CITY OF ROCKLAND, IDAHO

Basic Financial Statements

September 30, 2024

CITY OF ROCKLAND, IDAHO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024
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FINANCIAL SECTION

Poulsen VanLeuven & Catmull PA

Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's
Jeffrey D. Poulsen, CPA
Darren B. VanLeuven, CPA
Jacob H. Catmull, CPA

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Rockland, ID

Opinions

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

Basis for Opinions

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

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 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.

1408 Pomerelle Ave Suite C • Burley, Idaho 83318 • (208) 678-1300 • Fax (208) 678-1301 • www.pvccpas.com

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 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.

Poulsen VanLeuven & Catmull

Poulsen VanLeuven & Catmull P.A.

Burley, Idaho
January 13, 2025

CITY OF ROCKLAND, IDAHO

Statement of Net Position
September 30, 2024

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Current Assets:			
Cash and investments	$ 322,930	$ 112,680	$ 435,610
Property taxes receivable	882	-	882
Due from other governments	12,745	-	12,745
Utility accounts receivable, net	-	14,401	14,401
Prepaid expenses	2,873	-	2,873
Non-current Assets:			
Restricted cash	-	27,690	27,690
Land	41,123	-	41,123
Buildings and equipment, net of depreciation	513,071	1,766,548	2,279,619
Total Assets:	893,624	1,921,319	2,814,943
LIABILITIES			
Current liabilities:			
Accounts payable vendors	3,927	1,775	5,702
Accrued interest payable	-	4,081	4,081
Note payable DEQ due within one year	-	42,348	42,348
Note payable USDA due within one year	-	21,953	21,953
Non-current liabilities:			
Note payable DEQ due beyond one year	-	869,927	869,927
Note payable USDA due beyond one year	-	98,733	98,733
Total Liabilities:	3,927	1,038,817	1,042,744
NET POSITION:			
Invested in capital assets, net of related debt	554,194	733,587	1,287,781
Restricted for debt retirement	-	27,690	27,690
Unrestricted	335,503	121,225	456,728
Total Net Position:	$ 889,697	$ 882,502	$ 1,772,199

The accompanying notes are an integral part of these statements.

CITY OF ROCKLAND, IDAHO

Statement of Activities
For the Year Ended September 30, 2024

	Expenses	Program Revenues: Charges for Services	Program Revenues: Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government:						
Governmental Activities:						
General government	$ 96,159	$ 3,317	$ 1,000	$ (91,842)		$ (91,842)
City ditch	238	2,706	-	2,468		2,468
Deeded ditch	4,326	5,949	-	1,623		1,623
Parks	10,660	275	-	(10,385)		(10,385)
Highways and streets	133,532	-	-	(133,532)		(133,532)
Total Governmental Activities:	244,915	12,247	1,000	(231,668)		(231,668)
Business-type Activities:						
Water	56,986	67,018	8,766		18,798	18,798
Sewer	98,116	74,005	8,766		(15,345)	(15,345)
Interest on long-term debt	13,029	-	-		(13,029)	(13,029)
Total Business-type Activities:	168,131	141,023	17,532		(9,576)	(9,576)
Total Primary Government:	$ 413,046	$ 153,270	$ 18,532			(241,244)
General Revenues:						
Property taxes				30,645	-	30,645
County road and bridge				3,834	-	3,834
State of Idaho revenue sharing				28,454	-	28,454
State of Idaho liquor receipts				12,987	-	12,987
State highway user collections				28,869	-	28,869
Personal tax replacement				1,316	-	1,316
State ag tax replacement				113	-	113
Crop and rent income				-	12,478	12,478
Investment earnings				4,155	1,882	6,037
Miscellaneous				997	7,486	
Total General Revenues:				111,370	21,846	124,733
Change in Net Position				(120,298)	12,270	(108,028)
Net Position October 1, 2023				1,009,995	870,232	1,880,227
Net Position September 30, 2024				$ 889,697	$ 882,502	$ 1,772,199

The accompanying notes are an integral part of these statements.

