


# CITY OF MACKAY, IDAHO

# ANNUAL FINANCIAL REPORT

# SEPTEMBER 30, 2024

**CITY OF MACKAY**
**ANNUAL FINANCIAL REPORT**
**SEPTEMBER 30, 2024**

**TABLE OF CONTENTS**


| | Page |
|---|---|
| **Title Page** | 1 |
| **Table of Contents** | 2 |
| **Independent Auditor's Report** | 3-4 |
| **Financial Statements** | |
| Statement of Net Position | 5 |
| Statement of Activities | 6 |
| Balance Sheet - Governmental Funds | 7 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 8-9 |
| Statement of Net Position - Proprietary Funds | 10 |
| Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds | 11 |
| Statement of Cash Flows - Proprietary Funds | 12 |
| Notes to Financial Statements | 13-25 |
| **Required Supplementary Information** | 26 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances Actual and Budget - General Fund | 27 |
| Schedule of Employer's Share of Net Pension Liability | 28 |
| Schedule of Employer Contributions | 28 |
| Notes to Required Supplementary Information | 29 |
| 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* | 30-31 |
| Schedule of Findings and Responses | 32 |
| Schedule of Prior Year Findings and Responses | 33-34 |

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# INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Mackay, Idaho

## Report on the Financial Statements

### *Opinions*

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

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

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mackay 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 City of Mackay's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and other required supplementary information 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.

City of Mackay has omitted the required 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2025, on our consideration of the City of Mackay, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Mackay, Idaho's internal control over financial reporting and compliance.

Deaton & Company

Pocatello, Idaho
November 6, 2025

**CITY OF MACKAY, IDAHO**
**STATEMENT OF NET POSITION**
**SEPTEMBER 30, 2024**
**WITH COMPARATIVE TOTALS AT SEPTEMBER 30, 2023**

| | Governmental Activities | Business-type Activities | 2024 | 2023 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 312,365 | $ 121,651 | $ 434,016 | $ 507,518 |
| Account receivables | 23,927 | 2,207 | 26,134 | 30,016 |
| Taxes receivable | 2,989 | - | 2,989 | 3,105 |
| Local sales tax receivable | 6,236 | - | 6,236 | 8,839 |
| Prepaid insurance | 5,188 | 5,188 | 10,376 | 8,647 |
| Inventory | 22,500 | - | 22,500 | 22,500 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | 26,470 | 26,470 | 26,870 |
| Capital assets | | | | |
| Land | 128,427 | 5,376 | 133,803 | 133,803 |
| Work in process | | 5,977 | 5,977 | 37,500 |
| Property and equipment, net of depreciation | 859,535 | 1,292,662 | 2,152,197 | 2,212,948 |
| | 1,361,167 | 1,459,531 | 2,820,698 | 2,991,746 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Pensions | $ 9,115 | $ 18,931 | $ 28,046 | $ 50,758 |
| **LIABILITIES** | | | | |
| Accounts payable | 142,777 | 14,740 | 157,517 | 10,640 |
| Payroll liabilities | 5,343 | 9,314 | 14,657 | 4,716 |
| Deposits payable | - | 1,100 | 1,100 | 1,500 |
| Accrued interest | - | - | - | 290 |
| Unearned revenue | 135,104 | - | 135,104 | 250,000 |
| Net pension liability | 39,991 | 83,059 | 123,050 | 128,081 |
| Long-term debt: | | | | |
| Due within one year | 1,286 | 23,844 | 25,130 | 27,374 |
| Due in more than one year | - | 80,963 | 80,963 | 106,201 |
| | 324,501 | 213,020 | 537,521 | 528,802 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Pensions | - | - | - | - |
| **NET POSITION** | | | | |
| Net investment in capital assets | 987,962 | 1,194,518 | 2,182,480 | 2,217,541 |
| Restricted for debt services | - | 25,370 | 25,370 | 25,370 |
| Unrestricted | 57,819 | 45,554 | 103,373 | 270,791 |
| **TOTAL NET POSITION** | $ 1,045,781 | $ 1,265,442 | $ 2,311,223 | $ 2,513,702 |



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

**CITY OF MACKAY, IDAHO**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | | Program Revenues | | | |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Capital Grants | 2024 (Expense) Revenue | 2023 (Expense) Revenue |
| **GOVERNMENTAL ACTIVITIES** | | | | | |
| Administration | $ 261,478 | $ 44,828 | $ 114,896 | $ (101,754) | $ (153,937) |
| Airport | 12,054 | - | - | (12,054) | (11,867) |
| Public safety - Fire department | 15,025 | - | - | (15,025) | (14,000) |
| Parks and recreation | 21,880 | - | - | (21,880) | (16,364) |
| Public safety - Police | 39,102 | - | - | (39,102) | (43,333) |
| Road and bridge | 189,396 | - | - | (189,396) | (40,865) |
| Irrigation and development | - | - | - | - | (577) |
| | 538,935 | 44,828 | 114,896 | (379,211) | (280,943) |
| **BUSINESS-TYPE ACTIVITIES** | | | | | |
| Water | 247,415 | 192,191 | - | (55,224) | (27,661) |
| Sewer | 140,725 | 92,511 | - | (48,214) | 7,061 |
| Oscar Wornek business park | 52,399 | 34,355 | - | (18,044) | (5,862) |
| | 440,539 | 319,057 | - | (121,482) | (26,462) |
| | $ 979,474 | $ 363,885 | $ 114,896 | $ (500,693) | $ (307,405) |

