CITY OF SPIRIT LAKE

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2024

Prepared by:

ALPINE SUMMIT CPAs

TAX, ASSURANCE, ACCOUNTING, ADVISORY

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INDEPENDENT AUDITORS' REPORT

ALPINE SUMMIT CPAs

TAX, ASSURANCE, ACCOUNTING, ADVISORY

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Spirit Lake, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Spirit Lake, Idaho as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Spirit Lake, Idaho'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, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Spirit Lake, Idaho as of September 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Spirit Lake, Idaho's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of City's share of net pension liability, the schedule of City's contributions and the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management 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 December 10, 2025, on our consideration of the City of Spirit Lake, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Spirit Lake, Idaho's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Spirit Lake, Idaho's internal control over financial reporting and compliance.

Alpine Summit CPAs

Alpine Summit CPAs
December 10, 2025

BASIC FINANCIAL STATEMENTS

CITY OF SPIRIT LAKE
Statement of Net Position
Year Ended September 30, 2024

	Primary Government			Component Unit
	Government Activities	Business-Type Activities	Total	Urban Renewal Agency
ASSETS				
Cash & cash equivalents	$ -	$ 2,263,627	$ 2,263,627	$ 1,111,338
Restricted cash & cash equivalents	333,490	510,725	844,215	-
Prepaid expenses	8,563	4,736	13,299	-
Interfund balance	(17,913)	17,913	-	-
Receivables:				
Property taxes (net)	27,257	-	27,257	4,667
Accounts receivable (net)	40,892	117,021	157,913	-
Other governments (net)	249,504	-	249,504	-
Lease receivable	291,146	-	291,146	-
Land	777,301	2,210,388	2,987,689	-
Construction in progress	26,320	165,380	191,700	-
Capital assets, net of accumulated depreciation	4,296,879	9,446,891	13,743,770	-
Total Assets	6,033,439	14,736,681	20,770,120	1,116,005
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan	166,725	30,572	197,297	-
Total Deferred Outflows of Resources	166,725	30,572	197,297	-
LIABILITIES				
Cash overdraft	229,606	-	229,606	-
Accounts payable	43,965	32,785	76,750	55,620
Wages & payroll taxes payable	27,370	5,771	33,141	-
Customer deposits	-	34,212	34,212	-
Deferred revenue	-	8,700	8,700	-
Accrued interest payable	-	4,145	4,145	-
Long-term Liabilities:				
Due within one year	44,953	51,887	96,840	-
Due in more than one year	146,524	1,634,411	1,780,935	-
Net pension liability	536,513	210,398	746,911	-
Total Liabilities	1,028,931	1,982,309	3,011,240	55,620
DEFERRED INFLOWS OF RESOURCES				
Unearned grant revenue	201,547	243,542	445,089	
Unearned lease contract revenue	267,324	-	267,324	
Pension plan	48,393	23,960	72,353	-
Total Deferred Inflows of Resources	517,264	267,502	784,766	-
NET POSITION				
Net investment in capital assets	5,013,767	10,191,266	15,205,033	-
Restricted	333,490	510,725	844,215	-
Unrestricted	(693,288)	1,815,451	1,122,163	1,060,385
Total Net Position	$ 4,653,969	$ 12,517,442	$ 17,171,411	$ 1,060,385

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Statement of Activities
Year Ended September 30, 2024

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 226,699	$ 62,077	$ 80,512	$ 35,961
Community center expenses	14,087	-	-	-
Cemetary expenses	13,823	18,500	-	-
Law enforcement expenses	793,305	10,424	37,727	-
Street expenses	177,949	31,865	31,738	-
Parks expenses	74,497	2,986	-	23,795
Parks & recreation expenses	127,548	42,293	-	-
Impact fees	-	-	-	-
Interest expense	8,187	-	-	-
Depreciation - unallocated	448,899	-	-	-
Total Governmental Activities	1,884,994	168,145	149,977	59,756
Business-type Activities:				
Water service	602,731	663,820	-	58,176
Sewer service	693,928	721,632	-	28,877
Total Business-type Activities	1,296,659	1,385,452	-	87,053
Total Primary Government	$ 3,181,653	$ 1,553,597	$ 149,977	$ 146,809
Component Unit:				
Urban Renewal Agency	183,099	-	-	-
Total Component Units	$ 183,099	$ -	$ -	$ -

General Revenues:	
Property taxes	
Other governmental	
Interest earnings	
Franchise fees	
Other revenues	
Gain (loss) on sale of capital assets	
Total General Revenues and Transfers	
Change in Net Position	
Net Position-Beginning	
Prior period adjustment	
Net Position-Ending	

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Statement of Activities
Year Ended September 30, 2024

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Urban Renewal Agency
	$ (48,149)	$ -	$ (48,149)	
	(14,087)	-	(14,087)	
	4,677	-	4,677	
	(745,154)	-	(745,154)	
	(114,346)	-	(114,346)	
	(47,716)	-	(47,716)	
	(85,255)	-	(85,255)	
	-	-	-	
	(8,187)	-	(8,187)	
	(448,899)	-	(448,899)	
	(1,507,116)	-	(1,507,116)	
	-	119,265	119,265	
	-	56,581	56,581	
	-	175,846	175,846	
	(1,507,116)	175,846	(1,331,270)	
				$ (183,099)
				(183,099)
	628,456	-	628,456	414,645
	602,528	-	602,528	-
	53,693	93,425	147,118	8,980
	29,515	-	29,515	-
	75,244	-	75,244	-
	1,896	-	1,896	-
	1,391,332	93,425	1,484,757	423,625
	(115,784)	269,271	153,487	240,526
	4,795,455	12,248,171	17,043,626	819,859
	(25,702)	-	(25,702)	
	$ 4,653,969	$ 12,517,442	$ 17,171,411	$ 1,060,385

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Balance Sheet
Governmental Funds
September 30, 2024

