

CITY OF STAR, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2021

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Independent Auditor's Report

Honorable Mayor
and City Council
Star, Idaho

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Star, Idaho (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and each major fund of the City of Star, Idaho, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Star's ability to continue as a going concern for one year after the date that the financial statements are issued

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of Net Pension Liability, and the schedule of City contributions on pages 24 through 27 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Star, Idaho's basic financial statements. The supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information was 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 supplemental information is 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 our report dated December 5, 2022 on our consideration of the City of Star, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Star, Idaho's internal control over financial reporting and compliance

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
December 5, 2022

City of Star, Idaho
Statement of Net Position
September 30, 2021

	Governmental Activities
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 10,666,675
Receivables, Net:	
Property Taxes	22,286
Accounts	216,284
Interest	270
Other Receivables	25,973
Due From Other Governments	328,537
Prepaid Expenses	13,555
Noncurrent Assets:	
Net Pension Asset	5,362
Capital Assets:	
Land and Construction in Progress	2,127,483
Building, Net	1,842,608
Furniture, Fixtures, and Equipment, Net	122,940
Improvements, Net	2,768,579
Total Capital Assets	6,861,610
Total Assets	18,140,552
Deferred Outflows	
Pension Related Items	90,670
Total Deferred Outflows	90,670
Liabilities	
Current Liabilities:	
Accounts Payable and Other Current Liabilities	114,978
Total Liabilities	114,978
Deferred Inflows	
Pension Related Items	171,517
Total Deferred Inflows	171,517
Net Position	
Invested in Capital Assets, Net of Related Debt	6,861,610
Unrestricted (Deficit) Surplus	11,083,117
Total Net Position	\$ 17,944,727

The accompanying notes are an integral
part of the financial statements.

City of Star, Idaho
Statement of Activities
For the Year Ended September 30, 2021

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Administrative	\$ 6,875,846	\$ 6,525,257	\$ 1,614,019	\$ -	\$ 1,263,430
Parks and Recreation	718,639	2,095,801	-	-	1,377,162
Police	1,169,411	-	-	-	(1,169,411)
Total Governmental Activities	\$ 8,763,896	\$ 8,621,058	\$ 1,614,019	\$ -	1,471,181

General Revenues:	
Property Taxes	1,546,436
State Sources	1,500,453
Other	50,454
Unrestricted Investment Earnings	22,729
Total General Revenues and Special Items	3,120,072
Change in Net Position	4,591,253
Net Position, Beginning of Year	13,442,298
Prior Period Adjustment	(88,824)
Net Position, Beginning of Year	13,353,474
Net Position, End of Year	\$ 17,944,727

The accompanying notes are an integral part of the financial statements.

City of Star, Idaho
Balance Sheet -
Governmental Funds
September 30, 2021

	General	Park Impact Fees	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 8,728,355	\$ 1,938,320	\$ 10,666,675
Receivables, Net:			
Property Taxes	22,286	-	22,286
Accounts	216,284	-	216,284
Interest	270	-	270
Other Receivables	25,973	-	25,973
Due From Other Governments	328,537	-	328,537
Prepaid Expenses	13,555	-	13,555
Total Assets	\$ 9,335,260	\$ 1,938,320	\$ 11,273,580
Liabilities			
Accounts Payable	\$ 114,978	\$ -	\$ 114,978
Total Liabilities	114,978	-	114,978
Deferred Inflows			
Unearned Revenue - Property Taxes	20,391	-	20,391
Total Deferred Inflows	20,391	-	20,391
Fund Balances			
Nonspendable:			
Prepaid Items	13,555	-	13,555
Assigned	8,707	-	8,707
Unassigned	9,177,629	1,938,320	11,115,949
Total Fund Balance	9,199,891	1,938,320	11,138,211
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 9,335,260	\$ 1,938,320	\$ 11,273,580

The accompanying notes are an integral
part of the financial statements.

City of Star, Idaho
 Reconciliation of the Balance Sheet of the
 Governmental Funds to the Statement of Net Position
 September 30, 2021

Total Fund Balances - Governmental Funds \$ 11,138,211

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

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

Land and Construction in Progress	\$ 2,127,483	
Buildings, Net of \$761,622 Accum. Depr.	1,842,608	
Furniture, Fixtures, and Equip., Net of \$279,211 Accum. Depr.	122,940	
Improvements, Net of \$1,043,203 Accum. Depr.	<u>2,768,579</u>	
		6,861,610

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures and, therefore, are deferred in the funds. 20,391

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$ 5,362	
Pension Related Deferred Inflows	(171,517)	
Pension Related Deferred Outflows	<u>90,670</u>	
		<u>(75,485)</u>

Net Position of Governmental Activities \$ 17,944,727

The accompanying notes are an integral
 part of the financial statements.

