City of East Hope, Idaho

Financial Report

September 30, 2024

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DECORIA, BLAIR & TEAGUE, PS

Certified Public Accountants
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David W. Teague, CPA

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of East Hope, Idaho

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 fair presentation of the 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 the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Other Matters

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 27 and 28 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 (GASB), which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the Management's Discussion and Analysis that governmental 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 GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated June 12, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

DeCoria, Blair & Teague, PS

DeCoria, Blair & Teague, P.S.
Spokane, Washington

June 12, 2025

Basic Financial Statements

City of East Hope, Idaho
Statement of Net Position - City-Wide
September 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 6)	$ 127,533	$ 229,869	$ 357,402
Receivables (Note 7)	74,414	21,922	96,336
Grants receivable	-	34,965	34,965
Total current assets	201,947	286,756	488,703
Noncurrent assets:			
Capital assets, net (Note 8)	457,465	1,827,591	2,285,056
Total assets	659,412	2,114,347	2,773,759
LIABILITIES			
Current liabilities:			
Accounts payable	4,050	2,817	6,867
Accrued payroll and related liabilities	954	1,813	2,767
Accrued interest	-	5,527	5,527
Unearned revenue (Note 11)	-	1,316	1,316
Unearned property taxes (Note 7)	59,126	-	59,126
Bond obligation, due within one year (Note 10)	-	33,126	33,126
Total current liabilities	64,130	44,599	108,729
Noncurrent liabilities:			
Bond obligation, due after one year (Note 10)	-	1,231,658	1,231,658
Total liabilities	64,130	1,276,257	1,340,387
Commitments and contingencies (Notes 13 and 14)			
NET POSITION			
Net investment in capital assets	457,465	562,807	1,020,272
Restricted for:			
Maintenance of streets	27,977	-	27,977
Parks	30,604	-	30,604
Unrestricted	79,236	275,283	354,519
Total net position	$ 595,282	$ 838,090	$ 1,433,372

City of East Hope, Idaho
Statement of Activities - City-Wide
Year Ended September 30, 2024

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 100,027	$ 7,857	$ -	$ -	$ (92,170)		$ (92,170)
Highways and streets	66,327	1,200	23,244	3,717	(38,166)		(38,166)
Parks	3,224	-	-	23,401	20,177		20,177
Total governmental activities	169,578	9,057	23,244	27,118	(110,159)		(110,159)
Business-type activities:							
Water services	260,371	208,763	10,813	-		$ (40,795)	(40,795)
Total business-type activities	260,371	208,763	10,813	-		(40,795)	(40,795)
Total City-Wide	$ 429,949	$ 217,820	$ 34,057	$ 27,118	(110,159)	(40,795)	(150,954)
	General revenue:						
	Taxes				95,007	-	95,007
	State revenue sharing				33,965	-	33,965
	State liquor fund				10,288	-	10,288
	Interest income				5	9	14
	Other income				7,338	6,500	13,838
				Total general revenue	146,603	6,509	153,112
				Changes in net position	36,444	(34,286)	2,158
	Total net position, beginning of year				558,838	872,376	1,431,214
				Total net position, end of year	$ 595,282	$ 838,090	$ 1,433,372

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

	General Fund	Street Fund	Park Fund	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	$ 70,482	$ 26,446	$ 30,605	$ 127,533
Receivables	71,469	2,945	-	74,414
Total assets	$ 141,951	$ 29,391	$ 30,605	$ 201,947
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ 2,657	$ 1,392	$ 1	$ 4,050
Accrued payroll and related liabilities	932	22	-	954
Unearned property taxes (Note 7)	59,126	-	-	59,126
Total liabilities	62,715	1,414	1	64,130
Deferred inflows of resources:				
Unavailable property taxes (Note 7)	641	-	-	641
Total deferred inflows of resources	641	-	-	641
Fund balances:				
Restricted for:				
Maintenance of streets	-	27,977	-	27,977
Maintenance of parks	-	-	30,604	30,604
Unassigned	78,595	-	-	78,595
Total fund balance	78,595	27,977	30,604	137,176
Total liabilities, deferred inflows of resources and fund balance	$ 141,951	$ 29,391	$ 30,605	$ 201,947

City of East Hope, Idaho
Reconciliation of the Balance Sheet - Governmental Funds
with the Statement of Net Position - City-Wide
September 30, 2024

Amounts reported for governmental activities in the Statement of Net Position - City-Wide are different because:		
Total fund balance - Governmental Funds		$ 137,176
Property taxes receivable will be collected, but are not available soon enough to pay for current-period expenditures, and are therefore reported as deferred inflows of resources in the governmental funds.		641
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:		
The cost of capital assets is	$ 709,939	
Accumulated depreciation is	(252,474)	
		457,465
Total net position - City-Wide		$ 595,282

