CITY OF KELLOGG

FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

CITY OF KELLOGG
September 30, 2024

TABLE OF CONTENTS

FINANCIAL SECTION:

Independent Auditor's Report ..... 1 – 3

Basic Financial Statements:

Government-wide Financial Statements:
- Statement of Net Position 4
- Statement of Activities ..... 5 – 6

Fund Financial Statements:

Governmental Funds:
- Balance Sheet ..... 7 – 8
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 9
- Statement of Revenues, Expenditures and Changes in Fund Balances ..... 10 – 11
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 12

Proprietary Funds:
- Statement of Net Position 13
- Statement of Revenues, Expenses and Changes in Fund Net Position 14
- Statement of Cash Flows 15

Notes to the Financial Statements ..... 16 – 37

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:
- General Fund 38
- Street Fund 39
- Revenue Sharing Fund 40
- Local Option Tax Fund 41
- Miscellaneous Grants Fund 42

Schedule of Employers' Share of Net Pension Asset / Liability ..... 43 – 44

Schedule of Employer Contributions ..... 43 – 44

Other Supplementary Information:

Nonmajor Governmental Funds – Combining Balance Sheet ..... 45 – 46

Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balances ..... 47 – 48

SINGLE AUDIT SECTION:

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* ..... 49 – 50

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance ..... 51 – 53

CITY OF KELLOGG
September 30, 2024

TABLE OF CONTENTS

SINGLE AUDIT SECTION:

Schedule of Expenditures of Federal Awards 54
Notes to Schedule of Expenditures of Federal Awards 55
Schedule of Findings and Questioned Costs ..... 56 – 57
Corrective Action Plan 58
Summary of Prior Year Audit Finding 59

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MAGNUSON • McHUGH • DOUGHERTY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Kellogg
Kellogg, ID 83837

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements 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 Kellogg, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS),* 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 Kellogg and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 of Kellogg'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.

2100 Northwest Blvd., Ste 400
Coeur d'Alene, ID 83814
www.MMD.cpa
Office: 208-765-9500 • Fax: 208-667-9174

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 and GAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Kellogg'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 Kellogg's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, and the budgetary comparison information and certain GASB No. 68 pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

2100 Northwest Blvd., Ste 400
Coeur d'Alene, ID 83814
www.MMD.cpa
Office: 208-765-9500 • Fax: 208-667-9174

Required Supplementary Information (Concluded)

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kellogg's basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2025, on our consideration of the City of Kellogg'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 solely 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 effectiveness of the City of Kellogg's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kellogg's internal control over financial reporting and compliance.

Magnuson, McHugh, Dougherty CPAs

Magnuson, McHugh, Dougherty CPAs

May 16, 2025

2100 Northwest Blvd., Ste 400
Coeur d'Alene, ID 83814

www.MMD.cpa
Office: 208-765-9500 • Fax: 208-667-9174

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

City of Kellogg

STATEMENT OF NET POSITION
September 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 6,017,166	$ 3,862,498	$ 9,879,664
Receivables	400,345	172,933	573,278
Prepaid expenses	19,815	1,546	21,361
Land	211,625	-	211,625
Construction in process	174,229	-	174,229
Capital and intangible assets, net of accumulated depreciation and amortization	3,308,724	15,099,562	18,408,286
Lease receivable	185,010	-	185,010
Total assets	10,316,914	19,136,539	29,453,453
DEFERRED OUTFLOWS OF RESOURCES			
Proportionate share of collective deferred outflows of resources	194,399	26,109	220,508
Total deferred outflows of resources	194,399	26,109	220,508
LIABILITIES			
Accounts payable and accrued liabilities	178,055	4,048	182,103
Accrued interest payable	-	80,921	80,921
USDA bond obligations, current portion	-	164,491	164,491
Noncurrent liabilities:			
Compensated absences	114,028	8,520	122,548
USDA bond obligations, net of current portion	-	6,977,843	6,977,843
Net pension liability	842,359	154,900	997,259
Lease liability, due beyond one year	79,351	-	79,351
Total liabilities	1,213,793	7,390,723	8,604,516
DEFERRED INFLOWS OF RESOURCES			
Proportionate share of collective deferred inflows of resources	2,032	329	2,361
Deferred inflows from lease agreements	185,010	-	185,010
Total deferred inflows of resources	187,042	329	187,371
NET POSITION			
Net investment in capital and intangible assets	3,615,227	7,957,228	11,572,455
Restricted for:			
Highway user funds	29,447	-	29,447
American Rescue Plan Act funds	170,829	-	170,829
Debt service	-	532,986	532,986
Unrestricted	5,294,975	3,281,382	8,576,357
Total net position	$ 9,110,478	$ 11,771,596	$ 20,882,074

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Kellogg

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants
Governmental activities:			
General government	$ 707,048	$ 224,093	$ -
Public safety	730,908	16,539	-
Highways and streets	823,985	-	942,917
Culture and recreation	257,226	14,290	-
Change in net pension liability	236,475	-	-
Unallocated actual PERSI contributions	(130,162)	-	-
Total governmental activities	2,625,480	254,922	942,917
Business-type activities:			
Sanitation	309,678	352,654	-
Cemetery	59,617	119,076	-
Radio	3,269	4,544	-
Sewer	380,520	616,131	-
Total business-type activities	753,084	1,092,405	-
Total primary government	$ 3,378,564	$ 1,347,327	$ 942,917
General revenues:			
Property taxes and special assessments			
Intergovernmental			
Interest income			
Interest expense			
Grants			
Franchise fees			
Miscellaneous			
Interfund transfers, net			
Total general revenues			
Change in net position			
Net position - beginning			
Net position - ending			

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (482,955)	$ -	$ (482,955)
(714,369)	-	(714,369)
118,932	-	118,932
(242,936)	-	(242,936)
(236,475)	-	(236,475)
130,162	-	130,162
(1,427,641)	-	(1,427,641)
-	42,976	42,976
-	59,459	59,459
-	1,275	1,275
-	235,611	235,611
-	339,321	339,321
(1,427,641)	339,321	(1,088,320)
1,969,346	-	1,969,346
721,982	-	721,982
261,182	162,852	424,034
-	(104,306)	(104,306)
6,400	-	6,400
66,175	-	66,175
59,240	101,675	160,915
(261,250)	261,250	-
2,823,075	421,471	3,244,546
1,395,434	760,792	2,156,226
7,715,044	11,010,804	18,725,848
$ 9,110,478	$ 11,771,596	$ 20,882,074