| **CHANGES IN NET POSITION** | Governmental Activities | Business-type Activities | 2024 | 2023 |
|---|---|---|---|---|
| Net (expense) revenue | $ (379,211) | $ (121,482) | $ (500,693) | $ (307,405) |
| General revenues | | | | |
| General property taxes and sales tax | 157,678 | - | 157,678 | 146,977 |
| Intergovernmental | 114,983 | - | 114,983 | 109,631 |
| Interest income | 2,849 | - | 2,849 | 751 |
| Gain on sale of assets | 6,710 | - | 6,710 | - |
| Miscellaneous | 15,994 | - | 15,994 | 25,081 |
| Transfer in (out) | (69,428) | 69,428 | - | - |
| | 228,786 | 69,428 | 298,214 | 282,440 |
| **CHANGE IN NET POSITION** | (150,425) | (52,054) | (202,479) | (24,965) |
| **BEGINNING NET POSITION** | 1,196,206 | 1,317,496 | 2,513,702 | 2,538,667 |
| **ENDING NET POSITION** | $ 1,045,781 | $ 1,265,442 | $ 2,311,223 | $ 2,513,702 |



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

**CITY OF MACKAY, IDAHO**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**SEPTEMBER 30, 2024**
**WITH COMPARATIVE TOTALS AT SEPTEMBER 30, 2023**

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 312,365 | $ 368,504 |
| Receivables | 23,927 | 27,220 |
| Property taxes receivable | 2,989 | 3,105 |
| Local sales tax receivable | 6,236 | 8,839 |
| Prepaid insurance | 5,188 | 4,323 |
| Inventory | 22,500 | 22,500 |
| Total assets | $ 373,205 | $ 434,491 |
| **LIABILITIES AND FUND BALANCES** | | |
| Liabilities: | | |
| Accounts payable | $ 142,777 | $ 1,797 |
| Payroll liabilities | 5,343 | 2,358 |
| Unavailable tax revenue | 2,181 | 3,105 |
| Unearned grant revenue | 135,104 | 250,000 |
| | 285,405 | 257,260 |
| **FUND BALANCE** | | |
| Nonspendable | 27,688 | 26,823 |
| Unassigned | 60,112 | 150,408 |
| | 87,800 | 177,231 |
| **Amounts reported for governmental activities in the statement of net position are different because:** | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds, net of accumulated depreciation of $1,007,380. | 987,962 | 1,043,183 |
| Deferred tax revenue represents amounts that were not available to fund current expenditures and, therefore, are not reported in the governmental funds | 2,181 | 3,105 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not report in the funds: | 9,115 | 16,496 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Net pension (liability) asset | (39,991) | (41,626) |
| Compensated absences | (1,286) | (2,183) |
| **Net position of governmental activities** | $ 1,045,781 | $ 1,196,206 |



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

**CITY OF MACKAY, IDAHO**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | 2024 | 2023 |
|---|---|---|
| **REVENUES** | | |
| Local sources: | | |
| Property taxes | $ 102,196 | $ 98,336 |
| Local sales tax | 56,406 | 48,792 |
| County road and bridge | 2,057 | 483 |
| Interest earnings | 2,849 | 751 |
| Licenses, fines, and fees | 44,828 | 6,369 |
| Federal grants | 114,896 | 30,000 |
| Local grants and other revenues | 15,994 | 13,720 |
| | 339,226 | 198,451 |
| State sources: | | |
| Intergovernmental revenue | 112,926 | 109,148 |
| | 452,152 | 307,599 |
| **EXPENDITURES** | | |
| Administration | 248,395 | 177,465 |
| Airport | 632 | 445 |
| Public safety - Fire department | 15,025 | 14,000 |
| Parks and recreation | 11,652 | 6,526 |
| Public safety - Police | 39,102 | 43,333 |
| Road and bridge | 49,163 | 20,304 |
| Irrigation and development | - | 577 |
| Sidewalk Grant | 114,896 | - |
| | 478,865 | 336,110 |
| **EXCESS REVENUES (EXPENDITURES)** | (26,713) | (28,511) |
| **OTHER FINANCING SOURCES (USES)** | | |
| Proceeds from sales of assets | 6,710 | - |
| Transfers in (out) | (69,428) | (83,835) |
| | (62,718) | (83,835) |
| **NET CHANGE IN FUND BALANCES** | (89,431) | (112,346) |
| **BEGINNING FUND BALANCE** | 177,231 | 289,577 |
| **ENDING FUND BALANCE** | $ 87,800 | $ 177,231 |