CITY OF ROCKLAND, IDAHO

Balance Sheet
Governmental Funds
September 30, 2024

	General Fund
ASSETS:	
Cash and investments	$ 322,930
Receivables:	
Property taxes	882
Due from other governments	12,745
Prepaid Expenses	2,873
Total Assets:	$ 339,430
LIABILITIES:	
Accounts payable	$ 3,927
DEFERRED INFLOWS OF RESOURCES:	
Unavailable property taxes	882
FUND EQUITY:	
Fund balance - unrestricted	334,621
Total Liabilities, Deferred Resources, and Fund Balance:	$ 339,430

The accompanying notes are an integral part of these statements.

CITY OF ROCKLAND, IDAHO

Reconciliation of Total Governmental Fund Balances to
the Statement of Net Position
September 30, 2024

Governmental Fund Balance:		$ 334,621
Total net assets reported on the Statement of Net Position is different from the fund balance reported on the Balance Sheet because:		
Capital assets used in governmental activities are not resources and therefore are not reported as assets in the governmental funds.		
Cost of capital assets	1,061,576	
Depreciation expense to date	(507,382)	
		554,194
Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for current period expenditures, and therefore are reported as deferred revenue in the governmental funds.		882
Net Position		$ 889,697

The accompanying notes are an integral part of these statements.

CITY OF ROCKLAND, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended September 30, 2024

	General Fund
REVENUE:	
Ag tax replacement	$ 113
City ditch water fees	2,706
Deeded ditch water fees	5,949
Franchise fees	2,740
Highway users' tax	28,869
Interest and penalty on taxes	193
Licenses and permits	577
Liquor tax	12,987
Miscellaneous	997
Personal property tax replacement	1,316
Property taxes	30,508
Rental	275
Road and bridge tax	3,834
State revenue sharing	28,454
Total Revenue:	119,518
EXPENDITURES:	
City ditch	238
Deeded Ditch	4,326
Community Center	16,609
Independence Day	2,455
General government	77,095
Park	10,660
Street	392,944
Total Expenditures:	504,327
EXCESS REVENUE (EXPENDITURES)	(384,809)
OTHER FINANCING SOURCES (USES):	
Donations	700
Grants	300
Investment income	4,155
EXCESS REVENUE/SOURCES	(379,654)
FUND BALANCE - BEGINNING	714,275
FUND BALANCE -ENDING	$ 334,621

The accompanying notes are an integral part of these statements.

CITY OF ROCKLAND, IDAHO

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2024

Net Change in Fund Balance - Governmental Funds:		$ (379,654)
Because some property taxes will not be collected for several months after the City's year-end, they are not considered current resources in the governmental funds. They are, however, considered as current revenue in the Statement of Activities.		
This is the current year change in deferred taxes:		(56)
Governmental funds report capital outlays as current year expenditures. In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.		
This is the amount of current year depreciation:	(27,389)	
This is the amount of new assets:	286,801	
		259,412
Change in Net Position of Governmental Activities:		$ (120,298)

The accompanying notes are an integral part of these statements.

CITY OF ROCKLAND, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended September 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget: Favorable (Unfavorable)
REVENUE:				
Ag tax replacement	$ 120	$ 120	$ 113	$ (7)
City ditch water fees	2,800	2,800	2,706	(94)
Deeded ditch water fees	6,000	6,000	5,949	(51)
Donations	800	800	700	(100)
Franchise fees	2,800	2,800	2,740	(60)
Grants	250,000	250,000	300	(249,700)
Highway users' tax	29,000	29,000	28,869	(131)
Interest and penalty on taxes	500	500	193	(307)
Investment earnings	4,500	4,500	4,155	(345)
Licenses and permits	888	888	577	(311)
Liquor tax	13,000	13,000	12,987	(13)
Miscellaneous	1,000	1,000	997	(3)
Personal property tax replacement	2,000	2,000	1,316	(684)
Property taxes	30,637	30,637	30,508	(129)
Rental	500	500	275	(225)
Road and bridge tax	4,000	4,000	3,834	(166)
State revenue sharing	29,000	29,000	28,454	(546)
Total Revenue:	377,545	377,545	124,673	(252,872)
EXPENDITURES:				
City Ditch	1,000	1,000	238	762
Deeded Ditch	5,000	5,000	4,326	674
Community Center	15,000	15,000	16,609	(1,609)
Independence Day	3,000	3,000	2,455	545
General government	70,470	70,470	77,095	(6,625)
Park	10,000	10,000	10,660	(660)
Street	380,000	380,000	392,944	(12,944)
Total Expenditures:	484,470	484,470	504,327	(19,857)
EXCESS REVENUE (EXPENDITURES)	(106,925)	(106,925)	(379,654)	(272,729)
FUND BALANCE - BEGINNING	714,275	714,275	714,275	-
FUND BALANCE - ENDING	$ 607,350	$ 607,350	$ 334,621	$ (272,729)

The accompanying notes are an integral part of these statements.

