

# CITY OF DRIGGS, IDAHO

Basic Financial Statements  
and  
Supplementary Information  
with  
Independent Auditors' Report

Year Ended September 30, 2014

**CITY OF DRIGGS, IDAHO**  
**Table of Contents**  
**September 30, 2014**

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**Independent Auditors' Report**..... 1-3

**Management's Discussion and Analysis** ..... 4-10

**Basic Financial Statements**

Statement of Net Position – Government Wide ..... 11

Statement of Activities – Government Wide..... 12

Balance Sheet – Governmental Funds..... 13

Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets ..... 14

Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds ..... 15

Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities ..... 16

Statement of Net Position – Proprietary Funds ..... 17

Statement of Revenues, Expenses and Changes in Fund  
Net Position – Proprietary Funds ..... 18

Statement of Cash Flows – Proprietary Funds ..... 19

Notes to Financial Statements .....20-33

**Required Supplementary Information**

Budgetary Comparison Schedule – General Fund ..... 34

Budgetary Comparison Schedule – Road and Street Fund ..... 35

Budgetary Comparison Schedule – Airport Fund ..... 36

Budgetary Comparison Schedule – Resort Tax Fund ..... 37

Budgetary Comparison Schedule – LID Fund ..... 38

**CITY OF DRIGGS, IDAHO**  
**Table of Contents (continued)**  
**September 30, 2014**

---

**Other Supplementary Information**

Budgetary Comparison Schedule – Water Fund .....	39
Budgetary Comparison Schedule – Sewer Fund .....	40
Combining Balance Sheet-Nonmajor Governmental Funds .....	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Nonmajor Governmental Funds .....	42
SBA Loan #2 Payable-Future Principal and Interest Requirements .....	43
Water/Sewer Revenue Bond-Future Principal and Interest Requirements .....	43
RDA Loan Payable-Future Principal and Interest Requirements.....	44
Sewer Note Payable-Future Principal and Interest Requirements .....	44
DEQ Loan Payable-Future Principal and Interest Requirements.....	45
LID Revenue Bond 2008D-Future Principal and Interest Requirements.....	45
Schedule of Expenditures of Federal Awards.....	46
Notes to the Schedule of Expenditures of Federal Awards .....	47
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 <i>Government Auditing Standards</i> .....	48-49
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	50-51
Schedule of Findings and Questioned Costs.....	52-53
Schedule of Prior Year Findings and Questioned Costs.....	54



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Driggs, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Driggs, Idaho, as of and for the year ended September 30, 2014, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Driggs, Idaho, as of September 30, 2014, 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 management's discussion and analysis and budgetary comparison information on pages 4–10 and 35–41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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.

### *Other Information*

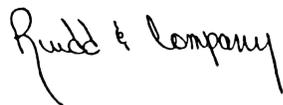
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Driggs, Idaho's basic financial statements. The combining and individual nonmajor fund financial statements and the schedules of loans payable are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedules of loans payable 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 and individual nonmajor fund financial statements, the schedules of loans payable 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 our report dated January 31, 2014, on our consideration of the City of Driggs, 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 City of Driggs, Idaho's internal control over financial reporting and compliance.



Rexburg, Idaho  
February 13, 2015  
Except for the component unit which is dated  
March 5, 2015



City of Driggs  
PO Box 48  
Driggs ID 83422

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## Management's Discussion and Analysis

As management of the City of Driggs, we offer readers of the City of Driggs' financial statements this narrative overview and analysis of the financial activities of the City of Driggs for the fiscal year ended September 30, 2014. All amounts, unless otherwise indicated, are expressed in dollars.

### Financial Highlights

- The assets of the City of Driggs exceeded its liabilities at the close of the most recent fiscal year by \$28,635,704 (*net position - ending*). Of this amount, \$5,415,039 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total change in net assets from governmental and business-type activities over the fiscal year increased by \$1,058,775.
- As of the close of the current fiscal year, the City of Driggs' governmental funds reported combined ending fund balances of \$1,592,757, a decrease of \$269,985 in comparison with the prior year. Of this total amount, \$874,023 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, select fund balances were as follows: unassigned general fund, \$1,101,862; unrestricted water fund, \$267,166; and unrestricted sewer fund, \$3,369,665.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Driggs' basic financial statements. The City of Driggs' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Driggs' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Driggs' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Driggs is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Driggs that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Driggs include general government, airport, public safety, and public works. The business-type activities of the City of Driggs include a Water and Sewer operation.