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

**CITY OF MACKAY, IDAHO**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | 2024 | 2023 |
|---|---|---|
| **Net change in fund balances-total governmental funds** | $ (89,431) | $(112,346) |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceeded depreciation in the current period: | | |
| Capital outlay | - | 73,460 |
| Depreciation expense | (55,220) | (50,054) |
| Excess of depreciation expense over capital outlay | (55,220) | 23,406 |
| Net change in pension liabilities, deferred inflows, outflows and pension expense. | (5,746) | - |
| Some revenues in the governmental funds are unavailable because they are not collected or earned within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected or earned. Because of the "availability" criterion under the modified accrual basis of accounting the following are unavailable: | | |
| Unavailable property taxes | (924) | - |
| Expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | | |
| Compensated absence | 896 | - |
| **Change in Net Position of Government Activities** | $(150,425) | $ (88,940) |



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

**CITY OF MACKAY, IDAHO**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**SEPTEMBER 30, 2024**
**WITH COMPARATIVE TOTALS AT SEPTEMBER 30, 2023**

| | Water | Sewer | Oscar Wornek Business Park | 2024 | 2023 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 20,372 | $ - | $ 101,279 | $ 121,651 | $ 139,014 |
| Accounts receivable | 1,479 | 728 | - | 2,207 | 2,796 |
| Prepaid expense | 2,594 | 2,594 | - | 5,188 | 4,324 |
| | 24,445 | 3,322 | 101,279 | 129,046 | 146,134 |
| Non-current assets: | | | | | |
| Restricted cash | 25,370 | - | 1,100 | 26,470 | 26,870 |
| Net pension asset | - | - | - | - | - |
| Capital assets: | | | | | |
| Land | 1,438 | 3,938 | - | 5,376 | 5,376 |
| Work in process | - | - | 5,977 | 5,977 | 37,500 |
| Property & equipment | 1,405,820 | 861,868 | 1,339,867 | 3,607,555 | 3,516,913 |
| Less accumulated depreciation | (1,100,752) | (662,671) | (551,470) | (2,314,893) | (2,218,721) |
| | 331,876 | 203,135 | 795,474 | 1,330,485 | 1,367,938 |
| | 356,321 | 206,457 | 896,753 | 1,459,531 | 1,514,072 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Pensions | 9,452 | 9,479 | - | 18,931 | 34,262 |
| **LIABILITIES** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 13,498 | 1,081 | 161 | 14,740 | 8,843 |
| Payroll liabilities | 4,657 | 4,657 | - | 9,314 | 2,358 |
| Deposits payable | - | - | 1,100 | 1,100 | 1,500 |
| Accrued interest | - | - | - | - | 290 |
| Bonds and notes payable | 23,094 | 750 | - | 23,844 | 25,191 |
| | 41,249 | 6,488 | 1,261 | 48,998 | 38,182 |
| Non-current liabilities: | | | | | |
| Compensated absences | 862 | 425 | - | 1,287 | 2,182 |
| Bonds and notes payable | 79,676 | - | - | 79,676 | 104,019 |
| Net pension liability | 41,469 | 41,590 | - | 83,059 | 86,455 |
| | 122,007 | 42,015 | - | 164,022 | 192,656 |
| | 163,256 | 48,503 | 1,261 | 213,020 | 230,838 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Pensions | - | - | - | - | - |
| **NET POSITION** | | | | | |
| Net Investment in capital assets | 203,736 | 202,385 | 788,397 | 1,194,518 | 1,174,358 |
| Restricted for debt service | 25,370 | - | - | 25,370 | 25,370 |
| Unrestricted | (26,589) | (34,952) | 107,095 | 45,554 | 117,768 |
| | $ 202,517 | $ 167,433 | $ 895,492 | $ 1,265,442 | $ 1,317,496 |



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

**CITY OF MACKAY, IDAHO**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | Water | Sewer | Oscar Wornek Business Park | 2024 | 2023 |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | |
| Revenue used as security for revenue bonds | $ 192,191 | $ - | $ - | $ 192,191 | $ 161,077 |
| Charges for services | - | 92,511 | - | 92,511 | 121,717 |
| Rent revenue | - | - | 34,355 | 34,355 | 29,739 |
| Insurances proceeds | - | - | - | - | 11,361 |
| | 192,191 | 92,511 | 34,355 | 319,057 | 323,894 |
| **OPERATING EXPENSES** | | | | | |
| Salaries and wages | 47,514 | 46,948 | - | 94,462 | 83,334 |
| Employee benefits | 12,523 | 10,204 | - | 22,727 | 19,457 |
| Office expense | 2,534 | 2,534 | - | 5,068 | 5,803 |
| Telephone and power | 13,605 | 3,628 | 4,709 | 21,942 | 14,070 |
| General insurance | 4,323 | 4,323 | - | 8,646 | 7,518 |
| Supplies | 43,781 | 26,590 | 5,196 | 75,567 | 36,992 |
| Repairs and maintenance | 11,251 | 13,935 | 10,930 | 36,116 | 21,678 |
| Special projects | 36,073 | - | - | 36,073 | - |
| Professional fees | 22,989 | 11,295 | - | 34,284 | 44,268 |
| Other | 3,070 | 1,549 | 2,225 | 6,844 | 8,972 |
| Depreciation | 47,112 | 19,719 | 29,339 | 96,170 | 93,182 |
| | 244,775 | 140,725 | 52,399 | 437,899 | 335,274 |
| **OPERATING INCOME (LOSS)** | (52,584) | (48,214) | (18,044) | (118,842) | (11,380) |
| **NON-OPERATING REVENUES (EXPENSES)** | | | | | |
| Interest revenue | - | - | - | - | - |
| Grant revenues | - | - | - | - | - |
| Interest expense - debt service | (2,640) | - | - | (2,640) | (3,721) |
| Transfers in (out) | - | 69,428 | - | 69,428 | 83,835 |
| | (2,640) | 69,428 | - | 66,788 | 80,114 |
| **CHANGE IN NET POSITION** | (55,224) | 21,214 | (18,044) | (52,054) | 68,734 |
| **BEGINNING NET POSITION** | 257,741 | 146,219 | 913,536 | 1,317,496 | 1,248,762 |
| **ENDING NET POSITION** | $ 202,517 | $ 167,433 | $ 895,492 | $ 1,265,442 | $ 1,317,496 |



