CITY OF UCON - STATE OF IDAHO
UCON, IDAHO
ANNUAL FINANCIAL REPORT
and
COMPLIANCE REPORTS
with
INDEPENDENT AUDITOR'S REPORT
For the Year Ended September 30, 2024

CITY OF UCON – STATE OF IDAHO
ANNUAL FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

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CITY OF UCON – STATE OF IDAHO
ANNUAL FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

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Searle Hart & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Ucon - State of Idaho
Ucon, Idaho

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Ucon, 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 financial position of the City of Ucon, Idaho, as of September 30, 2024, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, 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 City of Ucon, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Ucon'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 Responsibility

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information such as management's discussion and analysis and required supplementary information on pages 34 - 39 be presented to supplement the basic financial statements. Such 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. 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 response 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Ucon, Idaho's basic financial statements. The accompanying schedules of capital assets are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of capital assets were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auding standards generally accepted in the United States of America. In our opinion, the schedules of capital assets are fairly stated, in all material respects, in relation to the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2025, on our consideration of City of Ucon, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Searle Hart + Associates PLLC

Idaho Falls, Idaho
March 12, 2025

FINANCIAL SECTION

CITY OF UCON - STATE OF IDAHO
STATEMENT OF NET POSITION
September 30, 2024

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	$ 1,583,779	$ 2,041,046	$ 3,624,825
Cash - restricted	-	-	-
Taxes receivable	4,757	-	4,757
Receivables	2,305	59,238	61,543
Business receivables	-	-	-
Internal balances	-	-	-
Due from other governmental agencies	303,844	-	303,844
Inventories	-	-	-
Prepaid expenses	-	-	-
Capital Assets			
Land and improvements not being depreciated	25,000	49,019	74,019
Construction in progress	112,958	-	112,958
Buildings	444,231	167,728	611,959
Equipment and furniture	890,641	218,637	1,109,278
Equipment under capital leases	15,279	137,870	153,149
Water system	-	2,194,458	2,194,458
Sewer system	-	3,239,251	3,239,251
Less: accumulated depreciation	(778,097)	(4,458,021)	(5,236,118)
Total Capital Assets	710,012	1,548,942	2,258,954
TOTAL ASSETS	2,604,697	3,649,226	6,253,923
DEFERRED OUTFLOWS - Pension	$ 45,271	$ 19,402	$ 64,673

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
Accounts payable and accrued expenses	$ 35,646	$ 46,414	$ 82,060
Due to other governmental agencies	-	-	-
Customer deposits payable	-	4,212	4,212
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	1,279	11,512	12,791
Accrued interest	599	5,394	5,993
Compensated absences	4,475	-	4,475
Claims and judgments	-	-	-
Due in more than one year			
Accounts payable	-	-	-
Bonds, capital leases and contracts, net of bond discount	10,832	97,482	108,314
Accrued interest	-	-	-
Compensated absences	-	-	-
Net pension liability	170,162	72,926	243,088
TOTAL LIABILITIES	222,993	237,940	460,933
DEFERRED INFLOWS - Pension	-	-	-
NET POSITION			
Net investment in capital assets	697,302	1,434,554	2,131,856
Restricted for:			
Capital projects	-	-	-
Debt Service	-	-	-
Other projects	-	-	-
Unrestricted	1,729,673	1,996,134	3,725,807
TOTAL NET POSITION	$ 2,426,975	$ 3,430,688	$ 5,857,663

CITY OF UCON - STATE OF IDAHO
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

FUNCTIONS/PROGRAMS	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 30,806	$ 7,429	$ 440,462	$ -
Public safety	533,420	8,931	-	-
Public works	45,796	-	116,873	-
Health, welfare and sanitation	-	-	-	-
Culture and recreation	33,468	175	8,812	-
Education	-	-	-	-
Conservation and economic development	-	307	-	-
Interest on long-term debt	706	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	644,196	16,842	566,147	-
Business-type activities:				
Water fund	235,597	279,417	-	-
Sewer fund	461,957	404,220	5,850	-
TOTAL BUSINESS-TYPE ACTIVITIES	703,906	683,637	5,850	-
TOTAL PRIMARY GOVERNMENT	$ 1,348,102	$ 700,479	$ 571,997	$ -

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Franchise taxes
Public service taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Pension expense
Special item - gain on sale of asset
Transfers

TOTAL GENERAL REVENUES, SPECIAL ITEMS, AND TRANSFERS

Change in net position

Net Position, October 1, 2023

NET POSITION, SEPTEMBER 30, 2024

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ 417,085	$	$ 417,085
(524,489)		(524,489)
71,077		71,077
-		-
(24,481)		(24,481)
-		-
307		307
(706)		(706)
(61,207)		(61,207)
	43,820	43,820
	(51,887)	(51,887)
	(14,419)	(14,419)
(61,207)	(14,419)	(75,626)
96,879	-	96,879
-	-	-
23,893	-	23,893
184,797	-	184,797
-	-	-
73,916	98,963	172,879
3,212	1,660	4,872
(82,044)	3,998	(78,046)
6,995	8,250	15,245
(7,340)	7,340	-
300,308	120,211	420,519
239,101	105,792	344,893
2,187,874	3,324,896	5,512,770
$ 2,426,975	$ 3,430,688	$ 5,857,663

