



Financial Statements
September 30, 2018
City of Gooding

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Gooding
Gooding, Idaho 83330

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gooding, Idaho (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gooding, Idaho, as of September 30, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedules of employer's share of net pension liability and employer contributions on pages 37 through 42 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and is not a required part of the financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gooding's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Gooding, Idaho
March 4, 2019

City of Gooding
Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,216,083	\$ 1,821,586	\$ 3,037,669	\$ 2,703
Investments	116,578	142,187	258,765	62,431
Receivables				
Property tax	1,119,884	-	1,119,884	-
Assessments, net	-	135,936	135,936	-
Sales tax	45,771	-	45,771	-
Highway users	41,050	-	41,050	-
City highway	314	-	314	-
Revenue sharing	34,317	-	34,317	-
Liquor apportionment	10,394	-	10,394	-
Grants receivable	191,749	117,189	308,938	-
Franchise fee receivable	7,298	-	7,298	-
Miscellaneous	1,480	-	1,480	-
Inventory	27,628	-	27,628	-
Restricted assets				
Cash	1,573	39,849	41,422	-
Capital assets-nondepreciable	705,953	6,780,245	7,486,198	377,083
Capital assets net of depreciation	4,969,567	2,597,983	7,567,550	-
Total assets	8,489,639	11,634,975	20,124,614	442,217
Deferred Outflows of Resources				
Pension obligations	115,904	59,843	175,747	-
Total deferred outflows of resources	115,904	59,843	175,747	-
Total assets and deferred outflows of resources	\$ 8,605,543	\$ 11,694,818	\$ 20,300,361	\$ 442,217

City of Gooding
Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Accounts payable	\$ 213,739	\$ 245,191	\$ 458,930	\$ -
Payroll payable	62,744	18,302	81,046	-
Customer deposits	-	39,849	39,849	-
Accrued interest	-	67,055	67,055	-
Compensated absences	42,340	23,325	65,665	-
Net pension liability	379,676	186,808	566,484	-
Loans payable -due within one	-	70,200	70,200	-
Loan payable- due in more than one year	-	4,929,800	4,929,800	-
Total liabilities	<u>698,499</u>	<u>5,580,530</u>	<u>6,279,029</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenues-property taxes	1,028,364	-	1,028,364	-
Pension obligations	91,400	48,246	139,646	-
Total deferred inflows of resources	<u>1,119,764</u>	<u>48,246</u>	<u>1,168,010</u>	<u>-</u>
Net Position				
Net investment in capital assets	5,675,520	4,378,228	10,053,748	-
Restricted	1,573	-	1,573	-
Unrestricted	1,110,187	1,687,814	2,798,001	442,217
Total net position	<u>6,787,280</u>	<u>6,066,042</u>	<u>12,853,322</u>	<u>442,217</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,605,543</u>	<u>\$ 11,694,818</u>	<u>\$ 20,300,361</u>	<u>\$ 442,217</u>

City of Gooding
Balance Sheet Governmental Funds
September 30, 2018

	General Fund	Airport Fund	Street Fund	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	\$ 397,612	\$ 647,838	\$ 41,674	\$ 70,830	\$ 58,129	\$ 1,216,083
Investments	-	-	-	-	116,578	116,578
Receivables						
Interfund receivables	-	126,143	-	-	-	126,143
Grants receivable	8,397	183,352	-	-	-	191,749
Property taxes	654,007	23,927	263,655	59,888	118,407	1,119,884
Sales tax	26,754	976	10,762	2,445	4,834	45,771
Highway users	-	-	41,050	-	-	41,050
City highway	-	-	314	-	-	314
Revenue sharing	18,093	143	9,208	4,037	2,836	34,317
State liquor apportionment	10,394	-	-	-	-	10,394
Franchise fee receivable	7,298	-	-	-	-	7,298
Miscellaneous	1,480	-	-	-	-	1,480
Inventory	-	-	27,628	-	-	27,628
Restricted assets						
Cash	1,570	-	-	3	-	1,573
Total assets	<u>\$ 1,125,605</u>	<u>\$ 982,379</u>	<u>\$ 394,291</u>	<u>\$ 137,203</u>	<u>\$ 300,784</u>	<u>\$ 2,940,262</u>

City of Gooding
Balance Sheet Governmental Funds
September 30, 2018

	General Fund	Airport Fund	Street Fund	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Liabilities						
Interfund payables	\$ 55,993	\$ -	\$ -	\$ -	\$ 70,150	\$ 126,143
Accounts payable	88,340	73,792	43,481	1,339	6,786	213,738
Payroll payable	20,887	1,073	12,964	539	3,302	38,765
Accrued payroll liabilities	23,979	-	-	-	-	23,979
Total liabilities	189,199	74,865	56,445	1,878	80,238	402,625
Deferred Inflows of Resources						
Unavailable revenue - grants	-	8,637	-	-	-	8,637
Unavailable revenue - property taxes	644,832	23,550	259,694	58,987	116,710	1,103,773
Total deferred inflows of resources	644,832	32,187	259,694	58,987	116,710	1,112,410
Fund Balances						
Nonspendable-inventory	-	-	27,628	-	-	27,628
Restricted						
Drug law enforcement	1,570	-	-	-	-	1,570
Golf course fees	-	-	-	3	-	3
Assigned						
City Airport	-	875,327	-	-	-	875,327
Street Maintenance	-	-	50,524	-	-	50,524
Recreation	-	-	-	76,338	-	76,338
Capital improvement	-	-	-	-	43,515	43,515
Library services	-	-	-	-	60,321	60,321
Unassigned	290,004	-	-	-	-	290,004
Total Fund Balances	291,574	875,327	78,152	76,338	103,836	1,425,227
Total liabilities, deferred inflows of resources and fund balances	\$ 1,125,605	\$ 982,379	\$ 394,291	\$ 137,203	\$ 300,784	\$ 2,940,262

See Notes to Financial Statements

City of Gooding
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended September 30, 2018

Total governmental fund balance \$ 1,425,227

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of

Land	77,089	
Construction in progress	628,864	
Infrastructure	5,255,728	
Buildings	979,853	
Equipment	1,394,115	
Accumulated depreciation	<u>(2,660,129)</u>	
 Total capital assets		 5,675,520

The net pension liability is not due an payable in the current period and therefore is not reported in the funds, but is reported in the statement of net position. Deferred outflows and inflows of resources related to the net pension liability are also not reported in the funds but reported in the statement of net position.