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

	General Fund	Street Fund	Park Fund	Total Governmental Funds
Revenues:				
Taxes	$ 58,693	$ 36,356	$ -	$ 95,049
State revenue sharing	33,965	-	-	33,965
State liquor fund	10,288	-	-	10,288
State highway user fees	-	23,244	-	23,244
Grants	-	3,717	23,401	27,118
Licenses and permits	7,857	1,200	-	9,057
Interest income	3	2	-	5
Other income	804	2,214	4,320	7,338
Total revenues	111,610	66,733	27,721	206,064
Expenditures:				
Payroll	63,419	22,014	920	86,353
General and administrative	9,676	4,343	-	14,019
Professional fees	5,852	2,938	-	8,790
Maintenance and operations	4,412	9,256	720	14,388
Planning and zoning	9,812	-	-	9,812
Insurance	2,329	3,707	25	6,061
Miscellaneous	329	-	1,559	1,888
Capital outlays	-	15,587	1,907	17,494
Total expenditures	95,829	57,845	5,131	158,805
Excess of revenues over expenditures	15,781	8,888	22,590	47,259
Other financing sources (uses):				
Transfers from (to) other funds, net	(3,000)	(5,014)	8,014	-
Total other financing sources (uses), net	(3,000)	(5,014)	8,014	-
Net changes in fund balance	12,781	3,874	30,604	47,259
Total fund balance, beginning of year	65,814	24,103	-	89,917
Total fund balance, end of year	$ 78,595	$ 27,977	$ 30,604	$ 137,176

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

City of East Hope, Idaho
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds with the Statement of Activities - City-Wide
Year Ended September 30, 2024

Amounts reported for governmental activities in the Statement of Activities - City-Wide are different because:			
Net changes in fund balance - Governmental Funds			$ 47,259
Some property taxes were not collected within 30 days after the end of the City's fiscal year end, and therefore were not available to pay liabilities of the current period. Accordingly, they are recorded as deferred inflows of resources in the governmental funds. They are, however, recorded as revenue in the Statement of Activities - City-Wide. The change in deferred property taxes during the current fiscal year is an adjustment.			(42)
Capital outlays to purchase capital assets are reported as expenditures in the governmental funds. However, in the Statement of Activities - City-Wide, the cost of these assets is allocated over their estimated useful lives as depreciation expense:			
Capital outlays	$ 17,494		
Depreciation expense	(28,267)		
			(10,773)
Changes in net position - City-Wide			$ 36,444

City of East Hope, Idaho
Statement of Net Position - Enterprise Fund
September 30, 2024

		Water Fund
ASSETS		
Current assets:		
Cash and cash equivalents		$ 229,869
Accounts receivable		21,922
Grants receivable		34,965
	Total current assets	286,756
Noncurrent assets:		
Capital assets, net		1,827,591
	Total assets	2,114,347
LIABILITIES		
Current liabilities:		
Accounts payable		2,817
Accrued payroll and related liabilities		1,813
Accrued interest		5,527
Unearned revenue		1,316
Bond obligation, due within one year		33,126
	Total current liabilities	44,599
Noncurrent liabilities:		
Bond obligation, due after one year		1,231,658
	Total liabilities	1,276,257
NET POSITION		
Net investment in capital assets		562,807
Unrestricted		275,283
	Total net position	$ 838,090

City of East Hope, Idaho
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund
Year Ended September 30, 2024

	Water Fund
Operating revenues:	
Service fees	$ 208,763
Other income	6,500
Total operating revenues	215,263
Operating expenses:	
Payroll expenses	63,498
Professional fees	2,833
Repairs and maintenance	25,787
General and administrative	8,452
Insurance	3,035
Other expenses	26,103
Depreciation expense	74,043
Total operating expenses	213,379
Operating income	1,884
Nonoperating revenues (expenses):	
Interest income	9
Interest expense	(46,992)
Grant revenue	10,813
Total nonoperating revenues (expenses), net	(36,170)
Changes in net position	(34,286)
Total net position, beginning of year	872,376
Total net position, end of year	$ 838,090

City of East Hope, Idaho
Statement of Cash Flows - Enterprise Fund
Year Ended September 30, 2024