City of Kellogg

GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2024

	General	Street	Capital* Improvement
ASSETS			
Cash and cash equivalents	$ 811,869	$ 911,460	$ 1,045,756
Receivables	46,434	37,280	6,352
Due from other governments	29,858	29,447	-
Prepaid expenses	10,466	9,307	-
Interfund receivable	5,378	-	-
Total assets	$ 904,005	$ 987,494	$ 1,052,108
LIABILITIES			
Accounts payable and accrued liabilities	$ 80,888	$ 10,302	$ -
Interfund payable	-	-	-
Total liabilities	80,888	10,302	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	33,039	26,301	2,810
Total deferred inflows of resources	33,039	26,301	2,810
FUND BALANCES:			
Non-spendable	10,466	9,307	-
Restricted for:			
Highway user funds	-	29,447	-
American Rescue Plan Act funds	170,829	-	-
Assigned	-	912,137	1,049,298
Committed	-	-	-
Unassigned	608,783	-	-
Total fund balances	790,078	950,891	1,049,298
Total liabilities, deferred inflows of resources, and fund balances	$ 904,005	$ 987,494	$ 1,052,108

* This is a non-major fund

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Revenue Sharing	Local Option Tax	Miscellaneous Grants	Other Governmental Funds	Total Governmental Funds
$ 933,600	$ 775,959	$ 70,911	$ 1,467,611	$ 6,017,166
2,344	1,814	132,268	29,242	255,734
85,306	-	-	-	144,611
-	42	-	-	19,815
-	-	-	-	5,378
$ 1,021,250	$ 777,815	$ 203,179	$ 1,496,853	$ 6,442,704
$ -	$ 334	$ 70,652	$ 15,879	$ 178,055
-	-		5,378	5,378
-	334	70,652	21,257	183,433
-	-	-	11,463	73,613
-	-	-	11,463	73,613
-	42	-	-	19,815
-	-	-	-	29,447
-	-	-	-	170,829
1,021,250	631	132,527	1,464,133	4,579,976
-	776,808	-	-	776,808
-	-	-	-	608,783
1,021,250	777,481	132,527	1,464,133	6,185,658
$ 1,021,250	$ 777,815	$ 203,179	$ 1,496,853	$ 6,442,704

City of Kellogg

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

Total fund balance at September 30, 2024 - Governmental Funds		$ 6,185,658
Lease assets and deferred inflows of resources related to leases:		
Lease receivable		185,010
Deferred inflows of lease payments		(185,010)
Cost of capital and intangible assets	$ 6,940,120	
Less: Accumulated depreciation and amortization	(3,245,542)	3,694,578
Long-term liabilities:		
Compensated absences		(114,028)
Lease liability, due beyond one year		(79,351)
Elimination of unavailable revenue - property taxes		73,613
Items related to GASB 68 and reporting net pension asset:		
Proportionate share of collective deferred outflows of resources	194,399	
Proportionate share of collective deferred inflows of resources	(2,032)	
Net pension liability	(842,359)	(649,992)
Net position at September 30, 2024		$ 9,110,478

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

City of Kellogg

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

	General	Street	Capital* Improvement
REVENUES			
Property taxes and special assessments	$ 654,161	$ 523,048	$ 56,000
Licenses and permits	224,093	-	-
Intergovernmental	146,213	233,539	-
Interest income	38,826	42,374	48,306
Fines and forfeits	16,539	-	-
Services	-	-	-
Grants	-	-	-
Franchise fees	-	-	-
Miscellaneous	32,971	998	-
Total revenues	1,112,803	799,959	104,306
EXPENDITURES			
General government	493,872	-	-
Public safety	710,443	-	-
Highways and streets	-	703,079	-
Culture and recreation	-	-	-
Capital projects	77,367	595,352	-
Total expenditures	1,281,682	1,298,431	-
Excess (deficiency) of revenues over (under) expenditures	(168,879)	(498,472)	104,306
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	542,872	-
Transfers (out)	(261,250)	-	-
Total other financing sources (uses)	(211,250)	542,872	-
Net change in fund balances	(380,129)	44,400	104,306
Fund balances - beginning	1,170,207	906,491	944,992
Fund balances - ending	$ 790,078	$ 950,891	$ 1,049,298

* This is a non-major fund

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Revenue Sharing	Local Option Tax	Miscellaneous Grants	Other Governmental Funds	Total
$ -	$ 515,262	$ -	$ 229,784	$ 1,978,255
-	-	-	-	224,093
326,352		-	15,878	721,982
38,105	27,729	-	65,842	261,182
-	-	-	-	16,539
-	-	-	14,290	14,290
-	-	949,317	-	949,317
-	-	-	66,175	66,175
-	-	-	25,271	59,240
364,457	542,991	949,317	417,240	4,291,073
29,950	43,785	-	94,435	662,042
515	-	-	-	710,958
-	-	-	-	703,079
2,069	-	61,443	188,322	251,834
-	-	409,945	-	1,082,664
32,534	43,785	471,388	282,757	3,410,577
331,923	499,206	477,929	134,483	880,496
-	-	-	-	592,872
-	-	(592,872)	-	(854,122)
-	-	(592,872)	-	(261,250)
331,923	499,206	(114,943)	134,483	619,246
689,327	278,275	247,470	1,329,650	5,566,412
$ 1,021,250	$ 777,481	$ 132,527	$ 1,464,133	$ 6,185,658

City of Kellogg

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 for the year ended September 30, 2024	$	619,246
Less: Difference between revenue earned on property taxes on modified accrual basis versus revenue on accrual basis		(8,909)
Add: Capital outlay which is considered expenditures		1,082,664
Less: Depreciation and amortization expense		(184,386)
Less: Increase in salaries expense related to compensated absences		(6,868)
Less: Change in net pension liability		(236,475)
Add: Unallocated actual PERSI contributions		130,162
Change in net position for year ended September 30, 2024	$	1,395,434

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

City of Kellogg

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2024

	Sanitation	Cemetery*	Radio* Relay	Sewer	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 897,571	$ 297,429	$ 43,252	$ 2,624,246	$ 3,862,498
Receivables:					
Trade, net allowance of $9,714	136,188	-	-	27,196	163,384
Interest	2,224	754	109	6,462	9,549
Prepaid expenses	1,540	-	-	6	1,546
Total current assets	1,037,523	298,183	43,361	2,657,910	4,036,977
Noncurrent assets:					
Capital assets, net of accumulated depreciation	577,865	125,642	-	14,396,055	15,099,562
Total noncurrent assets	577,865	125,642	-	14,396,055	15,099,562
Total assets	1,615,388	423,825	43,361	17,053,965	19,136,539
DEFERRED OUTFLOWS OF RESOURCES					
Proportionate share of collective deferred outflows of resources	21,759	829	-	3,521	26,109
Total deferred outflows of resources	21,759	829	-	3,521	26,109
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	3,112	817	-	119	4,048
Accrued interest payable	-	-	-	80,921	80,921
USDA bond obligations, current portion	-	-	-	164,491	164,491
Total current liabilities	3,112	817	-	245,531	249,460
Noncurrent liabilities:					
Compensated absences	8,520	-	-	-	8,520
USDA bond obligations, net of current portion	-	-	-	6,977,843	6,977,843
Net pension liability	108,396	15,176	-	31,328	154,900
Total noncurrent liabilities	116,916	15,176	-	7,009,171	7,141,263
Total liabilities	120,028	15,993	-	7,254,702	7,390,723
DEFERRED INFLOWS OF RESOURCES					
Proportionate share of collective deferred inflows of resources	236	40	-	53	329
Total deferred inflows of resources	236	40	-	53	329
NET POSITION					
Net investment in capital assets	577,865	125,642	-	7,253,721	7,957,228
Restricted for:					
Debt service	-	-	-	532,986	532,986
Unrestricted	939,018	282,979	43,361	2,016,024	3,281,382
Total net position	$ 1,516,883	$ 408,621	$ 43,361	$ 9,802,731	$ 11,771,596