Deferred Outflows of Resources - Pension obligations	115,904	
Deferred Inflows of Resources - Pension obligations	(91,400)	
Net Pension Liability	<u>(379,676)</u>	(355,172)

Some of the City's taxes and grants will be collected after year-end, but are not available soon enough to pay the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.

84,045

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at September 30, 2018 are as follows

Compensated absences payable	<u>(42,340)</u>	
 Total long-term liabilities		 <u>(42,340)</u>

Net position of governmental activities		<u><u>\$ 6,787,280</u></u>
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City of Gooding
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds
Year Ended September 30, 2018

	General Fund	Airport Fund	Street Fund	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 603,119	\$ 22,710	\$ 239,423	\$ 54,445	\$ 107,389	\$ 1,027,086
Ag replacement tax	4,032	-	-	-	-	4,032
Delinquent interest	12,882	-	-	-	-	12,882
Sales tax / revenue sharing	161,518	1,394	76,266	33,417	24,184	296,779
Highway users	-	-	162,483	-	-	162,483
City highway	-	-	49,128	-	-	49,128
State liquor apportionment	49,943	-	-	-	-	49,943
Franchise fees	47,798	-	17,621	-	-	65,419
Licenses, permits, fines and fees	37,179	-	20,000	-	5,601	62,780
Court revenue	10,267	-	-	-	-	10,267
Earnings on investments	736	1,858	207	128	1,446	4,375
Rural Fire District	28,719	-	-	-	-	28,719
Rent - hangars and land	-	11,209	-	-	-	11,209
Airport operator	-	5,561	-	-	-	5,561
Federal grants	36,141	356,957	-	-	-	393,098
State grants	-	23,210	-	-	20,507	43,717
Contributions and donations	33,529	-	-	-	274	33,803
Miscellaneous	613	444	2,257	28	57	3,399
Total revenues	1,026,476	423,343	567,385	88,018	159,458	2,264,680

City of Gooding
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds
Year Ended September 30, 2018

	General Fund	Airport Fund	Street Fund	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Expenditures						
Current						
General government	243,949	-	-	-	3,801	247,750
Public protection	768,583	-	-	-	-	768,583
Streets and airport	-	54,374	637,841	-	-	692,215
Library and recreation	-	-	-	63,508	156,583	220,091
Capital outlay	52,409	461,620	39,140	-	24,664	577,833
Total expenditures	<u>1,064,941</u>	<u>515,994</u>	<u>676,981</u>	<u>63,508</u>	<u>185,048</u>	<u>2,506,472</u>
Excess (deficiency) of revenues over (under) expenditures	(38,465)	(92,651)	(109,596)	24,510	(25,590)	(241,792)
Other Financing Sources						
Proceeds from the sale of assets	74,313	-	-	-	-	74,313
Total other financing sources	<u>74,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,313</u>
Net Change in Fund Balances	35,848	(92,651)	(109,596)	24,510	(25,590)	(167,479)
Fund Balances - Beginning	<u>255,726</u>	<u>967,978</u>	<u>187,748</u>	<u>51,828</u>	<u>129,426</u>	<u>1,592,706</u>
Fund Balances - Ending	<u>\$ 291,574</u>	<u>\$ 875,327</u>	<u>\$ 78,152</u>	<u>\$ 76,338</u>	<u>\$ 103,836</u>	<u>\$ 1,425,227</u>

City of Gooding
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 Year Ended September 30, 2018

Net change in fund balances - total governmental funds	\$ (167,479)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues that will not be collected for several months after the City's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred inflows of resources increased by this amount this year.	9,388
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are	
Capital outlay	577,833
Depreciation expense	<u>(187,112)</u>
Excess of capital outlay over depreciation expense	390,721
In the governmental funds, pension contributions are recorded as expenditures, while on the statement of activities the contributions subsequent to the measurement date are considered a deferred outflow. Other factors include pension expense which is recorded in the statement of activities, but not in the governmental funds. Pension expense includes the City's proportionate share of the pension plan's expense which is determined by an actuary and amortization of deferred outflows and inflows of resources. Pension contributions exceeded pension expense by this amount during the fiscal year.	10,299
In the statement of activities, the net gain (loss) on the sale, trade, or disposal of capital assets is reported, whereas in the governmental funds, only the proceeds from the sale of capital assets is recorded as a financial resource. Thus, the change in net position differs from the change in fund balance by the net book value the assets sold, traded, or disposed of.	(6,516)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of financial resource availability.	
Increase in compensated absences	<u>(6,846)</u>
Change in net position of governmental activities	<u><u>\$ 229,567</u></u>

City of Gooding
Statement of Net Position Enterprise Funds
September 30, 2018

	Water Works	Sewer System	Sanitation	Total
Assets				
Current Assets				
Cash	\$ 698,657	\$ 1,093,094	\$ 29,835	\$ 1,821,586
Investments	142,187	-	-	142,187
Receivables				
Assessments, net of allowance for doubtful accounts	135,936	-	-	135,936
Grants	117,189	-	-	117,189
Restricted assets				
Cash	39,849	-	-	39,849
Total current assets	<u>1,133,818</u>	<u>1,093,094</u>	<u>29,835</u>	<u>2,256,747</u>
Noncurrent Assets				
Capital Assets				
Capital assets -nondepreciable	6,406,547	353,844	19,854	6,780,245
Capital assets net of depreciation	<u>816,952</u>	<u>1,445,750</u>	<u>335,281</u>	<u>2,597,983</u>
Total capital assets, (net of accumulated depreciation)	<u>7,223,499</u>	<u>1,799,594</u>	<u>355,135</u>	<u>9,378,228</u>
Total assets	<u>8,357,317</u>	<u>2,892,688</u>	<u>384,970</u>	<u>11,634,975</u>
Deferred Outflows of Resources				
Pension obligations	<u>25,441</u>	<u>20,355</u>	<u>14,047</u>	<u>59,843</u>
Total deferred outflows of resources	<u>25,441</u>	<u>20,355</u>	<u>14,047</u>	<u>59,843</u>
Total assets and deferred outflows of resources	<u><u>\$ 8,382,758</u></u>	<u><u>\$ 2,913,043</u></u>	<u><u>\$ 399,017</u></u>	<u><u>\$ 11,694,818</u></u>