CITY OF UCON - STATE OF IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS		
Cash and cash equivalents	$ 1,583,779	$ 1,583,779
Investments	-	-
Taxes receivable, net	4,757	4,757
Due from other funds	-	-
Receivable from other governments	303,844	303,844
Other receivables	2,305	2,305
Inventories	-	-
Prepaid expenses	-	-
DEFERRED OUTFLOWS	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 1,894,685	$ 1,894,685
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	35,646	35,646
Due to other funds	-	-
Payable to other governments	-	-
Other accrued expenses	-	-
Other payables	-	-
TOTAL LIABILITIES	35,646	35,646
DEFERRED INFLOWS		
Revenue unavailable for use	4,081	4,081
FUND BALANCES		
Nonspendable	-	-
Restricted	-	-
Assigned	-	-
Unassigned	1,854,958	1,854,958
TOTAL FUND BALANCES	1,854,958	1,854,958
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 1,894,685	$ 1,894,685

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

CITY OF UCON - STATE OF IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total fund balance, governmental funds:	$	1,854,958
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		710,012
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement but are reported in the governmental activities of the Statement of Net Position. This is the amount reported as revenue unavailable for use.		4,081
A net pension liability for the measured portion of the present value of projected benefit payments is reported on the Statement of Net Position, but not on the fund financial statements.		
Deferred outflows associated with the net pension liability		45,271
Deferred inflows associated with the net pension liablity		-
Net pension liability		(170,162)
Some liabilities, (such as notes payable, capital lease contracts payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement but are included in the governmental activities of the Statement of Net Position.		(17,185)
Net Position of governmental activities in the Statement of Net Position:	$	2,426,975

CITY OF UCON - STATE OF IDAHO
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2024

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES		
Property taxes	$ 98,868	$ 98,868
Sales and miscellaneous taxes	23,893	23,893
Fees and fines	8,931	8,931
Licenses and permits	7,429	7,429
Intergovernmental	738,574	738,574
Charges for services	482	482
Investment earnings	73,916	73,916
Miscellaneous	17,227	17,227
TOTAL REVENUES	969,320	969,320
EXPENDITURES		
Current:		
General government	45,418	45,418
Public safety	473,710	473,710
Public works	31,731	31,731
Health and sanitation	-	-
Culture and recreation	29,206	29,206
Education	-	-
Conservation and economic development	-	-
Debt service:		
Principal	1,213	1,213
Interest and other charges	742	742
Capital outlay	3,489	3,489
TOTAL EXPENDITURES	585,509	585,509
Excess (deficiency) of revenues over expenditures	383,811	383,811
OTHER FINANCING SOURCES (USES)		
Transfers in	8,250	8,250
Transfers out	(15,590)	(15,590)
TOTAL OTHER FINANCING SOURCES (USES)	(7,340)	(7,340)
SPECIAL ITEM		
Proceeds from sale of assets	8,150	8,150
Net change in fund balances	384,621	384,621
Fund Balance, October 1, 2023	1,470,337	1,470,337
FUND BALANCES, SEPTEMBER 30, 2024	$ 1,854,958	$ 1,854,958

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

CITY OF UCON - STATE OF 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 balances - total governmental funds:	$	384,621
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
This is the amount by which depreciation of $89,312 was exceeded by capital outlay of $3,489 in the current period.		(85,823)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		(2,800)
Bond, leases, and other debt proceeds provide current financial resources to governmental funds, but issuing deb increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. This is the principal paid on the equipment lease.		1,213
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This is the net change in revenue unavailable for use.		(1,989)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Accrued interest not reflected in the governmental fund:		36
Pension expense not reflected in the governmental funds:		(82,044)
Tming difference in pension contribution expense due to net pension liability		25,692
Governmental funds do not recognize compensated absences as expenditures until they are paid. In contrast, the Statement of Activities treats compensated absences as a long-term liability. This amount is the net change in the compensated absence liability.		195
Change in net position of governmental activities:	$	239,101

CITY OF UCON - STATE OF IDAHO
STATEMENT OF NET POSITION - PROPRIETARY FUND TYPES
For the Year Ended September 30, 2024

	WATER FUND	SEWER FUND	TOTAL
ASSETS			
Cash and cash equivalents	$ 775,140	$ 1,265,906	$ 2,041,046
Receivables	31,712	27,526	59,238
Prepaid expenses	-	-	-
Capital Assets			
Construction in progress	-	-	-
Land and improvements not being depreciated	28,424	20,595	49,019
Buildings	83,864	83,864	167,728
Equipment and furniture	79,978	138,659	218,637
Water system	2,194,458	-	2,194,458
Sewer system	-	3,239,251	3,239,251
Buildings and equipment under capital leases	68,935	68,935	137,870
Less: Accumulated depreciation	(1,347,486)	(3,110,535)	(4,458,021)
Total capital assets	1,108,173	440,769	1,548,942
TOTAL ASSETS	1,915,025	1,734,201	3,649,226
DEFERRED OUTFLOWS - Pension	$ 9,701	$ 9,701	$ 19,402

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

	WATER FUND	SEWER FUND	TOTAL
LIABILITIES			
Accounts payable and accrued expenses	$ 7,511	$ 38,903	$ 46,414
Customer deposits payable	1,836	2,376	4,212
Due to other governmental agencies	-	-	-
Long-term liabilities			
Due within one year			
Bonds, capital leases and contracts	5,756	5,756	11,512
Accrued interest	2,697	2,697	5,394
Compensated absences	-	-	-
Due in more than one year			
Bonds, capital leases and contracts, net of bond discount	48,741	48,741	97,482
Accrued interest	-	-	-
Compensated absences	-	-	-
Net pension liability (asset)	36,463	36,463	72,926
TOTAL LIABILITIES	103,004	134,936	237,940
DEFERRED INFLOWS - Pension	-	-	-
NET POSITION			
Net investment in capital assets	1,050,979	383,575	1,434,554
Restricted for			
Capital projects	-	-	-
Debt service	-	-	-
Other projects	-	-	-
Unrestricted	770,743	1,225,391	1,996,134
TOTAL NET POSITION	$ 1,821,722	1,608,966	$ 3,430,688