The government-wide financial statements include not only the City of Driggs itself, known as the *primary government*, but the Water and Sewer operation. Although legally separate, water and sewer functions for all practical purposes as a department of the City of Driggs, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found as part of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Driggs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Driggs can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Driggs maintains nine individual governmental funds. Information is presented separately for the five major funds: the general fund, road and street fund, airport fund, the local improvement district (LID) fund and the resort tax fund. Reports provided are the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other four governmental funds are combined into a single, aggregated presentation in the governmental reports. Individual fund data for each of these four non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Driggs adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for each major governmental fund to demonstrate compliance with this budget.

**Proprietary funds.** The City of Driggs maintains one type of proprietary fund, known as *enterprise*. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Driggs uses enterprise funds to account for its Water and Sewer operation.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operation, both of which are considered to be major funds of the City of Driggs.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as part of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found as part of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Driggs, assets exceeded liabilities by \$28,635,704 at the close of the most recent fiscal year.

By far the largest portion of the City of Driggs' net assets (81 %) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Driggs uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Driggs' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## City of Driggs Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>ASSETS:</b>						
Current and other assets	\$2,037,728	\$2,237,620	\$3,848,690	\$3,336,000	\$5,886,418	\$5,573,620
Capital assets	\$19,749,230	\$18,943,789	\$14,799,455	\$13,565,240	\$34,548,685	\$32,509,029
<b>TOTAL ASSETS</b>	<b>\$21,786,958</b>	<b>\$21,181,409</b>	<b>\$18,648,145</b>	<b>\$16,901,240</b>	<b>\$40,435,103</b>	<b>\$38,082,649</b>
<b>LIABILITIES:</b>						
Current liabilities	\$293,193	\$212,188	\$359,592	\$843,564	\$652,785	\$1,055,752
Noncurrent liabilities	\$118,259	\$155,757	\$11,024,530	\$9,289,536	\$11,142,789	\$9,445,293
Deferred Inflow	\$3,825	4,675	0	0	\$3,825	\$4,675
<b>TOTAL LIABILITIES</b>	<b>\$415,277</b>	<b>\$372,620</b>	<b>\$11,384,122</b>	<b>\$10,133,100</b>	<b>\$11,799,399</b>	<b>\$10,505,720</b>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	\$19,593,473	\$18,756,292	\$3,627,192	\$4,131,869	\$23,220,665	\$22,888,161
Unrestricted Net Assets	\$1,778,208	\$2,052,497	\$3,636,831	2,636,271	\$5,415,039	\$4,688,768
<b>TOTAL NET POSITION</b>	<b>\$21,371,681</b>	<b>\$20,808,789</b>	<b>\$7,264,023</b>	<b>\$6,768,140</b>	<b>\$28,635,704</b>	<b>\$27,576,929</b>

City of Driggs capital assets net of related debt represent resources that are subject to external restrictions on how they may be used. The remaining *unrestricted net assets* of \$5,415,039 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Driggs is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net position increased by \$562,892 during the current fiscal year.

Business-type activities increased the City of Driggs' net position by \$495,883.

