CITY OF DOWNEY - STATE OF IDAHO
DOWNEY, IDAHO
ANNUAL FINANCIAL REPORT
and
COMPLIANCE REPORTS
with
INDEPENDENT AUDITOR'S REPORT
For the Year Ended September 30, 2024

CITY OF DOWNEY - STATE OF IDAHO
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2024

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Searle Hart & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Downey - State of Idaho
Downey, Idaho

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Downey, Idaho, 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 financial position of the City of Downey, Idaho, as of September 30, 2024, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Downey'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Downey'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information such as management's discussion and analysis and required supplementary information on pages 31 - 38 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. 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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 this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Downey, Idaho's basic financial statements. The accompanying Schedule of Bonds – Future Principal and Interest Requirements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2025, on our consideration of City of Downey, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the

results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Searle Hart + Associates PLLC

Idaho Falls, Idaho
August 12, 2025

FINANCIAL SECTION

CITY OF DOWNEY - STATE OF IDAHO
STATEMENT OF NET POSITION
September 30, 2024

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 596,592	$ 689,266	$ 1,285,858
Capital stock - Canal Company	6,000	-	6,000
Taxes receivable	12,337	-	12,337
Receivables	-	9,645	9,645
Restricted cash	-	6,510	6,510
Due from other governmental agencies	28,333	-	28,333
Prepaid expenses	8,335	365	8,700
Capital Assets			
Land and other assets not being depreciated	35,000	-	35,000
Infrastructure and infrastructure in progress	8,000	-	8,000
Infrastructure	-	3,603,100	3,603,100
Buildings	755,873	-	755,873
Equipment and furniture	488,527	63,552	552,079
Less: accumulated depreciation	(822,958)	(2,096,259)	(2,919,217)
Total Capital Assets	464,442	1,570,393	2,034,835
TOTAL ASSETS	1,116,039	2,276,179	3,392,218
DEFERRED OUTFLOWS			
Pension	21,662	11,155	32,817
Other	-	-	-
TOTAL DEFERRED OUTFLOWS	$ 21,662	$ 11,155	$ 32,817

The notes to the financial statements are an integral part of this statement.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
Accounts payable and accrued expenses	$ 7,112	$ 6,510	$ 13,622
Due to other governmental agencies	-	-	-
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	-	39,464	39,464
Accrued interest	-	35,977	35,977
Compensated absences	-	-	-
Postemployment benefits payable	-	-	-
Due in more than one year			
Bonds, capital leases and contracts	-	949,736	949,736
Accrued interest	-	-	-
Compensated absences	-	-	-
Net pension liability	70,905	36,530	107,435
TOTAL LIABILITIES	78,017	1,068,217	1,146,234
DEFERRED INFLOWS			
Revenue unavailable for use	-	-	-
Pension	-	-	-
TOTAL DEFERRED INFLOWS	-	-	-
NET POSITION			
Net investment in capital assets	464,442	545,216	1,009,658
Restricted for:			
Customer deposits	-	6,510	6,510
Debt Service	-	-	-
Other projects	-	-	-
Unrestricted	595,242	667,391	1,262,633
TOTAL NET POSITION	$ 1,059,684	$ 1,219,117	$ 2,278,801
TOTAL NET POSITION AND EQUITY IN NET POSITION OF JOINT VENTURE	$ 1,059,684	$ 1,219,117	$ 2,278,801

CITY OF DOWNEY - STATE OF IDAHO
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

FUNCTIONS/PROGRAMS	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 263,087	$ 40,961	$ 11,997	$ 84,482
Public safety	38,798	-	-	-
Public works	79,373	-	27,444	-
Health, welfare and sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Conservation and economic development	-	-	-	-
Interest on long-term debt	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	381,258	40,961	39,441	84,482
Business-type activities:				
Water Fund	213,797	175,228	-	-
Sewer Fund	53,905	62,903	-	-
Garbage Fund	49,772	48,814	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	317,474	286,945	-	-
TOTAL PRIMARY GOVERNMENT	$ 698,732	$ 327,906	$ 39,441	$ 84,482
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Franchise taxes				
Public service taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Pension expense				
Special item - gain/(loss) on sale of asset				
Transfers				
TOTAL GENERAL REVENUES, SPECIAL ITEMS, AND TRANSFERS				
Change in net position				
Net Position, October 1, 2023				
NET POSITION, SEPTEMBER 30, 2024				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (125,647)	$	$ (125,647)
(38,798)		(38,798)
(51,929)		(51,929)
-		-
-		-
-		-
-		-
-		-
(216,374)		(216,374)
	(38,569)	(38,569)
	8,998	8,998
	(958)	(958)
	(30,529)	(30,529)
(216,374)	(30,529)	(246,903)
128,755	-	128,755
-	-	-
-	-	-
136,717	-	136,717
-	-	-
19,606	-	19,606
12,503	-	12,503
-	-	-
-	-	-
-	-	-
297,581	-	297,581
81,207	(30,529)	50,678
978,477	1,249,646	2,228,123
$ 1,059,684	$ 1,219,117	$ 2,278,801