City of Gooding
Statement of Net Position Enterprise Funds
September 30, 2018

	Water Works	Sewer System	Sanitation	Total
Liabilities				
Current Liabilities				
Accounts payable	\$ 140,644	\$ 97,611	\$ 6,936	\$ 245,191
Payroll payable	7,308	6,803	4,191	18,302
Customer deposits	39,849	-	-	39,849
Loan payable	70,200	-	-	70,200
Accrued interest payable	67,055	-	-	67,055
Total current liabilities	<u>325,056</u>	<u>104,414</u>	<u>11,127</u>	<u>440,597</u>
Noncurrent Liabilities				
Compensated absences payable	9,362	10,103	3,860	23,325
Net pension liability	73,615	65,208	47,985	186,808
Loan payable	4,929,800	-	-	4,929,800
Total noncurrent liabilities	<u>5,012,777</u>	<u>75,311</u>	<u>51,845</u>	<u>5,139,933</u>
Total liabilities	<u>5,337,833</u>	<u>179,725</u>	<u>62,972</u>	<u>5,580,530</u>
Deferred Inflows of Resources				
Pension obligation	<u>20,158</u>	<u>17,012</u>	<u>11,076</u>	<u>48,246</u>
Total deferred inflows of resources	<u>20,158</u>	<u>17,012</u>	<u>11,076</u>	<u>48,246</u>
Net Position				
Net investment in capital assets	2,223,499	1,799,594	355,135	4,378,228
Unrestricted	<u>801,268</u>	<u>916,712</u>	<u>(30,166)</u>	<u>1,687,814</u>
Total net position	<u>3,024,767</u>	<u>2,716,306</u>	<u>324,969</u>	<u>6,066,042</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,382,758</u>	<u>\$ 2,913,043</u>	<u>\$ 399,017</u>	<u>\$ 11,694,818</u>

City of Gooding
Statement of Revenues, Expenses, and Changes in Fund Net Position Enterprise Funds
Year Ended September 30, 2018

	Water Works	Sewer System	Sanitation	Total
Operating Revenues				
Service fees	\$ 482,555	\$ 562,659	\$ 262,536	\$ 1,307,750
Hook-up fees	3,110	-	-	3,110
Water debt service fees	164,610	-	-	164,610
Lease of surface water rights	14,905	-	-	14,905
Miscellaneous	9,612	474	261	10,347
Total operating revenues	<u>674,792</u>	<u>563,133</u>	<u>262,797</u>	<u>1,500,722</u>
Operating Expenses				
Salaries	262,969	228,246	156,647	647,862
Supplies	319,599	174,358	67,690	561,647
Depreciation	51,549	119,569	45,118	216,236
Total operating expenses	<u>634,117</u>	<u>522,173</u>	<u>269,455</u>	<u>1,425,745</u>
Operating Income (Loss)	<u>40,675</u>	<u>40,960</u>	<u>(6,658)</u>	<u>74,977</u>
Non-Operating Revenues				
Earnings on investments	2,952	2,556	320	5,828
Grants	823,175	3,000	-	826,175
Total non-operating revenues	<u>826,127</u>	<u>5,556</u>	<u>320</u>	<u>832,003</u>
Change in Net Position	866,802	46,516	(6,338)	906,980
Net Position - Beginning	<u>2,157,965</u>	<u>2,669,790</u>	<u>331,307</u>	<u>5,159,062</u>
Net Position - Ending	<u>\$ 3,024,767</u>	<u>\$ 2,716,306</u>	<u>\$ 324,969</u>	<u>\$ 6,066,042</u>

City of Gooding
Statement of Cash Flows Enterprise Funds
Year Ended September 30, 2018

	Water Works	Sewer System	Sanitation	Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 670,944	\$ 563,133	\$ 262,797	\$ 1,496,874
Cash payments to suppliers for goods and services	(215,018)	(91,406)	(60,754)	(367,178)
Cash payments to employees for services	(255,003)	(220,971)	(154,615)	(630,589)
Net Cash provided (used) by Operating Activities	200,923	250,756	47,428	499,107
Cash Flows from Noncapital Financing Activities				
Cash Repaid to Other Funds	-	-	(265)	(265)
Net Cash provided (used) by Noncapital Financing Activities	-	-	(265)	(265)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(3,759,045)	(281,386)	(261,795)	(4,302,226)
Loan proceeds	5,000,000	-	-	5,000,000
Grant receipts	705,986	3,000	-	708,986
Principal paid on debt	(1,956,760)	(38,995)	-	(1,995,755)
Interest paid on debt	-	(198)	-	(198)
Net Cash provided (used) by Capital and Related Financing Activities	(9,819)	(317,579)	(261,795)	(589,193)
Cash Flows from Investing Activities				
Purchase of time deposits	(1,731)	-	-	(1,731)
Earnings on investments	2,952	2,556	320	5,828
Net Cash provided (used) by Investing Activities	1,221	2,556	320	4,097
Net Increase (Decrease) in Cash and Cash Equivalents	192,325	(64,267)	(214,312)	(86,254)
Balances - Beginning of the Year	546,181	1,157,361	244,147	1,947,689
Balances - End of the Year	\$ 738,506	\$ 1,093,094	\$ 29,835	\$ 1,861,435

City of Gooding
Statement of Cash Flows Enterprise Funds
Year Ended September 30, 2018