* This is a non-major fund

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

City of Kellogg

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

	Sanitation	Cemetery*	Radio* Relay	Sewer	Total
OPERATING REVENUES					
Charges for services	$ 352,654	$ 119,076	$ 4,544	$ 616,131	$ 1,092,405
Miscellaneous	-	8,330	-	93,345	101,675
Total operating revenues	352,654	127,406	4,544	709,476	1,194,080
OPERATING EXPENSES					
Personal services	179,374	29,164	-	35,450	243,988
Other services and charges	58,388	9,871	3,269	22,022	93,550
Heat, lights, and power	-	2,776	-	-	2,776
Depreciation	59,565	15,727	-	320,268	395,560
Change in net pension liability	12,351	2,079	-	2,780	17,210
Total operating expenses	309,678	59,617	3,269	380,520	753,084
Operating income (loss):	42,976	67,789	1,275	328,956	440,996
NONOPERATING REVENUES (EXPENSES)					
Interest income	38,844	10,927	2,021	111,060	162,852
Interest expense	-	-	-	(104,306)	(104,306)
Transfers in	261,250	-	-	-	261,250
Total non-operating revenues (expenses)	300,094	10,927	2,021	6,754	319,796
Change in net position	343,070	78,716	3,296	335,710	760,792
Total net position - beginning	1,173,813	329,905	40,065	9,467,021	11,010,804
Total net position - ending	$ 1,516,883	$ 408,621	$ 43,361	$ 9,802,731	$ 11,771,596

* This is a non-major fund

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

City of Kellogg

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

	Sanitation	Cemetery*	Radio* Delay	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 350,346	$ 126,652	$ 4,435	$ 703,971	$ 1,185,404
Payments to suppliers	(66,529)	(12,647)	(3,269)	(23,532)	(105,977)
Payments to employees	(191,591)	(30,930)	-	(38,853)	(261,374)
Unallocated actual PERSI contributions	15,122	2,545	-	3,403	21,070
Net cash provided (used) by operating activities	107,348	85,620	1,166	644,989	839,123
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers (out) in	261,250	-	-	-	261,250
Net cash provided by noncapital financing activities	261,250	-	-	-	261,250
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payment on long-term debt	-	-	-	(162,187)	(162,187)
Purchase of fixed assets	(261,250)	-	-	-	(261,250)
Interest expense	-	-	-	(104,306)	(104,306)
Net cash provided (used) by capital and related financing activities	(261,250)	-	-	(266,493)	(527,743)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	38,844	10,927	2,021	111,060	162,852
Net cash provided (used) by investing activities	38,844	10,927	2,021	111,060	162,852
Net change in cash	146,192	96,547	3,187	489,556	735,482
Cash balances - beginning	751,379	200,882	40,065	2,134,690	3,127,016
Cash balances - ending	$ 897,571	$ 297,429	$ 43,252	$ 2,624,246	$ 3,862,498
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 42,976	$ 67,789	$ 1,275	$ 328,956	$ 440,996
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation	59,565	15,727	-	320,268	395,560
(Increase) decrease prepaid items	(1,540)	-	-	(6)	(1,546)
(Increase) decrease in receivables	(2,308)	(754)	(109)	(5,505)	(8,676)
(Decrease) increase in accrued expenses	(3,696)	779	-	(1,504)	(4,421)
(Decrease) increase in items related to net pension liability	12,351	2,079	-	2,780	17,210
Total adjustments	64,372	17,831	(109)	316,033	398,127
Net cash provided (used) by operating activities	$ 107,348	$ 85,620	$ 1,166	$ 644,989	$ 839,123

* This is a non-major fund

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Kellogg (the "City") is an incorporated City of the State of Idaho. The City operates under a Mayor/Council form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The City is governed by an elected Mayor and City Council. The City provides a wide range of municipal services that include police and other services. Sewer and sanitation services are provided by the City and are accounted for as enterprise funds.

The financial statements include all operations controlled by the City. A reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of the relationship are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the criteria for determining the reporting entity, the City is considered to be a primary government and has no component units.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The most significant of the City's accounting policies are described below.

B. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City, at this time, does not report internal service funds.

C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Fund Financial Statements (Concluded)

The City reports the following major governmental funds:

- The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The street fund accounts for activity relating to the construction, maintenance, and repair of all city streets.
- The revenue sharing fund accounts for monies received from the state to fund general activities.
- The local option tax fund accounts for monies collected by hotels and short-term rentals to fund city maintenance projects.
- The miscellaneous grants fund accounts for monies collected from grants.

The City reports the following major proprietary funds:

- The sanitation fund accounts for the activities of trash removal for City residents and businesses.
- The sewer fund accounts for the operations of sewer services.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Concluded)

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

The 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 available when they are collectible 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and sanitation funds are charges to customers for sales and services. The sewer fund also recognizes as operating revenue the portion of cap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

For purposes of reporting cash flows, cash and investments include: cash on hand, amount due from banks, and investments with maturities of less than 90 days. If maturity is greater than 90 days, the certificates of deposit are classified as cash equivalents since they are part of the City's cash management activity, short-term and readily convertible to known amounts of cash.

During the fiscal year ended September 30, 2024, investments were limited to the Idaho State Investment Pool.

The balance that the City has in the Idaho State Investment Pool is carried at cost, which materially approximates fair market value.

The City considers funds held in the Idaho State Investment Pool to be cash equivalents, as the City is able to liquidate their account at any time.

F. Capital and Intangible Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Fixed assets acquired in governmental funds are accounted for as expenditures in the fund when the asset is purchased. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital and intangible assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital and intangible assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are valued at estimated fair market value at time of acquisition. Where historical cost is not known, assets are recorded at estimated historical costs. The City maintains a capitalization threshold of $5,000 for equipment. Improvements are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

Depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Depreciation Method	Estimated Useful Life
Buildings and improvements	Straight-line	30-50 years
Equipment	Straight-line	3-5 years

Intangible right-of-use lease assets are recorded at net present value, and the lease liabilities are amortized using the straight-line method over the life of the lease.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

H. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of leases, which will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide statement of net position and the proprietary funds statement of net position, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources (Concluded)

The City has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has two types of items, which arise under full accrual basis of accounting that qualify for reporting in this category. Accordingly, the first item, proportionate share of collective deferred inflows of resources (when applicable), is reported on the government-wide statement of net position and the proprietary funds statement of net position. The government-wide statement of net position reports a proportionate share of collective deferred inflows of resources for the net pension obligation, in accordance with GASB 68, Accounting and Financial Reporting for Pensions. The second item, deferred inflows from lease agreements, is reported on the government-wide statement of net position.