CITY OF DOWNEY - STATE OF IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	GENERAL FUND	ROAD FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 491,393	$ 105,199	$ 596,592
Capital stock - Canal Company	6,000	-	6,000
Taxes receivable, net	9,299	3,038	12,337
Due from other funds	-	-	-
Receivable from other governments	21,482	6,851	28,333
Other receivables	-	-	-
Inventories	-	-	-
Prepaid expenses	8,153	182	8,335
TOTAL ASSETS	536,327	115,270	651,597
DEFERRED OUTFLOWS	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 536,327	$ 115,270	$ 651,597
LIABILITIES			
Accounts payable	$ 7,112	$ -	$ 7,112
Negative cash	-	-	-
Due to other funds	-	-	-
Payable to other governments	-	-	-
Other accrued expenses	-	-	-
Other payables	-	-	-
TOTAL LIABILITIES	7,112	-	7,112
DEFERRED INFLOWS			
Revenue unavailable for use	8,028	2,622	10,650
FUND BALANCES			
Nonspendable	8,153	-	8,153
Restricted	-	-	-
Assigned	59	112,648	112,707
Unassigned	512,975	-	512,975
TOTAL FUND BALANCES	521,187	112,648	633,835
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 536,327	$ 115,270	$ 651,597

The notes to the financial statements are an integral part of this statement.

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

Total fund balance, governmental funds:	$	633,835
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		464,442
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. This is the amount reported as revenue unavailable for use in the fund financial statements.		10,650
A net pension liability for the measured portion of the present value of projected benefit payments is reported on the Statement of Net Position, but not in the fund financial statements.		
Deferred outflows associated with the net pension liability		21,662
Deferred inflows associated with the net pension liability		-
Net pension liaibility		(70,905)
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		-
Net position of governmental activities in the Statement of Net Position:	$	1,059,684

CITY OF DOWNEY - STATE OF IDAHO
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	GENERAL FUND	ROAD FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property taxes	$ 131,384	$ 36,043	$ 167,427
Fees and fines	3,800	-	3,800
Licenses and permits	10,694	-	10,694
Intergovernmental	168,308	53,551	221,859
Charges for services	26,467	7,110	33,577
Investment earnings	19,606	-	19,606
Miscellaneous	10,540	-	10,540
TOTAL REVENUES	370,799	96,704	467,503
EXPENDITURES			
Current:			
General government	214,518	-	214,518
Public safety	38,798	-	38,798
Public works	-	79,373	79,373
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Education	-	-	-
Conservation/economic development	-	-	-
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	131,802	-	131,802
TOTAL EXPENDITURES	385,118	79,373	464,491
Excess (deficiency) of revenues over expenditures	(14,319)	17,331	3,012
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
SPECIAL ITEM			
Proceeds from sale of assets	-	-	-
Net change in fund balances	(14,319)	17,331	3,012
Fund Balances, Oct. 1, 2023	535,506	95,317	630,823
FUND BALANCES, SEPT. 30, 2024	$ 521,187	$ 112,648	$ 633,835

The notes to the financial statements are an integral part of this statement.

CITY OF DOWNEY - STATE OF IDAHO
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 balances - total governmental funds:	$	3,012
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
This is the amount by which capital outlays of $131,802 were exceeded by depreciation of $39,627 in the current period.		92,175
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		-
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This is the net change in revenue unavailable for use.		(5,038)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Net change in accrued interest not reflected in governmental funds:		-
Net change in pension expense not reflected in the governmental funds:		(8,942)
Governmental funds do not recognize compensated absences as expenditures until they are paid. In contrast, the Statement of Activities treats compensated absences as a long-term liability. This amount is the net change in the compensated absence liability.		-
Change in net position of governmental activities:	$	81,207

CITY OF DOWNEY - STATE OF IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUND TYPES
September 30, 2024

	WATER FUND	SEWER FUND	GARBAGE FUND	TOTAL
ASSETS				
Cash and short-term investments	$ 490,590	$ 144,022	$ 54,654	$ 689,266
Prepaid services	182	183	-	365
Utility accounts receivable	6,394	1,661	1,590	9,645
				-
Restricted assets:				-
Cash and short-term investments	6,510	-	-	6,510
				-
Property, plant and equipment	3,113,095	530,703	22,854	3,666,652
Accumulated depreciation	(1,559,240)	(514,165)	(22,854)	(2,096,259)
TOTAL ASSETS	2,057,531	162,404	56,244	2,276,179
DEFERRED OUTFLOWS				
Deferred outflows - Pension	6,236	4,919	-	11,155
Deferred outflows - Other	-	-	-	-
TOTAL DEFERRED OUTFLOWS	6,236	4,919	-	11,155
LIABILITIES				
Accounts payable	-	-	-	-
Deposits payable	6,510	-	-	6,510
Long-term liabilities				-
Due within one year				-
Bonds, capital leases, and contracts	39,464	-	-	39,464
Interest payable	35,977	-	-	35,977
Compensated absences	-	-	-	-
Due in more than one year				-
Bonds/Notes payable	949,736	-	-	949,736
Net pension liability	20,413	16,117	-	36,530
TOTAL LIABILITIES	1,052,100	16,117	-	1,068,217
DEFERRED INFLOWS	-	-	-	-
NET POSITION				
Net investment in capital assets	528,678	16,538	-	545,216
Restricted for:				-
Customer deposits	6,510	-	-	6,510
Debt service	-	-	-	-
Other projects	-	-	-	-
Unrestricted	476,479	134,668	56,244	667,391
TOTAL NET POSITION	$ 1,011,667	$ 151,206	$ 56,244	$ 1,219,117

The notes to the financial statements are an integral part of this statement.