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

**CITY OF MACKAY, IDAHO**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | Water | Sewer | Oscar Wornek Business Park | 2024 | 2023 |
|---|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | |
| Cash received from customers | $ 192,250 | $ 93,042 | $ 33,955 | $ 319,247 | $ 327,093 |
| Cash paid to suppliers and employees | (178,582) | (117,220) | (22,899) | (318,701) | (300,795) |
| Net cash provided (used) by operating activities | 13,668 | (24,178) | 11,056 | 546 | 26,298 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | |
| Cash transfer | - | 69,428 | - | 69,428 | 83,835 |
| Net cash provided by noncapital financing activities | - | 69,428 | - | 69,428 | 83,835 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | |
| Purchases of capital assets | (11,142) | (42,000) | (5,976) | (59,118) | (51,751) |
| Principal paid on note and bond obligations | (22,439) | (3,250) | - | (25,689) | (24,514) |
| Interest paid on debt services | (2,930) | - | - | (2,930) | (3,857) |
| Net cash used in financing activities | (36,511) | (45,250) | (5,976) | (87,737) | (80,122) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | |
| Proceeds from interest earnings | - | - | - | - | - |
| Net cash provided by investing activities | - | - | - | - | - |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (22,843) | - | 5,080 | (17,763) | 30,011 |
| **BEGINNING CASH AND CASH EQUIVALENTS** | 68,585 | - | 97,299 | 165,884 | 135,873 |
| **ENDING CASH AND CASH EQUIVALENTS** | $ 45,742 | $ - | $ 102,379 | $ 148,121 | $ 165,884 |
| **PRESENTED IN FINANCIALS AS:** | | | | | |
| Cash and cash equivalents | 20,372 | - | 101,279 | 121,651 | 139,014 |
| Restricted assets - cash | 25,370 | - | 1,100 | 26,470 | 26,870 |
| | 45,742 | - | 102,379 | 148,121 | 165,884 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | | | |
| Net gain (loss) | $ (52,584) | $ (48,214) | $ (18,044) | $ (118,842) | $ (11,380) |
| Depreciation | 47,112 | 19,719 | 29,339 | 96,170 | 93,182 |
| Non-cash pension transactions | 5,959 | 5,976 | - | 11,935 | 8,551 |
| (Increase) decrease in assets | | | | | |
| Accounts receivable | 59 | 530 | - | 589 | 3,198 |
| Prepaid insurance | (432) | (432) | - | (864) | (4,324) |
| (Decrease) increase in liabilities | | | | | |
| Accounts payable/Interfund payable | 10,676 | (4,940) | 161 | 5,897 | (65,776) |
| Deposit payable | - | - | (400) | (400) | - |
| Payroll liabilities | 3,478 | 3,478 | - | 6,956 | 2,358 |
| Compensated absences | (600) | (295) | - | (895) | 489 |
| Total adjustments | 66,252 | 24,036 | 29,100 | 119,388 | 37,678 |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | $ 13,668 | $ (24,178) | $ 11,056 | $ 546 | $ 26,298 |



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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of the City of Mackay have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### A. REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationship, regardless of whether the government is able to exercise oversight responsibilities. The City has no component units.

### B. FUND ACCOUNTING

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. All governmental and proprietary funds are considered to be major funds.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental Fund Types

General Fund

The General Fund is the general operating fund of the City. All financial resources, except for those required to be accounted for in another fund, are accounted for in the General Fund.

**NOTE 1 -** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FUND ACCOUNTING (continued)

Proprietary Fund Types

Water and Sewer Funds

The Water and Sewer Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water, and sewer services to the general public on a continuing basis are financed through user charges.

Oscar Wornek Business Park

The Oscar Wornek Business park fund is used to account for operations related to the City's business park. The business park is operated as an enterprise that is self-supporting. Revenues from business park rentals and related revenue and expenses related to the business park are accounted for in this fund.

C. BASIS OF PRESENTATION

Government-wide Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: Governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type.