City of Driggs' Activity	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Program Revenues						
Charges for Services						
General and administrative	90,937	97,561	0	0	90,937	97,561
Airport	132,338	166,449	0	0	132,338	166,449
LID assessments/interest	7,645	5,967	0	0	7,645	5,967
Water	0	0	520,313	525,569	520,313	525,569
Sewer	0	0	819,592	598,222	819,592	598,222
<b>Total Charges for Services</b>	<b>230,920</b>	<b>269,977</b>	<b>1,339,905</b>	<b>1,123,791</b>	<b>1,570,825</b>	<b>1,393,768</b>
Operating Grants & Contributions						
Airport	37,088	0	0	0	37,088	0
Public Works	194,198	197,785	0	0	194,198	197,785
<b>Total Operating Grants &amp; Contributions</b>	<b>231,286</b>	<b>197,785</b>	<b>0</b>	<b>0</b>	<b>231,286</b>	<b>197,785</b>
Capital Grants & Contributions						
Airport	29,480	294,878	0	0	29,480	294,878
Water	0	0	0	20,548	0	20,548
Sewer	0	0	198,872	307,683	198,872	307,683
<b>Total Capital Grants &amp; Contributions</b>	<b>29,480</b>	<b>294,878</b>	<b>198,872</b>	<b>328,231</b>	<b>228,352</b>	<b>623,109</b>
General Revenues						
Property taxes	395,735	384,065	0	0	395,735	384,065
Resort taxes	235,563	217,176	0	0	235,563	217,176
State and Federal funds	974,310	274,946	0	0	974,310	274,946
Investment earnings	13,274	15,631	101	3,279	13,375	18,910
Miscellaneous	615,166	192,114	0	0	615,166	192,114
<b>Total General Revenues</b>	<b>2,234,048</b>	<b>1,083,932</b>	<b>101</b>	<b>3,279</b>	<b>2,234,149</b>	<b>1,087,211</b>
<b>Total Revenues</b>	<b>2,725,734</b>	<b>1,846,572</b>	<b>1,538,878</b>	<b>1,455,301</b>	<b>4,264,612</b>	<b>3,301,873</b>
<b>EXPENSES</b>						
General and administrative	1,216,806	1,100,945	0	0	1,216,806	1,100,945
Airport	746,066	780,262	0	0	746,066	780,262
Public Works	142,733	191,675	0	0	142,733	191,675
Public Safety	48,000	48,000	0	0	48,000	48,000
Interest on long-term debt	9,237	10,435	0	0	9,237	10,435
Water	0	0	611,548	572,859	611,548	572,859
Sewer	0	0	431,447	599,591	431,447	599,591
<b>Total Expenses</b>	<b>2,162,842</b>	<b>2,131,317</b>	<b>1,042,995</b>	<b>1,172,450</b>	<b>3,205,837</b>	<b>3,303,767</b>
Change in Net Position	562,892	(284,745)	495,883	282,851	1,058,775	(1,894)
Net Beginning Position	20,808,789	21,093,534	6,768,140	6,485,289	27,576,929	27,578,823
Net Ending Position	21,371,681	20,808,789	7,264,023	6,768,140	28,635,704	27,576,929

## Financial Analysis of the Government's Funds

As noted earlier, the City of Driggs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Driggs' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Driggs' financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Driggs' governmental funds reported combined ending fund balances of \$1,592,757, a decrease of \$268,985 in comparison with the prior year. Of this amount \$874,023 constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service, 2) encumbrances, or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Driggs. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$1,101,862, equaling the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

**Proprietary funds.** The City of Driggs' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### **General Fund Budgetary Highlights.**

The road fund increased its negative fund balance over the prior year from (\$176,521) in FY 2013 to (\$361,882) in FY 2014.

The airport fund had a positive fund balance of \$287,804 as compared to \$220,378 in FY 2013.

The LID fund had a negative balance of (\$34,504) due to early pay-off of loan 91522 and 91523 in 2011. The fund's negative balance will decrease as additional assessment payments are received from account holders.

### **Capital Asset and Debt Administration**

**Capital assets.** The City of Driggs' investment in capital assets for its governmental and business type activities as of September 30, 2014, amounts to \$34,548,685 (net of accumulated depreciation). This investment in capital assets includes land, buildings, utility system improvements, machinery and equipment, park facilities, and roads.

**Long-term debt.** At the end of the current fiscal year, the City of Driggs had total long term debt outstanding of \$11,142,789 including funds received toward construction of the new regional Waste Water Treatment Plant.

### **Economic Factors and Next Year's Budgets and Rates**

- Investment in real property increased in Teton County during 2014. Distressed property listings were down, with available listings tightening, pointing to an improved economic forecast for the region.
- State of Idaho revenues continue to improve slightly. Projections of state revenues provided to the City were adjusted accordingly.

- The impacts of growth over the long-term are being considered as an on-going process. The City continued its process of improving on water and sewer capacity demands.
- To meet & expand its sewer capacity, the City is nearing completion of its Waste Water Treatment Facility. This regional project (treatment will be provided to the City of Victor) has received significant funding and loan opportunities from the State of Idaho and the Department of Environmental Quality. In FY 2014 \$1,960,458 was requested out of the \$11,000,000 total funds available.