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CITY OF UCON - STATE OF IDAHO
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND TYPES
For the Year Ended September 30, 2024

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Utility charges	$ 279,417	$ 404,220	$ 683,637
Miscellaneous operating revenue	-	-	-
TOTAL OPERATING REVENUES	279,417	404,220	683,637
OPERATING EXPENSES			
Depreciation and amortization	59,684	69,578	129,262
Maintenance and repairs	27,274	254,584	281,858
Insurance	10,412	10,412	20,824
Contracted and professional services	11,824	14,330	26,154
Other operating expenses	6,696	6,234	12,930
Wages, taxes and benefits	79,087	88,105	167,192
Utilities	37,442	15,536	52,978
Drinking water compliance	-	-	-
Bad debt	-	-	-
TOTAL OPERATING EXPENSES	232,419	458,779	691,198
OPERATING INCOME (LOSS)	46,998	(54,559)	(7,561)
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	35,718	63,245	98,963
Miscellaneous revenue	1,660	-	1,660
Miscellaneous expense	(1,179)	(1,179)	(2,358)
Grants	-	5,850	5,850
Gain (loss) on sale of assets	4,250	4,000	8,250
Interest expense	(3,176)	(3,176)	(6,352)
TOTAL NONOPERATING REVENUES (EXPENSES)	37,273	68,740	106,013
Income (loss) before transfers	84,271	14,181	98,452
Operating transfers in	15,590	-	15,590
Operating transfers out	(4,250)	(4,000)	(8,250)
CHANGE IN NET POSITION	95,611	10,181	105,792
Net Position - October 1, 2023	1,726,111	1,598,785	3,324,896
NET POSITION - September 30, 2024	$ 1,821,722	$ 1,608,966	$ 3,430,688

CITY OF UCON - STATE OF IDAHO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
For the Year Ended September 30, 2024

		WATER FUND
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	276,743
Payments to suppliers		(89,937)
Payments to employees		(86,592)
Payments to other funds		-
Other operating receipts (payments)		-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		100,214
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers to/from other funds		11,340
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Principal paid on capital debt		(5,460)
Interest paid on capital debt		(3,338)
Proceeds from sale of assets		4,250
Other receipts (payments)		481
NET CASH PROVIDED (USED) BY CAPITAL AND FINANCING ACTIVITIES		(4,067)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends		35,718
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		35,718
Net increase (decrease) in cash and cash equivalents		143,205
CASH AND CASH EQUIVALENTS - October 1, 2023		631,935
CASH AND CASH EQUIVALENTS - September 30, 2024	$	775,140
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$	46,998
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		59,684
Supplies received through Homeland Security		-
Change in assets and liabilities:		
(Increase) Decrease in receivables, net		(2,674)
(Increase) Decrease in prepaid expenses		442
Increase (Decrease) in pension expense due to timing differences		(7,505)
Increase (Decrease) accounts and other payables		3,269
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$	100,214

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

	SEWER FUND		TOTAL
$	401,122	$	677,865
	(292,465)		(382,402)
	(95,610)		(182,202)
	-		-
	-		-
	13,047		113,261
	1,850		13,190
	(5,460)		(10,920)
	(3,338)		(6,676)
	4,000		8,250
	(1,179)		(698)
	(5,977)		(10,044)
	63,245		98,963
	63,245		98,963
	72,165		215,370
	1,193,741		1,825,676
$	1,265,906	$	2,041,046
$	(54,559)	$	(7,561)
	69,578		129,262
	-		-
	(3,098)		(5,772)
	442		884
	(7,505)		(15,010)
	8,189		11,458
$	13,047	$	113,261

NOTES TO THE FINANCIAL STATEMENTS

CITY OF UCON - STATE OF IDAHO
INDEX TO NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2024

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ucon is organized and operates under the provisions of the Idaho Constitution and the accounting policies and practices of the City conform to accounting principles generally accepted in the United States of America as applied to governments, except for the exceptions noted hereafter:

A. GENERAL

The financial statements listed in the table of contents have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's basic financial statements consist of government-wide financial statements, including the Statement of Net Position and the Statement of Activities, and fund financial statements which provide a more detailed level of financial position.

B. REPORTING ENTITY

The scope of the reporting entity is intended to cover those funds under the direct jurisdiction of the mayor and city council of the City of Ucon. Other governing boards, elected or appointed, that exercise substantial or total administrative and supervisory authority in their name and are considered to be substantially autonomous from the government of the City of Ucon are not included in this report.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the government. The City's activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The *Statement of Net Position* presents the City's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is restricted when constraints placed upon it are either externally imposed or are imposed by constitutional provisions or enabling legislation.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Separate statements are provided for *governmental* and *proprietary funds*. For governmental and proprietary funds, the emphasis is on major funds, with each displayed in a separate column.

The City reports the following major governmental fund:

- **General Fund** - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

The City reports the following major proprietary funds:

- **Water Fund –** This fund accounts for the operation and maintenance of water operations and is funded primarily by user fees.

- **Sewer Fund** – This fund accounts for the operation and maintenance of sewer operations and is also primarily funded by user fees.

Governmental Fund Types

Governmental funds account for the City's general activities including current expendable financial resources (except for those accounted for in proprietary funds) and are those through which most governmental functions of the City are financed.