CITY OF DOWNEY - STATE OF IDAHO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND TYPES
For the Year Ended September 30, 2024

	WATER FUND	SEWER FUND	GARBAGE FUND	TOTAL
OPERATING REVENUES				
Utility services	$ 175,228	$ 62,903	$ 48,814	$ 286,945
TOTAL OPERATING REVENUES	175,228	62,903	48,814	286,945
OPERATING EXPENSES				
Utility expenses	76,981	49,770	49,772	176,523
Depreciation	98,725	4,135	-	102,860
TOTAL OPERATING EXPENSES	175,706	53,905	49,772	279,383
OPERATING INCOME (LOSS)	(478)	8,998	(958)	7,562
NON-OPERATING REVENUES (EXPENSES)				
Miscellaneous revenues	-	-	-	-
Interest revenue	-	-	-	-
Interest expense	(38,091)	-	-	(38,091)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(38,091)	-	-	(38,091)
NET INCOME (LOSS) BEFORE TRANSFERS	(38,569)	8,998	(958)	(30,529)
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
CHANGE IN NET POSITION	(38,569)	8,998	(958)	(30,529)
NET POSITION - October 1, 2023	1,050,236	142,208	57,202	1,249,646
NET POSITION - September 30, 2024	$ 1,011,667	$ 151,206	$ 56,244	$ 1,219,117

CITY OF DOWNEY - STATE OF IDAHO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPES
For the Year Ended September 30, 2024

	WATER FUND	SEWER FUND
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Cash received from customers	$ 174,043	$ 62,819
Cash payments for goods and services	(77,425)	(49,780)
Cash payments to employees	2,574	2,034
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	99,192	15,073
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in	-	-
Miscellaneous revenue	-	-
Transfers out	-	-
Miscellaneous expense	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases and construction of capital assets	(19,328)	-
Principal payments on bonds payable	(38,038)	-
Interest paid on capital debt	(38,091)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(95,457)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,735	15,073
BEGINNING CASH AND CASH EQUIVALENTS	493,365	128,949
ENDING CASH AND CASH EQUIVALENTS	$ 497,100	$ 144,022
RECONCILIATION OF OPERATING INCOME TO NET CASH		
Operating income (loss)	$ (478)	$ 8,998
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	98,725	4,135
(Increase) decrease in:		
Utility receivables	(179)	(84)
Prepaid expenses	(10)	(10)
Deferred outflows - other	-	-
Increase (decrease) in:		
Accrued interest	(434)	-
Deposits payable	(1,006)	-
Accounts payable	-	-
Increase (decrease) in pension expense due to timing difference	2,574	2,034
Wages payable	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 99,192	$ 15,073

The notes to the financial statements are an integral part of this statement.

GARBAGE FUND	TOTAL
$ 48,708	$ 285,570
(49,772)	(176,977)
-	4,608
(1,064)	113,201
-	-
-	-
-	-
-	-
-	-
-	(19,328)
-	(38,038)
-	(38,091)
-	(95,457)
-	-
(1,064)	17,744
55,718	678,032
54,654	$ 695,776
(958)	$ 7,562
-	102,860
	-
(106)	(369)
-	(20)
-	-
	-
-	(434)
-	(1,006)
-	-
-	4,608
-	-
$ (1,064)	$ 113,201

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF DOWNEY - STATE OF IDAHO
INDEX TO NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

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11. Subsequent Events

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Downey is organized and operates under the provisions of the Idaho Constitution and the accounting policies and practices of the City conform to accounting principles generally accepted in the United States of America as applied to governments, except for the exceptions noted hereafter:

A. GENERAL

The financial statements listed in the table of contents have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial position.

B. REPORTING ENTITY

The reporting entity does not include those funds under the direct jurisdiction of other governing boards, elected or appointed, that exercise substantial or total administrative and supervisory authority in their name and are considered to be substantially autonomous from City of Downey's government, and are not included in this report. No component units are reported for the City of Downey.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's basic financial statements consist of both government-wide and fund financial statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the government. The City's activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements unless there are residual amounts due between governmental and business-type activities.

The *Statement of Net Position* presents the City's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is restricted when constraints placed upon it are either externally imposed or are imposed by constitutional provisions or enabling legislation.

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 within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Separate statements are provided for governmental and proprietary funds. For governmental and proprietary funds, the emphasis is on major funds, with each displayed in a separate column.

The City reports the following major governmental funds:

- **General Fund** - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

- **Road Fund** – This fund is for maintaining the system of roads within the City. It is primarily financed from state highway money.

The City reports the following major enterprise funds:

- **Water Fund** – The water fund accounts for the operation and maintenance of the water system and is primarily financed by fees charged to residents and businesses.

- **Sewer Fund** – The Sewer Fund accounts for the operation and maintenance of the waste disposal system of the City and is primarily financed by fees charged to residents and businesses.

Governmental Fund Types

Governmental funds account for the City's general activities including current expendable financial resources (except for those accounted for in proprietary funds), and are those through which most governmental functions of the City are financed. The following are the City's governmental fund types:

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

Special Revenue Fund – Special Revenue Funds account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Proprietary Fund Types – Enterprise Funds

Enterprise Funds account for operations that meet one of two criteria: 1) the activity runs in a manner similar to private business enterprises; the intent of the governing body is that the ongoing operating costs (including depreciation) of providing goods or services to the public are financed or recovered primarily through user charges, or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fiduciary Fund Types

Fiduciary Funds account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governments.

Private Purpose Trust Funds account for funds held in a trustee capacity. Custodial funds are primarily used to collect and remit funds for other governmental agencies. The City has one private purpose trust fund.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Other revenues are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The proprietary and fiduciary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally 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 items, such as interest expense and investment earnings, result from non-exchange transactions or ancillary activities.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity:

Cash and Investments

Cash and cash equivalents consist primarily of demand deposits with financial institutions and short-term investments with original maturities of three months or less from the purchase date. Investments include pooled investments and certificates of deposit with original maturities greater than three months.

