	42,822	7,841	50,663
Fixed assets, net	1,155,088	1,465,331	2,620,419
Total assets	2,207,583	2,126,818	4,334,401
Liabilities			
Liabilities:			
Accounts payable and accrued expenses	5,368	3,050	8,418
Customer deposits	-	309	309
Note payable	-	341,699	341,699
Deferred inflows - property taxes	25,897	-	25,897
Total liabilities	31,265	345,058	376,323
Net Position			
Investments in capital assets, net of related debt	1,155,088	1,123,632	2,278,720
Unrestricted	1,021,230	658,128	1,679,358
Total net position	$ 2,176,318	1,781,760	3,958,078

See accompanying notes and independent accountant's audit report.

DAYTON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	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 Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Total
Primary government:							
Governmental:							
General government	$ 88,744	56,457	-	120,962	88,675	-	88,675
City council	4,276	-	-	-	(4,276)	-	(4,276)
Parks, recreation & public property	15,687	3,747	1,000	-	(10,940)	-	(10,940)
Highways & public improvements	70,925	-	19,971	-	(50,954)	-	(50,954)
Total governmental activities	179,632	60,204	20,971	120,962	22,505	-	22,505
Business-type activities:							
Water fund	85,921	117,939	-	330,717	-	362,735	362,735
Total business-type activities	85,921	117,939	-	330,717	-	362,735	362,735
Total primary government	$ 265,553	178,143	20,971	451,679	22,505	362,735	385,240
General revenues:							
Taxes:							
Sales and use tax					93,079	-	93,079
Property tax					33,809	-	33,809
Total taxes					126,888	-	126,888
Interest income					33,523	40,611	74,134
Total general revenues					160,411	40,611	201,022
Change in net position					182,916	403,346	586,262
Net position - beginning					1,993,402	1,378,414	3,371,816
Net position - ending					$ 2,176,318	1,781,760	3,958,078

See accompanying notes and independent accountant's audit report.

DAYTON CITY
BALANCE SHEET -
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

Assets		
Pooled cash and cash equivalents	$	1,009,673
Receivables, net		42,822
Total assets	$	1,052,495
Liabilities and Fund Equities		
Liabilities:		
Accounts payable and accrued liabiliti	$	5,368
Deferred revenue		25,897
Total liabilities		31,265
Fund equity:		
Fund balances		
Unreserved - Undesignated		1,021,230
Total fund equity		1,021,230
Total liabilities and fund equity	$	1,052,495

See accompanying notes and independent accountant's audit report.

DAYTON CITY
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

Total fund balances for governmental funds		$ 1,021,230
Net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 30,515	
Buildings	10,212	
Equipment	80,904	
Improvements	154,431	
Infrastructure	1,945,060	
Accumulated depreciation	(1,066,035)	1,155,088
Net position of governmental activities		$ 2,176,318

See accompanying notes and independent accountant's audit report.

DAYTON CITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Revenues:		
Taxes	$	33,809
Intergovernmental		240,905
Miscellaneous revenues		87,500
Licenses & permits		335
Total revenues		362,549
Expenditures:		
General government		43,819
City council		4,276
Parks, recreation & public property		11,110
Highways & public improvements		33,399
Total expenditures		92,604
Excess of revenues over expenditures		269,945
Fund balance - beginning of year		751,285
Fund balance - end of year	$	1,021,230

See accompanying notes and independent accountant's audit report.

DAYTON CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net change in fund balance - Total governmental funds	$	269,945
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of $87,029 exceeded capital outlays of $0.		(87,029)
Changes in net position of governmental activities	$	182,916

See accompanying notes and independent accountant's audit report.

DAYTON CITY
STATEMENT OF NET POSITION -
PROPRIETARY FUND
SEPTEMBER 30, 2024

Assets		
Pooled cash and cash equivalents	$	653,646
Receivables, net		7,841
Fixed assets, net		1,465,331
Total assets		2,126,818
Liabilities		
Accounts payable and accrued liabilities		3,050
Customer deposits		309
Note payable - DEQ drinking water treatment		341,699
Total liabilities		345,058
Net Position		
Investments in capital assets, net of related debt		1,123,632
Unrestricted		658,128
Total net position	$	1,781,760

See accompanying notes and independent accountant's audit report.

DAYTON CITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Operating revenues:		
Services	$	117,350
Grants		330,717
Connection & other fees		589
Total operating revenues		448,656
Operating expenses:		
Current expenses		42,448
Depreciation		43,473
Total operating expense		85,921
Operating income		362,735
Non-operating income:		
Interest income		40,611
Total non-operating income		40,611
Change in net position		403,346
Net position - beginning of year		1,378,414
Net position - end of year	$	1,781,760

See accompanying notes and independent accountant's audit report.