Proprietary Fund Types – Enterprise Funds

Enterprise Funds account for operations that meet one of two criteria: 1) the activity runs in a manner similar to private business enterprises. Moreover, the intent of the governing body is that the ongoing operating costs (including depreciation) of providing goods or services to the public are financed or recovered primarily through user charges, or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary funds account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governments. The City does not have any fiduciary funds at this time.

Trust funds and Custodial funds – Private Purpose Trust Funds account for funds held in a trustee capacity. Custodial Funds are primarily used to collect and remit funds for other governmental agencies. The City does not have any of these funds at this time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Other revenues are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The proprietary and fiduciary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally 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. Nonoperating items, such as interest expense and investment earnings, result from nonexchange transactions or ancillary activities.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION

Following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity:

Cash and Investments

Cash and cash equivalents consist primarily of demand deposits with financial institutions and short-term investments with original maturities of three months or less from the purchase date. Investments include pooled investments and certificates of deposit with original maturities greater than three months.

Receivables

Receivables from other governments include accrued amounts for state revenues. Receivables from other governments are reasonably assured; accordingly, no allowance for uncollectible accounts has been established.

Taxes Receivable

Property taxes are levied in September of each year and become payable on December 20 and June 20 of the following year for real property taxes and December 20 for personal property taxes.

Property taxes attach as an enforceable lien as of December 20 following levy in September. Therefore, no amount has been set aside for an allowance for doubtful accounts. Property taxes not collected before December 1, 2024 are classified as revenue unavailable for use.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. ASSETS, LIABILITIES, AND FUND BALANCES/NET POSITION (Continued)

Capital Assets

The City defines a capital asset as an asset with an estimated useful life of more than one year and initial cost of $5,000 or more for equipment, $25,000 or more for land and buildings and infrastructure over $100,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value on the date of acquisition.

Capital assets purchased in governmental funds are recorded as expenditures in the governmental fund statements. Interest expense incurred for capital asset construction related to governmental activities is not capitalized while interest expense incurred during construction of capital assets related to business-type activities is capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Building, equipment, infrastructure, and other depreciable assets are depreciated using the straight-line method over estimated useful lives of 5 to 40 years.

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Long-term Obligations

In the government-wide statements and proprietary fund statements, long-term debt, leases and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Issuance costs are expensed in the current period. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized as expenditures in the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The face amount of debt issued is reported as other financing sources.

Net Position/Fund Balances

The difference between assets plus deferred outflows and liabilities plus deferred inflows is reported as net position on the government-wide statements and as fund balance on the governmental fund statements.

F. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position and the fund-based statements report a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position or fund balance that applies to a future period, or periods, so it will not be recognized as an outflow of resources until that time. The City has one deferred outflow related to pension reporting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

In addition to liabilities, the Statement of Net Position and the fund-based statements report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position or fund balance that applies to a future period, or periods, so it will not be recognized as an inflow of resources until that time. This amount is deferred and recognized as an inflow of resources in the period that amounts become available. The City has a deferred inflow associated with pension reporting on the Statements of Net Position and a deferred inflow associated with revenue unavailable for use on the governmental Balance Sheet.

G. NONSPENDABLE AND SPENDABLE FUND BALANCES

Fund balance is separated into nonspendable and spendable fund balances. Nonspendable fund balance includes amounts that cannot be spent because they are either: (1) not in spendable form; or (2) legally or contractually required to be maintained intact. Spendable amounts are classified into restricted, committed, assigned, and unassigned. The following is a list of nonspendable and spendable fund balance designations for the City of Ucon:

Nonspendable: This designation segregates fund balances that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted: This designation segregates a portion of the fund balance when constraints have been placed on the use of the resources either externally by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed: This designation indicates a portion of the fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the Mayor and City Council. It cannot be used for any other purpose unless the Mayor and City Council removes or changes the specified use by taking the same type of action employed to previously commit the fund balance.

Assigned: This designation indicates a fund balance that can only be spent for purposes officially delegated by authority (the budget process) or is constrained by governmental intent but is not restricted or committed.

Unassigned: This designation indicates a fund balance is not assigned to any specific purpose or is a negative fund balance. The City will use the positive unassigned fund balance for expenditures in the subsequent fiscal year.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City will generally use restricted fund balance first, then unrestricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. BUDGETS AND BUDGETARY ACCOUNTING

The Idaho Constitution and the Idaho Department of Revenue and Taxation prescribe the budget process and procedures for governmental subdivisions. The City of Ucon has satisfied the basic requirements prescribed in the following particulars:

1) Formulation of subsequent year budget requirements by internal City officers and personnel.

2) Perusal of formulated budgets by the City Council and its clerk.

3) Presentation of preliminary and final budget requirements in formal news media of the City.

4) Open hearings to permit taxpayer input before such budgets are formally adopted.

Subsequent control budgets following adoption are accomplished through a budget-expenditures control system with interim status accounting and reporting made available to officers and employees for management purposes. Budgets are adopted on a cash basis of accounting. The City does not maintain a formal encumbrance accounting system.

I. COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

Accumulated unpaid vacation and other employee benefits are accrued when incurred in proprietary funds on the accrual basis of accounting. Such amounts are not accrued in governmental funds on the modified accrual basis of accounting. At September 30, 2024, unrecorded fund liabilities included approximately $4,475 of total leave time accumulations that are considered normal to City operations.

Vacation and compensatory leave together are recorded as an expenditure when used in governmental funds and as an expense when earned in proprietary funds and in the government-wide statements. A liability for unused vacation and compensatory leave is recorded in the government-wide Statement of Net Position.