City of Star, Idaho
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Government Funds
For the Year Ended September 30, 2021

	General	Park Impact Fees	Total Governmental Funds
Revenues			
Property Taxes	\$ 1,543,372	\$ -	\$ 1,543,372
Charges for Services	3,817,087	-	3,817,087
Fees	3,252,121	1,551,850	4,803,971
Intergovernmental	1,500,453	-	1,500,453
Grants and Contributions	1,614,019	-	1,614,019
Interest Income	22,729	-	22,729
Other	50,454	-	50,454
Total Revenues	<u>11,800,235</u>	<u>1,551,850</u>	<u>13,352,085</u>
Expenditures			
Current:			
General Administrative	6,187,923	-	6,187,923
Parks and Recreation	225,986	1,573,844	1,799,830
Police	1,169,411	-	1,169,411
Capital Outlay	513,499	-	513,499
Total Expenditures	<u>8,096,819</u>	<u>1,573,844</u>	<u>9,670,663</u>
Net Change in Fund Balances	<u>3,703,416</u>	<u>(21,994)</u>	<u>3,681,422</u>
Fund Balances - Beginning, Previous	5,585,299	1,960,314	7,545,613
Prior Period Adjustment	(88,824)	-	(88,824)
Fund Balances - Beginning	<u>5,496,475</u>	<u>1,960,314</u>	<u>7,456,789</u>
Fund Balances - Ending	<u>\$ 9,199,891</u>	<u>\$ 1,938,320</u>	<u>\$ 11,138,211</u>

The accompanying notes are an integral
part of the financial statements.

City of Star, Idaho
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of the Governmental Funds
 to the Statement of Activities
 For the Year Ended September 30, 2021

Total Net Change in Fund Balances - Governmental Funds		\$ 3,681,422
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	\$ 1,246,727	
Depreciation Expense	(264,475)	
Net		982,252

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.		3,064
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The District participates in the Public Employee Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities.		(75,485)
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Change in Net Position of Governmental Activities		\$ 4,591,253
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The accompanying notes are an integral part of the financial statements.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of City of Star, Idaho (the City). The City receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the City's reporting entity does not contain any component units as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the City, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.
- Indirect expenses - expenses of the general government related to the administration and support of the City's programs, such as personnel and accounting (but not interest on long-term debt) - are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds would be aggregated and reported as nonmajor funds. However, the City only has two funds which are both major funds.

The City reports the following major governmental funds:

- *General fund.* This is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- *Park Impact Fee fund.* This fund accounts for impact fees collected for the city's parks.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Property Tax Calendar

The City levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July 1. Property taxes are due in two installments on December 20 and June 20 and are considered

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

delinquent on January 1 and July 1, at which time the property is subject to lien.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet. The City uses the following fund balance categories in the governmental fund financial statements:

- *Nonspendable*. Balances of funds unavailable to be spent.
- *Assigned*. Funds assigned by management for specific purposes.
- *Unassigned*. Balances available for any purpose.

The remaining fund balance classifications (restricted, and committed) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the City Council, the City's highest level of decision-making authority, through a formal action. The City Council would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets/fund balance available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the City's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

C. Assets and Liabilities

Cash Equivalents

The City requires all cash belonging to the City to be placed in custody of the Clerk. For presentation in the financial statements, investments in cash, external investment pool, and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. See Note 2.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

All receivables are shown net of an allowance for uncollectible accounts. As of September 30, 2021, there is no allowance for bad debt.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below:

	<u>Capitalization</u> <u>Policy</u>	<u>Depreciation</u> <u>Method</u>	<u>Estimated</u> <u>Useful Life</u>
Buildings and Improvements	\$1,000	Straight-Line	5 – 40 Years
Furniture, Fixtures, and Equip.	\$1,000	Straight-Line	5 – 15 Years

The City has elected not to report major general infrastructure assets retroactively. Also, the City does not report roads and highways. The infrastructure is maintained and owned by Ada County Highway District (ACHD), a taxing entity. The City has no control over ACHD. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Estimates