		Water Fund
Cash flows from operating activities:		
Cash received from service fees and other income	$	212,839
Cash paid to or on behalf of employees for services		(63,489)
Cash paid to suppliers for goods and services		(82,218)
Net cash provided by operating activities		67,132
Cash flows from capital financing activities:		
Repayments on revenue bond obligation		(31,842)
Interest paid on revenue bond obligation		(47,131)
Net cash used by capital financing activities		(78,973)
Cash flows from investing activities:		
Purchase of capital assets		(1,375)
Interest received		9
Net cash used by investing activities		(1,366)
Net decrease in cash and cash equivalents		(13,207)
Cash and cash equivalents, beginning of year		243,076
Cash and cash equivalents, end of year	$	229,869
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	1,884
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		74,043
Changes in assets and liabilities:		
Accounts receivable		(310)
Accounts payable		(6,380)
Accrued payroll and related liabilities		9
Unearned revenue		(2,114)
Net cash provided by operating activities	$	67,132
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$	(47,131)

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

1. Organization

The City of East Hope, Idaho ("the City") operates under a Mayor-Council form of government and provides the following services authorized by its charter: public safety, highways and streets, sidewalks, water, planning and zoning, and general administrative services. The City is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, since the mayor and council members are elected by the public; have decision-making authority; have the power to designate management; have the responsibility to significantly influence operations; and have primary accountability for fiscal matters. Additionally, the City has no component units which are required to be included in its reporting entity.

2. City-Wide and Fund Financial Statements

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* (Statement No. 34) defines the financial reporting requirements and the reporting model for the annual financial reports of state and local governments. The financial information required by Statement No. 34 includes:

Management's Discussion and Analysis

The management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities in a narrative format. An analysis of the City's overall financial position and results of operations should be included to assist users in assessing whether the City's financial position has improved or deteriorated as a result of the year's activities.

City-Wide Financial Statements

The city-wide financial statements, including the Statement of Net Position – City-Wide and the Statement of Activities – City-Wide, report information on all of the non-fiduciary activities of the City. These statements report the *governmental* and *business-type* activities of the City. Governmental transactions are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type transactions are financed to a significant extent by fees and charges in order to provide their support.

In general, the effect of interfund transactions has been eliminated from the city-wide financial statements. Exceptions to this general rule are transactions between the City's governmental and business-type activities. Elimination of these transactions would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities – City-Wide presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City does not charge indirect expenses to programs or functions. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. City-Wide and Fund Financial Statements, Continued

Fund Financial Statements

The fund financial statements provide information on the City's funds. Separate statements for each fund category – *Governmental* and *Business-Type* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed separately.

Budgetary Comparison Schedules

The budgetary comparison schedules are presented as required supplementary information to demonstrate whether resources were obtained and used in accordance with the City's legally adopted budgets (see Note 4). The City may revise the original budgets over the course of the year for various reasons. Under the reporting model prescribed by Statement No. 34, budgetary information is provided, and includes comparisons of the City's originally adopted budgets to the final budgets and actual results.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The city-wide and enterprise fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements stipulated by the provider have been met and satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, judgments, compensated absences and early retirement liabilities, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

The City reports the following governmental funds:

General Fund: The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use;

Street Fund: The Street Fund is used to account for the street department, which maintains streets and street lights within the City. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Park Fund: The Park Fund is used to account for the maintenance and capital improvements of the City's park. This is a budgeted fund, and any unassigned fund balances are considered as resources available for use.

The City reports the following enterprise fund:

Water Fund: The Water Fund is used to account for the water department, which provides water services to individuals and businesses within the City. Operating revenues are comprised of service fees and other income. Nonoperating revenues are comprised of interest income and grant revenue, if any.

4. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

a) The City publishes a proposed budget for public review;
b) Public hearings are set to obtain taxpayer comments;
c) Prior to October 1, the budget is adopted by ordinance of the City Council and published; and
d) The final budget is then filed with the State of Idaho. Expenditures may not legally exceed budgeted appropriations at the functional level. The legal level of budgetary control is the functional level at which the Council must approve any over-expenditures of appropriations or transfers of appropriated amounts.

5. Summary of Significant Accounting Policies

Accounting Principles Generally Accepted in the United States of America

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards. The City has adopted and applied all applicable GASB pronouncements, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Recent Accounting Pronouncements

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. This Statement addresses a variety of topics and includes specific provisions about the following:

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to the leases, PPPs and SBITAs became effective for the City beginning in the fiscal year ended September 30, 2023. Implementation of these requirements did not have a material effect on the City's financial statements.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 became effective for fiscal years beginning after June 15, 2023. Implementation did not have a material impact on the City's financial statements.