Receivables

Receivables from other governments include accrued amounts for state revenues. Receivables from other governments are reasonably assured; accordingly, no allowance for uncollectible accounts has been established.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION (Continued)

Taxes Receivable

Property taxes are levied in September of each year and become payable on December 20 and June 20 of the following year for real property taxes and December 20 for personal property taxes.

Property taxes attach as an enforceable lien as of December 20 following levy in September. Therefore, no amount has been set aside for an allowance for doubtful accounts. Property taxes not collected within 60 days after year end are classified as revenue are classified as revenue unavailable for use.

Capital Assets

The City does not currently have a policy stating initial cost for asset categories. Items are only capitalized if the estimated useful life is determined to be greater than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Capital assets purchased in governmental funds are recorded as expenditures in the governmental fund statements. Interest expense for capital asset construction related to governmental activities is not capitalized. Interest expense incurred during construction of capital assets related to business-type activities is capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Equipment, buildings and infrastructure, and other depreciable assets are depreciated using the straight line method over estimated useful lives ranging from 5 to 40 years.

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Long-term Obligations

In the government-wide statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized as expenditures in the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The face amount of debt issued is reported as other financing sources.

Net Position/Fund Balances

The difference between assets and deferred outflows less liabilities and deferred inflows is net position on the government-wide, proprietary fund, and fiduciary fund statements and fund balance on the governmental fund statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the City will sometimes report a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future period, or periods, so it will not be recognized as an outflow of resources until that time. The City currently reports a deferred outflow associated with the net pension liability on the Statement of Net Position.

In addition to liabilities, the City will sometimes report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position that applies to a future period, or periods, so it will not be recognized as an inflow of resources until that time. The City has an item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, revenue unavailable for use is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amounts become available. The City has a deferred inflow associated with net pension liability reporting on the Statements of Net Position.

G. NONSPENDABLE AND SPENDABLE FUND BALANCES

Fund balance is separated into nonspendable and spendable fund balances. Nonspendable fund balance 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. Spendable amounts are classified into restricted, committed, assigned, and unassigned. The following is a list of nonspendable and spendable fund balance designations for the City of Downey:

Nonspendable: Fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

Restricted: Fund balances that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed: Fund balances that can be used only for the specific purposes determined by a formal action of the city council (the City's highest level of decision-making authority).

Assigned: Fund balances that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned: Fund balances that include all spendable amounts not contained in the other classifications.

H. BUDGETS AND BUDGETARY ACCOUNTING

The Idaho Constitution and the Idaho Department of Revenue and Taxation prescribe the budget process and procedures for governmental subdivisions. The City of Downey has satisfied the basic requirements prescribed in the following particulars:

1) Formulation of subsequent year budget requirements by internal City officers and personnel.

2) Perusal of formulated budgets by the City Council and its clerk.

3) Presentation of preliminary and final budget requirements in formal news media of the City.

4) Open hearings to permit taxpayer input before such budgets are formally adopted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

Subsequent control budgets following adoption are accomplished through a budget-expenditures control system with interim status accounting and reporting made available to officers and employees for management purposes. Budgets are adopted on a cash basis of accounting. The City does not maintain a formal encumbrance accounting system.

I. COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

Accumulated unpaid vacation and other employee benefits are accrued when incurred in proprietary funds on the accrual basis of accounting. Such amounts are not accrued in governmental funds on the modified accrual basis of accounting. At September 30, 2024, unrecorded fund liabilities included approximately $0 of total leave time accumulations and are considered normal to City operations. The City does not currently define in their personnel policy any benefits that will be paid out upon termination.

Vacation and compensatory leave are recorded as expenditures when used in governmental funds and as expenses when earned in proprietary funds and in the government-wide statements. A liability for unused vacation and compensatory leave is recorded in the government-wide Statement of Net Position.

J. REVENUES AND EXPENDITURES/EXPENSES

Under the modified accrual basis of accounting, revenues are recognized in governmental funds when measurable and available. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City of Downey considers property tax revenues to be “available” if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 30 days after year-end. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

In proprietary funds and government-wide statements, revenues are recognized when earned. Operating revenues for the enterprise funds result from exchange transactions (charges for services) associated with the principal activity of the fund. All revenues not meeting this definition, such as investment interest, are reported as non-operating revenues.

K. EXPENDITURE/EXPENSE RECOGNITION

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisition and construction are reported as expenditures in the period they are acquired.

In proprietary funds and government-wide statements, expenses are recorded when the related liability is incurred.

Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

When an expenditure or expense is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. INTERFUND ACTIVITY AND BALANCES

Government-wide Statements

In general, eliminations have been made to minimize the double-counting of internal activity. There were no interfund receivables or payables at September 30, 2024. During 2024, there were no transfers between governmental and business-type activities.

Governmental Fund Statements

Interfund transactions for goods and services provided and used are reported as revenues and expenditures/expenses in the funds involved. Cash transfers between funds of the City are reported as other financing sources and uses in the governmental fund statements.

M. USE OF ESTIMATES

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

N. PENSIONS

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

2. CASH AND INVESTMENTS

Cash and cash equivalents are defined as those financial instruments that have a maturity date of three months or less from the date of acquisition.