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

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.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2021, the carrying amount of the City's deposits was \$7,522,422 and the respective bank balances totaled \$7,945,384. \$1,425,670 of the total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the City.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2021, \$1,425,670 of the City's deposits were covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City, and \$6,519,714 were exposed to custodial credit risk. The City does not have a formal policy limiting its exposure to custodial credit risk. The City also had \$214 of cash on hand at the end of the year.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The City voluntarily participates in the State of Idaho Investment Pool which is not rated. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the City's investment in the pool is the same as the value of the pool shares. The City follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the City to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

2. CASH AND INVESTMENTS (continued)

The City's investments at September 30, 2021, are summarized below:

Investment	Fair Value	Investment Maturities (in Years)	
		Less than 1	1 - 5
External Investment Pool	\$ 2,727,215	\$ 2,727,215	\$ -
Money Market	416,824	416,824	-
	\$ 3,144,039	\$ 3,144,039	\$ -

At year-end, the cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and cash equivalents	\$ 7,522,636
Investments categorized as deposits	3,144,039
	\$ 10,666,675

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units (State of Idaho) consist of state revenue sharing of \$328,537.

4. EMPLOYEE BENEFITS

Vacation leave is granted to all regular City employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. However, vacation leave does not accumulate beyond year-end. Employees must use it or lose it.

5. PROPERTY TAXES

The City receives tax revenue from Ada County and Canyon County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the City by the County as of September 30, 2021, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2021, are not considered available for use by the City and are recorded as deferred revenue in the fund financial statements.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2021, was as follows:

	Balance <u>9/30/2020</u>	Additions	Disposals	Balance <u>9/30/2021</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,609,411	\$ -	\$ -	\$ 1,609,411
Construction in Progress	<u>332,664</u>	<u>867,489</u>	<u>(682,081)</u>	<u>518,072</u>
Total Historical Cost	<u>1,942,075</u>	<u>867,489</u>	<u>(682,081)</u>	<u>2,127,483</u>
Capital Assets Being Depreciated:				
Buildings	2,604,230	-	-	2,604,230
Furniture, Fixtures, and Equip.	360,155	41,996	-	402,151
Improvements	<u>2,792,459</u>	<u>1,019,323</u>	-	<u>3,811,782</u>
Total Historical Cost	<u>5,756,844</u>	<u>1,061,319</u>	-	<u>6,818,163</u>
Less: Accumulated Depreciation				
Buildings	688,312	73,310	-	761,622
Furniture, Fixtures, and Equip.	227,877	51,334	-	279,211
Improvements	<u>903,372</u>	<u>139,831</u>	-	<u>1,043,203</u>
Total Acc. Depr.	<u>1,819,561</u>	<u>264,475</u>	-	<u>2,084,036</u>
Total Capital Assets Being Depreciated, Net	<u>3,937,283</u>	<u>796,844</u>	-	<u>4,734,127</u>
Governmental Activities				
Capital Assets – Net	<u>\$ 5,879,358</u>	<u>\$ 1,664,333</u>	<u>\$ (682,081)</u>	<u>\$ 6,861,610</u>

Depreciation expense was charged to the functions of the City as follows:

Governmental Activities:	
General Administrative	\$ 140,935
Parks	<u>123,540</u>
Total	<u>\$ 264,475</u>

7. RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

8. PENSION PLAN

Plan Description

The City of Star, Idaho 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.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

8. PENSION PLAN (continued)

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for police and firefighters. As of June 30, 2021 it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The City of Star, Idaho's contributions were \$51,476 for the year ended September 30, 2021.

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

At September 30, 2021, the City of Star, Idaho reported a liability (asset) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City of Star, Idaho's proportion of the net pension liability (asset) was based on the City of Star, Idaho'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, 2021, the City of Star, Idaho's proportion was 0.0067886 percent.

For the year ended 2021September 30, 2021, the City of Star, Idaho recognized pension expense/(revenue) of \$126,962. At September 30, 2021, the City of Star, Idaho 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	\$ 7,899	\$ 3,116
Changes in assumptions or other inputs	61,544	-
Net difference between projected and actual earnings on pension plan investments	-	168,401
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	-
City of Star, Idaho's contributions subsequent to the measurement date	21,227	-
Total	\$ 90,670	\$ 171,517

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

8. PENSION PLAN (continued)

\$21,227 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 (asset) in the year ending September 30, 2021.