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

This Statement requires that a liability for certain types of compensated absences not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. Statement No. 101 is effective for fiscal years beginning after December 15, 2023. The City is currently evaluating the financial statement impact of adopting this statement.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Statement No. 102 is effective for fiscal years beginning after June 15, 2024. The City is currently evaluating the financial statement impact of adopting this statement.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement will revise and build upon the requirements in GASB Statement No. 34. Key changes in the new standard are summarized below.

- Revises the requirements for management's discussion and analysis (MD&A) with the goal of making it more readable and understandable
- Combines extraordinary items and special items into one category of "unusual or infrequent items"
- Defines operating and nonoperating revenues, specifically by defining nonoperating revenues and classifying all other revenues as operating
- Includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses, and changes in fund net position

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

- Requires the presentation of proprietary funds' statement of revenues, expenses, and changes in fund net position in the statistical section of the report to include the same categories of revenues and expenses as the face of the financial statements
- Removes the option to disclose major component units in a condensed form in the notes to the financial statements and requires them to be shown individually or in combining financial statements following the fund financial statements
- Requires budgetary comparisons to be presented as RSI and adds new columns for variances between original-to-final budget and final budget-to-actual results

Statement No. 103 is effective for fiscal years beginning after June 15, 2025. The City is currently evaluating the financial statement impact of adopting this statement.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

Statement No. 104 also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Statement No. 104 is effective for fiscal years beginning after June 15, 2025. The City is currently evaluating the financial statement impact of adopting this statement.

Cash and Cash Equivalents

The City considers all short-term deposits and highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash received by the City is pooled for investment purposes. Interest earned on the balances in the pooled accounts is allocated to the participating funds in proportion to the average daily balances in each fund.

5. Summary of Significant Accounting Policies, Continued

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to record bad debts. However, the City's management believes that the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been used.

Capital Assets

Capital assets are reported in the city-wide and enterprise fund financial statements, and as expenditures in the governmental fund financial statements. Purchased or constructed capital assets are reported at historical cost, less accumulated depreciation. If historical cost is unknown, estimated historical cost is used. Donated capital assets are recorded at estimated fair market value at the date of donation, less accumulated depreciation. Major improvements and betterments are capitalized. The City uses a capitalization threshold of $1,000 for buildings and equipment and $5,000 for improvements. Expenditures for repairs and maintenance are charged to expense in the period incurred.

When capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is included in the Statement of Activities – City-Wide. The City is a Phase 3 government (total annual revenues of less than $10 million) under Statement 34 and as such, had the option of retrospectively not capitalizing infrastructure assets acquired prior to October 1, 2003. The City exercised this option, and as a result, only includes capital assets purchased or constructed after October 1, 2003.

In the Statement of Activities – City-Wide and the Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund, depreciation on capital assets is calculated using the straight-line method over the estimated useful lives of those assets, as follows:

Category	Years
Buildings	20 to 40
Infrastructure	10 to 50
Improvements	10 to 40
Equipment	5 to 30

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the City's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the City. At September 30, 2024, the City had no assets or liabilities that were measured at fair value on a recurring basis.

5. Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The City had no assets or liabilities measured at fair value on a nonrecurring basis during 2024.

Liabilities

Liabilities shown on the governmental funds financial statements are those that have become due and payable at the end of the fiscal year, which are expected to be paid during the upcoming fiscal year, and are reported as an expenditure and fund liability of the governmental fund that will pay it. On the city-wide and enterprise fund financial statements, liabilities that become due and payable within one year after the financial statement date are included in current liabilities, while liabilities that become due and payable more than one year after the financial statement date are included in noncurrent liabilities.

Unearned Revenue

Certain water customers of the City choose to pay their bills in advance. Because these prepayments are a liability to the City until the requisite services have been provided, these amounts are recorded as unearned revenue in the City's financial statements.

Net Position

Net position represents the difference between assets plus deferred outflows, and liabilities plus deferred inflows. Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets;

Restricted: This component of net position consists of amounts subject to constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation; and

Unrestricted net position: This component of net position consists of amounts that do not meet the definition of "net investment in capital assets" or "restricted."

Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (Statement No. 54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes and requires the fund balance amounts to be properly reported within one of the following fund balance classifications:

5. Summary of Significant Accounting Policies, Continued

Fund Balances, Continued

Nonspendable: The portion of fund balance that is not expected to be converted to cash, such as inventories and prepaid expenses, if any;

Restricted: The portion of fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;

Committed: The portion of fund balance 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: The portion of fund balance that is intended to be used by the City for specific purposes, but does not meet the criteria to be classified as restricted or committed; and

Unassigned: The residual portion of fund balance for the City's General Fund; this includes all spendable amounts not included in the other fund balance classifications.

