CITY OF MUD LAKE, IDAHO

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

CITY OF MUD LAKE, IDAHO
BASIC FINANCIAL STATEMENTS
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SEPTEMBER 30, 2024

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Mud Lake, Idaho

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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'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 Financial Statements

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer Contributions for the prior ten fiscal years, 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 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 procedure to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the 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 January 8, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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'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's internal control over financial reporting and compliance.

ROBERT D HARDY, CPA, PC
January 8, 2025

CITY OF MUD LAKE, IDAHO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 309,915
Restricted cash	266,423
Investments	175,892
Prepaids	1,643
Property tax and other state receivables	18,968
Capital assets (net of accumulated depreciation)	
Land and improvements	62,302
Infrastructure	41,774
Buildings and improvements	64,093
Machinery and equipment	5,041
Total Assets	$ 946,051
DEFERRED OUTFLOW OF RESOURCES	
Pension related outflows	3,391
Total Deferred Outflows of Resources	3,391
LIABILITIES	
Accounts payable	$ 3,575
Net pension liability	14,228
Total Liabilities	17,803
DEFERRED INFLOWS OF RESOURCES	
Pension related inflows	258
Total Deferred Inflows of Resources	258
NET POSITION	
Net investment in capital assets	173,210
Restricted for:	
Road and bridge	242,806
Airport	28,176
Unrestricted	487,189
Total Net Position	$ 931,381

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF MUD LAKE, IDAHO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Function / Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
Governmental Activities:					
General Government	$ 114,220	$ –	$ –	$ –	$ (114,220)
Airport	3,061	–	–	–	(3,061)
Streets	8,628	–	–	–	(8,628)
Total Primary Government	$ 125,909	$ –	$ –	$ –	(125,909)

General Revenues	
Property Taxes	50,826
Highway Use Tax	32,753
Other Taxes	57,876
Investment Earnings	15,274
Miscellaneous	13,318
Total General Revenues	170,047
Transfer in (out)	–
Total general revenues and transfers	170,047
Changes in Net Position	44,138
Net Position, October 1	887,243
Net Position, September 30	$ 931,381

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF MUD LAKE, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General	Road & Bridge	Airport	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 309,915	$ –	$ –	$ 309,915
Restricted cash	–	238,756	27,667	266,423
Investments	175,892	–	–	175,892
Prepaids	1,134	–	509	1,643
Property tax and other state receivables	14,737	4,231	–	18,968
Total Assets	$ 501,678	$ 242,987	$ 28,176	$ 772,841
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	$ 3,394	$ 181	$ –	$ 3,575
Total Liabilities	3,394	181	–	3,575
Deferred inflows of resources:				
Unearned revenue	1,471	–	–	1,471
Fund balances:				
Restricted	–	242,806	28,176	270,982
Unassigned	496,813	–	–	496,813
Total Fund Balances	496,813	242,806	28,176	767,795
Total Liabilities and Fund Balances	$ 501,678	$ 242,987	$ 28,176	$ 772,841

Total governmental fund balances	$ 767,795
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred revenue is not available to pay current period expenditures; therefore, is not reported in the funds.	1,471
Pension related activities:	
Net pension liability	(14,228)
Deferred outflows of resources	3,391
Deferred inflows of resources	(258)
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	173,210
Net position of governmental activities	$ 931,381

The Notes to the Financial Statements are an Integral Part of this Statement

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

	General	Road & Bridge	Airport	Total Governmental Funds
Revenues				
Taxes	$ 50,064	$ –	$ –	$ 50,064
Licenses and permits	5,825	–	–	5,825
Intergovernmental	54,376	32,753	3,500	90,629
Interest	12,865	2,204	205	15,274
Miscellaneous	7,492	–	1	7,493
Total Revenues	130,622	34,957	3,706	169,285
Expenditures				
General government	8,557	–	–	8,557
Salaries & taxes	34,291	–	–	34,291
Insurance	3,237	–	2,799	6,036
Parks & recreation	8,050	–	–	8,050
Professional fees	6,775	–	–	6,775
Repairs & maintenance	781	–	–	781
Sanitation	9,678	–	–	9,678
Fire	2,920	–	–	2,920
Streets	–	3,745	–	3,745
Utilities	9,270	2,095	200	11,565
Miscellaneous	17,049	–	–	17,049
Capital outlay	2,608	–	–	2,608
Total Expenditures	103,216	5,840	2,999	112,055
Excess of revenues over (under) expenditures	27,406	29,117	707	57,230
Other financing sources (uses):				
Transfers in	–	–	–	–
Transfers out	–	–	–	–
Net change in fund balance	27,406	29,117	707	57,230
Fund Balances, October 1	469,407	213,689	27,469	710,565
Fund Balances, September 30	$ 496,813	$ 242,806	$ 28,176	$ 767,795