	Water Works	Sewer System	Sanitation	Total
Reconciliation of Operating Income (Loss) to Net Cash provided (used) by Operating Activities				
Operating income (loss)	\$ 40,675	\$ 40,960	\$ (6,658)	\$ 74,977
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation expense	51,549	119,569	45,118	216,236
Changes in assets and liabilities				
Decrease (increase) in accounts receivable	(2,273)	-	-	(2,273)
Increase (decrease) in accounts payable	104,581	82,952	6,936	194,469
Increase (decrease) in payroll payable	7,308	6,803	4,191	18,302
Increase (decrease) in customer deposits	(1,575)	-	-	(1,575)
Increase (decrease) in pension deferrals and liabilities	(2,288)	(2,095)	(1,247)	(5,630)
Increase (decrease) in compensated absences payable	2,946	2,567	(912)	4,601
Total adjustments	160,248	209,796	54,086	424,130
Net Cash Provided (used) by Operating Activities	<u>\$ 200,923</u>	<u>\$ 250,756</u>	<u>\$ 47,428</u>	<u>\$ 499,107</u>

City of Gooding
Statement of Fiduciary Net Position Fiduciary Funds
September 30, 2018

	<u>Health Reimbursement Arrangement</u>
Assets	
Cash	<u>\$ 33,735</u>
Total assets	<u>33,735</u>
Liabilities	
Due to others	<u>33,735</u>
Total liabilities	<u>33,735</u>
Net Position	<u><u>\$ -</u></u>

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Gooding (the City) is a municipal corporation governed by a mayor and four-member council. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units by evaluating the criteria set forth under GASB Statement (GASBS) No. 14, *The Financial Reporting Entity*, as amended by GASBS No. 39, *Determining Whether Certain Organizations Are Component Units* and GASBS No. 61, *The Financial Reporting Entity: Omnibus*. These criteria include: 1) whether the potential component unit is a legally separate organization, 2) whether the City has the ability to exercise financial accountability either by appointing a voting majority of the potential component unit's board or by significantly influencing the program, projects, activities, or level of service performed by the potential component unit, 3) whether the potential component unit is fiscally dependent on the City and whether a financial benefit or burden relationship exists, and 4) whether excluding the potential component unit from the City's financial statements would render the City's financial statements misleading.

Based upon the application of these criteria, the City of Gooding has one discretely presented component unit included in the accompanying financial statements. The Urban Renewal Agency of Gooding ("Agency") was created by the City of Gooding pursuant to Idaho Code §50-2008 to rehabilitate, conserve, and/or redevelop deteriorated or deteriorating areas within the City of Gooding. The City identified the Gooding Industrial Park as an appropriate area for an urban renewal project and appoints the members of the Board of Commissioners of the Agency. The financial statements are formatted to allow the user to clearly distinguish between the City and its component unit. No separate financial statements are available for the Agency.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the governmental entity. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) fees, fines, and 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 items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *general fund* 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 *airport fund* accounts for grant and property tax revenue that is assigned for maintenance and construction of airport facilities.

The *street fund* accounts for highway user revenue that is restricted and property tax revenue that is assigned for maintenance and construction of city streets.

The *parks and recreation fund* accounts for grant and property tax revenue that is assigned for recreational activities of the City.

The City reports the following major proprietary funds:

The *water fund* is used to account for the costs necessary to operate the City’s water system and the charges necessary to offset those costs.

The *sewer fund* is used to account for the costs necessary to operate the City’s sewer system and the charges necessary to offset those costs.

The *sanitation fund* is used to account for the costs necessary to operate the City's sanitation system and the charges necessary to offset those costs.

Additionally, the City reports the following fund type:

Fiduciary Fund. The Health Reimbursement agency fund accounts for monies held on behalf of employees, and accumulates resources for health insurance deductible buy-downs to qualified employees. Fiduciary funds are not included in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are any charges between the government's water and sewer utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) fees, fines, and charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, and Sanitation proprietary funds are charges to customers for sales and service. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Deferred Outflows and Inflows of Resources, Liabilities and Net Position or Equity

Deposits and Investments

The City's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City's restricted cash consist of cash that cannot be used for the City's general operations. At September 30, 2018, this includes the Police Asset Forfeiture account in the City's general fund and customer advanced deposits in the Water Works enterprise fund.

The City's investments consist of certificates of deposit with original maturities greater than 90 days that are reported at amortized cost. State statute authorizes the City to invest in places of deposit as provided by ordinance; including obligations of the U.S. Treasury, time deposit accounts, commercial paper, corporate bonds, revenue and general obligation bonds, tax anticipation bonds or notes, repurchase agreements, and the Idaho State Treasurer's Local Government Investment Pool. Investments for the City are reported at fair value.

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 “interfund balances.” Interfund balances offset each other and are not a part of the government-wide financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “interfund balances.” All other interfund transactions, including nonrecurring or non-routine permanent transfers of equity and operating transfers, are reported as “interfund transfers.” Interfund transfers offset each other and are not a part of the government-wide financial statements.

Non-tax receivables are recognized as revenues received from the State and Federal governments if designated for the current fiscal period. No allowance for uncollectible property taxes has been accrued. The City feels property taxes are ultimately collectible through property liens and/or forced sales and any amounts not collected are immaterial to the financial statements taken as a whole.

The City requires advance deposits for water, sewer, and sanitation service, actively monitors the service revenue accounts for delinquency, discontinues services if payments are not received in a timely manner, and uses a collection agency for past due amounts. The allowance for doubtful accounts is established to provide an estimate of accounts receivable that are expected to be unrecoverable. Losses are charged against the allowance when management believes the collectability of a receivable is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is based on specifically identified questionable receivables and historical collection patterns. The evaluation is inherently subjective as it requires estimates that are subject to significant revision as more information becomes available.

Inventories

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased. In governmental funds, reported inventories are equally offset by nonspendable fund balance amounts, indicating that they do not constitute “available spendable resources” even though they are a component of net current assets. The net change in nonspendable fund balances is not presented because the combined statements of revenues, expenditures, and changes in fund balances reflects the changes in total fund balances rather than just the spendable and nonspendable fund balances.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. General infrastructure assets acquired prior to October 1, 2003 (other than in proprietary funds) have not been capitalized. Subsequent to October 1, 2003, any newly acquired or constructed infrastructure assets have been capitalized. 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 are 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 50
Building improvements	25
Public domain infrastructure	50
System infrastructure	30
Equipment and vehicles	5 - 25
Office equipment	3 - 5

Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net position by the City that is applicable to future reporting periods. Similar to assets, they have a positive effect on net position. The government-wide statement of net position reports the future outflows related to pension obligations.

Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net position that is applicable to future reporting periods. Similar to liabilities, they have a negative effect on net position. The government-wide statement of net position reports the property taxes levied for the following year as well as future inflows related to pension obligations as a deferred inflow or resources. Other items reported as deferred inflow of resources arise under a modified accrual basis of accounting in the City's governmental funds. The unavailable revenues from property taxes will be recognized as an inflow or resources in the period the amounts become available.

Compensated Absences

Employees of the City are entitled to paid vacation and paid sick leave depending on job classification, length of service, and other factors. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the city. All vacation days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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.

Net Position and Fund Balances

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Governmental Fund Balances - Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows.

Nonspendable - Includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the City’s highest level of decision-making authority, the City Council.

Assigned - Amounts that are constrained by the City’s intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the City Council, or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of restricted funds, then committed funds, followed by assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

Net Position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Contingent Liabilities – Federal Assistance

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally by the federal government. Any disallowed claims, including amounts already collected, could become a liability of the general fund or other applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan’s fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Detailed Notes on All Funds

Deposits

Following is a summary of the City’s bank deposit balances as of September 30, 2018:

	<u>Bank Balances</u>
Insured	\$ 536,494
Collateralized	2,622,881
Uninsured and uncollateralized	438,127
 Total	 \$ 3,597,502

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2018, the carrying amount of the City’s deposits was \$3,371,591 and the respective bank balances totaled \$3,597,502. Of the bank balances, \$438,127 was exposed to custodial credit risk because the balances were not covered by depository insurance or collateralized by an irrevocable standby letter of credit issued by the Federal Home Loan Bank for the benefit of Zions Bank with the City of Gooding considered a sub-beneficiary.

Property Tax Calendar

The City’s property tax is levied each September on the value listed as of the prior January 1 for all real property located in the City. The lien date is effective January 1 of the year the property tax is levied. All property taxes are billed and collected by Gooding County and remitted to the City. A revaluation of all property is required to be completed no less than every five years. The market value for the roll as of January 1, 2017 upon which the 2018 fiscal year levy was based was \$106,507,266.

Under Idaho Code, the City is permitted to levy taxes for general revenue and special revenue purposes on the market value for assessment purposes of all taxable real property within the limits of the City. The City’s total levy rate for 2017 was .9379255% per \$1 of market valuation. The actual tax levy for the year ended September 30, 2018 was \$999,256.

Taxes are due in two equal installments on December 20 and June 20 following the levy date. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise they are reported as deferred inflows of resources.

Accounts Receivable

At September 30, 2018, amounts billed and outstanding for the enterprise funds was \$147,928. The allowance for doubtful accounts was \$11,992 and the net receivable was \$135,936.

Interfund Receivables, Payables, and Transfers

Balances due to/from other funds at September 30, 2018, consist of the following:

	Interfund Receivables	Interfund Payables
General	\$ -	\$ 55,993
Airport	126,143	-
Capital improvement	-	70,150
Totals	\$ 126,143	\$ 126,143

Interfund balances relate to temporary loans to cover cash shortfalls while the fund awaiting reimbursement. Internal balances are expected to be settled within one year.

Capital Assets

Capital asset activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 83,605	\$ -	\$ 6,516	\$ 77,089
Construction in progress	167,245	461,619	-	628,864
Total capital assets, not being depreciated	<u>250,850</u>	<u>461,619</u>	<u>6,516</u>	<u>705,953</u>
Capital assets, being depreciated:				
Buildings and improvements	979,853	-	-	979,853
Equipment	1,277,902	116,213	-	1,394,115
Infrastructure	5,255,728	-	-	5,255,728
Total capital assets, being depreciated	<u>7,513,483</u>	<u>116,213</u>	<u>-</u>	<u>7,629,696</u>
Less accumulated depreciation for:				
Buildings and improvements	601,839	16,045	-	617,884
Equipment	1,040,094	56,385	-	1,096,479
Infrastructure	831,084	114,682	-	945,766
Total accumulated depreciation	<u>2,473,017</u>	<u>187,112</u>	<u>-</u>	<u>2,660,129</u>
Total capital assets, being depreciated, net	<u>5,040,466</u>	<u>(70,899)</u>	<u>-</u>	<u>4,969,567</u>
Governmental activities capital assets, net	<u>\$ 5,291,316</u>	<u>\$ 390,720</u>	<u>\$ 6,516</u>	<u>\$ 5,675,520</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 103,789	\$ -	\$ -	\$ 103,789
Construction in progress	2,592,339	4,084,117	-	6,676,456
Total capital assets, not being depreciated	<u>2,696,128</u>	<u>4,084,117</u>	<u>-</u>	<u>6,780,245</u>
Capital assets, being depreciated:				
Water system	1,896,376	-	-	1,896,376
Sewer system	4,573,730	-	-	4,573,730
Buildings and improvements	59,392	-	-	59,392
Equipment	1,590,038	268,337	-	1,858,375
Total capital assets, being depreciated	<u>8,119,536</u>	<u>268,337</u>	<u>-</u>	<u>8,387,873</u>
Less accumulated depreciation for:				
Water system	1,067,941	45,758	-	1,113,699
Sewer system	3,039,356	115,269	-	3,154,625
Buildings and improvements	27,759	1,569	-	29,328
Equipment	1,438,598	53,640	-	1,492,238
Total accumulated depreciation	<u>5,573,654</u>	<u>216,236</u>	<u>-</u>	<u>5,789,890</u>
Total capital assets, being depreciated, net	<u>2,545,882</u>	<u>52,101</u>	<u>-</u>	<u>2,597,983</u>
Business-type activities capital assets, net	<u>\$ 5,242,010</u>	<u>\$ 4,136,218</u>	<u>\$ -</u>	<u>\$ 9,378,228</u>

The estimated cost to complete water infrastructure projects as of September 30, 2018 is \$300,000.