All of these factors were considered in preparing the City of Driggs' budget for the 2015 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Driggs' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Driggs Finance Officer, P.O. Box 48, Driggs, Idaho 83422.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DRIGGS, IDAHO**  
**Statement of Net Position – Government Wide**  
**September 30, 2014**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Driggs Urban Renewal Agency
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ 1,253,449	\$ 2,581,705	\$ 3,835,154	\$ 203,257
Receivables:				
Teton County--property taxes	53,482	-	53,482	16,499
Utility accounts	-	95,163	95,163	-
Internal balances	187,436	(187,436)	-	-
Due from component unit	110,493	-	110,493	-
Due from other government entities	109,021	1,329,037	1,438,058	-
Other receivables	323,847	30,221	354,068	535
<b>Total Current Assets</b>	<b>2,037,728</b>	<b>3,848,690</b>	<b>5,886,418</b>	<b>220,291</b>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable capital assets	3,140,672	9,387,969	12,528,641	-
Depreciable capital assets	23,244,762	8,262,370	31,507,132	-
Accumulated depreciation	(6,636,204)	(2,850,884)	(9,487,088)	-
<b>Total Noncurrent Assets</b>	<b>19,749,230</b>	<b>14,799,455</b>	<b>34,548,685</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>21,786,958</b>	<b>18,648,145</b>	<b>40,435,103</b>	<b>220,291</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accruals and other current liabilities	255,695	211,859	467,554	2,689
Due to primary government	-	-	-	110,493
Current portion of long-term obligations	37,498	147,733	185,231	-
<b>Total Current Liabilities</b>	<b>293,193</b>	<b>359,592</b>	<b>652,785</b>	<b>113,182</b>
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	118,259	11,024,530	11,142,789	100,000
Deferred Inflows of resources				
Unavailable revenues	3,825	-	3,825	-
<b>Total liabilities and deferred outflows of Resources</b>	<b>415,277</b>	<b>11,384,122</b>	<b>11,799,399</b>	<b>213,182</b>
<b>NET POSITION:</b>				
Invested in capital assets, net of related debt	19,593,473	3,627,192	23,220,665	-
Unrestricted	1,778,208	3,636,831	5,415,039	7,109
<b>TOTAL NET POSITION</b>	<b>\$ 21,371,681</b>	<b>\$ 7,264,023</b>	<b>\$ 28,635,704</b>	<b>\$ 7,109</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**CITY OF DRIGGS, IDAHO**  
**Statement of Activities – Government Wide**  
**For the Year Ended 30, 2014**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense)			Component Unit Driggs Urban Renewal Agency
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets			
					Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
Governmental Activities:								
General and administrative	\$ 1,216,806	\$ 90,937	\$ -	\$ -	\$ (1,125,869)	\$ -	\$ (1,125,869)	
Airport	746,066	132,338	37,088	29,480	(547,160)	-	(547,160)	
Public works	142,733	-	194,198	-	51,465	-	51,465	
Public safety	48,000	-	-	-	(48,000)	-	(48,000)	
LID assessment/interest	-	7,645	-	-	7,645	-	7,645	
Interest on long-term debt	9,237	-	-	-	(9,237)	-	(9,237)	
Total Governmental Activities	<u>2,162,842</u>	<u>230,920</u>	<u>231,286</u>	<u>29,480</u>	<u>(1,671,156)</u>	<u>-</u>	<u>(1,671,156)</u>	
Business-type activities:								
Water	611,548	520,313	-	-	-	(91,235)	(91,235)	
Sewer	431,447	819,592	-	198,872	-	587,017	587,017	
Total Business-type Activities	<u>1,042,995</u>	<u>1,339,905</u>	<u>-</u>	<u>198,872</u>	<u>-</u>	<u>495,782</u>	<u>495,782</u>	
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 3,205,837</u>	<u>\$ 1,570,825</u>	<u>\$ 231,286</u>	<u>\$ 228,352</u>	<u>(1,671,156)</u>	<u>495,782</u>	<u>(1,175,374)</u>	
Component Unit:								
Driggs Urban Renewal Agency	\$ 515,414	\$ -	\$ -	\$ -				\$ (515,414)
Total Component Unit	<u>\$ 515,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(515,414)</u>
<b>GENERAL REVENUES:</b>								
Taxes:								
Property taxes levied for general purposes					395,735	-	395,735	228,930
Resort taxes					235,563	-	235,563	-
State and Federal Funds					974,310	-	974,310	-
Investment Earnings					13,274	101	13,375	60
Miscellaneous					615,166	-	615,166	-
Total General Revenues and Transfers					<u>2,234,048</u>	<u>101</u>	<u>2,234,149</u>	<u>228,990</u>
Changes in Net Assets					562,892	495,883	1,058,775	(286,424)
Net Position - Beginning					<u>20,808,789</u>	<u>6,768,140</u>	<u>27,576,929</u>	<u>293,533</u>
Net Position - Ending					<u>\$ 21,371,681</u>	<u>\$ 7,264,023</u>	<u>\$28,635,704</u>	<u>\$ 7,109</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**CITY OF DRIGGS, IDAHO**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2014**