CITY OF ROCKLAND, IDAHO

Statement of Net Position
Proprietary Funds
September 30, 2024

	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and investments	$ 31,670	$ 81,010	$ 112,680
Utility accounts receivable	7,343	7,058	14,401
Non-current Assets:			
Buildings and equipment, net of depreciation	213,066	1,553,482	1,766,548
Restricted cash	27,690		27,690
Total Assets:	$ 279,769	$ 1,641,550	$ 1,921,319
LIABILITIES:			
Current Liabilities:			
Accounts payable	$ 348	$ 1,427	$ 1,775
Accrued interest payable	3,644	437	4,081
Note payable DEQ due within one year		42,348	42,348
Note payable USDA due within one year	21,953		21,953
Non-current Liabilities:			
Note payable DEQ due beyond one year		869,927	869,927
Note payable USDA due beyond one year	98,733		98,733
Total Liabilities:	124,678	914,139	1,038,817
NET POSITION:			
Invested in capital assets, net of related debt	92,380	1,553,482	1,645,862
Restricted for debt retirement	27,690	-	27,690
Unrestricted	35,021	(826,071)	(791,050)
Total Net Position:	155,091	727,411	882,502
Total Liabilities and Net Position:	$ 279,769	$ 1,641,550	$ 1,921,319

The accompanying notes are an integral part of these statements.

CITY OF ROCKLAND, IDAHO

Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2024

	Water Fund	Sewer Fund	Totals
REVENUE:			
Service fees	$ 67,018	$ 74,005	$ 141,023
Miscellaneous	4,150	3,336	7,486
Total Operating Revenue:	71,168	77,341	148,509
EXPENSES:			
Depreciation	16,327	62,744	79,071
Insurance	822	822	1,644
Miscellaneous	2,521	934	3,455
Professional services	3,345	5,327	8,672
Repairs and supplies	6,189	9,281	15,470
Salaries and payroll taxes	13,955	8,813	22,768
Testing	1,055	5,780	6,835
Travel and training	885	231	1,116
Utilities	11,887	4,184	16,071
Total Operating Expenses:	56,986	98,116	155,102
OPERATING INCOME (LOSS)	14,182	(20,775)	(6,593)
OTHER FINANCING SOURCES (USES):			
Crop Income	-	10,924	10,924
Grant Income	8,766	8,766	17,532
Interest income	941	941	1,882
Interest expense	(10,372)	(2,657)	(13,029)
Rent Income	-	1,554	1,554
NET INCOME (LOSS)	13,517	(1,247)	12,270
NET POSITION - BEGINNING	141,574	728,658	870,232
NET POSITION - ENDING	$ 155,091	$ 727,411	$ 882,502

The accompanying notes are an integral part of these statements.

CITY OF ROCKLAND, IDAHO

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2024

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from City patrons	$ 71,168	$ 77,341	$ 148,509
Payments to suppliers	(24,738)	(25,852)	(50,590)
Payments to employees	(13,955)	(8,813)	(22,768)
Net Cash Provided by Operating Activities:	32,475	42,676	75,151
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Grants received	8,766	8,766	17,532
Net Cash Applied to Noncapital Financing Activities:	8,766	8,766	17,532
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of fixed asset	-	(9,280)	(9,280)
Loan payments - DEQ	-	(44,718)	(44,718)
Loan payments - USDA	(30,910)	-	(30,910)
Net Cash Applied to Financing Activities:	(30,910)	(53,998)	(84,908)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Crop and rent income	-	12,478	12,478
Decrease in restricted cash	-	-	
Interest on investments	941	941	1,882
Net Cash Applied to Investing Activities:	941	13,419	14,360
NET INCREASE (DECREASE) IN CASH	11,272	10,863	4,603
CASH AT BEGINNING OF YEAR	48,088	70,147	118,235
CASH AT END OF YEAR	$ 59,360	$ 81,010	$ 122,838
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET INCOME:			
Net income (loss)	$ 14,182	$ (20,775)	$ (6,593)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	16,327	62,744	79,071
(Increase) decrease in accounts receivable	(1,992)	(1,157)	(3,149)
Increase (decrease) in accounts payable	314	1,427	1,741
Increase (decrease) in interest payable	3,644	437	4,081
Net Cash Provided by Operating Activities:	$ 32,475	$ 42,676	$ 75,151