Use of Restricted Resources

When an expense is incurred for purposes for which there are both restricted and unrestricted resources available, it is the City's policy to apply those expenses to restricted resources first to the extent they are available and then to unrestricted resources.

Fund Balance Spending Policy

The City's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then, restricted fund balances for specific purposes are determined (not including nonspendable amounts). Then, any remaining fund balance amounts for governmental funds other than the General Fund are classified as restricted fund balance.

It is possible for governmental funds other than the General Fund to have negative unassigned fund balances when nonspendable amounts plus restricted amounts exceed the positive fund balance.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

Property Taxes

In accordance with Idaho State Law, an ad valorem property tax is levied in September for each calendar year. Levies are made on the second Monday of September. All of the personal property taxes are due on or before June 20 of the following year. One-half of the real property taxes are due on or before both June 20 and December 20 of the following year.

5. Summary of Significant Accounting Policies, Continued

Property Taxes, Continued

Unpaid property taxes attach as an enforceable lien on property as of January 1 of the following year. Notice of foreclosure is filed with the County Clerk on property three years from the date of delinquency. The property tax revenue is budgeted for the ensuing fiscal year. Bonner County acts as an agent for the City in both the assessment and collection of property taxes. The County remits tax revenues to the City monthly, with the majority of the collections being remitted in January and July.

Because the City is not a taxing entity, property taxes that are collected on the City's behalf by the County are recorded as receivables. In the governmental funds financial statements, property taxes are recorded as revenue in the period for which the taxes are levied, to the extent that they are collected and received by the City within 30 days after the financial statement date. Property taxes receivable which are collectible subsequent to 30 days after the financial statement date are reflected in the fund financial statements as deferred inflows of resources. In the entity-wide financial statements, all property taxes receivable, regardless of when they are collected, are recorded as revenue in the period for which the taxes are levied.

Grant Revenue

The City receives financial assistance from governmental agencies in the form of grants. Revenue is deemed earned and thus recognized when applicable grant expenditures are recorded. Funds received but not earned at September 30, 2024, if any, are recorded as unearned grant revenue.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of the City to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates and affect the amounts reported in the financial statements.

Subsequent Events

The City has evaluated subsequent events through June 12, 2025, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since September 30, 2024 that required recognition or disclosure in these financial statements.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits held in checking and money market accounts with local banks. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At September 30, 2024, the City's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution.

The combined carrying amount of cash and cash equivalents on the City's books at September 30, 2024 was $357,402 and bank balances totaled $360,025. The differences between the carrying amount of cash and cash equivalents on the City's books and the banks' balances consisted of outstanding checks and deposits not processed by the banks as of September 30, 2024. All bank balances were fully insured at September 30, 2024.

7. Receivables

Receivables at September 30, 2024 are summarized as follows:

Governmental activities:

Unearned property taxes receivable	$ 59,126
Delinquent property taxes receivable	641
Other receivables	14,647
	$ 74,414

Business-type activities:

Accounts receivable	$ 21,922

Taxes Receivable

Unearned property taxes receivable consist of property taxes levied for collection in the next fiscal year. These amounts have been offset by unearned property taxes in the city-wide and governmental funds financial statements.

Property taxes receivable, if any, consist of property taxes received within the first 30 days after the end of the City's fiscal year end that relate to taxes levied for the current or prior fiscal years.

Delinquent property taxes receivable consist of property taxes levied for the current and prior fiscal years, which were not collected within the current period or within the first 30 days after the end of the City's fiscal year. These amounts have been included as deferred inflows of resources in the governmental funds financial statements.

Other Receivables

During October 2024, the City received payments from the State of Idaho for revenue sharing and various taxes which were owed to the City at year-end. At September 30, 2024, the General Fund and Street Fund had receivables for these taxes totaling $11,452 and $2,945, respectively. In addition, the City reported $250 of miscellaneous accounts receivable at September 30, 2024.

Accounts Receivable

The Water Fund had $21,922 of accounts receivable due from citizens and businesses in the community for water services provided through September 30, 2024. Because the City has been very successful in collecting amounts owed for these services in the past, and management does not expect any accounts on the City's records at September 30, 2024 to be uncollectible, no allowance for doubtful accounts has been recorded at year-end.