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities</u>		
General government		\$ 23,366
Public protection		8,490
Streets and airport		146,782
Library and recreation		8,474
		<u>187,112</u>
Total depreciation expense - governmental activities		<u>\$ 187,112</u>
<u>Business-Type Activities</u>		
Water		\$ 51,549
Sewer		119,569
Sanitation		45,118
		<u>216,236</u>
Total depreciation expense - business-type activities		<u>\$ 216,236</u>

Operating Leases

The City of Gooding has entered into various operating leases for police vehicles that require the City to make lease payments through October 31, 2020. Future annual operating lease payments are as follows:

<u>Period Ending September 30,</u>	<u>Amount</u>
2019	\$ 36,808
2020	8,530
2021	362

Long-Term Debt

On December 31, 2004, the City executed a loan agreement (“revenue bonds payable”) with the Idaho Bond Bank in which the proceeds of a new loan would pay in full the two existing DEQ Wastewater Facility Design and Construction loans. This refinancing of the existing debt resulted in differences between the amount of the new loan and the carrying amounts of the DEQ loans. The loan was paid off during fiscal year 2018.

The City issued a 2.5 year Bond Anticipation Note, Series 2015, (BAN) in the amount of \$4,900,000 to Zions First National Bank on October 15, 2015. The Note was refinanced with a longer-term bond for the United States Department of Agriculture (USDA) on April 5, 2018.

On April 5, 2018 the City executed a grant /loan agreement with the USDA Rural Utilities Service. The maximum amount of the loan /grant available to be drawn totals \$5,000,000 and \$1,600,000, respectively. The loan is repayable over a period of 40 years from the date of the loan closing. Annual payments of principal and interest total \$207,700. Interest is accrued yearly at a rate of 2.75% and the loan is expected to be repaid by the net revenues of the City’s water system. Capitalized interest in the current year as part of the project totaled \$50,228.

The following is a summary of debt maturity requirements for loans payable the loan payable to the USDA as of September 30, 2018:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 70,200	\$ 137,500
2020	71,759	135,941
2021	74,104	133,596
2022	76,141	131,558
2023	78,236	129,464
2024-2028	423,946	614,554
2029-2033	485,943	552,557
2034-2038	556,562	481,938
2039-2043	637,446	401,054
2044-2048	727,939	308,561
2049-2053	836,238	202,262
2054-2058	957,775	80,725
2059	3,711	47
	<u>\$ 5,000,000</u>	<u>\$ 3,309,757</u>

Changes in Long-Term Liabilities

During the year ended September 30, 2018, the following changes occurred in liabilities:

	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
Governmental Activities					
Compensated absences	\$ 35,494	\$ 40,195	\$ 33,349	\$ 42,340	\$ -
Business-Type Activities					
Revenue bonds payable	38,995	-	38,995	-	-
Water revenue bond 2015	1,956,760	-	1,956,760	-	-
USDA Rural Development Loan	-	5,000,000	-	5,000,000	70,200
Compensated absences	18,724	22,142	17,541	23,325	-
Total	\$ 2,049,973	\$ 5,062,337	\$ 2,046,645	\$ 5,065,665	\$ 70,200

For the governmental activities, compensated absences have been liquidated in the respective fund in which the employee has provided services. These funds include the general fund, street fund, library fund, parks and recreation fund, and airport fund. For business-type activities compensated absences have also been liquidated in the respective fund in which the employee has provided services. These funds include Water Works, Sewer System, and Sanitation Fund.

Note 3 - Discretely Presented Component Unit

In 2018, there were no transactions between the Gooding Urban Renewal Agency (Agency) and the City of Gooding. The Gooding Urban Renewal Agency continues to rehabilitate, conserve, and/or redevelop deteriorated or deteriorating areas within the City of Gooding. There were no additions, deletions, or other changes in the capital asset balances for the Agency during fiscal year 2018.

Note 4 - Employee's Retirement 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 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 72% for police and firefighters. As of June 30, 2018, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The City's contributions were \$132,781 for the year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was .0384052 percent compared to .0411506 percent at June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$121,905. At September 30, 2018, 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	\$ 62,184	\$ 42,783
Changes in assumptions or other inputs	36,861	-
Net difference between projected and actual earnings on pension plan investments	-	62,940
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	42,668	33,923
City contributions subsequent to the measurement date	34,034	-
Total	\$ 175,747	\$ 139,646

\$34,034 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, 2018.

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, 2017 the beginning of the measurement period ended June 30, 2018 is 4.8 years.

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

2019	\$	54,345
2020		12,994
2021		(46,398)
2022		(18,874)

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 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 July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases including inflation	3.75%
Investment rate of return, net of pension plan investment expense	7.05%
Cost-of-living adjustments	1.00%

Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experienced study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2018, is based on the results of an actuarial valuation date of July 1, 2018.

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return (Arithmetic)</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	30.00%	3.05%	0.80%
Broad US Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.19%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the Employer's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.05 percent, as well as what the Employer's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 1,418,036	\$ 566,484	\$ (138,637)

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, 2018, there were no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 5 - Other Information

Intergovernmental Agreement

The City of Gooding is in an intergovernmental agreement with the Gooding Rural Fire District. Half of the salaries for the Fire Chief for the City and Rural Fire Department are paid by the City of Gooding. The Gooding Rural Fire District, through its Board of Commissioners, administers the on-going operation of the Joint Fire Department. The agreement is verbal. Separate financial statements for the intergovernmental agreement are not available.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. Amounts of settlements have not exceeded insurance coverage in the past three years.

Required Supplementary Information
September 30, 2018
City of Gooding

City of Gooding
Schedule of Employer's Share of Net Pension Liability and of Employer Contributions
Year Ended September 30, 2018

Required Supplementary Information

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

	2015	2016	2017	2018
Employer's portion of the net pension liability	0.360288%	0.0382130%	0.0411506%	0.0384052%
Employer's proportionate share of the net pension liability	\$ 474,440	\$ 774,636	\$ 646,817	\$ 566,484
Employer's covered-employee payroll	\$ 999,440	\$ 1,106,859	\$ 1,266,918	\$ 1,162,414
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	47.47%	69.99%	51.06%	48.73%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	87.26%	90.68%	91.69%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Data reported is measured as of June 30, 2018.