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances-total governmental funds	$ 57,230
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(12,694)
Because the City's year end is different than that of Idaho Persi, an adjustment is made to pension expense for the year to agree to actuarial amounts.	(1,160)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds.	762
Changes in net position of governmental activities.	$ 44,138

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF MUD LAKE, IDAHO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	GENERAL FUND				ROAD & BRIDGE FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:								
Taxes	$ 50,714	$ 50,714	$ 50,064	$ (650)	$ –	$ –	$ –	$ –
Licenses and permits	6,000	6,000	5,825	(175)	–	–	–	–
Intergovernmental	57,000	57,000	54,376	(2,624)	26,500	26,500	32,753	6,253
Interest	1,000	1,000	12,865	11,865	–	–	2,204	2,204
Grants & Other	8,000	8,000	7,492	(508)	–	–	–	–
Total Revenues	122,714	122,714	130,622	7,908	26,500	26,500	34,957	8,457
Expenditures:								
General government	10,000	10,000	8,557	1,443	–	–	–	–
Salaries & taxes	23,000	43,000	34,291	8,709	–	–	–	–
Insurance	2,500	2,500	3,237	(737)	–	–	–	–
Parks & recreation	4,000	4,000	8,050	(4,050)	–	–	–	–
Professional fees	12,000	12,000	6,775	5,225	–	–	–	–
Repairs & maintenance	5,000	5,000	781	4,219	8,000	8,000	–	8,000
Sanitation	9,500	9,500	9,678	(178)	–	–	–	–
Fire	4,000	4,000	2,920	1,080	–	–	–	–
Streets	–	–	–	–	5,100	5,100	3,745	1,355
Utilities	12,000	12,000	9,270	2,730	2,500	2,500	2,095	405
Miscellaneous	8,000	8,000	17,049	(9,049)	–	–	–	–
Contingency	6,000	6,000	–	6,000	–	–	–	–
Capital Outlay	26,714	26,714	2,608	24,106	10,900	10,900	–	10,900
Total Expenditures	122,714	142,714	103,216	39,498	26,500	26,500	5,840	20,660
Excess of revenues over (under) expenditures	–	(20,000)	27,406	47,406	–	–	29,117	29,117
Other financing sources (uses):								
Transfers in	–	–	–	–	–	–	–	–
Transfers out	–	–	–	–	–	–	–	–
Net change in fund balance	–	(20,000)	27,406	47,406	–	–	29,117	29,117
Fund Balance, October 1	469,407	469,407	469,407	–	213,689	213,689	213,689	–
Fund Balance, September 30	$ 469,407	$ 449,407	$ 496,813	$ 47,406	$ 213,689	$ 213,689	$ 242,806	$ 29,117

The Notes to the Financial Statements are an Integral Part of this Statement

CITY OF MUD LAKE, IDAHO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

	AIRPORT FUND		
	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	$ –	$ –	$ –
Licenses and permits	–	–	–
Intergovernmental	3,500	3,500	–
Interest	–	205	205
Grants & Other	–	1	1
Total Revenues	3,500	3,706	206
Expenditures:			
General government	–	–	–
Salaries & taxes	–	–	–
Insurance	2,600	2,799	(199)
Parks & recreation	–	–	–
Professional fees	–	–	–
Repairs & maintenance	50	–	50
Sanitation	–	–	–
Fire	–	–	–
Streets	–	–	–
Utilities	850	200	650
Miscellaneous	–	–	–
Contingency	–	–	–
Capital Outlay	–	–	–
Total Expenditures	3,500	2,999	501
Excess of revenues over (under) expenditures	–	707	707
Other financing sources (uses):			
Transfers in	–	–	–
Transfers out	–	–	–
Net change in fund balance	–	707	707
Fund Balance, October 1	27,469	27,469	–
Fund Balance, September 30	$ 27,469	$ 28,176	$ 707

The Notes to the Financial Statements are an Integral Part of this Statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Mud Lake have been prepared in conformity with the 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 principles. The significant accounting policies of the City are described below:

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of Mud Lake. The City is governed by an elected City Council which possesses final decision making authority and is held primarily accountable for those decisions. The City Council is responsible for approving the budget, establishing spending limitations, funding and deficits and borrowing funds and/or issuing bonds to finance construction. There are no other boards, councils, or component units for which the City of Mud Lake exercises authority.

Government-Wide Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental funds of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities of the City. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. The City of Mud Lake has no non-major funds, no fiduciary funds and no enterprise funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the propriety fund and fiduciary fund financial statements. 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.

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 of soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and other revenues if they are collected within 90 days of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debts service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only payment is due.