	General Fund	Road and Street Fund	Airport Fund	Resort Tax Fund	LID Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
CASH AND INVESTMENTS	\$ 435,101	\$ -	\$ 284,408	\$ 423,780	\$ -	\$ 110,160	\$ 1,253,449
<b>RECEIVABLES:</b>							
Teton County--property taxes	40,445	13,037	-	-	-	-	53,482
Due from other funds	609,195	-	-	-	-	7,144	616,339
Due from component unit	110,493	-	-	-	-	-	110,493
Grants receivable	97,021	-	-	12,000	-	-	109,021
Other receivables	49,784	-	13,710	-	158,781	101,572	323,847
<b>TOTAL ASSETS</b>	<b>\$ 1,342,039</b>	<b>\$ 13,037</b>	<b>\$ 298,118</b>	<b>\$ 435,780</b>	<b>\$ 158,781</b>	<b>\$ 218,876</b>	<b>\$ 2,466,631</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES:</b>							
Accruals and other current liabilities	\$ 163,198	\$ 30,165	\$ 6,489	\$ 52,903	\$ -	\$ 2,276	\$ 255,031
Due to other funds	42,390	344,754	-	-	41,759	-	428,903
<b>TOTAL LIABILITIES</b>	<b>205,588</b>	<b>374,919</b>	<b>6,489</b>	<b>52,903</b>	<b>41,759</b>	<b>2,276</b>	<b>683,934</b>
Deferred Inflows of Resources							
Unavailable revenues	34,589	-	3,825	-	151,526	-	189,940
<b>FUND BALANCES (DEFICIT):</b>							
Restricted	-	-	287,804	382,877	-	48,053	718,734
Unassigned	1,101,862	(361,882)	-	-	(34,504)	168,547	874,023
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>1,101,862</b>	<b>(361,882)</b>	<b>287,804</b>	<b>382,877</b>	<b>(34,504)</b>	<b>216,600</b>	<b>1,592,757</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,342,039</b>	<b>\$ 13,037</b>	<b>\$ 298,118</b>	<b>\$ 435,780</b>	<b>\$ 158,781</b>	<b>\$ 218,876</b>	<b>\$ 2,466,631</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**CITY OF DRIGGS, IDAHO**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**September 30, 2014**

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 1,592,757
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of assets is \$26,245,613 and the accumulated depreciation is \$6,633,658.	19,749,230
Certain receivables are not financial resources and are reported as deferred revenues	
Property tax deferred revenue	34,589
Other deferred revenue	151,526
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Long-term debt	(155,757)
Accrued interest	<u>(664)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 21,371,681</u>

**CITY OF DRIGGS, IDAHO**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**September 30, 2014**

	General Fund	Road and Street Fund	Airport Fund	Resort Tax Fund	LID Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ 376,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376,697
Fines and fees	10,372	-	-	-	-	-	10,372
Building Permits	31,532	-	-	-	-	-	31,532
Rental/lease income	21,550	-	132,338	-	-	27,483	181,371
Interest earned	10,741	-	827	1,706	-	-	13,274
Miscellaneous/donations	590,060	4,775	-	14,011	-	6,320	615,166
Resort tax	-	-	-	235,563	-	-	235,563
LID principal	-	-	-	-	23,273	-	23,273
LID interest/late fees	-	-	-	-	7,645	-	7,645
State sales tax	32,712	-	-	-	-	-	32,712
State liquor fund	72,455	-	-	-	-	-	72,455
State highway users fund	-	53,203	-	-	-	-	53,203
State revenue sharing	93,465	-	-	-	-	-	93,465
Other state revenues	48,878	-	37,088	-	-	-	85,966
County road	-	140,995	-	-	-	-	140,995
Federal revenues	726,800	-	29,480	-	-	-	756,280
<b>TOTAL REVENUES</b>	<b>2,015,262</b>	<b>198,973</b>	<b>199,733</b>	<b>251,280</b>	<b>30,918</b>	<b>33,803</b>	<b>2,729,969</b>
<b>EXPENDITURES:</b>							
General and administrative	682,663	154,046	52,508	90,621	-	15,009	994,847
Public works	-	84,603	-	-	-	-	84,603
Public safety	48,000	-	-	-	-	-	48,000
Interest on capital leases and other debt	1,740	-	-	-	7,435	-	9,175
Principal on capital leases and other debt	11,732	-	-	-	20,000	-	31,732
Capital improvements	1,497,656	145,685	79,799	108,457	-	-	1,831,597
<b>TOTAL EXPENDITURES</b>	<b>2,241,791</b>	<b>384,334</b>	<b>132,307</b>	<b>199,078</b>	<b>27,435</b>	<b>15,009</b>	<b>2,999,954</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(226,529)</b>	<b>(185,361)</b>	<b>67,426</b>	<b>52,202</b>	<b>3,483</b>	<b>18,794</b>	<b>(269,985)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>							
	(226,529)	(185,361)	67,426	52,202	3,483	18,794	(269,985)
<b>FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR</b>							
	1,328,391	(176,521)	220,378	330,675	(37,987)	197,806	1,862,742
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>							
	\$1,101,862	\$ (361,882)	\$ 287,804	\$ 382,877	\$ (34,504)	\$ 216,600	\$ 1,592,757