J. REVENUES AND EXPENDITURES/EXPENSES

Under the modified accrual basis of accounting, revenues are recognized in governmental funds when measurable and available. Revenues are considered to be available when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City of Ucon considers property tax revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 30 days after year-end. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

In proprietary funds and government-wide statements, revenues are recognized when earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. EXPENDITURE/EXPENSE RECOGNITION

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisition and construction is reported as an expenditure in the period they are acquired.

In proprietary funds and government-wide statements, expenses are recorded when the related liability is incurred.

Operating expenses for enterprise funds, if applicable, include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expenditure or expense is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

L. INTERFUND ACTIVITY AND BALANCES

Government-wide Statements

In general, eliminations have been made to minimize the double-counting of internal activity. During the 2024 fiscal year, there were transfers between the governmental and business-type activities.

Governmental Fund Statements

Interfund transactions for goods and services provided and used are reported as revenues and expenditures/expenses in the funds involved. Cash transfers between funds of the City are reported as other financing sources and uses in the governmental fund statements.

M. USE OF ESTIMATES

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

N. PENSIONS

For purposes of measuring the net pension liability and pension expenses, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. LEASES

The City accounts for leases in accordance with GASB 87. The City is a lessee in operating leases for large equipment. Leases are evaluated using the criteria outlined in GASB 87 to determine whether they will be classified as operating leases or finance leases. The City determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The City determines if an arrangement conveys the right to use an identified assets and whether the City obtains substantially all of the economic benefit from and has the ability to direct the use of the asset. The City recognizes a lease liability and right-of-use (ROU) asset at the commencement date of the lease. At September 30, 2024, operating lease

ROU assets and related current and long-term portions of operating lease liabilities have been presented in the balance sheet.

Lease liabilities: a lease liability is measured based on the present value of its future lease payments. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the City uses its incremental borrowing rate. The City's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow ana mount equal to the lese payments under similar terms and in a similar economic environment and geographic location.

ROU assets: a ROU assets is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability, plus (minus) unamortized initial direct costs, plus (minus) any prepaid (accrued lease payments), less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease of the term. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

2. CASH AND INVESTMENTS

Cash and cash equivalents are defined as those financial instruments which have a maturity date of three months or less from the date of acquisition.

Cash deposits and investments of the City as of September 30, 2024, totaled $3,624,825 of which $310,486 represented demand deposits and $3,314,339 represented deposits in the State of Idaho Local Government Investment Pool. Of the total deposits, $1,583,779 was allocated to governmental funds and $2,041,046 was allocated to the enterprise funds.

The deposits and simple investments by the City are not collateralized nor are they required to be by Idaho statute.

The City follows the requirements of the Idaho Public Depository Law (Idaho Code Section, Title 57-100), and applicable investment rights and restrictions cited by the Idaho Code Section, Title 67, 67-210.

Deposits
At year end, the carrying amount of the City's deposits in financial institutions was $310,486 and the bank balance was $319,459. Of this amount, $4,878 was not covered by FDIC insurance.

Investments
The fair value of the City's investments at year end was $3,314,339, invested entirely with the State of Idaho Local Government Investment Pool. This investment pool is an unrated fund. The information on the amount not covered by SIPC or FDIC insurance is not available.

The investments in the amount of $3,314,339 in the LGIP are through the Idaho State Treasurer who provides the oversight of these monies. Monies held by the LGIP were held in the following investments: government agency notes, commercial paper, corporate bonds, money markets, U.S. treasury notes, Idaho repurchase agreements, and purchased accrued interest. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). The investments in the LGIP are subject to risk from market and interest rate fluctuations. The weighted average maturity at September 30, 2024 was 84 days.

The City does not have a written policy addressing credit risk, custodial credit risk or interest risk.

3. CAPITAL ASSETS

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

	Balance 10-01-2023	Additions	Deletions	Balance 09-30-2024
Governmental Activities				
Capital assets, not being depreciated				
Land and construction in progress	$ 134,469	$ 3,489	$ -	$ 137,958
Total capital assets, not being depreciated	134,469	3,489	-	137,958
Capital assets, being depreciated				
Buildings and improvements	444,231	-	-	444,231
Machinery and equipment	919,529	-	(28,888)	890,641
Operating lease - right-of-use assets	15,279	-	-	15,279
Total capital assets, being depreciated	1,379,039	-	(28,888)	1,350,151
Less accumulated depreciation for				
Buildings and improvements	(235,524)	(12,146)	-	(247,670)
Machinery and equipment	(476,293)	(74,110)	26,088	(524,315)
Total accumulated depreciation	(711,817)	(86,256)	26,088	(771,985)
Less accumulated amortization for				
Operating lease - right of use assets	(3,056)	(3,056)	-	(6,112)
Total accumulated amortization	(3,056)	(3,056)	-	(6,112)
Total capital assets, being depreciated, net	664,166	(89,312)	(2,800)	574,054
Governmental activity, capital assets, net	$ 798,635	$ (85,823)	$ (2,800)	$ 712,012

Depreciation expense was charged to current function of the primary government as follows:

Governmental Activities	
General government	$ 10,986
Public safety	58,932
Public works	15,132
Culture and recreation	4,262
Total governmental activities	$ 89,312