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, 2021, the beginning of the measurement period ended June 30, 2020, is 4.7 and 4.6 for measurement period June 30, 2021.

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:

For the Year Ended September 30:	PERSI
2022	\$ (2,784)
2023	(21,639)
2024	(18,910)
2025	(37,514)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability (asset) 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 (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%
Salary inflation	3.05%
Investment rate of return	6.35 %, net of investment expense
Cost-of-living	1%

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

8. PENSION PLAN (continued)

Contributing Members, Service Retirement Members, and Beneficiaries

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

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability (Asset) as of June 30, 2021 is based on the results of an actuarial valuation date of July 1, 2021.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2021.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

8. PENSION PLAN (continued)

<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	Barclays Aggregate	30.00%	1.80%	-0.20%
Broad US Equities	Wilshire 5000/Russell 300	55.00%	8.00%	6.00%
Developed Foreign Equities	MSCI EAFE/World ex US	15.00%	8.25%	6.25%
Assumed Inflation - Mean			2.00%	2.00%
Assumed Inflation - Standard Deviation			1.50%	1.50%
Portfolio Arithmetic Mean Return			6.18%	4.18%
Portfolio Standard Deviation			12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return			5.55%	3.46%
Assumed Investment Expenses			0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses			5.15%	3.06%

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset). 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 6.35 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 (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	\$ 186,377	\$ (5,362)	\$ (162,534)

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

8. PENSION PLAN (continued)

Pension plan fiduciary net position

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

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

9. DEFERRED COMPENSATION PLAN (457)

Permanent employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Employees are eligible for the 457 plan after six months of employment at which time the City will contribute \$375 per month per full time employee and part-time employees \$188. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until withdrawal at a later date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The City has no liability for losses under the plan but it does have the obligation of due care in selecting the third-party administrator. The deferred compensation plan is administered by The Hartford, an unrelated organization. City of Star, Idaho's employer contributions paid were \$30,000 for the year ended September 30, 2021.

10. COUNCIL DESIGNATIONS

The City has set aside a scholarship fund of \$8,707 for local students.

11. OTHER COMMITMENTS

The City has credit cards with credit limits totaling \$23,500 of which, \$7,973 was in use as of September 30, 2021.

City of Star, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2021

12. RESTATEMENT

In the prior year, receivables were overstated which caused Fund Balance and Net Position to be overstated.

	Governmental Funds
Fund Balance, Beginning - As Previously Stated	\$ 7,545,613
Decrease Due To Overstatement of Receivables	<u>(88,824)</u>
Fund Balance, Beginning - Restated	<u>\$ 7,456,789</u>
	Governmental Activities
Net Position, Beginning - As Previously Stated	\$ 13,442,298
Decrease Due To Overstatement of Receivables	<u>(88,824)</u>
Net Position, Beginning - Restated	<u>\$ 13,353,474</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Star, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 1,483,413	\$ 1,483,413	\$ 1,543,372	\$ 59,959
Charges for Services	1,066,500	1,066,500	3,817,087	2,750,587
Fees	1,382,051	1,382,051	3,252,121	1,870,070
Intergovernmental	857,212	857,212	1,500,453	643,241
Grants and Contributions	14,500	14,500	1,614,019	1,599,519
Interest Income	1,000	1,000	22,729	21,729
Other	13,000	13,000	50,454	37,454
Total Revenues	<u>4,817,676</u>	<u>4,817,676</u>	<u>11,800,235</u>	<u>6,982,559</u>
Expenditures				
Current:				
General Administrative	3,210,474	3,210,474	6,187,923	(2,977,449)
Parks and Recreation	325,288	325,288	225,986	99,302
Police	1,169,411	1,169,411	1,169,411	-
Capital Outlay	987,503	987,503	513,499	474,004
Total Expenditures	<u>5,692,676</u>	<u>5,692,676</u>	<u>8,096,819</u>	<u>(2,404,143)</u>
Excess (Deficiency) of Revenues Over Expenditures	(875,000)	(875,000)	3,703,416	4,578,416
Other Financing Resources (Uses)				
Transfers In	711,250	711,250	-	711,250
Transfers Out	400,000	400,000	-	400,000
Total Other Financing Resources (Uses)	<u>311,250</u>	<u>311,250</u>	<u>-</u>	<u>311,250</u>
Change in Fund Balances	(563,750)	(563,750)	3,703,416	4,889,666
Fund Balances - Beginning, Previous	-	-	5,585,299	5,585,299
Prior Period Adjustment	-	-	(88,824)	(88,824)
Fund Balances - Beginning	-	-	5,496,475	5,496,475
Fund Balances - Ending	<u>\$ (563,750)</u>	<u>\$ (563,750)</u>	<u>\$ 9,199,891</u>	<u>\$ 10,386,141</u>