J. Fund Balances

The City has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (required implementation date of June 2011). This statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the statement requires the City to classify, and report amounts in the appropriate fund balance classifications. The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned.

The City reports the following classifications:

Non-spendable Fund Balance – Non-spendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form—such as inventory or prepaid insurance, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds—such as the City's federal award revenue, which must be used to fund federally defined title programs. Legal enforceability means that the City can be compelled by an external party (e.g., citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the City Council. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the City Council. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLIIES (CONTINUED)

J. Fund Balances (Concluded)

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Intent is expressed by: (a) the Director of Finance, or (b) an appointed body (e.g., a budget or finance committee) or official to which the City Council has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The City's policy is first use restricted fund balance, then committed, then assigned, then unassigned when any of the above fund balance are available to use to satisfy an obligation.

K. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

L. Net Position Flow Assumptions

Net position represents the difference between assets and liabilities. Net investment in capital and intangible assets, net of related debt consists of capital and intangible assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Property Taxes

Property taxes are levied by the Board of Commissioners on the first Monday in September and become payable on December 20. Taxpayers may pay one-half on December 20, and the remaining half the following June 20. Property taxes are computed from levies and collections verified by inspection of records of the Shoshone County auditor's office. Shoshone County collects all property tax revenue for the City.

O. Pensions

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

P. Budgets and Budgetary Accounting

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

1. Prior to September 1, the City Finance Director, the Mayor, and the City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Council by following the same budgetary procedures used to adopt the original budget may amend it to a greater amount if additional revenue will accrue to the City as a result of increases in state or federal grants or allocations, as a result of an increase in revenues from any source other than ad valorem tax revenues or as a result of an increase in enterprise funds to finance the operation and maintenance of governmental facilities and services which are entirely or predominantly self-supporting by user charges.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and capital project funds.

(Continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

P. Budgets and Budgetary Accounting (Concluded)

6. Budgets for the general and special revenue funds are adopted on a basis that differs with generally accepted accounting principles (GAAP) as applied to government units. Generally accepted accounting principles require that the total cost of equipment purchased through capital leases for the current year be recorded as expenditure. The City budgets for the payment on these capital leases only and not the total cost of the equipment.
7. Budgeted amounts are as originally adopted or as amended by the City Council.

The City does not use the encumbrance method of accounting. The budget was amended by the City Council during the year.

NOTE 2: CASH AND CASH EQUIVALENTS

General:

State statutes authorize the City's investments and deposits. The City is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled and operating within the U.S. which have at their purchase an "A" rating or higher, government pool and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

(Continued)

NOTE 2: CASH AND CASH EQUIVALENTS (CONCLUDED)

Custodial credit risk:

Custodial credit risk is the risk that in the event of a failure of a financial institution, the City's deposits and investments may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2024, the City's deposits and investments were not exposed to custodial credit risk as follows:

Deposits without exposure to custodial credit risk:	
Deposits:	
Amount insured by FDIC	$ 1,494,762
Amount collateralized with securities held in trust, but not in the City's name	5,666,277
Total deposits without exposure to custodial credit risk	$ 7,161,039
Deposits with exposure to custodial credit risk:	
Deposits:	
Amount uninsured / uncollateralized	$ 2,794,291
Total deposits with exposure to custodial credit risk	2,794,291
Total deposits with financial institutions	$ 9,955,331
Statement of net position	
Governmental funds cash and cash equivalents	$ 6,017,166
Proprietary funds cash and cash equivalents	3,862,498
	$ 9,879,664

Fair value:

The City's investments in 2a-7-like pools are valued based upon the value of pool shares. The City invests in one 2a-7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements.

Credit risk:

The Idaho State Investment Pool does not have an established credit rating but invests in entities with a minimum credit rating of "A" as stipulated by Idaho code. The City does not have a formal policy for credit risk. Financial information on the investment pool can be obtained by contacting the Idaho State Treasurer.

(Continued)

NOTE 3: CAPITAL AND INTANGIBLE ASSETS

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

Governmental funds:	Balance 9/30/23	Additions	Deletions	Transfers	Balance 9/30/24
Capital assets, not being depreciated					
Land	$ 211,625	$ -	$ -	$ -	$ 211,625
Construction in progress	612,516	409,945	-	(848,232)	174,229
Total capital assets, not being depreciated	824,141	409,945	-	(848,232)	385,854
Capital and intangible assets, being depreciated and amortized:					
Right-of-use lease assets	79,351	-	-	-	79,351
Buildings and improvements	3,419,009	77,367	-	848,232	4,344,608
Vehicles	957,585	595,352	-	-	1,552,937
Machinery and equipment	577,370	-	-	-	577,370
Total capital and intangible assets, being depreciated and amortized	5,033,315	672,719	-	848,232	6,554,266
Less accumulated depreciation and amortization for:					
Right-of-use lease assets	23,805	7,935	-	-	31,740
Buildings and improvements	1,618,336	81,640	-	-	1,699,976
Vehicles	865,724	89,419	-	-	955,143
Machinery and equipment	553,291	5,392	-	-	558,683
Total accumulated depreciation and amortization	3,061,156	184,386	-	-	3,245,542
Governmental activities capital and intangible assets, net	$ 2,796,300	$ 898,278	$ -	$ -	$ 3,694,578

Business-type activities:	Balance 9/30/2023	Additions	Deletions	Transfers	Balance 9/30/2024
Capital assets, being depreciated:					
Sanitation equipment	$ 973,945	$ 261,250	$ -	$ -	$ 1,235,195
Cemetery equipment	96,709	-	-	-	96,709
Cemetery improvements	297,014	-	-	-	297,014
Sewer equipment	15,712	-	-	-	15,712
Sewer improvements	15,812,605	-	-	-	15,812,605
Total capital assets, being depreciated	17,195,985	261,250	-	-	17,457,235
Less accumulated depreciation for:					
Sanitation equipment	597,765	59,565	-	-	657,330
Cemetery equipment	79,036	5,827	-	-	84,863
Cemetery improvements	173,318	9,900	-	-	183,218
Sewer equipment	15,712	-	-	-	15,712
Sewer improvements	1,096,282	320,268	-	-	1,416,550
Total accumulated depreciation	1,962,113	395,560	-	-	2,357,673
Total capital assets being depreciated, net	15,233,872	(134,310)	-	-	15,099,562
Business-type activities capital assets, net	$ 15,233,872	$ (134,310)	$ -	$ -	$ 15,099,562

(Continued)

NOTE 3: CAPITAL AND INTANGIBLE ASSETS (CONCLUDED)

Depreciation and amortization expense were allocated to government functions as follows:

General government	$ 47,648
Public safety	22,015
Highway and streets	109,331
Culture and recreation	5,392
Total depreciation and amortization expense	$ 184,386

Depreciation expense was allocated to business-type activities as follows:

Sanitation	$ 59,565
Cemetery	15,727
Sewer	320,268
Total depreciation expense	$ 395,560

Because the City is a Phase 3 government (governments with total annual revenues of less than $10 million), the City is encouraged but not required to report major infrastructure assets retroactively. The City has not yet made a determination as to whether or not to record infrastructure assets retroactively.