3. CAPITAL ASSETS (Continued)

	Balance 10-01-2023	Additions	Deletions	Balance 09-30-2024
Proprietary Activities				
WATER				
Capital assets, not being depreciated				
Land	$ 28,424	$ -	$ -	$ 28,424
Total water assets, not being depreciated	28,424	-	-	28,424
Capital assets, being depreciated				
Water system	2,194,458	-	-	2,194,458
Equipment and furniture	170,754	-	(90,776)	79,978
Buildings	83,864	-	-	83,864
Operating lease – right of use assets	68,935	-	-	68,935
Total water assets, being depreciated	2,518,011	-	(90,776)	2,427,235
Less accumulated depreciation for				
Water system	(1,157,254)	(41,825)	-	(1,157,254)
Equipment and furniture	(161,216)	(1,489)	90,776	(161,216)
Buildings	(46,321)	(2,583)	-	(46,321)
Total accumulated depreciation	(1,364,791)	(45,897)	90,776	(1,319,912)
Less accumulated amortization for				
Operating lease – right of use assets	(13,787)	(13,787)	-	(27,574)
Total accumulated amortization	(13,787)	(13,787)	-	(27,574)
Total water assets, being depreciated, net	1,139,433	(59,684)	-	1,079,749
Total water assets, net	$ 1,167,857	$ (59,684)	$ -	$ 1,108,173

3. CAPITAL ASSETS (Continued)

	Balance 10-01-2023	Additions	Deletions	Balance 09-30-2024
Proprietary Activities				
SEWER				
Capital assets, not being depreciated				
Land	$ 20,595	$ -	$ -	$ 20,595
Total sewer assets, not being depreciated	20,595	-	-	20,595
Capital assets, being depreciated				
Sewer system	3,239,251	-	-	3,239,251
Equipment and furniture	150,054	-	(11,395)	138,659
Buildings	83,864	-	-	83,864
Operating lease – right of use asset	68,935	-	-	68,935
Total sewer assets, being depreciated	3,542,104	-	(11,395)	3,530,709
Less accumulated depreciation for				
Sewer system	(2,903,968)	(45,105)	-	(2,949,073)
Equipment	(88,276)	(8,103)	11,395	(84,984)
Buildings	(46,321)	(2,583)	-	(48,904)
Total accumulated depreciation	(3,038,565)	(55,791)	11,395	(3,082,961)
Less accumulated amortization for				
Operating lease – right of use assets	(13,787)	(13,787)	-	(27,574)
Total accumulated amortization	(13,787)	(13,787)	-	(27,574)
Total sewer assets, being depreciated, net	489,752	$ (69,578)	$ -	$ 420,174
Total sewer assets, net	$ 510,347	$ (69,578)	$ -	$ 440,769

Depreciation expense was charged to current function of the proprietary funds as follows:

Proprietary activities	
Water fund	$ 59,684
Sewer fund	69,578
Total proprietary activities	$ 129,262

4. PENSION PLAN

Plan Description

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

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

Pension Benefits

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

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement of 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 June 30, 2024, it was 6.71% for general employees and 9.83% for police and firefighters. The employer contribution rate of covered payroll is set by the Retirement Board and was 11.18% for general employees and 13.26% for police and firefighters. The City's contributions were $35,605 for the year ended June 30, 2024.

4. PENSION PLAN (Continued)

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 .00649856 percent.

For the year ended September 30, 2024, the City recognized pension expense/(revenue) of $78,046. 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	$ 38,702	$ -
Changes in assumptions or other inputs	9,630	-
Net difference between projected and actual earnings on pension plan investments	(4,412)	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	11,305	-
City contributions subsequent to the measurement date	9,448	-
Total	$ 64,673	$ -

$9,448 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2024, the beginning of the measurement period ended June 30, 2023 is 4.4 and 4.4 for the measurement period June 30,2024.

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

Year ended June 30:	
2024	$ 11,998
2025	45,324
2026	(7,816)
2027	(5,587)

4. PENSION PLAN (Continued)

Actuarial Assumptions

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

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

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

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

4. PENSION PLAN (Continued)

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2024.

Asset Class	2024
Cash	0.00%
Fixed Income	30.00%
US/Global Equity	55.00%
International Equity	15.00%
Total	100.00%

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 Employer's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	$461,943	$243,088	$64,339

4. PENSION PLAN (Continued)

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.

Payables to the pension plan

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

5. LITIGATION AND CONTINGENT LIABILITIES

No claims or lawsuits are pending against the City.

6. LONG-TERM DEBT/LEASES

Long-term Obligation Activity:

General long-term obligations of the City are limited to accrued compensation. During the year ending September 30, 2024, the following changes occurred in long-term debt/leases:

Governmental Activities	Balance 10-01-2023	Additions	Reductions	Balance 09-30-2024	Amounts due within one year
Accrued compensation	$ 4,670	$ -	$ 195	$ 4,475	$ 4,475
Accrued interest	635	-	36	599	599
Right-of-use asset	13,324	-	1,213	12,111	1,279
Net pension liability (asset)	130,605	39,557	-	170,162	-
Total governmental activities	149,234	39,557	1,444	187,347	6,353

6. LONG-TERM DEBT/LEASES (Continued)

Business-type Activities	Balance 10-01-2023	Additions	Reductions	Balance 09-30-2024	Amounts due within one year
Accrued interest	$ 5,718	-	324	5,394	5,394
Water right-of-use asset	59,957	-	5,460	54,497	5,756
Sewer right-of-use asset	59,957	-	5,460	54,497	5,756
Net pension liability (asset)	130,604	-	57,678	72,926	-
Total business-type activities	256,236	-	68,922	187,314	16,906
Total long-term activities	$ 405,470	$ 39,557	$ 70,366	$ 374,661	$ 23,259

Compensated absences typically have been liquidated in the general fund.