The accompanying notes are an integral part of these statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Rockland 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 established governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. FINANCIAL REPORTING ENTITY

For financial reporting purposes, management has considered potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. The basic criterion for including a potential component unit within the reporting entity is the governing body's responsibility for financial accountability. Financial accountability is defined as the level of accountability that exists if a primary government appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. Based upon the application of these criteria, the City has no component units.

B. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Changes in Net Position display information about the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities are included in the accompanying Statement of Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized when the liability is incurred. Property taxes are recognized as revenue in the year for which they are levied. Program service revenues include charges for services, as well as operating contracts with other units of government.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to inter-fund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses for non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. The principal operating revenues of the Water, Sewer, and Sanitation Funds are charges to City residents.

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

When both restricted and unrestricted resources are available for use; the City's policy is to use restricted resources first and then unrestricted resources, as they are needed.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund equity as presented in these statements to the net position presented in the government-wide financial statements.

Governmental funds are accounted for on a spending or "current financial resources" measurement focus and on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases and decreases in net current assets. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available as net current assets.

For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue sources susceptible to accrual include property taxes and inter-governmental revenues. Expenditures are recognized when the related fund liability is incurred. Exceptions to this general rule include accumulated unpaid vacation, sick days, and other employee amounts which are not accrued.

Proprietary Fund Financial Statements

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties or other departments or agencies within the City. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities are included on the Statement of Net Position. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all financial activities of the City except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The **Water Fund** accounts for the City's water production and distribution.
The **Sewer Fund** accounts for the City's sewer system operation.

D. BUDGETING

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and debt service funds. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital project funds.

In July and August of each year, the various department heads submit their budget requests to the Mayor and the Council. Budget meetings are then held to determine what funds will be available for expenditure in the new fiscal year. The budget requests are reduced to match the available revenue and a proposed budget is approved by the Mayor and the Council.

The proposed budget is published in the local paper and taxpayers are invited to attend a public hearing to express their views concerning the proposed budget. After this public meeting, the budget is approved and is legally enacted through the passage of an ordinance.

E. ENCUMBRANCES

Encumbrances are not liabilities and they are not recorded as expenditures until receipt of material or services. For budgetary purposes, appropriations lapse at year-end and are re-budgeted the following year. The City does not reserve fund balance for outstanding encumbrances at year-end.

F. CASH AND INVESTMENTS

The City pools idle cash from all funds for the purpose of increasing income through investment activities. The City considers investments with an original maturity of three months or less to be cash equivalent.

The City invests idle cash in the Idaho State Treasurer's local government investment pool. The deposits are stated at cash which approximates market. The State Treasurer combines deposits from all government entities in Idaho who participate in the pool and purchases the following types of investments: Local Certificates of Deposit, Repurchase Agreements, and U.S. Government Securities.

Under Idaho Code Section 67-1210, the City is authorized to invest surplus or idle monies in investments subject to the following standards, guidelines, and restrictions:

a. City monies shall not be made in any depository of financial institution in an amount which exceeds ten (10%) of said entity's capital and surplus. Any investment to be made above Federal Deposit Insurance requires the depository to have a current "Moody's Bank Credit Report Service" rating of "A" or better.
b. No demand deposits or investment in time deposits or certificates of deposit shall be made in financial institutions insured in whole or in part by the Federal Savings and Loan Insurance Corporation or in any State or Federal credit unions insurance programs in an amount in excess of the insurance available.