	General Fund
ASSETS	
Cash & investments	$ -
Receivables:	
Property taxes (net)	27,257
Accounts receivable (net)	40,892
Other governments (net)	249,504
Lease receivable	291,146
Prepaid expenses	8,563
Restricted cash and investments	287,948
Total Assets	$ 905,310
LIABILITIES	
Cash overdraft	$ 184,064
Accounts payable	43,965
Wages & payroll taxes payable	27,370
Due to other funds	17,913
Total Liabilities	273,312
DEFERRED INFLOWS OF RESOURCES	
Unearned lease contract revenue	267,324
Unavailable revenue - property taxes	21,727
Unearned grant revenue	201,547
Total Deferred Inflows of Resources	490,598
FUND BALANCES (DEFICITS)	
Nonspendable:	
Prepaid expenses	8,563
Restricted:	
Impact fees and federal funds	287,948
Unassigned:	(155,111)
Total Fund Balance	141,400
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 905,310

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
September 30, 2024

Total fund balances at September 30, 2024 - Governmental Funds		$ 141,400
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
Cost of capital assets at September 30, 2024	10,283,081	
Less: Accumulated depreciation as of September 30, 2024	(5,182,581)	5,100,500
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore, are not reported in the funds:		
Deferred outflows of resources-pension plan		166,725
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:		
Elimination of unavailable revenue - property taxes		21,727
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore, are not reported in the funds:		
Deferred inflows of resources-pension plan		(48,393)
Some liabilities are not due and payable n the current period and therefor, are not reported in the funds. Those liabilities consist of:		
Net pension (liability) assets	(536,513)	
Capital leases	(154,985)	
Compensated absences	(36,492)	(727,990)
Net position of governmental activities at September 30, 2024		$ 4,653,969

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Statement of Revenues, Expenditures, and Changes in Fund Balance
All Government Fund Types
Year Ended September 30, 2024

	General Fund
Revenues:	
Property taxes & special assessments	$ 627,284
Revenue sharing	268,805
Highway users	251,929
Building permits & licenses	62,077
Liquor fees	81,794
Miscellaneous income	93,744
Grant income	108,599
Impact fees	3,918
SLURA contributions	101,134
Franchise fees	29,515
Parks and recreation	42,293
Street income	31,186
Fines & forfeits	10,171
Interest income	53,693
Total Revenues	1,766,142
Expenditures:	
General Government	218,319
Community Center Expenses	14,087
Cemetery Expenses	13,493
Public Safety	728,696
Street Expenses	173,645
Parks Expenses	71,395
Parks & Recreation Expenses	122,317
Capital Outlay	374,249
Debt Service:	
Principal	13,402
Interest	8,187
Total Expenditures	1,737,790
Excess (Deficiency) of Revenues over Expenditures	28,352
Other Financing Sources (Uses):	
Proceeds from capital lease financing	81,654
Proceeds from sale of assets	1,896
Total Other Financing Sources (Uses)	83,550
Net Change in Fund Balance	111,902
Fund Balance - October 1	29,498
Fund Balance - September 30	$ 141,400

See accompanying notes to the financial statements and independent auditors' report.

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

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	$ 111,902
Because some property taxes will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds	1,172
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expenses.	
Capital Outlay	374,249
Depreciation	(448,899)
Loss on capital asset disposal	-
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of long-term debt	(68,252)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
(Increase)/ Decrease in Compensated Absence Liability	(16,920)
The net pension effect related to the pension expenses recognized for the year	
Decrease in PERSI Contributions	73,414
Increase in Pension Plan Expenses	(142,450)
Change in net position of governmental activities	$ (115,784)

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Statement of Net Position
All Proprietary Funds
September 30, 2024

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash & cash equivalents	1,265,302	$ 998,325	$ 2,263,627
Restricted cash and investments	-	510,725	510,725
Prepaid expenses	4,488	248	4,736
Accounts receivable (net)	58,220	58,801	117,021
Due from other funds	-	19,808	19,808
Total Current Assets	1,498,534	1,587,907	2,915,917
Noncurrent Assets			
Land	55,000	2,155,388	2,210,388
Construction in progress	165,380	-	165,380
Capital assets, net of accumulated depreciation	4,544,737	4,902,154	9,446,891
Total Capital Assets	4,765,117	7,057,542	11,822,659
Total Assets	6,263,651	8,645,449	14,738,576
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	23,142	7,430	30,572
Total Defferred Outflows of Resources	23,142	7,430	30,572
LIABILITIES			
Current Liabilities			
Accounts payable	13,690	19,095	32,785
Accrued wages & payroll taxes	1,783	3,988	5,771
Customer deposits	34,212	-	34,212
Due to other funds	1,895	-	1,895
Accrued interest payable	-	4,145	4,145
Current portion of long term debt	8,692	43,195	51,887
Total Current Liabilities	60,272	70,423	130,695
Long Term Liabilities			
Compensated absences	9,272	10,247	19,519
Net pension liability	109,357	101,041	210,398
Long term debt	9,218	1,605,674	1,614,892
Total Long Term Liabilities	127,847	1,716,962	1,844,809
Total Liabilities	188,119	1,787,385	1,975,504
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	8,700	8,700
Unearned grant revenue	-	243,542	243,542
Pension plan	11,903	12,057	23,960
Total Deferred Inflows of Resources	11,903	264,299	276,202
NET POSITION			
Net investment in capital assets	4,747,207	5,408,673	10,155,880
Restricted:			
Restricted- bond retirement	-	267,183	267,183
Restricted- ARPA	-	243,542	243,542
Unrestricted	1,169,040	681,797	1,850,837
Total Net Position	$ 5,916,247	$ 6,601,195	$ 12,517,442

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Statement of Revenues, Expenses, and Changes in Net Position
All Proprietary Funds
Year Ended September 30, 2024