NOTE 4: LONG-TERM DEBT

The City's long-term debt transactions for the year ended September 30, 2024, were as follows:

Governmental Funds:

Debt Type	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	$ 107,160	$ 6,868	$ -	$ 114,028	$ -
Lease liability	79,351	-	-	79,351	-
Total	$ 186,511	$ 6,868	$ -	$ 193,379	$ -

Business-Type Activities:

Debt Type	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences	$ 17,130	$ -	$ (8,610)	$ 8,520	$ -
USDA Rural Development Bond 1	3,892,008	-	(90,560)	3,801,448	91,805
USDA Rural Development Bond 2	2,380,678	-	(51,555)	2,329,123	52,264
USDA Rural Development Bond 3	1,031,835	-	(20,072)	1,011,763	20,422
Total	$ 7,321,651	$ -	$ (170,797)	$ 7,150,854	$ 164,491

USDA Rural Development Bonds:

The City of Kellogg entered into an agreement with USDA Rural Development for construction financing for the Wastewater System Improvement project. Funding for the project includes two grants in the amounts of $4,980,000 and $860,000, respectively, and the guaranteed purchase of three voter approved revenue bonds for $4,410,000, $2,540,000, and $1,090,000, respectively.

(Continued)

NOTE 4: LONG-TERM DEBT (CONTINUED)

The first revenue bond, referred to as USDA Rural Development Bond 1 and totaling $4,410,000, was fully drawn in fiscal-year 2017, and therefore repayment began on December 20, 2017. The loan will be amortized at 1.375% for 40 years with annual payments of $144,075.

The second revenue bond, referred to as USDA Rural Development Bond 2 and totaling $2,540,000, was fully drawn in fiscal-year 2019, and therefore repayment began on April 18, 2020. The loan will be amortized at 1.375% for 40 years with annual payments of $84,289.

The third revenue bond, referred to as USDA Rural Development Bond 3 and totaling $1,090,000, was fully drawn in fiscal-year 2020, and therefore repayment began on December 19, 2020. The loan will be amortized at 1.750% for 40 years with annual payments of $38,128.

Repayment of the City's long-term debt is scheduled as follows:

USDA Rural Development Bond 1

For the year ending September 30,	Principal	Interest	Total
2025	$ 91,805	$ 52,270	$ 144,075
2026	93,067	51,008	144,075
2027	94,347	49,728	144,075
2028	95,644	48,431	144,075
2029	96,959	47,116	144,075
2030-2034	505,166	215,209	720,375
2035-2039	540,864	179,511	720,375
2040-2044	579,085	141,290	720,375
2045-2049	620,007	100,368	720,375
2050-2054	663,821	56,554	720,375
2055-2058	420,683	11,622	432,305
Total	$ 3,801,448	$ 953,107	$ 4,754,555

USDA Rural Development Bond 2

For the year ending September 30,	Principal	Interest	Total
2025	$ 52,264	$ 32,025	$ 84,289
2026	52,983	31,306	84,289
2027	53,711	30,578	84,289
2028	54,450	29,839	84,289
2029	55,198	29,091	84,289
2030-2034	287,588	133,857	421,445
2035-2039	307,911	113,534	421,445
2040-2044	329,671	91,774	421,445
2045-2049	352,966	68,479	421,445
2050-2054	377,910	43,535	421,445
2055-2059	404,471	16,830	421,301
Total	$ 2,329,123	$ 620,848	$ 2,949,971

(Continued)

NOTE 4: LONG-TERM DEBT (CONCLUDED)

USDA Rural Development Bond 3

For the year ending September 30,	Principal	Interest	Total
2025	$ 20,422	$ 17,706	$ 38,128
2026	20,780	17,348	38,128
2027	21,143	16,985	38,128
2028	21,513	16,615	38,128
2029	21,890	16,238	38,128
2030-2034	115,330	75,310	190,640
2035-2039	125,781	64,859	190,640
2040-2044	137,179	53,461	190,640
2045-2049	149,609	41,031	190,640
2050-2054	163,167	27,473	190,640
2055-2059	177,952	12,688	190,640
2060-2061	36,997	750	37,747
Total	$ 1,011,763	$ 360,464	$ 1,372,227

NOTE 5: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Kellogg 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. Amounts in parenthesis represent police/firefighters.

(Continued)

NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits (Concluded)

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. 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) if current rates are actuarially determined to be inadequate or in excess 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 as a percent of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for policy and firefighters. The City's contributions were $151,231 for the year ended September 30, 2024.

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

At September 30, 2024, the City 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 0.00026661 percent.

(Continued)

NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

For the year ended September 30, 2024, the City recognized pension expense (offset) of $274,754. 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	$ -	$ (18,102)
Changes of assumptions	39,506	-
Net difference between projected and actual earnings on pension plan investments	158,773	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	20,463
City of Kellogg's contributions subsequent to the measurement	22,229	-
Total	$ 220,508	$ 2,361

$22,229 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2025.

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, 2022, the beginning of the measurement period ended June 30, 2023 is 4.6 and 4.6 for the measurement period June 30, 2024.

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

Year ended September 30:	
2025	$ 49,221
2026	$ 185,941
2027	$ (32,065)
2028	$ (22,920)

(Continued)

NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 including inflation	3.05%
Investment rate of return-net of investment fees	6.35%
Cost-of-living (COLA) 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 and police – Males Pub 2010 Safety Tables, increased 21%.
- Fire and police – Females Pub 2010 Safety Tables, increased 26%.
- Disabled members – Males Pub 2010 Disabled Tables, increased 38%.
- Disabled members – Females Pub 2010 Disabled Tables, increased 36%.

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

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

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

(Continued)

NOTE 5: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Concluded)

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.

	2024	
Asset Class	DB Plans	Sick Leave
Fixed Income	30.0%	50.0%
US/Global Equity	55.0%	39.3%
International Equity	15.0%	10.7%
Cash	0.0%	0.0%
Total	100%	100%

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.

Sensitivity of the Employer's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
City's net pension liability (asset)	$ 1,895,103	$ 997,259	$ 263,949

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.

(Continued)

NOTE 5: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

Payables to the Pension Plan

At September 30, 2024, the City reported no payables to the defined benefit pension plan for legally required employer contributions and no payables for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 6: CONTINGENCIES

The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement from grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial. The City is a party to legal actions arising in the ordinary course of its business. In management's opinion, the City has adequate legal defenses and/or insurance coverage regarding these legal actions and does not believe that they will materially affect the City's operations or financial position.