8. Capital Assets

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

Governmental activities:

	Balance September 30, 2023	Additions	Transfers	Disposals	Balance September 30, 2024
Buildings	$ 126,897	$ --	$ --	$ --	$ 126,897
Improvements	301,797	15,587	--	--	317,384
Equipment	119,497	--	--	--	119,497
Capital assets in service	548,191	15,587	--	--	563,778
Accumulated depreciation	(224,207)	(28,267)	--	--	(252,474)
	323,984	(12,680)	--	--	311,304
Land	56,200	--	--	--	56,200
Construction in progress	88,054	1,907	--	--	89,961
Net capital assets	$ 468,238	$ (10,773)	$ --	$ --	$ 457,465

Business-type activities:

	Balance September 30, 2023	Additions	Transfers	Disposals	Balance September 30, 2024
Infrastructure	$ 2,550,067	$ 1,375	$ --	$ --	$ 2,551,442
Equipment	49,818	--	--	--	49,818
Capital assets in service	2,599,885	1,375	--	--	2,601,260
Accumulated depreciation	(708,441)	(74,043)	--	--	(782,484)
	1,891,444	(72,668)	--	--	1,818,776
Land	8,815	--	--	--	8,815
Net capital assets	$ 1,900,259	$ (72,668)	$ --	$ --	$ 1,827,591

Depreciation expense recorded in the Statement of Activities – City-Wide was charged to governmental and business-type functions as follows:

Governmental activities:	
General government	$ 4,198
Highways and streets	24,069
	$ 28,267
Business-type activities:	
Water services	$ 74,043

9. Short-Term Borrowings

The City had no short-term borrowings at September 30, 2024, nor were there any short-term borrowings or repayments for the year then ended.

10. Long-Term Obligations

Bond Obligation

In order to ensure the viability of the City's water supply and distribution system ("the System"), the City Council, assisted by J-U-B Engineers, Inc., the City's engineering firm, developed a project plan for replacing and upgrading the City's water facilities ("the Project"). The replacement and upgrade of the system consists of a new slow sand filter; chlorine control system upgrades; a new 100,000-gallon water storage tank and booster station; replacement of the lining in the system's existing water storage tank; and replacement of approximately 12,000 linear feet of water line, and all related improvements.

During August 2018, the City issued a water revenue bond in the principal amount of $1,430,000, the proceeds of which were used to fund the Project. The bond requires annual installments of $78,974, including interest at 3.625% per annum, over a 30-year period beginning one year following the date of issuance.

Payments on the bond obligation are due as follows:

Year ending September 30,	Principal	Interest	Total
2025	$ 33,126	$ 45,848	$ 78,974
2026	34,326	44,648	78,974
2027	35,571	43,403	78,974
2028	36,745	42,229	78,974
2029	38,192	40,782	78,974
2030 – 2034	212,652	182,218	394,870
2035 – 2039	254,108	140,762	394,870
2040 – 2044	303,611	91,259	394,870
2045 – 2048	316,453	30,857	347,310
	$ 1,264,784	$ 662,006	$ 1,926,790

A summary of changes in long-term obligations of the City for the year ended September 30, 2024 is as follows:

	Long-Term Obligations September 30, 2023	Long-Term Obligations Incurred	Long-Term Obligations Paid	Long-Term Obligations September 30, 2024	Due Within One Year
General obligation bond	$ 1,296,626	$ --	$ (31,842)	$ 1,264,784	$ 33,126

11. Unearned Revenue

Unearned revenue represents funds that residents of the City had prepaid for water services which had not been provided as of September 30, 2024. Upon completion of providing water services to the residents, the revenue will be recognized.

12. Interfund Transfers

Interfund transfers for the year ended September 30, 2024 are summarized as follows:

Transfer From	Transfer To	Reason		Amount
General Fund	Street Fund	To cover operating costs	$	1,000
General Fund	Park Fund	To cover operating costs		2,000
Street Fund	Park Fund	To establish separate fund		6,014

13. Risk Management

Risk Pool

The City participates in the Idaho Counties Risk Management Pool (ICRMP) to provide general liability and property insurance. The City, along with other participating entities, contributes annual amounts determined by the ICRMP management. As claims arise, they are submitted to and paid by the ICRMP. If necessary, the ICRMP may assess members additional amounts to cover losses. No such additional assessments were made during 2024, or in any of the previous three years.

14. Commitments and Contingencies

Litigation

The City's management is not aware of any pending claims against the City as of September 30, 2024. The City has no reserve established for the payment of uninsured claims. Generally, expenditures are recognized when amounts are paid.

Intergovernmental Grants

The City occasionally receives federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management of the City believes such disallowances, if any, would be immaterial.

Environmental Liabilities

The City is required to comply with the provisions of permits and regulations issued by the U.S. Environmental Protection Agency and the Idaho Bond Bank Authority. If the City fails to meet the requirements of the permits and regulations, it could be subject to fines or other censures. If the City determines that it is probable that a liability has been incurred and the amount can be reasonably estimated, the City will record a liability in the Statement of Net Position – Enterprise Fund.