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	$ 649,288	$ 721,207	$ 1,370,495
Hookup Fees	12,461	-	12,461
Miscellaneous	2,071	425	2,496
Total Operating Revenues	663,820	721,632	1,385,452
Operating Expenses:			
Salaries and Benefits	246,572	257,713	504,285
Operating Expenses	205,952	182,269	388,221
Depreciation	150,207	227,645	377,852
Total Operating Expenses	602,731	667,627	1,270,358
Operating Income (Loss)	61,089	54,005	115,094
Non-Operating Revenues (Expenses):			
Grant Income	30,945	28,877	59,822
Interest Income	40,478	52,947	93,425
Interest Expense	-	(26,301)	(26,301)
Total Non-Operating Revenue (Expenses)	71,423	55,523	126,946
Income/(Loss) Before Capital Contributions	132,512	109,528	242,040
SLURA Capital Contributions	27,231	-	27,231
Change in Net Position	159,743	109,528	269,271
Net Position - October 1	5,756,504	6,491,667	12,248,171
Net Position - September 30,	$ 5,916,247	$ 6,601,195	$ 12,517,442

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Statement of Cash Flows
All Proprietary Funds
Year Ended September 30, 2024

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers and Users	$ 658,778	$ 718,847	$ 1,377,625
Payments to Employees	(229,969)	(237,802)	(467,771)
Payments to Suppliers	(215,896)	(165,388)	(381,284)
Net Cash Provided/(Used) by Operating Activities	212,913	315,657	528,570
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating subsidies and payments from other funds	164,410	272,419	436,829
Net Cash Provided/(Used) for Financing Activities	164,410	272,419	436,829
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital Grant Contributions	(141,474)	-	(141,474)
Debt Acquisition	-	-	-
Repayment of Long Term Debt	-	(33,925)	(33,925)
Interest Paid on Capital Debt	-	(25,042)	(25,042)
Payments for Capital Acquisitions	(38,256)	(33,664)	(71,920)
Net Cash Provided/(Used) for Financing Activities	(152,499)	(92,631)	(245,130)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received on Investments	40,478	52,947	93,425
Net Cash Provided/(Used) by Investing Activities	40,478	52,947	93,425
Net Increase (decrease) in Cash and Cash Equivalents	265,302	548,392	813,694
Cash and Cash Equivalents, October 1,	1,000,000	960,658	1,960,658
Cash and Cash Equivalents, September 30,	$ 1,265,302	$ 1,509,050	$ 2,774,352
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATIONS:			
Operating Income (Loss)	$ 61,089	54,005	115,094
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	150,207	227,645	377,852
(Increase) decrease in assets and deferred outflows of resources:			
Prepaid Expense	(613)	3,835	3,222
Accounts Receivable	(5,274)	(2,785)	(8,059)
(Decrease) increase in liabilities and deferred inflows of resources:			
Accounts Payable	(9,331)	13,046	3,715
Payroll Related Liabilities	16,603	19,911	36,514
Customer Deposits	232	-	232
Total Adjustments	151,824	261,652	413,476
Net Cash Provided/(Used) by Operating Activities	$ 212,913	315,657	528,570
Cash and cash equivalents	$ 1,265,302	$ 998,325	$ 2,263,627
Restricted cash and cash equivalents	-	510,725	510,725
	$ 1,265,302	$ 1,509,050	$ 2,774,352

See accompanying notes to the financial statements and independent auditors' report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- ✓ the organization is legally separate (can sue and be sued in their own name)
- ✓ the City holds the corporate powers of the organization
- ✓ the City appoints a voting majority of the organization's board
- ✓ the City is able to impose its will on the organization
- ✓ the organization has the potential to impose a financial benefit/burden on the City
- ✓ there is fiscal dependency by the organization on the City

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Based on the aforementioned criteria, the City of Spirit Lake has one discretely presented component unit.

The City of Spirit Lake (the City) is a municipality of the State of Idaho. The City has oversight responsibility and control over all activities related to the City's functions. The City is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the City council members.

The accompanying financial statements include all aspects controlled by the City Council of the City of Spirit Lake. Criteria for inclusion is determined by Governmental Accounting Standards Board Statement No. 61 (GASB No. 61) which states, in general, that legally separate organization for which the elected officials of the City are financially accountable for must be included in the City's financial statement as a component unit.

Discretely Presented Component Unit – Spirit Lake Urban Renewal Agency

Under Idaho Code, in December 2005 the Spirit Lake City Council passed an ordinance which created the Spirit Lake Urban Renewal Agency (the Agency), a legally separate entity from the City. The Agency was established to promote urban development and improvement in blighted areas in and around the City. A board of five directors, which are appointed by the City Council, governs the Agency. The City Council has the ability to appoint, hire, reassign, or dismiss those persons having responsibility for the day-to-day operations of the Agency. These powers of the City meet the criteria set forth in GASB No. 61 for having financial accountability for the Agency. Based on the above, the Agency has been discretely presented in the accompanying financial statements of the City as a component unit. Separate statements for the Agency may be obtained from City Hall.

Payments between the City and Component Unit

Resource flows (except those that affect the statement of net position, such as loans and repayments) between a primary government and its discretely presented component unit are reported as external transactions – that is, as revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government and its component units, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct and program revenues for the business-type activities of the City and for each function of the City's and its component units' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category-*governmental, proprietary, and fiduciary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund. This is the City'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 City reports the following major enterprise funds:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Assets, Liabilities, and Equity

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at September 30, 2024, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash and Investments." Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The City considers cash and cash equivalents in proprietary funds to be cash on hand and demand deposits. In addition, the City considers all unrestricted investments held in the pooled accounts of the City to be cash equivalents because this pool issued essentially as a demand deposit accounts.

For purposes of the Statement of Cash Flows, the City defines cash and cash equivalents as all cash and highly liquid investments with an original maturity of three months or less (both restricted and unrestricted).

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" or "interfund balances".

Inventories and Prepaid Items

The City has adopted the purchase method for recording and classifying material and supply purchases. Under this method, purchases of materials and supplies are recognized as expenditures when the goods are received and the transaction is vouchered. Because on hand materials and supplies of the City are not considered significant, no amount is reflected on the balance sheet and no portion of fund balance is categorized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables
All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Allowance for uncollectible accounts for the proprietary funds was $0 as of September 30, 2024.