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

	2015	2016	2017	2018
Statutorily required contribution	\$ 114,236	\$ 126,514	\$ 144,682	\$ 132,781
Contributions in relation to the statutorily required contribution	\$ (114,236)	\$ (126,514)	\$ (144,682)	\$ (132,781)
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 999,440	\$ 1,106,859	\$ 1,266,918	\$ 1,162,414
Contributions as a percentage of covered-employee payroll	11.43%	11.43%	11.42%	11.42%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Data is reported and measured as of September 30, 2018.

City of Gooding
 Budgetary Comparison Schedule General Fund
 Year Ended September 30, 2018

	Original/Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 623,504	\$ 603,119	\$ (20,385)
Ag replacement tax	3,793	4,032	239
Delinquent interest	16,000	12,882	(3,118)
Sales tax	157,029	161,518	4,489
State liquor	44,844	49,943	5,099
Franchise fees	46,800	47,798	998
Licenses and permits	25,919	37,179	11,260
Court revenue	12,300	10,267	(2,033)
Earnings on investments	650	736	86
Rural Fire Department	58,416	28,719	(29,697)
Federal grants	81,674	36,141	(45,533)
State grants	4,000	-	(4,000)
Contributions and donations	31,000	33,529	2,529
Miscellaneous	40,515	613	(39,902)
	<u>1,146,444</u>	<u>1,026,476</u>	<u>(119,968)</u>
Expenditures			
Administration			
Salaries and benefits	104,149	106,397	(2,248)
Insurance	44,950	22,811	22,139
Supplies	89,386	114,741	(25,355)
Capital outlay	5,656	-	5,656
Police Department			
Salaries and benefits	491,915	448,431	43,484
Supplies	156,837	147,239	9,598
Rent	-	42,770	(42,770)
Capital outlay	44,000	-	44,000
Fire Department			
Salaries and benefits	99,204	94,054	5,150
Supplies	94,467	28,047	66,420
Capital outlay	2,000	52,409	(50,409)
Animal Shelter			
Supplies	13,880	8,042	5,838
	<u>1,146,444</u>	<u>1,064,941</u>	<u>81,503</u>

City of Gooding
 Budgetary Comparison Schedule General Fund
 Year Ended September 30, 2018

	Original/Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess (Deficiency) of Revenues Over Expenditures	-	(38,465)	(38,465)
Other Financing Sources			
Proceeds from the sale of assets	-	74,313	74,313
Total other financing sources	-	74,313	74,313
Net Change in Fund Balance	-	35,848	35,848
Fund Balance - Beginning	255,726	255,726	-
Fund Balance - Ending	\$ 255,726	\$ 291,574	\$ 35,848

City of Gooding
 Budgetary Comparison Schedule Airport Special Revenue Fund
 Year Ended September 30, 2018

	Original/Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 22,313	\$ 22,710	\$ 397
Sales tax / revenue sharing	1,151	1,394	243
Rent - hangars and land	11,055	11,209	154
Airport operator	4,800	5,561	761
Federal grant	-	356,957	356,957
State grant	13,600	23,210	9,610
Earnings on investments	2,250	1,858	(392)
Miscellaneous	-	444	444
	<u>55,169</u>	<u>423,343</u>	<u>368,174</u>
Expenditures			
Salaries and benefits	37,970	33,126	4,844
Supplies	330,180	21,248	308,932
Capital outlay	395,000	461,620	(66,620)
	<u>763,150</u>	<u>515,994</u>	<u>247,156</u>
Net Change in Fund Balance	(707,981)	(92,651)	615,330
Fund Balance - Beginning	<u>967,978</u>	<u>967,978</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 259,997</u></u>	<u><u>\$ 875,327</u></u>	<u><u>\$ 615,330</u></u>

City of Gooding
 Budgetary Comparison Schedule Street Special Revenue Fund
 Year Ended September 30, 2018

	Original/Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 235,085	\$ 239,423	\$ 4,338
Sales tax / revenue sharing	74,171	76,266	2,095
Highway users	156,187	162,483	6,296
City highway	45,800	49,128	3,328
Franchise fees	18,600	17,621	(979)
Earnings on investment	400	207	(193)
Tree yard	20,000	20,000	-
Miscellaneous	1,000	2,257	1,257
	<u>551,243</u>	<u>567,385</u>	<u>16,142</u>
Expenditures			
Salaries and benefits	335,099	333,735	1,364
Supplies	260,694	304,106	(43,412)
Capital outlay	40,000	39,140	860
	<u>635,793</u>	<u>676,981</u>	<u>(41,188)</u>
Net Change in Fund Balance	(84,550)	(109,596)	(25,046)
Fund Balance - Beginning	<u>187,748</u>	<u>187,748</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 103,198</u>	<u>\$ 78,152</u>	<u>\$ (25,046)</u>

City of Gooding
 Budgetary Comparison Schedule Parks and Recreation Special Revenue Fund
 Year Ended September 30, 2018

	Original/Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 53,491	\$ 54,445	\$ 954
Sales tax / revenue sharing	32,511	33,417	906
Earnings on investments	145	128	(17)
Grants	300	-	(300)
Contributions and donations	4,578	-	(4,578)
Miscellaneous	100	28	(72)
Total revenues	<u>91,125</u>	<u>88,018</u>	<u>(3,107)</u>
Expenditures			
Salaries and benefits	44,820	30,360	14,460
Supplies	46,305	33,148	13,157
Total expenditures	<u>91,125</u>	<u>63,508</u>	<u>27,617</u>
Net Change in Fund Balance	-	24,510	24,510
Fund Balance - Beginning	<u>51,828</u>	<u>51,828</u>	-
Fund Balance - Ending	<u><u>\$ 51,828</u></u>	<u><u>\$ 76,338</u></u>	<u><u>\$ 24,510</u></u>

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds. Annual operating budgets are adopted for proprietary funds.