DAYTON CITY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Cash flows from operating activities:		
Receipts from customers and users	$	450,208
Payments to suppliers		(41,514)
Net cash provided by operating activities		408,694
Cash flows from non-capital financing activities		-
Cash flows from capital and related financing activities:		
Loan proceeds		341,699
Purchases of capital assets		(650,506)
Net cash used in capital and related financing activities		(308,807)
Cash flows from investing activities:		
Interest income		40,611
Net cash provided from investing activities		40,611
Net increase in cash and cash equivalents		140,498
Cash and cash equivalents at beginning of year		513,148
Cash and cash equivalents at end of year	$	653,646
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	362,735
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization		43,473
Change in assets and liabilities:		
Decrease in accounts receivable		1,552
Increase in accounts payable		934
Total adjustments		45,959
Net cash provided by operating activities	$	408,694

See accompanying notes and independent accountant's audit report.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Dayton City (the City) was incorporated in 1983 under the laws of the state of Idaho. The City operates by ordinance under the Mayor-Council form of government and provides such services as are authorized by its charter including public safety (police and fire), highway and streets, sanitation, recreation, public improvements, planning and zoning, and general administration. In addition, the City owns and operates a water utility.

The accounting and reporting policies of the City relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 1, 1989, which do not conflict with or contradict GASB pronouncements. The City has elected not to follow FASB pronouncements issued after November 30, 1989 in the preparation of these financial statements. The following represents the more significant accounting and reporting policies and practices used in the preparation of these financial statements:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support.

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City applies expenses for restricted resources first when both restricted and unrestricted net position are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

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

The City reports the following major proprietary fund:

> The Water Utility accounts for the activities of the City's water production, treatment, and distribution operations.

Note 1 – Summary of Significant Accounting Policies (continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than $2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible fixed assets used is charged as an expense against the City's operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10 to 40 years
Water system and equipment	7 to 50 years
Machinery and equipment	5 to 20 years
Infrastructure	50 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Deferred Revenues

In the government-wide statements and the proprietary fund statements, deferred revenue is recognized when cash or other assets are received or recognized prior to being earned. In the governmental fund statements, deferred revenue is recognized when revenue is either unearned or unavailable.

Note 1 – Summary of Significant Accounting Policies (continued)

Equity Classifications

Equity in the government-wide financial statements is classified as net position and displayed in three components:

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

- Restricted net position – Consists of net position with constraints placed on the usage whether by 1) external groups such as creditors, grantors or laws and regulations of other governments; 2) law through constitutional provisions or enabling legislation.

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

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide financial statements.

Property Taxes

Franklin County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The City must adopt a final tax rate prior to September 22, which is then submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or $10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalties bear interest at 6% above the federal discount rate from January 1 until paid.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within 60 days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is

Note 1 – Summary of Significant Accounting Policies (continued)

not employed by the City in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

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 reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, the term "cash and cash equivalents" includes all demand deposit accounts, savings accounts, or other short-term, highly-liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Subsequent Events

The City has evaluated all subsequent events through November 25, 2025, the date the financial statements were available to be issued.

Note 2 – Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a formal deposit policy for custodial credit risk. On September 30, 2024, $1,069,959 of the City's bank balances were uninsured and/or uncollateralized.

Note 2 – Deposits and Investments (continued)

Investments

State law defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may only be conducted through qualified depositories, certified dealers or directly with the issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standards & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes and bonds; bonds, notes and other evidence of indebtedness of political subdivisions of the state; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in money market mutual fund.

Interest Rate Risk – Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The City has no policy for managing its exposure to fair value loss arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. See the quality ratings on the investment schedules above.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk in regard to the custody of the City's investments.

Concentration of Credit Risk – Concentrations of credit risk is the risk of loss attributed to the magnitude of government's investment in a single issuer. The City has no policy for reducing this risk of loss.

Note 3 – Legal Compliance – Budgets

On or before the first scheduled City council meeting in August, all agencies of the City submit requests for appropriation to the City's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

Note 3 – Legal Compliance – Budgets (continued)

The proposed budget is presented to the City council for review at the first scheduled meeting in August. The City council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the City financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the City council.