Receivables for State Highway User's Tax, State Liquor, and State Revenue Sharing are recorded as revenue in the general fund.

The City records enterprise fund charges when earned, not when collected.

Lease Receivable
A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The City is the lessor on ground leases. The related lease receivables are presented in the amounts equal to the present value of lease receipts, during the remaining lease terms. As a lessor, a lease receivable and the associated leases deferred inflow of resources is recognized on the fund statements and the government-wide Statement of Net Position.

Property Tax Revenues
Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The county assessor establishes assessed values. Property tax payments are due in on-half installments every December and June.

Property tax becomes a lien on the property when it is levied. State statute sets maximum property tax rates from the various fund of the City of Spirit Lake. For the general fund, the City cannot levy more than 103% of the prior year levy rate. For other funds, the 3% increase is not applicable but is limited by statute.

Capital Assets
Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 at an estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The City elected to allocate the costs of those assets (depreciation) over their useful lives, as discussed above. The City commissioned an appraisal of City owned infrastructure and property as of September 30, 2010 and has completed an internal update for September 30, 2018. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date.

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Public Domain Infrastructure	20 - 50
Sewer System/Improvements	20 - 50
Water System/Improvements	20 - 50
Buildings/Improvements	20 - 40
Furniture & Fixtures	3 - 15
Machinery & Equipment	3 - 10
Vehicles	3 - 5
Computer Equipment	3 - 5
Computer Software	3 - 5

Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. Both current and long-term compensated absences are treated by the basic concepts set by GASB-16. Compensated absences are accrued when vested and reported in government funds only if they have matured, for example, as a result of employee resignation and retirement.

Employees eligible for leave include full-time equivalent employees that have been employed by the City for six months. Part-time employees receive vacation leave at the discretion of the governing body. All eligible employees accrue vacation leave at the following rates:

Years Employed	Days per Year
1 - 3	10
4 - 5	13
6 - 10	20
11+	26

It is the City's policy that vacation leave can only accrue to a maximum of 150% of the amount normally accrued in one year's time. Any excess not used during the year is forfeited at the end of the fiscal year in which it became excess.

The City's sick leave policy provides full-time employees sick leave which accrues on the same schedule as vacation leave, outlined in the table above. Employees can accrue sick leave to a maximum of 600 hours. Employees are not paid for unused sick days upon termination of employment. Accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item, pension plan, which qualifies for reporting in this category and is reported in the government-wide statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (concluded)
In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items. Three items, unavailable property taxes, unearned lease contract revenue, and unearned grant revenue are reported in the governmental funds balance sheet and the statement of net position for governmental activities. Two items, unearned grant revenue and pension related items are reported in the statement of net position for proprietary funds and the statement of net position for business-type activities. These amounts are deferred and recognized as inflows/outflows of resources in the period that the amounts becomes available.

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.

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

Fund Balance Flow Assumptions
Sometimes the government 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 government'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.

Fund Balance Policies
Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitation on the use of resources through either a committed (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes by do not meet the criteria to be classified as committed. The council may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the Council for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet. Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The City reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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.

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES

General
State statutes authorize the City's investments. The City is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled, and operating in the

U.S. which have at their purchase an "A" rating or higher, government pools, and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a financial institution, the City's deposits and investments may not be returned to it. The City does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss. As of September 30, 2024, the City's deposits were exposed to custodial credit risk as follows:

Deposits without exposure to custodial credit risk:	
Deposits	
Amount insured by FDIC or other agencies	$ 350,000
Deposits with exposure to custodial credit risk:	
Amount uninsured	142,813
Amount collateralized with securities held in trust, but not in the City's name	2,415,833
Total amount with exposure to custodial credit risk	2,558,646
Total bank balance (deposits) and investments	$ 2,908,646

The carrying amount is displayed as follows in the financial statements:	
Statement of net position	
Cash overdraft-general fund	$ (184,064)
Cash and cash equivalents	2,263,627
Restricted cash and cash equivalents	798,673
	$ 2,878,236
Cash and investments at September 30, 2024 consist of the following:	
Cash	
Deposits with financial institutions	$ 462,403
Cash equivalents	
Deposits with the Idaho State Investment Pool	2,415,833
	$ 2,878,236

Credit Risk

Credit risk is the risk that a debtor will not fulfill its obligations. All of the above securities registered in the City's name carry a rating of AAA from Moody's and Standard and Poor's. The Idaho State Investment Pool does not have an established credit rating but invests in entities with a minimum credit rating of "A" as stipulated by Idaho code.

State Investment Pool

Investments in 2a7-like pools are valued based upon the value of pool shares. The City invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. The pool does not include any involuntary participants.

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES (CONCLUDED)

The balances that the City has in the State Investment Pool are carried at fair value and calculated on a monthly basis. The City's portion of the State Investment Pool had an unrealized gain of $6,266 as of September 30, 2024. The difference between fair market value and cost has been recorded in the City's books. The unrealized gain was based on a fair market value adjustment factor of 1.0026 that was calculated by the State of Idaho's Treasurer's Office. GASB Statement No. 40 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. The Pool has not been assigned a risk category since the City is not issued securities, but rather it owns an undivided beneficial interest in the assets of the Pool. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body nor is any balances insured by the Federal Deposit Insurance Corporation. Financial reports are available from the Idaho State Treasurer's Office upon request.

Investments

GASB Statement No. 40 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The short-term investment pools are not evidenced by securities that exist in physical or book entry form and accordingly, are not categorized for credit risk.