Debt Service Requirements:

Debt service requirements on long-term debt/leases at September 30, 2024, are as follows, with 90% owing to business activities and 10% owing to governmental terms. Lease was through Summit National Bank for a 2022 Caterpillar 420XE Backhoe Loader with a total amount of $152,790. The lease was initiated on November 11, 2022, and is expected to end in 2027 with a purchase option that is reasonably sure to be acted upon. The annual interest rate is 5.490%.

Governmental Activities	General Fund Portion of Lease 10%	
Year	Principal	Interest
2025	$ 1,279	$ 676
2026	1,352	603
2027	1,427	528
2028	8,053	448
	$ 12,111	$ 2,255

6. LONG-TERM DEBT/LEASES (Continued)

Business-type Activities	Water Portion of Lease 45%			Sewer Portion of Lease 45%	
Year	Principal	Interest	Year	Principal	Interest
2025	$ 5,756	$ 3,042	2025	$ 5,756	$ 3,042
2026	6,085	2,713	2026	6,085	2,713
2027	6,423	2,374	2027	6,423	2,374
2028	36,233	2,017	2028	36,233	2,017
	$ 54,497	$ 10,146		$ 54,497	$ 10,146

7. RELATED PARTY TRANSACTIONS

The City has not been directly involved in related party transactions that would violate the Idaho Code or Federal Regulations.

8. MATERIAL VIOLATION OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

There were no material violations of finance related legal or contractual provisions for the 2023 – 2024 fiscal year.

9. RISK MANAGEMENT

The City is exposed to various risks related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City's risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers.

10. DEFICITS AND INTERFUND TRANSACTIONS

There were no fund deficits reportable by the City.

There were no interfund transfers for the year ended September 30, 2024.

11. SUBSEQUENT EVENTS

There are no known subsequent events that will have a material impact on the operation of the City. Subsequent events were considered through the report date of March 12, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UCON - STATE OF IDAHO
BUDGET AND ACTUAL (WITH BUDGET TO GAAP DIFFERENCES)
GENERAL FUND
For the Year Ended September 30, 2024

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY
	ORIGINAL	FINAL	BASIS
REVENUES			
Property taxes	$ 96,400	$ 96,400	$ 98,868
Sales and miscellaneous taxes	20,000	20,000	23,320
Fees and fines	6,500	6,500	8,697
Licenses and permits	9,000	9,000	7,429
Intergovernmental	1,040,900	1,040,900	672,773
Charges for services	500	500	482
Investment earnings	30,000	30,000	73,916
Miscellaneous	114,800	114,800	33,627
TOTAL REVENUES	1,318,100	1,318,100	919,112
EXPENDITURES			
Current:			
General government	51,600	51,600	44,893
Public safety	995,800	995,800	470,715
Public works	49,500	49,500	27,175
Health, welfare and sanitation	-	-	-
Culture and recreation	24,700	24,700	30,653
Education	-	-	-
Conservation and economic development	5,000	5,000	-
Debt Service:			
Principal	2,000	2,000	1,955
Interest and other charges	-	-	-
Capital outlay	189,500	189,500	4,974
TOTAL EXPENDITURES	1,318,100	1,318,100	580,365
Excess (deficiency) of revenues over expenditures	-	-	338,747
OTHER FINANCING SOURCES (USES)			
Other financing sources (uses)	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(15,590)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(15,590)
SPECIAL ITEM			
Proceeds from sale of capital assets	-	-	-
Net change in fund balances	-	-	323,157
Fund Balances, October 1, 2023	1,470,337	1,470,337	1,470,337
FUND BALANCES, SEPTEMBER 30, 2024	$ 1,470,337	$ 1,470,337	$ 1,793,494

BUDGET TO GAAP DIFFERENCES	ACTUAL AMOUNTS GAAP BASIS
$ -	$ 98,868
573	23,893
234	8,931
-	7,429
65,801	738,574
-	482
-	73,916
(16,400)	17,227
50,208	969,320
525	45,418
2,995	473,710
4,556	31,731
-	-
(1,447)	29,206
-	-
-	-
(742)	1,213
742	742
(1,485)	3,489
5,144	585,509
45,064	383,811
-	-
8,250	8,250
-	(15,590)
8,250	(7,340)
8,150	8,150
61,464	384,621
-	1,470,337
$ 61,464	$ 1,854,958

CITY OF UCON - STATE OF IDAHO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL
For the Year Ended September 30, 2024

1. The legally adopted budget for the City of Ucon is based on the modified cash basis of accounting. Adjustments to the modified cash basis of accounting are listed as GAAP differences.

2. Debt payments are reclassified from general operating expense to show principal and interest portions of cash payments.

3. Higher operating expenses may be reflected on the GAAP basis if equipment was purchased at year-end with a partial payment budgeted in the current year and an account payable booked to reflect the final payment in the subsequent year's budget.

CITY OF UCON - STATE OF IDAHO
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
PERSI - BASE PLAN
Last 10 Fiscal Years*

	PERSI BASE PLAN				
Fiscal Year	Employer's portion of net pension liability	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportianal share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.0064180%	$ 84,515	$ 178,544	47.34%	91.38%
2016	0.0061913%	$ 125,507	$ 135,229	92.81%	87.26%
2017	0.0060357%	$ 94,871	$ 171,886	55.19%	90.68%
2018	0.0049537%	$ 73,068	$ 165,493	44.15%	91.69%
2019	0.0042106%	$ 48,063	$ 140,600	34.18%	93.79%
2020	0.0049503%	$ 114,953	$ 175,259	65.59%	88.22%
2021	0.0052773%	$ (4,168)	$ 195,355	-2.13%	100.36%
2022	0.0056579%	$ 222,851	$ 222,073	100.35%	83.09%
2023	0.0065455%	$ 261,209	$ 274,867	95.03%	83.83%
2024	0.0064986%	$ 243,088	$ 295,936	82.14%	85.54%

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

Data reported is measured as of June 30.