Cash deposits and investments of the City as of September 30, 2024, totaled $1,292,368, of which $523,132 represented demand deposits including $6,510 of restricted cash and $769,236 represents investments in certificates of deposit and money markets. Of the total cash and cash equivalents, $596,592 was allocated to governmental funds and $695,776 was allocated to the enterprise funds.

Deposits

The carrying amount of the City's deposits with financial institutions was $523,132 as of September 30, 2024. The bank balance was $503,786, of that amount, $264,173 was not covered by NCUA or FDIC insurance.

The demand deposits and simple investments by the City are not collateralized nor are they required to be by Idaho statute.

The City follows the requirements of the Idaho Public Depository Law (Idaho Code Section, Title 57-100), and applicable investment rights and restrictions cited by the Idaho Code Section, Title 67, 67-1210.

Investments

The fair value of the City's investments at year end was $769,236, invested entirely in certificate of deposits and money market accounts with the two financial institutions. The amount of $269,236 is not covered by SIPC or FDIC insurance.

The City does not have a written policy addressing credit risk, custodial credit risk or interest risk.

3. CAPITAL ASSETS

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

	Balance 10-01-2023	Additions	Deletions	Balance 09-30-2024
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 35,000	$ -	$ -	$ 35,000
Construction in progress	150,535	8,000	(150,535)	8,000
Total capital assets, not being depreciated	185,535	8,000	(150,535)	43,000
Capital assets, being depreciated				
Buildings and improvements	481,536	274,337	-	755,873
Machinery and equipment	488,527	-	-	488,527
Infrastructure	-	-	-	-
Total capital assets, being depreciated	970,063	274.337	-	1,244,400
Less accumulated depreciation for				
Buildings and improvements	(365,357)	(23,803)	-	(389,160)
Machinery and equipment	(417,974)	(15,824)	-	(433,798)
Infrastructure	-	-	-	-
Total accumulated depreciation	(783,331)	(39,627)	-	(822,958)
Total capital assets, being depreciated, net	186,732	234,710	-	421,442
Governmental activity, capital assets, net	$ 372,267	$ 242,710	$ (150,535)	$ 464,442

Depreciation expense was charged to current function of the primary government as follows:

Governmental activities	
General government	$ 39,627
	$ 39,627

3. CAPITAL ASSETS (Continued)

	Balance 10-01-2023	Additions	Deletions	Balance 09-30-2024
Proprietary Activities				
WATER				
Capital assets, being depreciated				
Machinery & equipment	15,283	19,328	-	34,611
Water infrastructure	$ 3,078,484	-	-	3,078,484
Total water assets, being depreciated	3,093,767	19,328	-	3,113,095
SEWER				
Capital assets, being depreciated				
Machinery & equipment	28,941	-	-	28,941
Sewer infrastructure	501,762	-	-	501,762
Total sewer assets, being depreciated	530,703	-	-	530,703
GARBAGE				
Capital assets, being depreciated				
Machinery & equipment	-	-	-	-
System Improvements	22,854	-	-	22,854
Total garbage assets, being depreciated	22,854	-	-	22,854
Less accumulated depreciation for				
Machinery & equipment	(1,528)	(3,461)	-	(4,989)
Water infrastructure	(1,458,987)	(95,264)	-	(1,554,251)
Sewer infrastructure	(510,030)	(4,135)	-	(514,165)
Garbage system	(22,854)	-	-	(22,854)
Total accumulated depreciation	(1,993,399)	(102,860)	-	(2,096,259)
Total capital assets, being depreciated, net	1,653,925	(83,532)	-	1,570,393
Proprietary activity, capital assets, net	$ 1,653,925	$ (83,532)	$ -	$ 1,570,393

Depreciation expense was charged to current function of the proprietary funds as follows:

Proprietary activities	
Water	$ 98,725
Sewer	4,135
Garbage	-
Total proprietary activities	$ 102,860

4. PENSION PLAN

Plan Description

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

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

Pension Benefits

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for police and firefighters. As of June 30, 2024, it was 6.71% for general employees and 9.83% for police and firefighters. The employer contribution rate of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for police and firefighters. The City's contributions were $15,736 for the year ended June 30, 2024.

4. PENSION PLAN (Continued)

Pension Liabilities, 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 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 .00287211 percent.

For the year ended September 30, 2024, the City recognized pension expense/(revenue) of $29,528. 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
Differences between expected and actual experience	$ 17,105	$ -
Changes in assumptions or other inputs	4,256	-
Net difference between projected and actual earnings on pension plan investments	(1,950)	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	8,694	-
City contributions subsequent to the measurement date	4,712	-
Total	$ 32,817	$ -

A portion of deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of $4,712 for the year ended September 30, 2024, will be recognized as a reduction of the net pension liability in the subsequent 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, 2023 is 4.4 and 4.4 for the measurement period June 30,2024.

4. PENSION PLAN (Continued)

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

Year ended June 30:		
2025	$	5,303
2026		20,032
2027		(3,454)
2028		(2,469)

Actuarial Assumptions

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

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

Inflation	2.30%
Salary increases	3.05%
Salary inflation	3.05%
Investment rate of return (net of investment expenses)	6.35%
Net Cost-of-living adjustments	1.00%

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

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

4. PENSION PLAN (Continued)

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on the approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

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

Asset Class	2024
Cash	0.00%
Fixed Income	30.00%
US/Global Equity	55.00%
International Equity	15.00%
Total	100.00%

Discount Rate

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

4. PENSION PLAN (Continued)

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

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	$204,161	$107,435	$28,435

Pension plan fiduciary net position

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

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

Payables to the pension plan

At September 30, 2024, the City reported payables to the defined benefit pension plan of $0 for legally required employer contributions and $0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

5. LITIGATION AND CONTINGENT LIABILITIES

No claims or lawsuits are pending against the City.