The government 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 Special Revenue Funds are used to account for financial resources to be used for legally restricted specific purposes. The City uses these funds to account for the repair and maintenance of streets, street lights, and airport.

Deposits and Investments

Statutes authorize the City to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or any taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool. Deposits (cash and certificates of deposit) are carried at cost which approximates market value except for outstanding checks which had not cleared the accounts by the end of the year.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's funds are invested in cash and or certificates of deposits in institutions covered by the Federal Deposit Insurance Corporation insurance (FDIC). As of September 30, 2024, the City's cash and investments consisted of $752,228 in business checking and certificates of deposits with local banks. At year end the City's deposits exceed FDIC coverage by $502,228. Fair market value and cost were the same. Average credit quality ratings and the weighted average days to maturity do not apply to these deposits.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issue. The City's currently has the majority of its deposits with a single local bank and, therefore, exceeds the 5 percent of its total assets with a single institution.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's deposits within the FDIC limits should not be adversely effected by a change in interest rates because cost and fair market value are the same.

Inventories

The governmental funds of the City use the purchase method, whereby inventory items are considered expenditures when purchased. They are not included in the financial statements because the amounts outstanding at year end are immaterial.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, lighting systems, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed, and any gain or loss arising from its disposal is credited or charged to operations. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Capital assets are reported net of accumulated depreciation on the statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Infrastructure	25-40 years
Buildings	25-40 years
Improvements	10-45 years
Equipment	3-10 years

Short-term Liabilities

The city has no unused lines of credit, pledged assets, or other direct borrowing liabilities.

Long-term Liabilities

The city has no long-term liabilities.

Budgets and Budgetary Accounting

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to certifying the tax levy to the county commissioners, and prior to passing the annual appropriation ordinance, a public meeting shall be held to adopt a budget by a favorable vote of the majority of members of the council.

2. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principals. Uncommitted appropriations lapse at every year end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Cash and investments, the use of which is restricted for the repair of utility facilities, payment of debt service, and other items specified by the bondholders are classified as restricted assets. The Road and Bridge fund and the Airport fund have balances restricted by statute for use in construction, maintenance, and other applicable expenses associated with the upkeep of related assets. Restricted cash balances are $238,756 and $27,667, respectively.

Encumbrances

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

Compensated Absences

The City has no formal vacation or sick leave policy for its employees whereby they would be paid upon terminating employment. Accordingly, no liability for such future compensated absences has been accrued in these financial statements.

Use of Estimates

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

Governmental Fund Balances

The City has implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended September 30, 2024. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. The City had no committed fund balances on September 30, 2024.

Assigned – Amounts that are constrained by an intent to be used for specific purposes but are neither restricted nor committed.

Unassigned – All amounts not included in other spendable classifications.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. PROPERTY TAXES

Property taxes are levied by the 2nd Monday in September, in conformity with Title 31, Section 1605, of the Idaho State Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before December 20 and June 20 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

3. RISK MANAGEMENT/INSURANCE COVERAGE

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 has transferred most if its risks by purchasing commercial insurance. Workman's Compensation is purchased through the Idaho State Insurance Fund.

All other insurance has been purchased through the Idaho Counties Risk Management Program. The current year policy expires October 1, 2024 and has been renewed to October 1, 2025. The policy coverage's include: All risks of physical loss or damage, automobile physical damage, comprehensive general liability, premises medical payments, law enforcement liability, automobile liability, errors or omissions liability, employee dishonesty, money & securities, and depositors forgery.

4. RETIREMENT PLANS

Plan Description

The City contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. The audit report, completed by Eide Bailly, LLP and the Actuary Report, completed by Milliman Financial Reporting Valuation, 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.

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for public safety. As of June 30, 2024 it was 7.16% for general employees and 9.13% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% general employees and 12.28% for police and firefighters. The City's contributions were $2,084 for the year ended September 30, 2024.

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

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 0.000003804 percent.

For the year ended September 30, 2024, the City recognized pension expense of $2,142. 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 & actual experience	$ 2,265	$ –
Changes in assumptions	564	–
Net difference between projected & actual earnings on pension plan investments	–	258
Changes in the City's proportion & differences between City contributions & proportionate contributions	–	–
City contributions subsequent to the measurement date	562	–
Total	$ 3,391	$ 258

$504 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, 2024.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2024 the beginning of the measurement period ended June 30, 2023 is 4.6 and 4.4 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,	
2024	$ 702
2025	2,653
2026	(458)
2027	(327)

Actuarial Assumptions

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

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

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

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

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	30.00%	39.30%
US/Global Equity	55.00%	50.00%
International Equity	15.00%	10.70%
Cash	0.00%	0.00%
Total	100%	100%

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. 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%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35%) or 1-percentage-point higher (7.35%) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	$ 27,040	$ 14,227	$ 3,766