NOTE 3 – RECEIVABLES

Accounts receivable and due from other governments is as follows:

General Fund	
Accounts receivable:	
Franchise fees	$ 6,458
Miscellaneous receivables	5,912
Street lights	2,481
SLURA	26,041
Miscellaneous receivables	$ 40,892
Other government receivables	
State revenue sharing	$ 202,736
State liquor distribution	16,972
Highway user revenues	29,796
	$ 249,504

NOTE 4 - LEASE RECEIVABLE

The City entered into a ground lease agreement with Newmax, LLC, dba Intermax Networks on November 10, 2020. The original lease called for monthly payments of $150 and was for two years. Intermax Networks had the option to extend the lease for an additional 5 years, with monthly payments at $150, which they have done. The interest rate used in the calculation of the lease receivable, deferred revenue and lease revenue amount is 2%.

NOTE 4 - LEASE INCOME (CONCLUDED)

The City entered into a lease with New Cingular Wireless PCS, LLC on December 13, 2000. The initial lease had a term of 5 years with 4% annual increase, which could be extended for 5 additional 5-year periods. The lease was subsequently amended 3 times. The 3rd amendment, signed on April 18, 2016, is currently still in effect. On September 30, 2023, the monthly payment was $1,733. The lease calls for a 3% annual increase and ends In January of 2038.

The following is a schedule of future payments included in the measurement of the lease receivable as of September 30, 2024:

Year Ended September 30,	Principal	Interest	Total
2025	$ 15,161	$ 8,483	$ 23,644
2026	16,269	8,031	24,300
2027	17,430	7,544	24,974
2028	16,983	7,036	24,019
2029	18,072	6,514	24,586
2030 - 2034	111,096	23,350	134,446
2035 - 2038	96,135	5,087	101,222
	$ 291,146	$ 66,045	$ 357,191

NOTE 5 – CAPITAL ASSETS

The changes in capital assets used in governmental activities during fiscal year September 30, 2024 were as follows:

	Balance 09/30/23	Increases	Decreases	Transfers	Balance 09/30/24
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 777,301	$ -	$ -	$ -	$ 777,301
CIP	25,702	26,320	25,702	-	26,320
Total capital assets, not being depreciated	803,003	26,320	25,702	-	803,621
Capital assets being depreciated:					
Machinery & equipment	1,006,806	96,654	-	-	1,103,460
Buildings and Improvements	869,546	-	-	-	869,546
Infrastructure	7,255,179	251,275	-	-	7,506,454
Total capital assets being depreciated	9,131,531	347,929	-	-	9,479,460
Less accumulated depreciation for:					
Machinery & equipment	704,785	80,200	-	-	784,985
Buildings and Improvements	464,170	17,860	-	-	482,030
Infrastructure	3,564,727	350,839	-	-	3,915,566
Total accumulated depreciation	4,733,682	448,899	-	-	5,182,581
Total capital assets being depreciated, net	4,397,849	(100,970)	-	-	4,296,879
Total governmental activities capital assets, net	$ 5,200,852	$ (74,650)	$ 25,702	$ -	$ 5,100,500

See independent auditors' report.

NOTE 5 – CAPITAL ASSETS (CONCLUDED)

Because the City is a Phase 3 government (governments with total annual revenues of less than $10 million), the City is encouraged but not required to report major infrastructure assets retroactively prior to October 1, 2003. The City has not yet made a determination as to whether or not to record infrastructure assets retroactively.

Depreciation expense for the general fund in the amount of $448,899 has not been charged to functions/programs of the primary government.

The changes in capital assets used in business-type activities during fiscal year September 20, 2024 were as follows:

	Balance 09/30/23	Increases	Decreases	Transfers	Balance 09/30/24
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 2,210,388	$ -	$ -	$ -	$ 2,210,388
Construction in progress	127,124	38,256	-	-	165,380
Total capital assets, not being depreciated	2,337,512	38,256	-	-	2,375,768
Capital assets being depreciated:					
Equipment	689,392	-	-	-	689,392
Buildings and Improvements	88,648	-	-	-	88,648
Infrastructure	14,238,486	33,664	-	-	14,272,150
Total capital assets being depreciated	15,016,526	33,664	-	-	15,050,190
Less accumulated depreciation					
Equipment	459,400	58,918	-		518,318
Buildings and Improvements	21,260	1,922			23,182
Infrastructure	4,744,787	317,012			5,061,799
Total accumulated depreciation	5,225,447	377,852	-	-	5,603,299
Total capital assets being depreciated, net	9,791,079	(344,188)	-	-	9,446,891
Total business-type activities capital assets, net	$ 12,128,591	$ (305,932)	$ -	$ -	$ 11,822,659

Depreciation expense for the water and sewer funds was charged as follows:

Business-type activities:	
Water	$ 150,207
Sewer	227,645
	$ 377,852

NOTE 6 – INTERFUND BALANCES AND ACTIVITY

Interfund balances at September 30, 2024, resulted from reclassifications of grant funds and a capital lease purchase transaction and are as follows:

Fund	Receivable	Payable
General	$ -	$ 17,913
Water	-	1,895
Sewer	19,808	-
	$ 19,808	$ 19,808

See independent auditors' report.

NOTE 7 – LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended September 30, 2024 are as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year	Due in More Than One Year
Governmental Activities						
Compensated absences	$ 19,572	$ 16,920	$ -	$ 36,492	$ -	$ 36,492
Capital Lease-Dodge Chargers	68,824	-	-	68,824	21,533	47,291
Capital Lease-Dodge Durangos	-	81,654	13,402	68,252	14,728	53,524
Capital Lease-2023 Caterpillar	17,909	-	-	17,909	8,692	9,217
	$ 106,305	$ 98,574	$ 13,402	$ 191,477	$ 44,953	$ 146,524
Business-type Activities						
Compensated absences	$ 17,609	$ 2,312	$ 402	$ 19,519	$ -	$ 19,519
Capital Lease-2023 Caterpillar	35,820	-	-	35,820	17,384	18,436
Wastewater revenue bond, series 2020	1,664,884	-	33,491	1,631,393	34,503	1,596,890
Total	$ 1,718,313	$ 2,312	$ 33,893	$ 1,686,732	$ 51,887	$ 1,634,845

NOTE 8 – REVENUE BONDS PAYABLE

The City's long-term obligations at year-end consist of the following:

Revenue bonds payable from the sewer fund at September 30, 2024, are composed of the following issues:

In August of 2020, the City of Spirit Lake issued $1,763,880 of sewer revenue bonds. This obligation was issued for the purpose of paying a portion of the cost of construction and installation of additions and betterments to the sewer system of the City. The Series 2020 Bonds were sold to the United States Department of Agriculture, Rural Utilities Service. The interest rate is 1.5% and the term is 40 years.