CITY OF UCON - STATE OF IDAHO
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERSI - BASE PLAN
Last 10 Fiscal Years*

	PERSI BASE PLAN				
Fiscal Year	Statutorily Required Contribution	Contribution in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2015	$ 20,350	$ 20,624	$ (274)	$ 181,184	11.38%
2016	$ 15,781	$ 15,781	$ -	$ 136,323	11.58%
2017	$ 21,424	$ 21,424	$ -	$ 186,150	11.51%
2018	$ 16,782	$ 16,782	$ -	$ 146,593	11.45%
2019	$ 16,510	$ 16,510	$ -	$ 141,836	11.64%
2020	$ 21,725	$ 21,725	$ -	$ 180,417	12.04%
2021	$ 25,057	$ 25,057	$ -	$ 208,135	12.04%
2022	$ 27,275	$ 27,275	$ -	$ 226,548	12.04%
2023	$ 34,175	$ 34,175	$ -	$ 283,517	12.05%
2024	$ 36,675	$ 36,675	$ -	$ 299,572	12.24%

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

Data reported is measured as of September 30.

CITY OF UCON - STATE OF IDAHO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PERSI – BASE PLAN
For the Year Ended September 30, 2024

Methods and Assumptions Used in Calculations of Actuarily Determined Contributions

The actuarially determined contribution rates in the employer's contributions are calculated as of June 30, 2024. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	PERSI Base Plan
Valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Amortization method	Level percentage of projected payroll open
Remaining amortization period	10.8 years
Asset valuation method	Fair Market value
Actuarial assumptions:	
Investment Rate of Return *	6.35%
Projected salary increases including inflation	3.05%
Postretirement benefit increase	1.00%
Implied price inflation rate	2.30%
Discount Rate – Actuarial Accrued Liability	6.35%

* net of investment expenses

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OTHER SUPPLEMENTARY INFORMATION

CITY OF UCON - STATE OF IDAHO
SCHEDULE OF CAPITAL ASSETS
GOVERNMENTAL FUNDS
September 30, 2024

PARK AND RECREATION EQUIPMENT		
Tennis courts	$	79,328
Tables and shelters		10,708
Playground equipment		10,823
Mower and equipment		13,718
Construction in Progress		112,958
TOTAL PARK AND RECREATION EQUIPMENT		227,535
FIRE DEPARTMENT EQUIPMENT		
Fire trucks & vehicles		300,570
Bulldozer & trailer		35,000
SCBA equipment		172,505
Thermal camera		14,000
Insulated shed		15,000
TOTAL FIRE DEPARTMENT EQUIPMENT		537,075
STREET DEPARTMENT EQUIPMENT		
Freightliner Truck		9,400
SkyTrak forklift		17,000
CAT 130G grader		72,000
Ford F-350 (10%)		1,338
Street lights		19,870
Leased Caterpillar		15,279
Snowplow for F-350		7,850
TOTAL STREET DEPARTMENT EQUIPMENT		142,737
CITY HALL AND OFFICE EQUIPMENT		
City building		160,000
Land		25,000
Software		2,640
Improvements		206,648
Solar panels		38,207
Generator light pole		10,990
TOTAL CITY HALL AND OFFICE EQUIPMENT		443,485
POLICE DEPARTMENT		
Portable message board		7,680
Software		10,000
Police cars		109,597
100K Generator		10,000
TOTAL POLICE DEPARTMENT		137,277
TOTAL GENERAL CAPITAL ASSETS		1,488,109
Less: Accumulated depreciation		(778,097)
NET GENERAL CAPITAL ASSETS	$	710,012

CITY OF UCON - STATE OF IDAHO
SCHEDULE OF CAPITAL ASSETS
PROPRIETARY FUNDS
September 30, 2024

LAND		
Well land	$	28,424
Lift station land		20,595
		49,019
WATER SYSTEM		
Pressure tank and pump (1965)		40,503
New well and water tank		10,079
Water system (1981-87)		680,001
Water pipe		9,311
Waterline extension		412,386
Pipe - Cole Addition		14,924
Well house		23,489
Well house and waterline extension		725,376
System upgrades		157,389
Extension to steel plant		121,000
TOTAL WATER SYSTEM		2,194,458
BUILDINGS		
City building		167,728
OTHER EQUIPMENT		
Heavy duty equipment		188,128
Computer and software		9,159
Car 40%		7,870
SCADA Upgrade		11,762
Generators		-
Pumps & upgrades		102,181
Fencing		15,702
MI.NET Meter Read		9,654
Ford F-350 (90%)		12,050
TOTAL OTHER EQUIPMENT		356,506
SEWER SYSTEM		
Sewer construction		2,778,699
Road improvements		49,367
Wastewater grant		290,186
Extension to steel plant		121,000
TOTAL SEWER SYSTEM		3,239,252
TOTAL PROPRIETARY ASSETS		6,006,963
Less: Accumulated depreciation		(4,458,021)
NET PROPRIETARY CAPITAL ASSETS	$	1,548,942

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Ucon – State of Idaho
Ucon, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Ucon, State of 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, and have issued our report thereon dated March 12, 2025.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Ucon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ucon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ucon'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ucon'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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Idaho Falls • Rexburg

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 result 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.

Searle Hart + Associates PLLC

Idaho Falls, Idaho
March 12, 2025