6. LONG-TERM DEBT

Long-term Obligation Activity:
General long-term obligations of the City include revenue bonds for water and sewer projects. During the year ending September 30, 2024, the following changes occurred in long-term debt:

	Balance 10-01-2023	Additions	Reductions	Balance 09-30-2024	Amounts due within one year
Governmental Activities:					
Net pension liability	$ 89,777	$ -	$ (18,872)	$ 70,905	$ -
Total governmental activities	89,777	-	(18,872)	70,905	-
Business-type Activities:					
Accrued interest payable	36,411	-	(434)	35,977	35,977
2011 Series Water Bond	1,027,238	-	(38,038)	989,200	39,464
Net pension liability	46,251	-	(9,721)	36,530	-
Total business-type activities	1,109,900	-	(48,193)	1,061,707	75,441
Total long-term activities	$ 1,199,677	$ -	$ (67,065)	$ 1,132,612	$ 75,441

Debt Service Requirements:

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

The City acquired a Water Revenue Bond with USDA Rural Development on October 20, 2011. The bonds bear interest at 3.75% and matures October 20, 2041. The Bonds require annual payments of principal and interest of $76,563 due on October 20, of each year. The Bonds were used to pay for the construction and modification of a water system.

Business-type Activities	Water Revenue Bonds 5%	
Year	Principal	Interest
2025	$ 39,464	37,099
2026	40,945	35,618
2027	42,480	34,083
2028	44,073	32,490
2029	45,726	30,837
2030 – 2034	255,676	127,139
2035 – 2039	307,356	75,459
2040 – 2042	213,480	16,209
	$ 989,200	$ 388,934

6. LONG-TERM DEBT (Continued)

The water revenue bonds are payable only from the net revenues of the water system, as defined in the bond ordinances. The ordinance requires that the net revenues of the system (excluding depreciation and bond interest expense) equal 1.2 times the debt payments for the year; this requirement was met for the water fund in the 2024 fiscal year. The ordinances further provide that the City establish certain accounts and reserves for bond payments and that all revenues of the system be used for operation and maintenance costs of the systems, principal and interest on the bonds, and establishment of the defined debt repayment reserves.

7. RELATED PARTY TRANSACTIONS

The City has not been directly involved in related party transactions that would violate Idaho Code or Federal Regulations.

8. MATERIAL VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

There are no known violations of direct finance-related legal or contractual provisions.

9. RISK MANAGEMENT

The City is exposed to various risks related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City's risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers.

10. DEFICIT FUND BALANCES AND INTERFUND TRANSACTIONS

There were no deficit fund balances at September 30, 2024.

During the 2024 fiscal year there were no recorded interfund transactions.

11. SUBSEQUENT EVENTS

Subsequent events have been considered through the date of this report. There are no known subsequent events that will have a material impact on the operation of the City.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DOWNEY - STATE OF IDAHO
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
GENERAL FUND
For the year ended September 30, 2024

	BUDGETED AMOUNTS		BUDGETARY
	ORIGINAL	FINAL	BASIS
REVENUES			
Property taxes	$ 116,099	$ 116,099	$ 130,475
Sales and miscellaneous taxes	-	-	-
Fees and fines	-	-	3,800
Licenses and permits	3,800	3,800	10,694
Intergovernmental	134,730	134,730	164,150
Charges for services	16,714	16,714	26,467
Investment earnings	15,100	15,100	4,221
Miscellaneous	1,350	1,350	12,220
TOTAL REVENUES	287,793	287,793	352,027
EXPENDITURES			
Current:			
General government	856,674	856,674	374,080
Public safety	39,289	39,289	33,694
Public works	-	-	-
Culture and recreation	-	-	-
Education	-	-	-
Conservation and economic development	-	-	-
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	79,000	79,000	35,853
TOTAL EXPENDITURES	974,963	974,963	443,627
Excess (deficiency) of revenues over expenditures	(687,170)	(687,170)	(91,600)
OTHER FINANCING SOURCES (USES)			
Other source	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
SPECIAL ITEM			
Proceeds from sale of capital assets	-	-	-
Net change in fund balances	(687,170)	(687,170)	(91,600)
Fund Balances, Oct. 1, 2023	535,506	535,506	535,506
FUND BALANCES, SEPT. 30, 2024	$ (151,664)	$ (151,664)	$ 443,906

	GAAP DIFFERENCES		GAAP BASIS
	$ 909	$	131,384
	-		-
	-		3,800
	-		10,694
	4,158		168,308
	-		26,467
	15,385		19,606
	(1,680)		10,540
	18,772		370,799
	(159,562)		214,518
	5,104		38,798
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	95,949		131,802
	(58,509)		385,118
	77,281		(14,319)
	-		-
	-		-
	-		-
	-		-
	-		-
	77,281		(14,319)
	-		535,506
	$ 77,281	$	521,187

CITY OF DOWNEY - STATE OF IDAHO
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
ROAD FUND
For the year ended September 30, 2024