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

1. Prior to July 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the City Hall.
3. Prior to September 1, the budget is legally enacted through passage of an ordinance.
4. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Excess of Expenditures Over Appropriations

<u>Fund</u>	<u>Excess</u>
Street	\$ 41,188

Encumbrance accounting methods were not used in the preparation of the City's financial statements. Uncommitted appropriations lapse at year-end and commitments are reappropriated in the next year's budget.

Change in Assumptions

An experience study was performed for the period 2007 through 2013 for the PERSI base plan. There were changes in assumptions as a result of this study that impacted the total pension liability for the measurement period. The City's proportionate share of changes in assumptions as of the measurement date totaled \$36,861.



Supplementary Information
September 30, 2018

City of Gooding

City of Gooding
Combining Balance Sheet Nonmajor Governmental Funds
September 30, 2018

	Capital Improvements	Library	Total Nonmajor Governmental Funds
Assets			
Cash	\$ -	\$ 58,129	\$ 58,129
Time deposits	116,578	-	116,578
Receivables			
Property taxes	14,485	103,922	118,407
Sales tax	590	4,244	4,834
Revenue sharing	71	2,765	2,836
Total Assets	<u>\$ 131,724</u>	<u>\$ 169,060</u>	<u>\$ 300,784</u>
Liabilities			
Accounts payable	\$ 3,800	\$ 2,986	\$ 6,786
Interfund payable	70,150	-	70,150
Payroll payable	-	3,302	3,302
Total liabilities	<u>73,950</u>	<u>6,288</u>	<u>80,238</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	14,259	102,451	116,710
Total deferred inflows of resources	<u>14,259</u>	<u>102,451</u>	<u>116,710</u>
Fund Balances			
Assigned	43,515	60,321	103,836
Total fund balances	<u>43,515</u>	<u>60,321</u>	<u>103,836</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 131,724</u>	<u>\$ 169,060</u>	<u>\$ 300,784</u>

City of Gooding

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds
Year Ended September 30, 2018

	Capital Improvements	Library	Total Nonmajor Governmental Funds
Revenues			
Property taxes	\$ 13,751	\$ 93,638	\$ 107,389
Sales tax /revenue sharing	696	23,488	24,184
Earnings on investments	1,303	143	1,446
Fees	-	5,601	5,601
Grants	-	20,507	20,507
Contributions and donations	-	274	274
Miscellaneous	-	57	57
	<u>15,750</u>	<u>143,708</u>	<u>159,458</u>
Total revenues			
Expenditures			
Salaries and benefits	-	105,387	105,387
Supplies	3,801	51,196	54,997
Capital outlay	24,664	-	24,664
	<u>28,465</u>	<u>156,583</u>	<u>185,048</u>
Total expenditures			
Net Change in Fund Balances	(12,715)	(12,875)	(25,590)
Fund Balances - Beginning	<u>56,230</u>	<u>73,196</u>	<u>129,426</u>
Fund Balances - Ending	<u>\$ 43,515</u>	<u>\$ 60,321</u>	<u>\$ 103,836</u>



Federal Awards Reports in Accordance with the Uniform
Guidance

September 30, 2018

City of Gooding



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Members of the City Council
City of Gooding
Gooding, 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, the discretely presented component unit, each major fund, and the aggregated remaining fund information of the City of Gooding, Idaho (the City), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) 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 City’s internal control. Accordingly, we do not express an opinion on the effectiveness of City’s internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as finding 2018-001 described in the accompanying schedule of findings and questioned costs 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Gooding, Idaho
March 4, 2019



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Members of the City Council
City of Gooding
Gooding, Idaho

Report on Compliance for the Major Federal Program

We have audited City of Gooding’s Idaho (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended September 30, 2018. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on the compliance for each of City’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major Federal program for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the typed name and date.

Gooding, Idaho
March 4, 2019

City of Gooding
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Agriculture</u>			
Water and Waste Disposal Systems for Rural Communities - loan	10.760		\$ 5,000,000
Water and Waste Disposal Systems for Rural Communities-grant	10.760		<u>823,176</u>
Total Department of Agriculture			<u>5,823,176</u>
<u>Department of Justice</u>			
Public Safety Partnership and Community Policing Grants	16.710		<u>36,141</u>
Total Department of Justice			<u>36,141</u>
<u>Department of Environmental Quality</u>			
Capitalization Grants for Drinking Water - loan	66.468		<u>274,844</u>
Total Department of Environmental Quality			<u>274,844</u>
<u>Department of Transportation</u>			
Passed Through Federal Aviation Administration			
Airport Improvement Program	20.106	AIP-3-16-0014-010-2015	15,308
Airport Improvement Program	20.106	AIP-3-16-0014-012-2018	152,276
Airport Improvement Program	20.106	AIP-3-16-0014-011-2017	<u>198,333</u>
Total Department of Transportation			<u>365,917</u>
Total Federal Financial Assistance			<u>\$ 6,500,078</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Gooding (the City) under the program of the federal government for the year ended September 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

The City has not elected to use the 10% de minimus cost rate.

Note 3 - Loan Programs

Expenditures reported in this schedule consist of the beginning of the year outstanding loan balance plus \$5,000,000 in advances made on the loan during the year. The outstanding balance at September 30, 2018, was \$5,000,000.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Water and Waste Disposal Systems for Rural Communities	10.760
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

**2018-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards
(Material Weakness)**

Criteria: A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements, and the ability to internally prepare their financial statements and the Schedule of Expenditures of Federal Awards.

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and the Schedule of Expenditures of Federal Awards being audited. The auditors were requested to, and did, draft the City’s financial statements, and the Schedule of Expenditures of Federal Awards, and accompanying notes to the financial statements.

Cause: The City does not have an internal control system designed to provide for the preparation of the financial statements being and the Schedule of Expenditures of Federal Awards audited.

Effect: The financial disclosures in the financial statements and the Schedule of Expenditures of Federal Awards could be incomplete.

Recommendation: This circumstance is not unusual in a City of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: The City agrees that having an internal control system over financial reporting is an important part of the City’s overall internal control process. The City has performed a cost/benefit analysis of implementing these controls and concluded the resources were not in place to effectively implement the necessary changes for the year ended September 30, 2018.

Section III – Federal Award Findings and Questioned Costs

None