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

**NOTE 1 -** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payment to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. Fine and permit revenues are not susceptible to accrual because they generally are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, time certificates of deposits and U.S. Treasury Bills. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements. For purposes of the statement of cash flows, the proprietary fund types considers all highly liquid investments within a maturity of three months or less when purchased, or time certificates of deposit redeemable on demand with no penalty, to be cash equivalents.

F. RESTRICTED ASSETS

Restricted resources are used before other resources when expenditures satisfy restrictions related to the resources. Unrestricted resources are used after all restricted resources are depleted and when expenditures do not qualify to satisfy restrictions.

**NOTE 1 -** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. PREPAID EXPENSES

Payments to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items.

H. PROPERTY, PLANT AND EQUIPMENT

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical costs, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to September 30, 2003.

Depreciation of all exhaustible fixed assets is recorded as allocated expenses in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|---|---|
| Structures - Water System and Tanks | 50 years |
| Sewer Plant | 50 years |
| Other Structures | 20-50 years |
| Vehicles | 3-10 years |
| Equipment | 5-20 years |
| Infrastructure | 15-50 years |

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements. The City's policy is to capitalize all assets greater than or equal to $5,000.

I. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

Each month the City prepares a financial report that reflects the actual and budgeted financial data. A strict purchase order system is used in controlling and maintaining expenditures within budget categories. This data is reviewed by the City Council. The City does not use the encumbrance method of accounting.

**NOTE 1 -** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. COMPENSATED ABSENCES

Full-time, permanent employees receive vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time and part-time, permanent employees with a maximum of 400 hours and is non-vesting. Compensatory time is set by the Council with a maximum amount of 40 hours for all personnel. City Council has discretion to approve the accrual of compensatory and vacation time in excess of the maximum amount provided for in the policies. All unused sick leave is forfeited by employee upon termination. Employees are entitled to be paid for all their accrued vacation leave and compensatory time upon termination.

The estimated current portion of the liability, for vested vacation and compensatory time benefits attributable to the City's governmental funds, is recorded as an expenditure and a liability in the respective funds. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. RECLASSIFICATION

Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation.

M. FUND BALANCE

In the fund financial statements, governmental funds report the following classifications of fund balance:

*Nonspendable items*- This category includes a portion of net resources that cannot be spent because of their form or because they must be maintained intact. This includes inventories and prepaid items.

*Restricted items* - This category includes resources where limitations are imposed by external entities, such as grantors and creditors, or to comply with laws and regulations of governments.

*Committed items*- This category includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority for the City. Commitments may be changed or lifted only by the Council taking the same formal action that imposed the constraint originally.

*Assigned items*- Assigned items represent the City's intent to use certain resources for specific purposes. The City Council may establish the intended use of these funds for a designated purpose.

*Unassigned items* - Represents the remainder of the City's equity in governmental fund-type balances in excess of the aforementioned classifications.

**NOTE 1 -** SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. FUND BALANCE (CONTINUED)

The governing body has approved the following order of spending regarding fund balance categories:

Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

N. PENSIONS

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from 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.

**NOTE 2 -** CAPITAL ASSETS

Capital asset activity for the year was as follows:

| | Beginning Balance | Increases | (Decreases) | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets, not depreciated | | | | |
| Land | $ 128,427 | $ - | $ - | $ 128,427 |
| | 128,427 | - | - | 128,427 |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 719,854 | - | - | 719,854 |
| Machinery and equipment | 506,647 | - | 9,250 | 497,397 |
| Infrastructure | 649,664 | - | - | 649,664 |
| Total capital assets, depreciated | 1,876,165 | - | 9,250 | 1,866,915 |
| Less accumulated depreciation | 961,410 | 55,220 | 9,250 | 1,007,380 |
| Total capital assets, net of depreciation | 914,755 | (55,220) | - | 859,535 |
| | $ 1,043,182 | $ (55,220) | $ - | $ 987,962 |

**NOTE 2 -** CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Increases | (Decreases) | Ending Balance |
|---|---|---|---|---|
| **Business-type Activities** | | | | |
| Capital assets, not depreciated | | | | |
| Land | $ 5,375 | $ - | $ - | $ 5,375 |
| Work in progress | 37,500 | 5,977 | 37,500 | 5,977 |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 3,186,253 | - | - | 3,186,253 |
| Machinery and equipment | 330,660 | 90,642 | - | 421,302 |
| Total capital assets, depreciated | 3,516,913 | 90,642 | - | 3,607,555 |
| Less accumulated depreciation | 2,218,722 | 96,170 | - | 2,314,892 |
| Total capital assets, net of depreciation | 1,298,191 | (5,528) | 37,500 | 1,255,163 |
| | $ 1,341,066 | $ 449 | $ 37,500 | $ 1,304,015 |

**NOTE 3 -** TAXES RECEIVABLE

Property taxes are billed to taxpayers in November of each year. One half of the taxes became payable on December 20, and one half of the taxes became payable on June 20.

Property taxes attach as an enforceable lien as of December 20 following the levy in August. Therefore, no amount has been set aside for an allowance for doubtful accounts. Property taxes collected after December 1, of the subsequent year, are classified as deferred revenue.