	BUDGETED AMOUNTS		BUDGETARY
	ORIGINAL	FINAL	BASIS
REVENUES			
Property taxes	$ 40,589	$ 40,589	$ 35,746
Sales and miscellaneous taxes	-	-	-
Fees and fines	-	-	-
Licenses and permits	-	-	-
Intergovernmental	29,997	29,997	57,553
Charges for services	5,000	5,000	7,110
Investment earnings	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	75,586	75,586	100,409
EXPENDITURES			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	118,426	118,426	78,397
Health and sanitation	-	-	-
Culture and recreation	-	-	-
Conservation and economic development	-	-	-
Debt Service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	19,641	19,641	-
TOTAL EXPENDITURES	138,067	138,067	78,397
Excess (deficiency) of revenues over expenditures	(62,481)	(62,481)	22,012
OTHER FINANCING SOURCES (USES)			
Other source	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
SPECIAL ITEM			
Proceeds from sale of capital assets	-	-	-
Net change in fund balances	(62,481)	(62,481)	22,012
Fund Balances, Oct. 1, 2023	95,317	95,317	95,317
FUND BALANCES, SEPT. 30, 2024	$ 32,836	$ 32,836	$ 117,329

	GAAP DIFFERENCES		GAAP BASIS
	$ 297	$	36,043
	-		-
	-		-
	-		-
	(4,002)		53,551
	-		7,110
	-		-
	-		-
	(3,705)		96,704
	-		-
	-		-
	976		79,373
	-		-
	-		-
	-		-
	-		-
	-		-
	-		-
	976		79,373
	(4,681)		17,331
	-		-
	-		-
	-		-
	-		-
	-		-
	(4,681)		17,331
	-		95,317
	$ (4,681)	$	112,648

CITY OF DOWNEY - STATE OF IDAHO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGET TO ACTUAL
For the Year Ended September 30, 2024

1. The legally adopted budget for City of Downey – State of Idaho is based on the modified cash basis of accounting. Adjustments to the modified accrual basis of accounting are listed as GAAP differences.

2. Debt payments, if applicable, are reclassified from general operating expense to show principal and interest portions of cash payments.

3. Higher operating expenses may be reflected on the GAAP basis if equipment was purchased at year-end with a partial payment budgeted in the current year and an account payable booked to reflect the final payment in the subsequent year's budget.

4. Capital outlays that do not meet the capitalization policy levels are reclassified out of capital outlay and into another expenditure.

CITY OF DOWNEY - STATE OF IDAHO
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
PERSI - BASE PLAN
Last 10 Fiscal Years*

	PERSI BASE PLAN				
Fiscal Year	Employer's portion of net pension liability	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportional share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.0038608%	$ 28,422	$ 103,763	27.39%	91.38%
2016	0.0037044%	$ 48,781	$ 100,919	48.34%	87.26%
2017	0.0048457%	$ 69,949	$ 107,291	65.20%	90.68%
2018	0.0034546%	$ 54,300	$ 100,443	54.06%	91.69%
2019	0.0032930%	$ 38,003	$ 114,192	33.28%	93.79%
2020	0.0034551%	$ 80,232	$ 128,204	62.58%	88.22%
2021	0.0036927%	$ (2,916)	$ 137,806	-2.12%	100.36%
2022	0.0034642%	$ 136,446	$ 136,607	99.88%	83.09%
2023	0.0034087%	$ 136,028	$ 145,034	93.79%	83.83%
2024	0.0028721%	$ 107,435	$ 140,753	76.33%	85.54%

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

Data reported is measured as of June 30.

CITY OF DOWNEY - STATE OF IDAHO
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERSI - BASE PLAN
Last 10 Fiscal Years*

	PERSI BASE PLAN				
Fiscal Year	Statutorily Required Contribution	Contribution in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2015	$ 11,746	$ 11,746	$ -	$ 103,763	11.32%
2016	$ 11,424	$ 11,424	$ -	$ 100,919	11.32%
2017	$ 12,146	$ 12,146	$ -	$ 107,291	11.32%
2018	$ 12,800	$ 12,800	$ -	$ 100,443	12.74%
2019	$ 14,690	$ 14,690	$ -	$ 114,192	12.86%
2020	$ 15,308	$ 15,308	$ -	$ 128,204	11.94%
2021	$ 16,446	$ 16,446	$ -	$ 137,742	11.94%
2022	$ 16,395	$ 16,395	$ -	$ 137,314	11.94%
2023	$ 17,607	$ 17,607	$ -	$ 150,005	11.74%
2024	$ 15,979	$ 15,979	$ -	$ 140,171	11.40%

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

Data reported is measured as of September 30.

CITY OF DOWNEY - STATE OF IDAHO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PERSI – BASE PLAN
For the Year Ended September 30, 2024

Methods and Assumptions Used in Calculations of Actuarily Determined Contributions

The actuarially determined contribution rates in the employer's contributions are calculated as of June 30, 2024. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	PERSI Base Plan
Valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll open
Remaining amortization period	10.8 years
Asset valuation method	Fair Market value
Actuarial assumptions:	
Investment Rate of Return *	6.35%
Projected salary increases including inflation	3.05%
Postretirement benefit increase	1.00%
Implied price inflation rate	2.30%
Discount Rate – Actuarial Accrued Liability	6.35%

* net of investment expenses

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OTHER SUPPLEMENTARY INFORMATION

CITY OF DOWNEY - STATE OF IDAHO
SCHEDULE OF BONDS - FUTURE PRINCIPAL AND INTEREST REQUIREMENTS
For the Year Ended September 30, 2024