Accrued interest on bonds payable at September 30, 2023 is $4,145. The City paid $26,301 in interest during the year ended September 30, 2024.

Future debt service requirements for fiscal years ending September 30 are as follows:

Fiscal Year ending September 30	Principal	Interest	Total
2025	$ 34,503	$ 24,464	$ 58,967
2026	35,020	23,947	58,967
2027	35,545	23,422	58,967
2028	36,016	22,951	58,967
2029	36,619	22,348	58,967
2030-2034	191,442	103,393	294,835
2035-2039	206,243	88,592	294,835
2040-2044	222,153	72,682	294,835
2045-2049	239,376	55,459	294,835
2050-2054	257,883	36,952	294,835
2055-2059	277,822	17,013	294,835
2060	58,771	196	58,967
	$ 1,631,393	$ 491,419	$ 2,122,812

See independent auditors' report.

NOTE 8 – REVENUE BONDS PAYABLE (CONCLUDED)

The bonds have a lien on future revenues of the sewer funds. The City is required to contribute to a reserve for bond retirement fund, an amount equal to 10% of the annual bond payments. They have ten years from the date of issue to achieve an amount equal to one full yearly payment. As of September 30, 2024, the City had $57,993 in the Sewer Bond Fund, which is adequate for their bond reserve requirements.

The City is also required to establish a short-lived asset reserve fund or which $10,733 must be deposited annually for the life of the loan to pay for repairs and/or replacement of major system assets. $204,681 was on deposit at September 30, 2024, which is adequate for their short-lived asset reserve fund requirements.

NOTE 9– CAPITAL LEASE OBLIGATIONS

The City entered into a lease for two police vehicles on March 31, 2021 with First Capital Equipment Leasing Corporation. This lease qualifies as capital leases as ownership of the assets transfer to the City at the end of the lease, which is October 15, 2026. The yield is 3.767% and requires annual principal payments. The lease is secured by the vehicles, the cost of which is $126,871. During the fiscal year September 30, 2022, law enforcement supplies were added to the lease agreement in the amount of $4,460. Current year amortization of the vehicles totaled $25,374 and is included in depreciation expense on the financial statements. The total accumulated depreciation is $88,810.

Future debt service requirements for fiscal years ending September 30 are as follows:

Fiscal Year ending September 30	Principal	Interest	Total
2025	$ 21,533	$ 2,546	$ 24,079
2026	23,291	788	24,079
2027	24,000	79	24,079
	$ 68,824	$ 3,413	$ 72,237

The City entered into a lease for two police vehicles on December 13, 2023 with The Bancorp, National Association. This lease qualifies as capital leases as ownership of the assets transfer to the City at the end of the lease, which is December 2028. The yield is 9.9% and requires annual principal payments. The lease is secured by the vehicles, the cost of which is $40,827 each. Current year amortization of the vehicles totaled $13,610 and is included in depreciation expense on the financial statements. The total accumulated depreciation is $13,610.

Future debt service requirements for fiscal years ending September 30 are as follows:

Fiscal Year ending September 30	Principal	Interest	Total
2025	$ 14,728	$ 6,860	$ 21,588
2026	16,186	5,402	21,588
2027	17,788	3,800	21,588
2028	19,550	2,038	21,588
	$ 68,252	$ 18,100	$ 86,352

See independent auditors' report.

NOTE 9– CAPITAL LEASE OBLIGATIONS

The City entered into a lease for the purchase of a mini excavator on March 10, 2023 with Caterpillar Financial Services Corporation. This lease qualifies as capital leases as ownership of the asset transfers to the City at the end of the lease, which is May 2026. The yield is 6.99% and requires annual principal payments. The lease is secured by the excavator, the cost of which is $83,442. The excavator was purchased 1/3 each by the general, water and sewer fund(s). As of September 30, 2024, current year amortization of the excavator totaled $8,343 and is included in depreciation expense on the financial statements. The total accumulated depreciation is $11,124.

Future debt service requirements for fiscal years ending September 30 are as follows:

Governmental Funds:

Fiscal Year ending September 30	Principal	Interest	Total
2025	8,692	1,212	9,904
2026	9,217	687	9,904
	$ 17,909	$ 1,899	$ 19,808

Water and Sewer Funds:

Fiscal Year ending September 30	Principal	Interest	Total
2025	17,384	2,424	19,808
2026	18,436	1,372	19,808
	$ 35,820	$ 3,796	$ 39,616

NOTE 10 – RISK MANAGEMENT

The City faces a number of risks of loss including damage to and loss of property and contents, professional liability, i.e. errors and omissions, and health insurance costs of employees. The City contracts with an insurance company for property insurance and general liability insurance.

The City's workman's compensation coverage is provided by the Idaho State Insurance Fund.

The City provides medical, dental, and vision insurance to most employees.

NOTE 11 – PENSION PLAN

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

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

NOTE 11 – PENSION PLAN (CONTINUED)

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 police and firefighters. As of July 1, 2023, through June 30, 2024, the employee rate was 6.71% for general employees and 9.83% for police and firefighters. As of July 1, 2024, the employee rate increased to 7.18% for general employees and increased to 10.83% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for police and firefighters during the period July 1, 2023, through June 30, 2024. As of July 1, 2024, the employer rates for general employees decreased to 11.96% and increased for police and firefighters to 14.65%.

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

At September 30, 2024, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2024, the City's proportion was 0.0199673 percent.