City of Star, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Park Impact Fee Fund
 For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Fees	\$ 563,750	\$ 563,750	\$ 1,551,850	\$ 988,100
Total Revenues	<u>563,750</u>	<u>563,750</u>	<u>1,551,850</u>	<u>988,100</u>
Expenditures				
Current:				
Parks and Recreation	-	-	1,573,844	(1,573,844)
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,573,844</u>	<u>(1,573,844)</u>
Change in Fund Balances	563,750	563,750	(21,994)	(585,744)
Fund Balances - Beginning	-	-	1,960,314	1,960,314
Fund Balances - Ending	<u>\$ 563,750</u>	<u>\$ 563,750</u>	<u>\$ 1,938,320</u>	<u>\$ 1,374,570</u>

City of Star, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2021

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to September 1, the City Clerk and City Council prepare 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.
- B. Public hearings are conducted at the City Council meetings to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- D. The City is authorized to transfer budgeted amounts between departments within any fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund.
- F. Expenditures may not legally exceed budgeted appropriations at the fund level. The City does not use the encumbrance method of accounting.

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

The General Fund expenditures exceeded the budgeted appropriations by \$2,404,143.

The Park Impact Fee Fund expenditures exceeded the budgeted appropriations by \$1,573,844.

City of Star, Idaho
Schedules of Required Supplemental Information
Public Employees Retirement System of Idaho
Last 10 - Fiscal Years*

Schedule of the City of Star's Share of Net Pension Liability (Asset)

Year	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered- employee payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2021	0.0067886%	\$ (5,362)	\$ 431,125	-1.24%	100.36%

Data reported is measured as of June 30, 2021

Schedule of the City of Star's Contributions

Year	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution s deficiency (excess)	City's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2021	\$ 51,476	\$ 51,476	-	\$ 431,125	11.94%

Data reported is measured as of September 30, 2021

* 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 of Star, Idaho will present information for those years for which information is available.

SUPPLEMENTAL INFORMATION

City of Star, Idaho
Supplemental Schedule of Revenues by Source -
Budget and Actual - General Fund
For the Year Ended September 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes			
Property Taxes	\$ 1,483,413	\$ 1,543,372	\$ 59,959
Total	<u>1,483,413</u>	<u>1,543,372</u>	<u>59,959</u>
Charges for Services			
Building Inspection	710,000	1,927,175	1,217,175
Electrical Inspection	95,000	253,535	158,535
Plumbing Inspection	95,000	239,757	144,757
Mechanical Inspection	95,000	253,349	158,349
Planning and Zoning	66,000	1,112,623	1,046,623
Rental Income	5,500	30,648	25,148
Total Charges for Services	<u>1,066,500</u>	<u>3,817,087</u>	<u>2,750,587</u>
Fees			
Licenses and Fees	8,255	23,055	14,800
Parks and Receptions Fees	94,495	107,423	12,928
Franchise Fees	226,601	220,747	(5,854)
Star Fire Impact Fees	222,475	272,852	50,377
Park Impact Fees	-	436,528	436,528
Total Fees	<u>551,826</u>	<u>1,060,605</u>	<u>508,779</u>
Intergovernmental			
State Revenue Sharing	656,392	1,102,071	445,679
State Liquor Fees	93,320	122,076	28,756
State Sales Tax	-	434	434
Court Fines	7,500	5,079	(2,421)
Highway	100,000	270,793	170,793
Total Intergovernmental	<u>857,212</u>	<u>1,500,453</u>	<u>643,241</u>
Grants and Contributions			
Grants	11,000	1,597,575	1,586,575
Donations	1,000	10,750	9,750
Scholarships	2,500	5,694	3,194
Total Grants and Contributions	<u>14,500</u>	<u>1,614,019</u>	<u>1,599,519</u>
Other			
Interest Income	1,000	22,729	21,729
Miscellaneous	13,000	50,454	37,454
Total Other	<u>14,000</u>	<u>73,183</u>	<u>59,183</u>
Total Revenue	<u>\$ 3,987,451</u>	<u>\$ 9,608,719</u>	<u>\$ 5,621,268</u>