State statute requires that City officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 4 – Receivables

The City has property and sales taxes, accounts receivable and receivables due from other governments as of September 30, 2024 as follows:

General Fund:

Taxes:		
Property taxes	$	27,577
Sales tax & revenue sharing		10,663
Total taxes receivable		38,240
Due from other governments:		
Roads- State of Idaho		4,582
Total receivables	$	42,822

Water Fund:

Accounts:		
Services and fees	$	7,841
Total receivables	$	7,841

Note 5 – Capital Assets

Capital asset changes occurring for the year ended September 30, 2024, are as follows:

	October 1, 2023	Additions	Deletions	September 30, 2024
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 30,515	-	-	30,515
Total capital assets not being depreciated	30,515	-	-	30,515
Capital assets being depreciated:				
Buildings	10,212	-	-	10,212
Infrastructure	1,945,060	-	-	1,945,060
Improvements	154,431	-	-	154,431
Equipment	80,904	-	-	80,904
Total capital assets being depreciated	2,190,608	-	-	2,190,608
Accumulated depreciation for:				
Buildings	(10,212)	-	-	(10,212)
Infrastructure	(764,659)	(79,800)		(844,459)
Improvements	(148,908)	(1,951)		(150,859)
Equipment	(55,228)	(5,277)	-	(60,505)
Total accumulated depreciation	(979,007)	(87,028)	-	(1,066,035)
Total capital assets being depreciated, net	1,211,602	(87,028)	-	1,124,574
Total governmental activities Capital assets, net	$ 1,242,117	(87,028)	-	1,155,088

Note 5 – Capital Assets (continued)

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

General government	$	44,925
Highways & public improvements		37,526
Parks & recreation		4,577
Total depreciation expense	$	87,028

Note 5 – Capital Assets (continued)

		October 1, 2023	Additions	Deletions	September 30, 2024
Business-type Activities:					
Capital assets not being depreciated:					
Land	$	4,000	-	-	4,000
Total capital assets not being depreciated		4,000	-	-	4,000
Capital assets being depreciated:					
Buildings		6,023	-	-	6,023
Equipment		42,514	-	-	42,514
Improvements		1,705,822	605,505	-	2,356,327
Total capital assets being depreciated		1,754,359	605,505	-	1,2,404,864
Accumulated depreciation for:					
Buildings		(5,465)	(84)	-	(5,549)
Equipment		(29,782)	(2,500)	-	(32,282)
Improvements		(864,812)	(40,889)	-	(905,701)
Total accumulated depreciation		(900,060)	(43,473)	-	(943,533)
Total capital assets being depreciated, net		854,298	562,032	-	1,461,331
Total business-type activities capital assets, net	$	858,298	562,032	-	1,465,331

Note 6 – Interfund Activities

On September 30, 2024, no inter-fund balances existed.

Note 7 – Notes Payable – Proprietary Fund

The City entered into a loan agreement with the Department of Environmental Quality for drinking water treatment design and construction. The maximum loan amount authorized under the agreement is $1,197,800.

During the year ending September 30, 2024, the City received $341,699 in loan advances, which are recorded as long-term debt in the accompanying Statement of Net Position.

Under the terms of the agreement, repayment of principal and interest will not begin until the project is completed and all loan funds have been drawn. Accordingly, as of September 30, 2024, no debt service payments have been made.

The amount available for future reimbursement is $856,101. Upon completion, the loan will convert to an amortizing note with repayment period of 20 years at 2.25% interest to be repaid in biannual installments.

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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*

To the Honorable Mayor and City Council
Dayton City
Dayton, Idaho

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, business-type activities, and each major fund of Dayton City (the City) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise Dayton's basic financial statements and have issued my report thereon dated November 25, 2025.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of Dayton'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. I consider the deficiencies listed in the accompanying management letter to be material weaknesses.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit preformed 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.

MATTHEW REGEN, CPA, PC



November 25, 2025

DAYTON CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:					
Taxes	$	35,000	35,000	33,809	(1,191)
Intergovernmental		549,679	549,679	240,905	(308,774)
Miscellaneous revenues		100,000	100,000	87,500	(12,500)
Licenses and permits		500	500	335	(165)
Total revenues		685,179	685,179	362,549	(322,630)
Expenditures:					
General government		76,754	76,754	43,819	32,935
City Council		4,691	4,691	4,276	415
Parks, recreation & public property		37,664	37,664	11,110	26,554
Highways & public improvements		566,070	566,070	33,399	532,671
Total expenditures		685,179	685,179	92,604	592,575
Excess (deficiency) of revenues over expenditures		-	-	269,945	269,945
Other financing sources:					
Beginning fund balance		-	-		
Total other financing sources		-	-	-	-
Excess of revenue and other financing sources over expenditures/other financing uses	$	-	-	269,945	269,945
Fund balance - beginning of year	$			751,285	
Fund balance - end of year	$			1,021,230	

See accompanying notes and independent accountant's audit report.