The Accompanying Notes are an Integral Part of the Financial Statements

**CITY OF DRIGGS, IDAHO**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**In Fund Balances of Governmental Funds to the Statement of Activities**  
**September 30, 2014**

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

NET CHANGES IN FUND BALANCES - TOTAL  
 GOVERNMENTAL FUNDS \$ (269,985)

Governmental funds report capital outlays as expenditures.  
 However, in the statement of activities, assets with an initial,  
 individual cost of more than \$5,000 are capitalized and the cost  
 is allocated over their estimated useful lives and reported as  
 depreciation expense. This is the amount by which capital outlays  
 are reduced by depreciation in the current period.

Capital expenditures capitalized as fixed assets 1,831,597  
 Depreciation expense (1,026,155)

Revenues in the Statement of Activities that do not provide current  
 financial resources are not reported as revenues in the funds.

Property taxes 19,038  
 Special assessments (23,273)

Governmental funds report principal repayment on debt as an  
 expenditure. However, in the statement of activities debt  
 payments are not an expense.

Principal payments on long-term liabilities 31,732  
 Changes in accrued interest (62)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 562,892

**CITY OF DRIGGS, IDAHO**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2014**

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 350,737	\$ 2,230,968	\$ 2,581,705
Receivables:			
Utility accounts (net of allowance for doubtfull accounts of \$6,881 and \$5,410)	51,157	44,006	95,163
Other receivables	-	8,766	8,766
Prepaid expenses	21,455	-	21,455
Due from other governmental entities	-	1,329,037	1,329,037
Due from other funds	46,586	46,853	93,439
<b>Total Current Assets</b>	<b>469,935</b>	<b>3,659,630</b>	<b>4,129,565</b>
Noncurrent Assets:			
Capital Assets:			
Nondepreciable capital assets	53,541	9,334,428	9,387,969
Depreciable capital assets	4,465,323	3,797,047	8,262,370
Accumulated depreciation	(1,411,789)	(1,439,095)	(2,850,884)
<b>Total Noncurrent Assets</b>	<b>3,107,075</b>	<b>11,692,380</b>	<b>14,799,455</b>
<b>TOTAL ASSETS</b>	<b>3,577,010</b>	<b>15,352,010</b>	<b>18,929,020</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accruals and other current liabilities	61,027	150,832	211,859
Due to other funds	141,742	139,133	280,875
Current portion of long-term obligations	61,586	86,147	147,733
<b>Total Current Liabilities</b>	<b>264,355</b>	<b>376,112</b>	<b>640,467</b>
Noncurrent Liabilities:			
Noncurrent portion of long-term obligations	901,129	10,123,401	11,024,530
<b>TOTAL LIABILITIES</b>	<b>1,165,484</b>	<b>10,499,513</b>	<b>11,664,997</b>
<b>NET POSITION:</b>			
Invested in capital assets, net of related debt	2,144,360	1,482,832	3,627,192
Unrestricted	267,166	3,369,665	3,636,831
<b>TOTAL NET POSITION</b>	<b>\$ 2,411,526</b>	<b>\$ 4,852,497</b>	<b>\$ 7,264,023</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**CITY OF DRIGGS, IDAHO**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**September 30, 2014**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Totals
	Fund	Fund	
<b>OPERATING REVENUES:</b>			
Utility services	\$ 505,311	\$ 597,386	\$ 1,102,697
One time charges	14,277	18,401	32,678
Other operating revenues	725	203,805	204,530
<b>TOTAL OPERATING REVENUES</b>	<b>520,313</b>	<b>819,592</b>	<b>1,339,905</b>
<b>OPERATING EXPENSES:</b>			
Utility expenses	423,709	268,940	692,649
Depreciation	143,056	129,128	272,184
<b>TOTAL OPERATING EXPENSES</b>	<b>566,765</b>	<b>398,068</b>	<b>964,833</b>
<b>OPERATING INCOME</b>	<b>(46,452)</b>	<b>421,524</b>	<b>375,072</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Capital grants	-	198,872	198,872
Interest revenue	51	50	101
DEQ Loan for Victor	-	78,033	78,033
Passthrough loan to Victor	-	(78,033)	(78,033)
Interest expense	(44,783)	(33,379)	(78,162)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(44,732)</b>	<b>165,543</b>	<b>120,811</b>
<b>CHANGE IN NET POSITION</b>	<b>(91,184)</b>	<b>587,067</b>	<b>495,883</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>2,502,710</b>	<b>4,265,430</b>	<b>6,768,140</b>
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 2,411,526</b>	<b>\$ 4,852,497</b>	<b>\$ 7,264,023</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**CITY OF DRIGGS, IDAHO**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**September 30, 2014**