NOTE 11 – PENSION PLAN (CONTINUED)

For the year ended September 30, 2024, the City recognized pension expense (income) of $213,346. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 118,914	$ -
Changes in assumptions or other inputs	29,592	-
Net difference between projected and actual earnings on pension plan investments	-	13,558
Changes in the City's proportion and differences between the City's contributions and the City's proportionate contributions	21,086	58,795
City's contributions subsequent to the measurement date	27,705	-
Total	$ 197,297	$ 72,353

Approximately $27,705 reported as deferred outflows of resources related to pensions resulting from City's 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, 2022 the beginning of the measurement period ended June 30, 2023 is 4.4 years and 4.4 years 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 as follows:

Year ended June 30:	
2025	32,632
2026	126,645
2027	(39,566)
2028	(22,472)

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.

NOTE 11 – PENSION PLAN (CONTINUED)

The total pension liability in the July 1, 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%
Investment rate of return*	6.35%
Cost-of-living (COLA) adjustments	1.00%

*net of pension plan investment expense
**there is an individual additional component of assumed salary grown (on top of the 3.05%) that varies for each individual member based on the years of service.

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

Contributing Members, Service Retirement Members, and Beneficiaries

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

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.

NOTE 11 – PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0.00%	0.00%
Large Cap	18.00%	4.50%
Small/Mid Cap	11.00%	4.70%
International Equity	15.00%	4.50%
Emerging Markets Equity	10.00%	4.90%
Domestic Fixed	20.00%	-0.25%
TIPS	10.00%	-0.30%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
City's proportionate share of the net pension liability (asset)			
Total Plan	$ 1,419,354	$ 746,911	$ 197,687

Pension plan fiduciary net position

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

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

See independent auditors' report.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

During the current year, the City discovered a financial statement error that caused the overstatement of the September 30, 2023, governmental activities net position and an overstatement of the governmental activities' capital assets in the amount of $25,702.

The following summarizes the prior period adjustment referred to above:	
Net Position at September 30, 2023	$ 4,795,455
Prior period adjustment-overstatement of capital assets	(25,702)
Net Position at September 30, 2023, restated	$ 4,769,753

NOTE 13 – COMPONENT UNIT DISCLOSURES

As disclosed in Note 1, Spirit Lake Urban Renewal Agency meets the criteria for discrete presentation in the City's financial statements as a component unit. The following paragraphs describe significant transactions between the two entities and provide relevant disclosures related to the Agency.

Cash and Investments

General

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a deposit policy for custodial credit risk as it deposits funds in financial institutions that are members of the U.S. Federal Deposit Insurance Corporation (FDIC) and has never experienced such a loss. As of September 30, 2024, the Agency's deposits were exposed to custodial credit risk as follows:

NOTE 13 – COMPONENT UNIT DISCLOSURES

Cash and Investments

Deposits without exposure to custodial credit risk:	
Amount insured by FDIC or other agencies	$ 250,500
Deposits with exposure to custodial credit risk:	
Amount collateralized with securities held in trust, but not in Agency's name	-
Amounts uninsured and uncollateralized -exposed to custodial credit risk	863,315
Total bank balance (deposits)	$ 1,113,815
Statement of net position	
Cash and cash equivalents	$ 1,111,338
Cash and cash equivalents at September 30, 2024 consist of the following:	
Cash	
Deposits with financial institutions	$ -
Cash equivalents	
Money market funds and savings	1,111,338
	$ 1,111,338

Risk Management

The Agency 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 Agency contracts with an insurance company for property insurance (including boiler and machinery) and general liability insurance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPIRIT LAKE
Schedule of City's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years

	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
City's portion of the net pension liability	0.0199673%	0.0222688%	0.0235386%	0.0201223%	0.0184552%	0.0186150%	0.0174563%	0.0176853%	0.0170988%	0.0169713%
City's proportionate share of the net pension liability (asset)	$ 746,911	$ 888,678	$ 927,132	$ (15,890)	$ 428,555	$ 212,485	$ 257,483	$ 277,983	$ 346,618	$ 223,483
City's covered-employee payroll	$ 933,562	$ 879,916	$ 917,794	$ 739,018	$ 697,677	$ 629,569	$ 533,640	$ 538,083	$ 492,871	$ 476,177
City's proportional share of the net pension liability (asset) as a percentage of its covered-employee payroll	80.01%	101.00%	101.02%	-2.15%	61.43%	33.75%	48.25%	51.66%	70.33%	46.93%
Plan fiduciary net position as a percentage of the total pension liability	85.54%	83.83%	83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%

Data reported is measured as of June 30, 2024

Schedule of City's Contributions
PERSI - Base Plan
Last 10 - Fiscal Years

	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Statutorily required contribution	$ 129,877	$ 97,261	$ 109,000	$ 79,449	$ 72,407	$ 71,229	$ 67,790	$ 59,637	$ 50,828	$ 55,513
Contributions in relation to the statutorily required contribution	$ 110,701	$ 114,423	$ 112,142	$ 90,742	$ 79,475	$ 72,614	$ 64,438	$ 63,025	$ 57,116	$ 56,957
Contribution deficiency (excess)	$ (19,177)	$ 17,163	$ 3,142	$ 11,293	$ 7,068	$ 1,385	$ (3,352)	$ 3,388	$ 6,288	$ 1,444
City's covered-employee payroll	$ 933,562	$ 879,916	$ 917,794	$ 739,018	$ 697,677	$ 629,569	$ 533,640	$ 538,083	$ 492,871	$ 476,177
Contributions as a percentage of covered-	11.86%	13.00%	12.22%	12.28%	11.39%	11.53%	12.08%	11.71%	11.59%	11.96%

Data reported is measured as of June 30, 2024

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund
Year Ended September 30, 2024