The City was not subject to any tax abatements.

**NOTE 4 -** INVENTORY

Inventory consists of unused road street chips amounting to $22,500.

**NOTE 5 -** LONG-TERM DEBT

Compensated Absence

During the year, the City's long-term compensated absence payables are as follows (See Note 1):

| Governmental | Proprietary |
|---|---|
| $ 1,286 | $ 1,287 |

Proprietary

The City issued a 1995 Series Water Revenue Bonds to fund the construction and upgrade of the City's water storage and supply system. This bond constitutes special obligations of the City solely secured by a lien on the net revenues of the water revenue system.

**NOTE 5 -** LONG-TERM DEBT (CONTINUED)

Water Revenue Bonds payable at year end are comprised of the following individual issue:

| | Water |
|---|---|
| Water Revenue Bonds, Series 1995 payable in annual principal and interest installments of $13,198 each year through year 2025. The effective interest rate is 6%. | $ 12,366 |
| During the year ending September 30, 2022, the City received an F-750 Ford sewer truck for a $12,000 purchase price. A down payment of $5,000 was made upon delivery and the City incurred a note payable of $7,000. The City will pay $250 per month with the first payment due November 1, 2022, and thereafter until paid in full. There won't be any interest unless payments are not timely. | 750 |
| In 2012 the City entered into a Water Revenue Bond, Series 2012, in the amount of $186,963. The bond requires semi-annual payments of principal and interest in the amount of $12,172. The bond carries an interest rate of 1.75% and a maturity date of August 1, 2032. | 90,404 |
| | 103,520 |
| Less current portion | 23,844 |
| Long-term portion | $ 79,676 |

| Business-type maturities by year are as follows: | Principal | Interest | Total |
|---|---|---|---|
| Due by September 2025 | $ 23,844 | $ 2,276 | 26,120 |
| Due by September 2026 | 10,823 | 1,349 | 12,172 |
| Due by September 2027 | 11,013 | 1,159 | 12,172 |
| Due by September 2028 | 11,207 | 965 | 12,172 |
| Due by September 2029 | 11,404 | 768 | 12,172 |
| Due by September 2030-2032 | 35,229 | 1,088 | 36,317 |
| | $ 103,520 | $ 7,605 | $ 111,125 |

Summary of Long-Term Debt

| | Beginning Balance | Increases | Decreases | Ending Balance | Due in One Year |
|---|---|---|---|---|---|
| Compensated Absence - | | | | | |
| Governmental | $ 2,183 | $ 8,303 | $ 9,200 | $ 1,286 | $ 1,286 |
| Proprietary | 2,182 | 8,303 | 9,198 | 1,287 | $ - |
| Bond Debts | | | | | |
| Note payable (Truck) | 4,000 | | 3,250 | 750 | 750 |
| 1995 Series Bond | 24,317 | - | 11,951 | 12,366 | 12,366 |
| 2012 Series Bond | 100,893 | - | 10,489 | 90,404 | 10,728 |
| Total Proprietary | 131,392 | 8,303 | 34,888 | 104,807 | 23,844 |
| | $ 133,575 | $ 16,606 | $ 44,088 | $ 106,093 | $ 25,130 |

**NOTE 5 -** LONG-TERM DEBT - (CONTINUED)

Bond Reserve Requirement

The 1995 and 2012 bonds require the City to maintain a bond reserve fund equal to the maximum annual debt service on the bonds or 125 percent of the average annual debt service of the bonds. The account is recorded in the financial statements as – restricted for debt service. The amount at year end totaled $13,198.

The bond covenants for the Series 2012 bond require the City to maintain a bond reserve fund within one year from the date of issuance of the Bond. The amount of reserve required is an amount equal to one-tenth (1/10) of the annual payment of principal and interest on the Bond to be deposited on each anniversary date of the bond thereafter, until there has been accumulated in the restricted cash, an amount equal to one year's principal and interest requirements on the Bond. This restriction is in addition to the amount required by the 1995 Bond. The account is recorded in the financial statements as – restricted for debt service. The amount required at year end to be restricted was $12,172.

**NOTE 6 -** PENSION ACTIVITY - EMPLOYER REPORTING

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

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

Pension Benefits

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

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

**NOTE 6 -** PENSION ACTIVITY - EMPLOYER REPORTING (CONTINUED)

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% 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% general employees and 13.26% for police and firefighters. The City's contributions were $19,738 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 0.00328953 percent.

For the year ended September 30, 2024, the City recognized pension expense (revenue) of $37,419. 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 | $ 19,591 | $ - |
| Changes in assumptions or other inputs | 4,875 | - |
| Net difference between projected and actual earnings on pension plan investments | (2,234) | - |
| City's contributions subsequent to the measurement date | 5,814 | - |
| Total | $ 28,046 | $ - |

The amount of $5,814, 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, 2023, the beginning of the measurement period ended June 30, 2024, is 4.4 years.