	Business-type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 522,102	\$ 818,814	\$ 1,340,916
Payments to suppliers and other vendors	(325,278)	(156,022)	(481,300)
Payments to employees	(94,202)	(112,918)	(207,120)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>102,622</b>	<b>549,874</b>	<b>652,496</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisitions of property, plant and equipment	(145,096)	(1,781,067)	(1,926,163)
Principal payments on revenue bonds	(58,565)	(70,284)	(128,849)
Loan proceeds	-	1,867,741	1,867,741
Interest payments on bonds and leases	(46,371)	(34,859)	(81,230)
Capital Grants	-	198,872	198,872
Loan pass through to Victor	-	(78,033)	(78,033)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(250,032)</b>	<b>102,370</b>	<b>(147,662)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest Income	51	50	101
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>51</b>	<b>50</b>	<b>101</b>
<b>NET INCREASE IN CASH AND INVESTMENTS</b>	<b>(147,359)</b>	<b>652,294</b>	<b>504,935</b>
<b>CASH AND INVESTMENTS AT BEGINNING OF YEAR</b>	<b>498,096</b>	<b>1,578,674</b>	<b>2,076,770</b>
<b>CASH AND INVESTMENTS AT END OF THE YEAR</b>	<b>\$ 350,737</b>	<b>\$ 2,230,968</b>	<b>\$ 2,581,705</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (46,452)	\$ 421,524	\$ 375,072
Adjustments to reconcile operating income to Net cash provided by operating activities:			
Depreciation and amortization	143,056	129,128	272,184
Changes in Assets and Liabilities:			
Increase in accounts receivable	1,789	(778)	1,011
Increase in accruals and other payables	4,229	-	4,229
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 102,622</b>	<b>\$ 549,874</b>	<b>\$ 652,496</b>

The Accompanying Notes are an Integral Part of the Financial Statements

**CITY OF DRIGGS, IDAHO**  
**Notes to Financial Statements**  
**September 30, 2014**

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**1. Summary of Significant Accounting Policies**

The City of Driggs was incorporated in May of 1910 under the laws of the State of Idaho. The City operates under a Mayor/Council form of government and provides the following services: Planning and Zoning, Parks and Recreation, Streets, Water, Sewer, Public Works, and General Administrative Services.

The financial statements of the City of Driggs, Idaho have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Primary Government and its component units. 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**1. Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post employment healthcare benefits, are recorded only when payment is due.

Property taxes, licenses and interest 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 accrued as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It is used for all financial resources of the general government, except those required to be accounted for in another fund.
- The Road & Street Fund accounts for the resources accumulated and payments made for street and bridge maintenance, street lighting, traffic engineering, snow removal, street sweeping and storm sewer maintenance. The Road & Street Fund resources are restricted by law to be used only to benefit city streets.
- The Airport Fund accounts for the operations of the Driggs Reed Memorial Airport.
- The Resort Tax Fund accounts for municipal sales tax collections used for improvement to roads and associated infrastructure within the City.