Investments allowable under "Idaho Code Section 67-1210 are:

a. Bonds, Treasury bills, interest bearing notes, or other obligations of the United States; or those for which the faith and credit of the United States are pledged for the payment of principal and interest.
b. General obligation or revenue bonds of this State, or those for which the faith and credit of this State are pledged for the payment of principal and interest.
c. General obligation or revenue bonds of any county, city, metropolitan water district, municipal utility district, school district, or other taxing district of this State.

d. Notes, bonds, debentures, or other similar obligations issued by the Farm Credit System or institutions forming a part thereof under the Farm Credit Act of 1971.
e. Bonds, notes, or other similar obligations issued by public corporations of the State of Idaho including, but not limited to, the Idaho State Building Authority, the Idaho Housing and Finance Association, and the Idaho Water Resource Board.
f. Repurchase agreements covered by any legal investment for the State of Idaho.
g. Tax anticipation notes and registered warrants of the State of Idaho.
h. Tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing cities of the State of Idaho.
i. Time deposit accounts and savings accounts in State depositories including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transactions accounts.
j. Time deposit accounts and savings accounts of Federal savings and loan associations located within the geographical boundaries of the State in amounts not to exceed the insurance provided by the Federal Deposit Insurance Corporation including, but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.
k. Revenue bonds of institutions of higher education of the State of Idaho.
l. Share, savings, and deposit accounts of State and Federal credit unions located within the geographical boundaries of the State in amounts not to exceed the insurance provided by the National Credit Union Share Insurance Fund and/or any other authorized deposit guaranty corporation, including but not limited to, accounts on which interest or dividends are paid and upon which negotiable orders of withdrawal may be drawn, and similar transaction accounts.
m. Money market funds whose portfolios consist of any allowed investment as specified in this section. The securities held in money market portfolios must be dollar-denominated, meaning that all principal and interest payments on such a security are payable to security holders in United States dollars.

G. USE OF ESTIMATES

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

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure (roadways), are defined by the City as any asset with an individual cost of more than $5,000 and an estimated useful life of at least one year. The City's assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of assets are recorded at fair market value when received. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets as follows: Buildings: 20-40 years, Equipment: 5-10 years, and Infrastructure: 40 years.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure in local government's basic financial statements. Infrastructure includes the streets, the water purification and distribution system, the sewer collection and treatment system, and all land and buildings used by the City.

The City has elected to use the Basic Approach as defined by Statement No. 34 for asset reporting. Historical cost records do not exist for all of the City's assets dating back to when the City was incorporated. For those assets where actual costs records could not be located, the City estimated costs using standard unit costs appropriate for acquisition date. Accumulated depreciation was computed based on the life of the assets. Book value is computed by deducting the accumulated depreciation from the original cost.

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so it will not be recognized as an outflow of resources (expenditure) until then. The City does not have items that qualify for reporting in this category.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have items that qualify for reporting in this category.

J. FUND EQUITY

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, or unassigned. Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Non-spendable fund balances are required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action of the City Council. Assigned portions represent amounts set aside for specific purposes. Remaining fund balances are reported as unassigned.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first; then, unrestricted fund balance. Furthermore, committed fund balances are reduced first; followed by assigned amounts; then, unassigned amounts when expenditures are incurred for purposes for which amounts in any of those restricted fund balance classifications can be used.

K. FUND BALANCE FLOW ASSUMPTIONS

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

L. NET POSITION FLOW ASSUMPTIONS

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

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

NOTE 2: PROPERTY TAX

The City's property taxes, levied by the second Monday of September on assessed valuation as of June 30, are payable in two equal installments for real property due December 20 and June 20. Personal taxes are payable on December 20. Assessed valuations are established by the County Assessor's office except for utility property which is established by the State and is currently at 100% of market value. Delinquent payments bear simple interest of 1% per month plus a 2% penalty. Due to the small amount of taxes not collected no adjustment is made for delinquent taxes. Uncollected property taxes are recorded as receivable at year-end, with deferred revenue representing that portion which will not be collected within 60 days after year-end.

NOTE 3: CASH AND INVESTMENTS

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to changes in interest rates. At September 30, 2024, the City is not subject to interest rate risk as all cash and investments are held in FDIC insured bank deposits and the State investment pool, which have short maturities.

Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City would not be able to recover its deposits. The City does not have an investment policy for custodial risk.

Credit risk is the risk that an insurer of debt securities or another counterparty to an investment will not fulfill its obligation. The City's policy is to only invest in FDIC insured deposits and the State of Idaho Local Government Investment Pool.

Concentration of credit risk occurs when investments are concentrated in one issuer. The City has no investment policy limiting the amount it may invest in any one issuer. At September 30, 2024, 100% of the City's investments were in the State of Idaho Local Governments Investment Pool.

NOTE 4: FEDERAL AND STATE GRANTS

Amounts received from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims may constitute a liability. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time; although the City expects such amounts, if any, to be immaterial.

NOTE 5: RISK MANAGEMENT

The City is exposed to various risks of loss, related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee health and injuries; and natural disasters. All risks are insured by commercial insurance.

NOTE 6: CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Position. During fiscal year 2004, the infrastructure assets were added to the equipment inventory records. Original estimated costs were developed in one of three ways: 1) Actual historical cost records; 2) Estimated historical costs where actual cost records were not available; and 3) for streets, curbs, and gutters, the City used present construction cost indexed by inflation factors provided by the Idaho Department of Transportation. Accumulated depreciation was computed on a straight- line basis using appropriate life expectancies. Capital assets of the City for the year ended September 30, 2024 are as follows:

	Balance 9/30/2023	Addition	Deletion	Balance 9/30/2024
Governmental Activities				
Land	$ 41,123	$ -	$ -	$ 41,123
Buildings	225,698	-	-	225,698
Infrastructure	440,972	286,801		727,773
Furniture and Equipment	66,982	-	-	66,982
	774,775	286,801	-	1,061,576
Accumulated Depreciation:				
Buildings	133,407	7,140	-	140,547
Infrastructure	313,708	15,672	-	329,380
Furniture and Equipment	32,878	4,577	-	37,455
	479,993	27,389	-	507,382
Net Book Value:				
Land	41,123	-	-	41,123
Buildings	92,291	(7,140)	-	85,151
Infrastructure	127,264	271,129	-	398,393
Furniture and Equipment	34,104	(4,577)	-	29,527
	$ 294,782	$ 259,412	$ -	$ 554,194

	9/30/2023	Addition	Deletion	9/30/2024
Business Type Activities				
Buildings	$ 5,052	$ -	$ -	$ 5,052
Furniture and Equipment	19,250	-	-	19,250
Distribution System	3,178,107	9,280	-	3,187,387
	3,202,409	9,280	-	3,211,689
Accumulated Depreciation:				
Buildings	5,052	-	-	5,052
Furniture and Equipment	9,622	1,924	-	11,546
Distribution System	1,351,404	77,139	-	1,428,543
	1,366,078	79,063	-	1,445,141
Net Book Value:				
Buildings	-	-	-	-
Furniture and Equipment	9,628	(1,924)	-	7,704
Distribution System	1,826,703	(67,859)	-	1,758,844
	$ 1,836,331	$ (69,783)	$ -	$ 1,766,548

For the fiscal year ended September 30, 2024, depreciation expense on capital assets was charged to the governmental functions in the government-wide statements as follows:

General Government	$	8,102
Parks and Recreation		1,995
Highways and Streets		17,292
	$	27,389

NOTE 7: RETIREMENT PLAN

City of Rockland employees are not eligible to participate in the Statewide Public Employee Retirement System (PERSI), a multiple-employer public employees retirement system. No other plan is being used.

NOTE 8: LONG-TERM DEBT

In Fiscal Years 2012 thru 2015, the City upgraded its sewer system. The project was financed by a combination of grants and a loan from the Idaho Department of Environmental Quality. The loan is to be repaid over 30 years at .25%. A summary of annual obligations on this note is as follows:

FYE	Payments	Principal	0.25% Interest	Balance
				$ 912,275
2025	44,629	42,348	2,281	869,927
2026	44,629	42,454	2,175	827,473
2027	44,629	42,560	2,069	784,913
2028	44,629	42,666	1,963	742,247
2029	44,629	42,773	1,856	699,474
2030	44,629	42,880	1,749	656,594
2031	44,629	42,987	1,642	613,607
2032	44,629	43,095	1,534	570,512
2033	44,629	43,202	1,427	527,310
2034	44,629	43,310	1,319	484,000
2035	44,629	43,419	1,210	440,581
2036	44,629	43,527	1,102	397,054
2037	44,629	43,636	993	353,418
2038	44,629	43,745	884	309,673
2039	44,629	43,854	775	265,819
2040	44,629	43,964	665	221,855
2041	44,629	44,074	555	177,781
2042	44,629	44,184	445	133,597
2043	44,629	44,295	334	89,302
2044	44,629	44,405	224	44,897
2045	45,010	44,897	113	-
	$ 937,590	$ 912,275	$ 25,315	

During 1999, the United States Department of Agriculture agreed to finance improvements to the City's water system. The loan is to be repaid over 30 years at 4.75%. A summary of annual obligations on this note is as follows:

FYE	Payments	Principal	4.75% Interest	Balance
				$ 120,686
2025	27,686	21,953	5,733	98,733
2026	27,686	22,996	4,690	75,737
2027	27,686	24,089	3,597	51,648
2028	27,686	25,233	2,453	26,415
2029	27,685	26,415	1,270	-
	$ 138,429	$ 120,686	$ 17,743	

The following is a summary of the City's debt transactions for the year ended September 30, 2024:

	Balance at 9/30/2023	Additions	Reductions	Balance at 9/30/2024	Due within 1 year
USDA Note	141,644	-	(20,958)	120,686	21,953
DEQ Note	954,685	-	(42,410)	912,275	42,348
Totals	$ 1,096,329	$ -	$ (63,368)	$ 1,032,961	$ 64,301

NOTE 9: RESERVE REQUIREMENTS

The United States Department of Agriculture requires a reserve for the mortgage outstanding equal to $2,769 per year to a maximum of $27,686. The required reserve is reported as restricted cash on the Statement of Net Assets. At September 30, 2024, the City has $36,411 in reserve in a separate account invested in the State of Idaho Local Government Investment Pool.

NOTE 10: LEGAL DEBT MARGIN

The City is subject to a statutory limitation by the State of Idaho for indebtedness payable principally from property taxes. The limit is 2% of market value per the years tax roll. The City's outstanding general obligation debt is under the legal limit.

NOTE 11: STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Enterprise Funds considers all checking, savings, and certificates of deposit with maturity dates within 90 days to be cash and cash equivalents.

NOTE 12: EXCESS OF EXPENDITURUES OVER BUDGET

General fund expenditures exceeded budgeted expenditures by $19,857 for the year ended September 30, 2024. The City had unexpected expenditures related to sidewalk repairs and maintenance that were not included in the City's published budget.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events were evaluated through January 13, 2025, the date of the auditor's report, which is the date the financial statements were available to be issued. There were no subsequent events that occurred that would require an adjustment to the financial statements or disclosures.

Poulsen VanLeuven & Catmull PA
Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's
Jeffrey D. Poulsen, CPA
Darren B. VanLeuven, CPA
Jacob H. Catmull, CPA

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 Mayor and City Council
City of Rockland, ID

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, and each major fund of City of Rockland, Idaho, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Rockland, Idaho's basic financial statements, and have issued our report thereon dated January 13, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in 2024-1 of the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting.

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 *Government Auditing Standards*.

City of Rockland's Response to Findings

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

1408 Pomerelle Ave Suite C • Burley, Idaho 83318 • (208) 678-1300 • Fax (208) 678-1301 • www.pvccpas.com

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.

Poulsen VanLeuven & Catmull

Poulsen VanLeuven & Catmull P.A.

Burley, Idaho
January 13, 2025

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: The lack of an ideal segregation of duties may increase the risk that loss of assets would not be detected and prevented in a timely manner and in the normal course of operations.

Recommendation: It is suggested the City take such actions as hiring another person to assist in accounting duties, including the reconciling of cash and cash equivalents.

Response: City management believes the cost of hiring another person outweighs the benefit to be derived, as mitigating controls are currently in place such as council review of all disbursements, two signatures required on all checks, and periodic council review of financial reports prepared by the clerk.