NOTE 7: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance.

NOTE 8: ALLOWANCE FOR DOUBTFUL ACCOUNTS

Included in the sanitation fund and sewer fund receivables is an allowance for doubtful accounts of $9,714. This amount represents the value of accounts receivable which management believes will not be collected. Details are as follows:

	Sanitation	Sewer	Total
Amount of accounts receivable	$ 143,265	$ 29,833	$ 173,098
Less: Allowance for doubtful accounts	(7,077)	(2,637)	(9,714)
Net realizable value	$ 136,188	$ 27,196	$ 163,384

NOTE 9: LEASES

Lessee:

The City entered into an operating lease agreement during fiscal year 2021 to lease a portion of a library. The terms of the lease are 60 months with monthly payments of $1,000. The first five years of the lease in the amount of $60,000 were prepaid during the fiscal year ending September 30, 2023. The right-of-use lease asset has been recorded at the present value of future minimum lease payments of $79,351 as of the inception date with accumulated amortization of $31,740 as of September 30, 2024.

(Continued)

NOTE 9: LEASES (CONTINUED)

Lessee (Concluded):

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2024, were as follows:

Year ending June 30,	Principal	Interest	Total
2025	$ -	$ -	$ -
2026	4,432	1,568	6,000
2027	14,536	3,464	18,000
2028	15,291	2,709	18,000
2029	16,084	1,916	18,000
Thereafter	29,008	1,317	30,325
	$ 79,351	$ 10,974	$ 90,325

Lessor:

The City entered in an operating lease agreement during fiscal year 2021. The terms of the lease are 60 months with monthly payments of $800, with an option to renew for an additional 60 months at the end of the initial lease term. The first two months of lease payments were waived, and monthly lease payments will increase by $25 annually starting each November 1 during the lease agreement period. If the lessee terminates the lease before the 60-month term has expired, the lessee will be responsible for the remaining balance due through the end of the 60-month term.

The City intends to renew this lease and has recorded a lease receivable related to this agreement at the present value of future minimum lease payments of $63,708 and deferred inflows of resources of $63,708. During the year ended September 30, 2024, the City recorded lease revenue of $7,049 and interest income related to the lease agreement of $3,426.

The City entered in an operating lease agreement with the Department of Environmental Quality during fiscal year 2024. The terms of the lease are 60 months with monthly payments of $2,467. After expiration the agreement can continue month-to-month, for a period not to exceed one year. There is a maximum 3% annual increase.

The City has recorded a lease receivable related to this agreement at the present value of future minimum lease payments of $121,302 and deferred inflows of resources of $121,302. During the year ended September 30, 2024, the City recorded lease revenue of $10,186 and interest income related to the lease agreement of $4,614.

(Continued)

NOTE 9: LEASES (CONCLUDED)

Lessor (Concluded):

The future minimum lease payments to be received and the net present value of these minimum lease payments as of September 30, 2024, were as follows:

Year ending June 30,	Principal	Interest	Total
2025	$ 29,684	$ 11,135	$ 40,819
2026	32,970	9,051	42,021
2027	36,513	6,735	43,248
2028	40,334	4,171	44,505
2029	27,868	1,573	29,441
Thereafter	17,641	652	18,293
	$ 185,010	$ 33,317	$ 218,327

NOTE 10: INTERFUND TRANSFERS

Interfund transfers occur for many reasons and may occur either one time or be annually reoccurring. Transfers during the year ending September 30, 2024 were as follows:

	Transfer in	Transfer out
Governmental funds:		
General fund	$ 50,000	$ 261,250
Street fund	542,872	-
Miscellaneous grants fund	-	592,872
Proprietary funds:		
Santation fund	261,250	-
	$ 854,122	$ 854,122

	Interfund receivable	Interfund payable
Governmental funds:		
General fund	$ 5,378	$ -
Nonmajor special revenue funds	-	5,378
	$ 5,378	$ 5,378

NOTE 11: DEFICIT FUND BALANCE

A deficit balance exists in the following individual fund:

	Deficit Net Position Balance
Liability Insurance Fund	$ (3,868)

(Continued)

NOTE 12: EXCESS ACTUAL EXPENDITURES OVER BUDGET

The following is a schedule of excess expenditures over appropriations for the year ended September 30, 2024:

Fund	Final Budgeted Expenditures	Acutal Expenditures	Excess of Budgeted Expenditures	Actual Revenues
Street Fund	$ 1,036,351	$ 1,298,431	$ (262,080)	$ 799,959

(Concluded)

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

City of Kellogg

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2024

	Original Budget Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Property taxes and special assessments	$ 706,595	$ 654,161	$ (52,434)
Licenses and permits	127,984	224,093	96,109
Intergovernmental	145,000	146,213	1,213
Interest income	1,500	38,826	37,326
Fines and forfeits	9,175	16,539	7,364
Miscellaneous	96,790	32,971	(63,819)
Total revenues	1,087,044	1,112,803	25,759
EXPENDITURES			
General government	826,956	493,872	333,084
Public safety	803,909	710,443	93,466
Capital projects	489,445	77,367	412,078
Miscellaneous	79,500	-	79,500
Total expenditures	2,199,810	1,281,682	918,128
Excess (deficiency) of revenues over (under) expenditures	(1,112,766)	(168,879)	943,887
OTHER FINANCING SOURCES (USES)			
Transfer in	396,000	50,000	(346,000)
Transfer (out)	-	(261,250)	(261,250)
Total other financing sources (uses)	396,000	(211,250)	(607,250)
Net change in fund balances	(716,766)	(380,129)	336,637
Fund balances - beginning	716,766	1,170,207	453,441
Fund balances - ending	$ -	$ 790,078	$ 790,078

* The original budget was not amended

City of Kellogg

STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended September 30, 2024

	Original Budget Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Property taxes and special assessments	$ 523,979	$ 523,048	$ (931)
Intergovernmental	117,000	233,539	116,539
Interest income	500	42,374	41,874
Miscellaneous	6,150	998	(5,152)
Total revenues	647,629	799,959	152,330
EXPENDITURES			
Highways and streets	1,036,351	703,079	333,272
Capital projects	-	595,352	(595,352)
Total expenditures	1,036,351	1,298,431	(262,080)
Excess (deficiency) of revenues over (under) expenditures	(388,722)	(498,472)	(109,750)
OTHER FINANCING SOURCES (USES)			
Transfer in	218,521	542,872	324,351
Total other financing sources (uses)	218,521	542,872	324,351
Net change in fund balances	(170,201)	44,400	214,601
Fund balances - beginning	170,201	906,491	736,290
Fund balances - ending	$ -	$ 950,891	$ 626,540

* The original budget was not amended

City of Kellogg

REVENUE SHARING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGETARY AND ACTUAL
For the Year Ended September 30, 2024