**NOTE 6 -** PENSION ACTIVITY - EMPLOYER REPORTING (CONTINUED)

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 ending September 30, | |
|---|---|
| 2025 | $ 6,073 |
| 2026 | 22,943 |
| 2027 | (3,956) |
| 2028 | (2,828) |

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 | 6.35%, net of investment expenses |
| Cost-of-living adjustments | 1.00% |

Several different sets of mortality rates are used in the valuation for contributing members, members retired from service and beneficiaries. These rates were adopted for the valuation dated July 1, 2021.

**Contributing Members, Service Retirement Members, and Beneficiaries**

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

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.

**NOTE 6 -** PENSION ACTIVITY - EMPLOYER REPORTING (CONTINUED)

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

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

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 liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.35 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 or 1-percentage-point higher than the current rate:

| | **1% Decrease (5.35%)** | **Current Discount Rate (6.35%)** | **1% Increase (7.35%)** |
|---|---|---|---|
| Employer's proportionate share of the net pension liability (asset) | $ 233,833 | $ 123,050 | $ 32,568 |

Pension plan fiduciary net position

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

**NOTE 6 -** PENSION ACTIVITY - EMPLOYER REPORTING (CONTINUED)

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

Payables to the pension plan

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

**NOTE 7 -** DEPOSITS AND INVESTMENTS

Deposits and investments at yearend consist of the following:

| Cash and cash equivalents | Book | Bank |
|---|---|---|
| Cash in bank | $ 460,486 | $ 456,904 |

**Deposits** - Custodial Credit Risk for deposits is the risk that, in the event of bank failure, the government's deposits may not be returned to it. The City's interest earning deposits and non-interest earning deposits were covered by federal depository insurance. At year end the City had uninsured and uncollateralized deposits of $206,849**.**

**Investments** - The City had no investments.

**NOTE 8 -** SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 6, 2025, the date the financial statements were available to be issued.

**NOTE 9 -** TRANSFERS

The General fund transferred $69,428 to the Sewer fund. The transfer was used to assist in the purchase of assets in the Sewer fund.

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MACKAY, IDAHO**
**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**
**ACTUAL AND BUDGET**
**GENERAL FUND**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | Original Budget | Final Budget | Actual Amount | Variance |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Local sources: | | | | |
| Property taxes | $ 99,816 | $ 99,816 | $ 102,196 | $ 2,380 |
| Other revenues sources | 49,856 | 49,856 | 49,734 | (122) |
| Local option tax | 44,705 | 44,705 | 56,406 | 11,701 |
| Local grants and carry over | 18,339 | 18,339 | 15,994 | (2,345) |
| | 212,716 | 212,716 | 224,330 | 11,614 |
| State sources: | | | | |
| Intergovernmental revenue | 119,649 | 119,649 | 112,926 | (6,723) |
| Federal sources: | | | | |
| Grants | 250,000 | 250,000 | 114,896 | (135,104) |
| Total revenues | 582,365 | 582,365 | 452,152 | (130,213) |
| **EXPENDITURES** | | | | |
| General fund | 228,669 | 207,835 | 248,395 | (40,560) |
| Airport | 2,000 | 2,000 | 632 | 1,368 |
| Public safety | 250,000 | 57,436 | 54,127 | 3,309 |
| Parks and recreation | 3,000 | 5,000 | 11,652 | (6,652) |
| Streets | 65,000 | 65,000 | 49,163 | 15,837 |
| Grants and capital outlays | - | 250,000 | 114,896 | 135,104 |
| Total expenditures | 548,669 | 587,271 | 478,865 | 108,406 |
| **EXCESS REVENUES (EXPENDITURES)** | 33,696 | (4,906) | (26,713) | (21,807) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Proceeds from sales of assets | - | - | 6,710 | 6,710 |
| Transfers out | - | - | (69,428) | (69,428) |
| | - | - | (62,718) | (62,718) |
| **NET CHANGE IN FUND BALANCES** | $ 33,696 | $ (4,906) | (89,431) | $ (84,525) |
| **BEGINNING FUND BALANCES** | | | 177,231 | |
| **ENDING FUND BALANCES** | | | $ 87,800 | |



See accompanying notes to financial statements

**CITY OF MACKAY, IDAHO**
**SEPTEMBER 30, 2024**

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employer's portion of net the pension liability | 0.0032895% | 0.0032095% | 0.0033888% | 0.0032007% | 0.0032606% | 0.0037044% | 0.0027119% | 0.0025823% | 0.0023369% | 0.0021347% |
| Employer's proportionate share of the net pension liability (asset) | $ 123,050 | $ 128,081 | $ 133,460 | $ (2,528) | $ 75,715 | $ 42,285 | $ 40,001 | $ 40,588 | $ 47,373 | $ 28,111 |
| Employer's covered-employee payroll | $ 124,544 | $ 117,529 | $ 133,618 | $ 112,471 | $ 110,536 | $ 125,813 | $ 87,253 | $ 80,203 | $ 68,353 | $ 62,514 |
| Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll | 98.80% | 108.98% | 99.88% | -2.25% | 68.50% | 33.61% | 45.85% | 50.61% | 69.31% | 44.97% |
| Plan fiduciary net position as a percentage of the total pension liability | 85.54% | 83.83% | 83.09% | 100.36% | 88.22% | 93.79% | 91.69% | 90.68% | 87.26% | 91.38% |

* 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 District will present information for those years for which information is available.