Required Supplementary Information

City of East Hope, Idaho
Budgetary Comparison Schedule for the General Fund
Year Ended September 30, 2024

	Budgeted Amounts		Actual Modified Accrual Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Taxes	$ 56,983	$ 56,983	$ 58,693	$ -	$ 1,710
State revenue sharing	25,000	25,000	33,965	-	8,965
State liquor fund	10,000	10,000	10,288	-	288
Grants	-	-	-	-	-
Licenses and permits	13,450	13,450	7,857	-	(5,593)
Interest income	25	25	3	-	(22)
Other income	100	100	804	-	704
Total revenues	105,558	105,558	111,610	-	6,052
Expenditures:					
Payroll	71,900	71,900	63,419	-	8,481
General and administrative	8,847	8,847	9,676	-	(829)
Professional fees	5,766	5,766	5,852	-	(86)
Maintenance and operations	2,300	2,300	4,412	-	(2,112)
Planning and zoning	14,100	14,100	9,812	-	4,288
Insurance	2,300	2,300	2,329	-	(29)
Miscellaneous	345	345	329	-	16
Total expenditures	105,558	105,558	95,829	-	9,729
Excess (deficiency) of revenues over (under) expenditures	-	-	15,781	-	15,781
Other financing sources (uses):					
Transfers from (to) other funds	-	-	(3,000)	-	(3,000)
Total other financing sources (uses), net	-	-	(3,000)	-	(3,000)
Net changes in fund balance	-	-	12,781	-	12,781
Total fund balance, beginning of year	65,814	65,814	65,814	-	-
Total fund balance, end of year	$ 65,814	$ 65,814	$ 78,595	$ -	$ 12,781

City of East Hope, Idaho
Budgetary Comparison Schedule for the Street Fund
Year Ended September 30, 2024

	Budgeted Amounts		Actual Modified Accrual Basis	Variances Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Taxes	$ 38,500	$ 38,500	$ 36,356	$ -	$ (2,144)
State highway user fees	18,649	18,649	23,244	-	4,595
Grants	-	-	3,717	-	3,717
Licenses and permits	1,200	1,200	1,200	-	-
Interest income	15	15	2	-	(13)
Other income	100	100	2,214	-	2,114
Total revenues	58,464	58,464	66,733	-	8,269
Expenditures:					
Payroll	32,889	32,889	22,014	-	10,875
General and administrative	4,750	4,750	4,343	-	407
Professional fees	2,800	2,800	2,938	-	(138)
Maintenance and operations	11,200	11,200	9,256	-	1,944
Insurance	4,100	4,100	3,707	-	393
Capital outlays	2,725	2,725	15,587	-	(12,862)
Total expenditures	58,464	58,464	57,845	-	619
Excess (deficiency) of revenues over (under) expenditures	-	-	8,888	-	8,888
Other financing sources (uses):					
Transfers from (to) other funds	-	-	(5,014)	-	(5,014)
Total other financing sources (uses), net	-	-	(5,014)	-	(5,014)
Net changes in fund balance	-	-	3,874	-	3,874
Total fund balance, beginning of year	24,103	24,103	24,103	-	-
Total fund balance, end of year	$ 24,103	$ 24,103	$ 27,977	$ -	$ 3,874

See Independent Auditor's Report and Notes to Budgetary Comparison Schedules.

City of East Hope, Idaho
Notes to Budgetary Comparison Schedules
September 30, 2024

1. Basis of Presentation

The budgetary comparison schedules for the General Fund and the Street Fund have been prepared on the modified accrual basis of accounting, which is the same basis of accounting used in the governmental funds financial statements.

2. Expenditures in Excess of Budgeted Amounts

As disclosed in Note 1 above, the budgetary comparison schedules have been prepared in conformance with the presentation used in the preparation of the governmental funds financial statements. These presentations differ from the account groupings required by Idaho Statutes for City Councils' budgetary control at the functional level. As a result, the budgetary comparison schedules at pages 27 and 28 disclose several instances in which actual expenditures exceeded budgeted expenditures. However, there were no instances in which actual expenditures exceeded budgeted expenditures at the functional levels required by Idaho Statutes.

Compliance Report

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

Honorable Mayor and
Members of the City Council
City of East Hope, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Hope, Idaho ("the City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 12, 2025.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies, which were considered to be, in the aggregate, a material weakness.