	Original Budget Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	$ 325,000	$ 326,352	$ 1,352
Interest income	1,500	38,105	36,605
Total revenues	326,500	364,457	37,957
EXPENDITURES			
General government	30,600	29,950	650
Public safety	1,500	515	985
Culture and recreation	3,000	2,069	931
Total expenditures	35,100	32,534	2,566
Excess (deficiency) of revenues over (under) expenditures	291,400	331,923	40,523
OTHER FINANCING SOURCES (USES)			
Transfer (out)	(360,500)	-	360,500
Total other financing sources (uses)	(360,500)	-	360,500
Net change in fund balances	(69,100)	331,923	401,023
Fund balances - beginning	69,100	689,327	620,227
Fund balances - ending	$ -	$ 1,021,250	$ 1,021,250

* The original budget was not amended

City of Kellogg

LOCAL OPTION TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGETARY AND ACTUAL
For the Year Ended September 30, 2024

	Original Budget Amounts*	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	$ 230,700	$ 515,262	$ 284,562
Interest income	1,000	27,729	26,729
Total revenues	231,700	542,991	311,291
EXPENDITURES			
General government	762,185	43,785	718,400
Total expenditures	762,185	43,785	718,400
Net change in fund balances	(530,485)	499,206	1,029,691
Fund balances - beginning	530,485	278,275	(252,210)
Fund balances - ending	$ -	$ 777,481	$ 777,481

* The original budget was not amended

City of Kellogg

MISCELLANEOUS GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGETARY AND ACTUAL
For the Year Ended September 30, 2024

	Original Budget Amounts	Amended & Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Grants	$ 1,950,000	$ 2,677,400	$ 949,317	$ (1,728,083)
Total revenues	1,950,000	2,677,400	949,317	(1,728,083)
EXPENDITURES				
Culture and recreation	1,950,000	2,677,400	61,443	2,615,957
Capital projects	-	-	409,945	(409,945)
Total expenditures	1,950,000	2,677,400	471,388	2,206,012
Excess (deficiency) of revenues over (under) expenditures	-	-	477,929	477,929
OTHER FINANCING (USES)				
Transfers (out)	-	-	(592,872)	(592,872)
Total other financing (uses)		-	(592,872)	(592,872)
Net change in fund balances	-	-	(114,943)	(114,943)
Fund balances - beginning	-	-	247,470	247,470
Fund balances - ending	$ -	$ -	$ 132,527	$ 132,527

City of Kellogg

GASB 68 Required Supplementary Information
For the Year Ended September 30, 2024

Schedule of Employer's Share of Net Pension (Asset) Liability
PERSI - Base Plan
Last 10 - Fiscal Years *

	2024	2023
Employer's portion of the net pension (asset) liability	0.0266601%	0.0277040%
Employer's proportionate share of the net pension (asset) liability	$ 997,259	$ 1,105,573
Employer's covered-employee payroll	$ 1,243,776	$ 1,175,446
Employer's proportional share of the net pension (asset) liability as a percentage of its covered employee payroll	80.18%	94.06%
Plan fiduciary net position as a percentage of the total pension (asset) liability	85.54%	83.83%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Data reported is measured as of June 30, 2024 (measurement date).

Schedule of Employer Contributions
PERSI - Base Plan
Last 10 - Fiscal Years *

	2024	2023
Statutorily required contribution	$ 151,231	$ 142,221
Contributions in relation to the statutorily required contribution	151,231	142,221
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll of its covered employee payroll	$ 1,243,776	$ 1,175,446
Contributions as a percentage of covered-employee payroll	12.16%	12.10%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Data reported is reported as of September 30, 2024.

2022	2021	2020	2019	2018	2017	2016	2015
0.0257272%	0.0272227%	0.0275765%	0.0271611%	0.0282458%	0.0274336%	0.0282253%	0.0289723%
$ 1,013,334	$ (21,500)	$ 640,363	$ 310,036	$ 416,630	$ 431,208	$ 572,170	$ 381,518
$ 1,066,842	$ 1,000,428	$ 990,704	$ 909,940	$ 907,638	$ 856,487	$ 788,453	$ 780,434
94.98%	-2.15%	64.64%	34.07%	45.90%	50.35%	72.57%	48.89%
83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

2022	2021	2020	2019	2018	2017	2016	2015
$ 126,281	$ 121,500	$ 120,447	$ 106,704	$ 103,922	$ 98,602	$ 90,199	$ 89,313
126,281	121,500	120,447	106,704	103,922	98,602	90,199	89,313
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 1,079,722	$ 1,000,428	$ 990,704	$ 909,940	$ 907,638	$ 856,487	$ 788,453	$ 780,434
11.70%	12.14%	12.16%	11.73%	11.45%	11.51%	11.44%	11.44%

FINANCIAL SECTION

OTHER SUPPLEMENTARY INFORMATION

City of Kellogg

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

	Special Revenue Funds		
	Library	Recreation	Liability Insurance
ASSETS			
Cash and cash equivalents	$ 156,164	$ 359,747	$ -
Receivables	6,232	7,112	3,907
Total assets	$ 162,396	$ 366,859	$ 3,907
LIABILITIES			
Accounts payable and accrued liabilities	$ 1,031	$ 48	$ -
Interfund payable	-	-	5,378
Total liabilities	1,031	48	5,378
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	4,389	4,677	2,397
Total deferred inflows of resources	4,389	4,677	2,397
FUND BALANCES			
Assigned	156,976	362,134	(3,868)
Total fund balances	156,976	362,134	(3,868)
Total liabilities, deferred inflows of resourced, and fund balances	$ 162,396	$ 366,859	$ 3,907

Special Revenue Funds					
Depot	State Lease	McKinley Avenue	Franchise Fees	Impact Fees	Total
$ 108,614	$ 68,877	$ 141,794	$ 602,919	$ 29,496	$ 1,467,611
267	-	356	11,294	74	29,242
$ 108,881	$ 68,877	$ 142,150	$ 614,213	$ 29,570	$ 1,496,853
$ -	$ 14,800	$ -	$ -	$ -	$ 15,879
-	-	-	-	-	5,378
-	14,800	-	-	-	21,257
-	-	-	-	-	11,463
-	-	-	-	-	11,463
108,881	54,077	142,150	614,213	29,570	1,464,133
108,881	54,077	142,150	614,213	29,570	1,464,133
$ 108,881	$ 68,877	$ 142,150	$ 614,213	$ 29,570	$ 1,496,853

City of Kellogg

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

	Special Revenue Funds			
	Library	Recreation	Liability Insurance	Depot
REVENUES				
Property taxes and special assessments	$ 88,066	$ 93,477	$ 48,241	$ -
Intergovernmental	-	-	-	-
Interest income	7,241	18,361	-	4,687
Services	7,909	6,381	-	-
Franchise fees	-	-	-	-
Miscellaneous	-	1,500	3,113	20,658
Total revenues	103,216	119,719	51,354	25,345
EXPENDITURES				
General government	-	-	75,569	-
Culture and recreation	90,771	95,325	-	2,226
Total expenditures	90,771	95,325	75,569	2,226
Net change in fund balances	12,445	24,394	(24,215)	23,119
Fund balances - beginning	144,531	337,740	20,347	85,762
Fund balances - ending	$ 156,976	$ 362,134	$ (3,868)	$ 108,881