City of Star, Idaho
 Supplemental Schedule of Expenditures by Object of Expenditure -
 Budget and Actual - General Fund
 For the Year Ended September 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Administrative			
Wages	\$ 577,386	\$ 644,566	\$ (67,180)
Council	57,600	65,473	(7,873)
Mayor	40,000	40,000	-
Taxes and Retirement	147,190	125,319	21,871
Insurance	28,139	21,828	6,311
Health Insurance	146,000	150,771	(4,771)
Bank Charges	593	1,142	(549)
Legal	95,900	91,181	4,719
Student Scholarships	25,000	6,832	18,168
Supplies	25,740	22,549	3,191
Resource Material	2,500	3,732	(1,232)
Postage	6,000	6,861	(861)
Public Relations	10,000	3,921	6,079
Professional Services	5,200	8,897	(3,697)
Advertising	9,750	6,837	2,913
Travel	3,000	692	2,308
Dues	37,921	40,792	(2,871)
Training	2,500	1,642	858
Telephone	-	(1,203)	1,203
Utilities	40,664	75,630	(34,966)
ACHD Impact Fee	830,225	2,186,218	(1,355,993)
Maintenance and Operations	371,553	861,071	(489,518)
Miscellaneous	41,138	89,766	(48,628)
Building Inspector	300,000	520,769	(220,769)
Electrical Inspector	57,000	152,000	(95,000)
Plumbing Inspector	57,000	140,655	(83,655)
Mechanical Inspector	57,000	158,681	(101,681)
Star Fire Impact Fees	216,975	748,483	(531,508)
Plans	18,500	12,818	5,682
	<u>3,210,474</u>	<u>6,187,923</u>	<u>(2,977,449)</u>

City of Star, Idaho
 Supplemental Schedule of Expenditures by Object of Expenditure -
 Budget and Actual - General Fund (continued)
 For the Year Ended September 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Parks and Recreation			
Maintenance and Operations	86,780	44,273	42,507
Program	238,508	181,713	56,795
	<u>325,288</u>	<u>225,986</u>	<u>99,302</u>
 Police	 <u>\$ 1,169,411</u>	 <u>\$ 1,169,411</u>	 <u>\$ -</u>
 Capital Outlay	 <u>987,503</u>	 <u>513,499</u>	 <u>474,004</u>
 Total Expenditures	 <u><u>\$ 5,692,676</u></u>	 <u><u>\$ 8,096,819</u></u>	 <u><u>\$ (2,404,143)</u></u>

FEDERAL REPORTS



ZWYGART JOHN

CERTIFIED PUBLIC ACCOUNTANTS

Zwygart John & Associates CPAs, PLLC

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Phone: 208-459-4649 ♦ FAX: 208-229-0404

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
City Council
Star, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the fund information of the City of Star, Idaho, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Star, Idaho's basic financial statements, and have issued our report thereon dated December 5, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Star, Idaho'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Star, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Star, Idaho's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Star, Idaho'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 of Star's Response to Findings

The City of Star, Idaho's response to findings identified in our audit is described in the accompanying management's response to findings. The City of Star, Idaho'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
December 5, 2022

City of Star, Idaho
Schedule of Findings
For the Year Ended September 30, 2021

2021-001: Segregation of Duties

Conditions: While performing the audit it was noted the City Clerk recorded all cash transactions, reconciled the bank statements, and was a signer on the account.

Criteria: The City should have controls in place to segregate the duties of custody, recording, and issuing checks. If this is not possible, the City should put mitigating controls in place to reduce the risk by having transactions and bank statements reviewed and approved.

Effect: This increases the risk of a misstatement to go unnoticed or fail to be corrected in a timely manner, whether due to error or fraud.

Recommendations: The City should put procedures in place to make sure that all invoices, bank statements, and bank reconciliation are being reviewed, and signed, by a 2nd person, that does not input or reconcile transactions.

City of Star, Idaho
Management's Response to Findings
For the Year Ended September 30, 2021

2021-001: Segregation of Duties

The City will put in procedures to make sure that all invoices, bank statements, and bank reconciliations are reviewed and approved by a 2nd person.

If there are any questions on management's response to findings please contact the City Clerk at (208)286-7247.