	ANNUAL PAYMENTS			
	Interest Rate	Fiscal Year	Principal Amount	Interest Payment
REVENUE BONDS				
Water Revenue Bonds	3.750%	2025	39,464	37,099
October 11, 2011 issue	3.750%	2026	40,945	35,618
(payments due October 20)	3.750%	2027	42,480	34,083
	3.750%	2028	44,073	32,490
	3.750%	2029	45,726	30,837
	3.750%	2030	47,441	29,122
	3.750%	2031	49,220	27,343
	3.750%	2032	51,066	25,497
	3.750%	2033	52,981	23,582
	3.750%	2034	54,968	21,595
	3.750%	2035	57,030	19,533
	3.750%	2036	59,169	17,394
	3.750%	2037	61,388	15,175
	3.750%	2038	63,690	12,873
	3.750%	2039	66,079	10,484
	3.750%	2040	68,557	8,006
	3.750%	2041	71,128	5,435
	3.750%	2042	73,795	2,768
			$ 989,200	$ 388,934

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Downey – State of Idaho
Downey, 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, and each major fund of the City of Downey, State of Idaho, 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, and have issued our report thereon dated August 12, 2025.

Internal Control over Financial Reporting

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

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

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 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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-002 to be a significant deficiency.

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Idaho Falls • Rexburg

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Downey, Idaho's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City of Downey's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Searle Hart + Associates PLLC

Idaho Falls, Idaho
August 12, 2025

CITY OF DOWNEY - STATE OF IDAHO
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2024

Material Weakness in Internal Control Over Financial Reporting – Missing bank reconciliations, incorrect postings to the general ledger and failure to post some transactions to the general ledger on a timely basis

Finding 2024-001

Criteria: Internal controls over financial reporting require timely entering of transactions and reconciliation of those transactions.

Condition: This is a prior year audit finding and there has been major improvements by the City to reconcile the bank statements on a timely basis. However, the reconciliations were not saved for the auditor to verify that they were complete or to confirm the reconciled balances. Also, not all of the entries were made in the general ledger that were shown a withdrawls on the bank statements. The main items not booked were the annual USDA loan payment and several of the electronic withdrawls for payroll liabilities.

Cause: Not fully reconciling the bank statements and making sure that all discrepancies are resolved. Internal controls need to be in place to make sure cash balances are correct in the general ledger and tie to the balance shown in the various bank accounts.

Effect or Potential Effect: With no reconciling of the bank statements and incorrect posting of transactions, the risk significantly increases that errors and fraud, including the misappropriation of assets, could occur and not be detected in a timely manner. As a result the cash balance reported on the trial balance was overstated by $97,000 along with payroll liabilities being overstated and expenditures understated.

Recommendation: We recommend that the bank reconciliation be done on a timely basis making sure that all daily and monthly accounting entries are posted and reconciled to the bank statement. We further recommend that the bank statements and reconciliations be reviewed by another person and that they be approved and saved as part of the City’s financial records.

Management Views:

Finding 2024-001 details the problems the City has had with personnel and software challenges which has resulted in a incorrect accounting for the cash in the system. The City Clerk has worked diligently to identify the incorrect or missing postings to cash and the general ledger. The Clerk has made the necessary corrections in the 2024 fiscal year and made sure the entries are correct in the current fiscal year. The bank accounts are now balanced on a monthly schedule and exceptions are resolved. The mayor initials all the AP billings being paid for the month. We hold a financial committee meeting every month where two council members look over the YTD revenue and expense balance sheet. The assistant clerk enters all the utility payments into the ABS system, and the clerk reconciles the checks and deposits monthly. A spreadsheet was created that reconciles the bank statements, and we are working on finding the reason for the bank balance inaccuracies in ABS.

CITY OF DOWNEY - STATE OF IDAHO
SCHEDULE OF FINDINGS AND RESPONSES – (continued)
For the Year Ended September 30, 2024

Significant Deficiency in Internal Control Over Financial Reporting

Finding 2024-002

Criteria: Internal controls over financial reporting require that individual fund balances be accounted for and maintained separately.

Condition: The current accounting software being used by the City is not capable or has not been setup to handle full fund accounting with separate balance sheets for the five funds that the City currently has.

Cause: One fund has been set up to handle the balance sheet accounts and transactions for the five funds that the City maintains and reports on. There is only one cash balance that all funds use collectively. No invidual fund cash balances are maintained within the accounting software system. Reporting on a fund basis is limited to income and expenses for the individual funds.

Effect or Potential Effect: The effect is cash for all funds is pooled together in one account. Cash balances are not maintained on the fund level. There are separate balance sheet accounts identified by the fund in the account name, however generating financial statement reports on a fund basis is not possible. This also makes the budgeting process more difficult as cash allocated for the proprietary funds should not be used to pay another fund's expenses.

Recommendation: We recommend that a complete fund accounting software be implemented. As an alternate spreadsheets or individual cash general ledger accounts could be created and manually maintained to account for and allocate individual fund cash balances. This alternate does not solve the problem of generating financial statements on a fund basis. These reports help in the internal control process review and analysis financial data across prior months and fiscal years.

Management Views:

Finding 2024-002 deals with the issue of the current accounting software the City uses not capable of full fund accounting and reporting. The City is actively pursuing quotes and possible vendors to replace the currently used software with one that is used by other citys in the state and that does full fund accounting and the necessary reporting. This is a major decision that requires time and budgeted money to be resolved. The Mayor and Council are aware of this issue and are in discussions of how best to pursue and solve this issue. It is important that the vendor selected provide the necessary training and support to initially set up the software and provide ongoing training and support in the daily operations of the software. Starting with fiscal year 2024 two additional bank accounts have been established to provide better tracking on the balance sheet of fund balances.