Special Revenue Funds				
State Lease	McKinley Avenue	Franchise Fees	Impact Fees	Total
$ -	$ -	$ -	$ -	$ 229,784
15,878	-	-	-	15,878
-	6,734	27,418	1,401	65,842
-	-	-	-	14,290
-	-	66,175	-	66,175
-	-	-	-	25,271
15,878	6,734	93,593	1,401	417,240
18,866	-	-	-	94,435
-	-	-	-	188,322
18,866	-	-	-	282,757
(2,988)	6,734	93,593	1,401	134,483
57,065	135,416	520,620	28,169	1,329,650
$ 54,077	$ 142,150	$ 614,213	$ 29,570	$ 1,464,133

SINGLE AUDIT SECTION

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*

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Kellogg
Kellogg, ID 83837

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, (*Government Auditing Standards*) the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kellogg as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Kellogg's basic financial statements, and have issued our report thereon dated May 16, 2025.

Report on Internal Control over Financial Reporting

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

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

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

2100 Northwest Blvd., Ste 400
Coeur d'Alene, ID 83814
www.MMD.cpa
Office: 208-765-9500 • Fax: 208-667-9174

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* (CONCLUDED)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kellogg'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 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 of Kellogg's Response to Findings

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

Purpose of This Report

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

Magnuson, McHugh, Dougherty CPAs

Magnuson, McHugh, Dougherty CPAs

May 16, 2025

2100 Northwest Blvd., Ste 400
Coeur d'Alene, ID 83814

www.MMD.cpa
Office: 208-765-9500 • Fax: 208-667-9174

MAGNUSON • McHUGH • DOUGHERTY
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Kellogg
Kellogg, ID 83837

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Kellogg's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Kellogg's major federal programs for the year ended September 30, 2024. The City of Kellogg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Kellogg complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Kellogg and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Kellogg's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Kellogg's major federal programs.

2100 Northwest Blvd., Ste 400
Coeur d'Alene, ID 83814
www.MMD.cpa
Office: 208-765-9500 • Fax: 208-667-9174

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Kellogg's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Kellogg's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Kellogg's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Kellogg's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Kellogg's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

2100 Northwest Blvd., Ste 400
Coeur d'Alene, ID 83814
www.MMD.cpa
Office: 208-765-9500 • Fax: 208-667-9174

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (CONCLUDED)

Report on Internal Control over Compliance (Concluded)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Magnuson, McHugh, Dougherty CPAs

Magnuson, McHugh, Dougherty CPAs

May 16, 2025

2100 Northwest Blvd., Ste 400
Coeur d'Alene, ID 83814

www.MMD.cpa
Office: 208-765-9500 • Fax: 208-667-9174

City of Kellogg

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2024

Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Treasury			
Passed through the Idaho Department of Environmental Quality			
Coronavirus State and Local Fiscal Recovery Funds	21.027	S778	$ 681,809
Passed through the State of Idaho			
Coronavirus State and Local Fiscal Recovery Funds	21.027	Not available	288,617
Total Department of Treasury			970,426
Department of Commerce			
Direct award			
Economic Development Cluster			
Economic Adjustment Assistance	11.307		46,279
Total Economic Development Cluster			46,279
Total Department of Commerce			46,279
Department of Agriculture			
Direct award			
Rural Business-Cooperative Service			
Rural Business Development Grant	10.351		3,400
Total Department of Agriculture			3,400
Total Expenditures of Federal Awards			$ 1,020,105

City of Kellogg

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2024

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Kellogg under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Kellogg, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Kellogg.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through entity identifying numbers are presented where available.

City of Kellogg

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___X___ Yes _____ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es) _____ Yes ___X___ None reported

Noncompliance material to financial statements noted? _____ Yes ___X___ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes ___X___ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes ___X___ No

Identification of major programs:

Assistance Listing Number(s)	*Name of Federal Program or Cluster*
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ___X___ Yes _____ No

City of Kellogg

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2024

Section II - Findings – Financial Statement Audit

We noted findings relating to the financial statements, which are required to be reported in accordance with generally accepted *Government Auditing Standards*.

2024-001 – Internal Control Over Financial Reporting

Criteria: There is an expectation that the financial statements will be materially accurate when an auditor begins their final fieldwork on the audit after year-end. Minor adjustments are expected but overall, the balances should materially reflect the financial position of the City.

Condition: During our fieldwork, it was necessary to make adjustments to properly report on the financial activities of the City. Specifically, adjustments were made to properly reflect accounts receivable, construction in process, expenditures, revenues, fund balance and accrued liabilities.

Context: We observed misstatements in the areas noted above through our testing during the audit.

Effect: The financial records were misstated when presented to the auditor at year-end fieldwork.

Cause: The conditions described above were due to weaknesses within internal controls which allowed errors to occur.

Recommendation: It is our recommendation the City establish stronger controls in response to the identified problems or relevant risks identified and allocate appropriate time and resources to the accounting department in order to timely and effectively prepare for the audit in conjunction with the other duties of the department.

Views of the Responsible Officials and Planned Corrective Actions: See corrective action plan at page 58.

Section III - Findings and Questioned Costs – Major Federal Award Programs Audit

We noted no findings relating to the Federal Awards Programs, which are required to be reported in accordance with generally accepted *Government Auditing Standards.*

Section IV – Summary of Prior Year Audit Findings

Finding 2023-001 Internal Control Over Financial Reporting was identified in the prior period.

Attached is the City of Kellogg’s response.

City of Kellogg

CORRECTIVE ACTION PLAN
For the Year Ended September 30, 2024

Audit Finding Reference: 2024-001 Internal Control Over Financial Reporting

Planned Corrective Action: We will continue to leave the previous FY open to perform accrual entries. The DEQ Phase 2 & Phase 3 projects will be identified as fixed assets as appropriate in the future. We will check with our audit prep accountant to help with capitalization. Outside resources will be utilized to prepare for audits on a continuous basis. Errors caused by tax certification in accounts receivable will be resolved.

Name of Contact Person: Lindsy Strobel

Anticipated Completion Date: 9/30/2025

City of Kellogg

SUMMARY OF PRIOR YEAR AUDIT FINDING
For the Year Ended September 30, 2024

Finding 2023-001: Internal Control Over Financial Reporting

Fiscal Year Finding Occurred: 2023

Status: We are continuing to work with an audit prep accountant to make adjustments prior to the start of the audit. The DEQ projects are ongoing, identifying assets as fixed assets is in progress. The In & Out account is only used as a passthrough account.

Contact: Lindsy Strobel
City Clerk/Treasurer
208-786-9131