Data reported is measured as of June 30, 2024.

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|
| Statutorily required contribution | $ 19,738 | $ 15,763 | $ 16,181 | $ 14,558 | $ 12,019 | $ 14,430 | $ 10,379 | $ 9,292 | $ 7,811 | $ 6,829 |
| Contributions in relation to the statutorily required contribution | 19,738 | 15,763 | 16,181 | 14,558 | 12,019 | 14,430 | 10,379 | 9,292 | 7,811 | 6,829 |
| Contribution (deficiency) excess | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Employer's covered-employee payroll | $ 176,547 | $ 132,018 | $ 135,519 | $ 121,926 | $ 100,662 | $ 127,473 | $ 91,687 | $ 82,085 | $ 69,002 | $ 60,327 |
| Contributions as a percentage of covered-employee payroll | 11.18% | 11.94% | 11.94% | 11.94% | 11.94% | 11.32% | 11.32% | 11.32% | 11.32% | 11.32% |

* 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 District will present information for those years for which information is available.

Data reported is measured as of September 30, 2024.



See accompanying notes to financial statements

**CITY OF MACKAY, IDAHO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
**SEPTEMBER 30, 2024**

**NOTE 1 -** EXPENDITURES IN EXCESS OF BUDGET

The City did not budget a sufficient amount for general fund, and Irrigation and development accounts.

Revenue in Excess of Budget

Expenditures in excess of budget were paid using excess budget variances in other accounts within the general fund and fund balance.

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Mackay, Idaho

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Mackay, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Mackay's basic financial statements and have issued our report thereon dated November 6, 2025.

## Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mackay'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 City of Mackay's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Mackay's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2024-002 to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Mackay's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and responses as item (2024-004)

**City of Mackay's Response to Findings**

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

**Purpose of this Report**

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

Deaton & Company

Pocatello, Idaho
November 6, 2025

**CITY OF MACKAY, IDAHO**

**SCHEDULE OF FINDINGS AND RESPONSES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

## Findings of Material Weaknesses

2024-001 During our audit it was determined that expenses and expenditures were recorded between various funds without proper allocation. Cash balances per fund did not reconcile to the net transactions occurred in various funds.

This oversight can cause fund balances to be misrepresented and the use of incorrect funds to pay for other funds' expenses or expenditures. This could also cause disbursements without budget authority.

We propose that the City review its internal controls to ensure proper recording of financial transactions within each appropriate fund.

Repeat finding: This finding was also reported in the prior year as Finding 2023-001

Management Response

Management will review controls to ensure fund balances are properly allocated.

## Findings Of Significant Deficiency And Responses

2024-002 During the audit it was determined that the City's utilities receivables software was limited in historical reporting, causing a difficulty in determining the delinquency of receivables and the amount of prepaid balances for a specific date. This software limitation could cause over/under reporting of assets/liabilities.

Repeat finding: This finding was also reported in the prior year as Finding 2023-004.

## Instance of Noncompliance

2024-003 The State of Idaho requires an audit of the City within nine months after fiscal year end. Items for the audit were still being provided subsequent to the due date of the audit.

Repeat finding: This finding was also reported in the prior year as Finding 2023-006

Management Response

Management intends to be timely in completing its audit going forward.

**CITY OF MACKAY, IDAHO**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**Findings of Material Weaknesses**

2023-001 During our audit it was determined that expenses and expenditures were recorded between various funds without proper allocation. Cash balances per fund did not reconcile to the net transactions occurred in various funds.

This oversight can cause fund balances to be misrepresented and the use of incorrect funds to pay for other funds' expenses or expenditures. This could also cause disbursements without budget authority.

We propose that the City review its internal controls to ensure proper recording of financial transactions within each appropriate fund.

Management Response

Management will review controls to insure fund balances are properly allocated.

**Findings Of Significant Deficiency And Responses**

2023-002 The City's internal control system does not currently require the entity to employ a person with the qualifications and training necessary to prepare the City's financial statements, notes and required supplementary information in accordance with generally accepted accounting principles. The auditing firm was requested to draft the financial statement, notes and required supplementary information to the financial statements. The auditing firm has implemented additional procedures over the preparation of the financial statements to ensure independence has not been compromised. This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response

Management believes the above significant deficiency is not material and the cost of providing an individual as described above would out weigh the benefits.

2023-003 During the audit it was determined that a bank account was not correctly reconciled to the City's books. Although this bank account is managed by a third party, it should be reconciled to the City's books.

2023-004 During the audit it was determined that the City's utilities receivables software was limited in historical reporting, causing a difficulty in determining the delinquency of receivables and the amount of prepaid balances for a specific date. This software limitation could cause over/under reporting of assets/liabilities.

2023-005 During the audit we found that some transactions did not have supporting documents to support the amount and purpose of the transactions.

**Instance of Noncompliance**

2023-006 The State of Idaho requires an audit of the City within nine months after fiscal year end. Items for the audit were still being provided subsequent to the due date of the audit.

Management Response

Management intends to be timely in completing its audit going forward.