	* Original Budget	Actual
Revenues:		
Property taxes & special assessments	$ 618,658	$ 627,284
Revenue sharing	296,353	268,805
Highway users	189,372	251,929
Building permits & licenses	36,500	62,077
Liquor fees	92,696	81,794
Miscellaneous income	48,500	93,744
Grant income	274,919	108,599
Impact fees	80,000	3,918
SLURA Reimbursements	10,000	101,134
Franchise fees	23,000	29,515
Parks and recreation	31,200	42,293
Street income	24,300	31,186
Fines & forfeits	10,300	10,171
Interest income	19,200	53,693
Total Revenues	1,754,998	1,766,142
Expenditures:		
General Government	448,920	218,319
Community Center Expenses	7,500	14,087
Cemetary Expenses	14,500	13,493
Public Safety	656,777	728,696
Street Expenses	176,000	173,645
Parks Expenses	62,000	71,395
Parks & Recreation Expenses	116,200	122,317
Impact Fees	-	-
Capital Outlay	269,372	374,249
Debt Service:		
Principal	22,147	13,402
Interest	1,582	8,187
Total Expenditures	1,774,998	1,737,790
Excess of Revenues Over Expenditures	(20,000)	28,352
Other Financing Sources (Uses):		
Proceeds from lease financing	-	81,654
Sale of Capital Assets	-	1,896
Total Other Financing Sources (Uses)	-	83,550
Net Change in Fund Balance	(20,000)	111,902
Fund Balance - October 1	20,000	29,498
Fund Balance - September 30	$ -	$ 141,400

* The budget was not amended

See accompanying notes to the financial statements and independent auditors' report.

CITY OF SPIRIT LAKE
Notes to the Budget and Actual Schedule
September 30, 2024

Budgets are adopted for the general and enterprise funds. The annual budget is a plan of financial operation with an estimate of expenditures and means of financing them. A preliminary budget is prepared in July, budget hearings are held, and the final budget is adopted by October 1.

The adopted budget constitutes the appropriations for the City and is the maximum limit of expenditures in each budgeted fund. The adopted budget may be amended for emergencies and other matters as provided by State law. There was no amendment to the budget during the fiscal year 2023/24.

The budget is prepared on the basis of accounting described for its governmental funds in Note 1 to the financial statement. Tax levies are set by expenditure requirements but are authorized and limited by State law. Transfers of budget authority within a fund are permitted. Appropriations lapse at September 30.

There are amounts shown for the original and final budgeted amounts, as well as actual results for the current fiscal year. Idaho State Statutes require that a funds total expenditures not exceed total budgeted expenditures (appropriations).

See accompanying notes to the financial statements and independent auditors' report.

REPORT REQUIRED BY GAO

ALPINE SUMMIT CPAs

TAX, ASSURANCE, ACCOUNTING, ADVISORY

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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 Spirit Lake, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the City of Spirit Lake, Idaho as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Spirit Lake, Idaho's basic financial statements and have issued our report thereon dated December 10, 2025.

Report on Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency below as item 2024-2 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below as 2024-1 to be a significant deficiency.

2024-1 – Misstatements of Accounts

Condition: There were many accounts that were found to be misstated and were needing to be adjusted. The adjustments related to errors identified during audit procedures.

Criteria: The City of Spirit Lake's management is responsible for reviewing and reconciling their accounts.

Cause: Lack of a formal process that includes a thorough review and analysis of all accounts during the year.

Effect of Condition: Accounts were misstated.

Recommendation: Management of the City should implement a formal process that would include a review and analysis by their Clerk/Treasurer of all accounts during the month and year-end closing process.

Response: The City will consult with either an outside accountant or their auditor when unusual transactions occur during the year and review expenditure transactions that occur after year-end to determine if they should be accrued into the current fiscal year.

2024-2 – Negative Unassigned General Fund, Fund Balance and Deficit Spending

Condition: The General Fund of the City has a negative unassigned fund balance of $(155,111) on September 30, 2024. Unassigned fund balances are funds available for discretionary spending.

Criteria: The City of Spirit Lake's City Council and management are responsible for managing their general fund expenditures to not create deficit spending that results in a negative unassigned fund balance.

Cause: The City of Spirit Lakes's City Council and management failed to identify and reduce spending to keep their unassigned fund balance in a positive position.

Effect of Condition: The general fund had a deficit unassigned fund balance on September 30,2024.

Recommendation: The City of Spirit Lake's City Council and management of the City should promptly identify expenditures in their budget that can be reduced to address deficit spending and to put their unassigned fund balance back into a positive position.

Response: Management of the City will work with the City Council to prepare future budgets to reduce spending to put their general fund unassigned fund balance back into a positive position.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Spirit Lake's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described below as 2024-3:

2024-3 - Untimely Audit Completion

Condition: The City did not have their fiscal year 2024 audit completed within the nine-month required time frame of the State of Idaho.

Criteria: Per Idaho State Statute 67-450B, a local government entity whose annual expenditure (from all sources) exceed two hundred fifty thousand dollars ($250,000) in a fiscal year shall cause a full and complete audit of its financial statements to be made each fiscal year. The entity shall file a completed audit report with the legislative services office within nine months after the end of the audit period.

Cause: There was a delay in audit completion due to several issues needing to be resolved in the September 30, 2023 audit which delayed the start of the September 30, 2024 audit. In addition, auditor scheduling constraints contributed to delays in the timing of audit fieldwork and completion. The combination of these factors resulted in the audit not being finalized within the statutory deadline.

Effect of Condition: The entity was not in compliance with State Statutes relating to submission of their audited financial statements.

Recommendation: Our recommendation for the City is for management and the Clerk/Treasurer to continue to perform month-end and year-end closing procedures which they are doing during fiscal year 2025. This will help to ensure the timely completion of their audits.

Response: The City experienced several issues during the FY 22/23 audit, which resulted in a significant delay in its completion. This delay affected the start of the FY 23/24 audit, causing it to begin later than scheduled and creating further delays in completing that audit on time. These items have been resolved, and the City anticipates a timely submission of its September 30, 2025 audited financial statements.

City of Spirit Lake, Idaho's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Spirit Lake, Idaho's response to the findings identified in our audit and described in this letter. City of Spirit Lake, State, Idaho'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.

Alpine Summit CPAs

Alpine Summit CPAs
December 10, 2025