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 deficiencies described in the accompanying Schedule of Findings and Responses as Findings 2024-001 through 2024-003, in the aggregate, to be a material weakness.

A *significant deficiency* is a deficiency, or 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 deficiencies described in the accompanying Schedule of Findings and Responses as Findings 2024-001 through 2024-003 to be significant deficiencies.

Report on Compliance and Other Matters

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

The City's Responses to the Findings

Government Auditing Standards require the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

DeCoria, Blair & Teague, PS

DeCoria, Blair & Teague, P.S.
Spokane, Washington

June 12, 2025

City of East Hope, Idaho
Schedule of Findings and Responses
Year Ended September 30, 2024

Section I – Summary of Auditor's Results

Financial Statements

The report of independent auditor expressed unmodified opinions on the basic financial statements of the City of East Hope, Idaho.

The audit of the financial statements of the City of East Hope, Idaho disclosed three significant deficiencies in internal control over financial reporting.

The significant deficiencies in internal control over financial reporting were considered to be, in the aggregate, a material weakness.

The audit disclosed no compliance findings material to the financial statements of the City of East Hope, Idaho.

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Finding 2024-001

Condition	The size of the City's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting.
Criteria	An effective system of internal control over financial reporting requires that closely related duties be segregated.
Effect	The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.
Cause	The City's staff is too small to allow an adequate segregation of duties.
Recommendation	Although the City's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting, we recommend that officials be aware that the condition does exist.
Management's Response	Management and the City's Council are aware of this condition and have made a conscious decision to accept the resulting degree of risk because of cost or other considerations.

Finding 2024-002

Condition	The City's records lack the necessary support for the city-wide financial statement amounts.
Criteria	Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* (Statement No. 34) established financial reporting requirements and a reporting model for the annual financial reports of state and local governments. The financial information required by Statement No. 34 includes city-wide financial statements, including the Statement of Net Position – City-Wide and the Statement of Activities – City-Wide. These statements are similar to the financial statements of traditional, for-profit entities, and include noncurrent assets such as capital assets (e.g., buildings, equipment, etc.) and noncurrent liabilities such as compensated absences.
Effect	The adoption of Statement No. 34 created the need for additional recordkeeping that the City is not fully performing at this time.
Cause	The financial statements of state and local governments did not previously include these noncurrent assets and liabilities. Statement No. 34 has imposed additional recordkeeping requirements on the City that have not heretofore been performed. One such example is depreciation records for capital assets.
Recommendation	We strongly recommend that the City continue to develop the recordkeeping capabilities to comply with the reporting requirements of Statement No. 34.
Management's Response	The City will continue to improve its implementation of the necessary recordkeeping procedures that will allow it to generate the amounts needed for financial reporting under Statement No. 34.

Finding 2024-003

Condition	Due in part to the City's size and limited resources, year-end closing procedures are not fully formalized and documented for certain accounts.
Criteria	An effective system of internal control over financial reporting includes periodically reconciling each general ledger account, and adjusting the recorded balances if necessary.
Effect	In connection with performing our audit testing, we proposed several audit adjustments to correct account balances. Clarified Statements on Auditing Standards Section 265, *Communicating Internal Control Related Matters Identified in an Audit* (AU-C 265), indicates that identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control over financial reporting should at least be regarded as a significant deficiency and should be considered as a strong indicator of a material weakness in internal control over financial reporting.
Cause	The City does not have fully formalized, documented procedures for periodically reviewing and reconciling each general ledger account.
Recommendation	We recommend that year-end closing procedures be further developed, documented and implemented for each general ledger account. The implementation of increased procedures should reduce or eliminate the need for audit adjustments.
Management's Response	The City will continue to develop and implement documented procedures for reconciling and adjusting account balances for each general ledger account in an effort to eliminate audit adjustments.

City of East Hope, Idaho
Status of Prior Year Findings
Year Ended September 30, 2024

Finding 2023-001

Condition: The size of the City's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control over financial reporting.

Status: This condition continues to exist at September 30, 2024. See Finding 2024-001.

Finding 2023-002

Condition: The City's records lack the necessary support for the city-wide financial statement amounts.

Status: This condition continues to exist at September 30, 2024. See Finding 2024-002.

Finding 2023-003

Condition: Due in part to the City's size and limited resources, year-end closing procedures are not fully formalized and documented for certain accounts.

Status: This condition continues to exist at September 30, 2024. See Finding 2024-003.

Finding 2023-004

Condition: The City's amended budget expenditures exceeded the City's budget revenues and available fund reserves in the Street Fund during the fiscal year ended September 30, 2023.

Status: This condition has been resolved at September 30, 2024.