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. The audit report, completed by Eide Bailly, LLP and the Actuary Report, completed by Milliman Financial Reporting Valuation, 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 $191 for legally required employer contributions and $115 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 2023	Additions	Retirements	Balance 2024
Governmental Activities:				
Land and improvements	$ 98,985	$ –	$ –	$ 98,985
Infrastructure	82,151	–	–	82,151
Buildings and improvements	512,030	2,608	–	514,638
Machinery and equipment	20,822	–	–	20,822
	713,988	2,608	–	716,596
Accumulated Depreciation:				
Land and improvements	35,170	1,512	–	36,682
Infrastructure	38,759	1,617	–	40,376
Buildings and improvements	439,307	11,238	–	450,546
Machinery and equipment	14,846	935	–	15,781
	528,082	15,302	–	543,385
Net Book Value:				
Land and improvements	63,815	(1,512)	–	62,302
Infrastructure	43,392	(1,617)	–	41,774
Buildings and improvements	72,723	(8,630)	–	64,093
Machinery and equipment	5,976	(935)	–	5,041
	$ 185,906	$ (12,694)	$ –	$ 173,210

Depreciation expense for the current period is $12,452 in the General Fund, $2,788 in Road and Bridge Fund, and $62 in the Airport Fund as applied to each function in the Statement of Activities.

6. SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 8, 2025 the date the financial statements were available to be issued. No significant events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

7. OTHER REQUIRED DISCLOSURES

The City employees do not participate in any retirement plan. The City had no related party transactions during the year. The City is not obligated for any special assessment debt.

INDEPENDENT AUDITORS' 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 Mud Lake, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Mud Lake, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Mud Lake's basic financial statements and have issued our report thereon dated January 8, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mud Lake, Idaho's internal control over financial reporting (internal control) as a basis for deigning 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 Mud Lake's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mud Lake'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 sever 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2024-1 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 *Governmental Auditing Standards.*

The City of Mud Lake's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Mud Lake's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City of Mud Lake'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.

Idaho Falls, Idaho
January 8, 2025

CITY OF MUD LAKE, IDAHO
Schedule of Findings and Responses
For the Year Ended September 30, 2024

Finding 2024-1: Lack of segregation of duties

Condition: The City lacks a segregation of duties over accounting functions, including stewardship of cash and cash equivalents.

Criteria: Inherent in an adequate internal control structure is a segregation of duties governing the overall administration and stewardship of assets.

Effect: A lack of segregation of duties increases the risk that loss of assets would not be prevented or detected in a timely manner and in the normal course of operations.

Recommendation: The City should add additional personnel to it's staff to assist in the accounting and stewardship of assets.

Response: The City Council believes that the cost to hire additional personnel is substantially more than the potential benefit derived or the risk of fraud. As such, city management has put into place mitigating controls such as dual signatures on checks, monthly review of all disbursements, and monthly review of financial reports prepared by the clerk to minimize the City's risk of fraud and malfeasance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MUD LAKE, IDAHO
Schedule of Employer's Share of Net Pension Liability
PERSI – Base Plan
Last 10 – Fiscal Years *

	2019	2020	2021
Employer's portion of net pension liability (asset)	0.0003564%	0.0003796%	.0003748%
Employer's proportionate share of net pension liability (asset)	$ 4,068	$ 8,815	$ (296)
Employer's covered-employee payroll	13,277	13,675	14,296
Employer's proportional share of net pension liability (asset) as a percentage of its covered-employee payroll	30.64%	64.46%	(2.07%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	93.79%	88.22%	100.36%

	2022	2023	2024
Employer's portion of net pension liability (asset)	0.0004201%	0.041148%	0.0003804
Employer's proportionate share of net pension liability (asset)	$ 16,546	$ 16,421	$ 14,228
Employer's covered-employee payroll	17,109	17,622	18,938
Employer's proportional share of net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	93.18%	75.13%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.09%	83.83%	85.54%

Data reported as of June 30, 2024

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

	2019	2020	2021
Statutorily required contributions	$ 1,398	$ 1,633	$ 1,707
Contributions in relation to the statutorily required contributions	1,391	1,633	1,707
Contribution (deficiency) excess	(7)	–	–
Employer's covered-employee payroll	13,277	13,675	14,296
Contributions as a percentage of covered-employee payroll	10.48%	11.94%	11.94%

	2022	2023	2024
Statutorily required contributions	$ 2,043	$ 2,082	$ 2,155
Contributions in relation to the statutorily required contributions	2,043	2,082	2,155
Contribution (deficiency) excess	–	–	–

Employer's covered-employee payroll	17,109	17,622	18,938
Contributions as a percentage of covered-employee payroll	11.94%	11.81%	11.38%

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

Data reported as of September 30, 2024