**1. Summary of Significant Accounting Policies (continued)**

- LID Fund accounts for the collection of receivables related to special assessments and the payment of the debt relating to the special assessment.

The City reports the following major enterprise funds:

- The Water & Sewer Funds are the funds that account for the activities provided to the residents of the City for its utilities. These utilities include water and wastewater.

Component Unit

Component units are organizations which are legally separated from the City, which are financially accountable to the City, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government and are governed by separate boards. The City has one discretely presented component unit. A brief description of the discretely presented component unit follows:

- *Driggs Urban Renewal Agency* – was organized to make improvements to infrastructure in specific areas of the City. It derives its revenues from the incremental tax increases that all taxing districts forfeit from increase in value of the land and buildings in the new construction areas.

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) 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.

**1. Summary of Significant Accounting Policies (continued)**

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 principle on going operations. The principle operating revenues of water and sewer services enterprise funds are charges to customers and users for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Property, Plant and Equipment**

Property, plant and equipment used in governmental fund type operations (those items which relate to the general activities and services of the City) are accounted for in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000, with an estimated useful life in excess of two years. Property, plant and equipment used in proprietary fund type operations (i.e., the water and the sewer funds) is accounted for within the proprietary funds and on the government-wide financial statements.

Depreciation is provided on property, plant and equipment using the straight-line method over the estimated useful lives of the related assets:

Computers .....	5 years
Office Equipment.....	5 years
Furniture.....	5 years
Vehicles.....	5 years
Light Equipment .....	7 years
Heavy Equipment.....	10 years
Buildings .....	39 years
Water and Wastewater Systems.....	20-100 years

**Budgetary Policy**

The City prepares one combined budget which includes the operations of all funds. Under Idaho Code, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, except as allowed by the Code for certain events.

**1. Summary of Significant Accounting Policies (continued)**  
**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**Cash Equivalents**

For the purpose of the statement of cash flows for the proprietary funds, the City considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Funds invested with the State Treasurer's Pool are classified as investments on the combined balance sheet and are considered to be cash equivalents.

**Use of Estimates**

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

**2. Cash and Short-Term Investments**

The City is authorized under Idaho Code to invest in cash, certificates of deposit, U.S. Government securities, commercial paper and repurchase agreements. All investments must be held by or registered in the name of the City.

Cash balances of most of the City's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's cash balance. The City maintains checking accounts for various funds. All excess funds are then invested with the State Treasurer's pooled cash investment account. This account invests in time certificates of deposit, local government tax anticipation notes, federal loans, U.S. treasury notes and other U.S. governmental securities. Information regarding insurance or collateralization of amounts invested in the pooled accounts is not available.

The City adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for the year ended September 30, 2012. This statement establishes and modifies disclosure requirements related to investment and deposit risk; accordingly, the note disclosures on cash and investments are in conformity with the provisions of GASB Statement No. 40.

- Deposits – At September 30, 2014, the carrying amount of the City's deposits were \$1,606,713 and the respective bank balances totaled \$1,624,678. Of the bank balances \$622,058 were federally insured.

**CITY OF DRIGGS, IDAHO**  
**Notes to Financial Statements**  
**September 30, 2014**

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**2. Cash and Short-Term Investments (continued)**

- 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, 2014, 38% of the City’s total deposits of \$1,624,678 were covered by federal depository insurance, and thus not exposed to custodial credit risk. In addition, the Transaction Account Guarantee (TAG) program, wherein participating institutions in partnership with the federal government, provide unlimited deposit coverage to accounts meeting program criteria. The City of Driggs deposits in excess of \$250,000 were covered under this plan.
- Investments – As of September 30, 2014, the City invested \$2,228,441 in the State Treasurer’s pooled cash investment, with a carrying amount of \$2,228,441. Fair market value was equal to the investment amount and the investments have a maturity of less than one year. The investment pool has an S&P Rating of AAf.
- Custodial Credit Risk, Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investments. The State diversifies these funds to reduce this risk. The investment pool has an S&P Rating of AAf.
- Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates the City structures its portfolio so that securities mature to meet cash requirements for ongoing operations. Because the State Investment Pool, as of September 30, 2014, had a weighted average maturity of less than one year, it was presented as an investment with a maturity of less than one year and included with cash and short-term investments.

The following is a reconciliation of the City’s deposit and investment balance as of September 30, 2014:

Cash	\$ 1,606,713
State Treasurer's Pool	<u>2,228,441</u>
Total	<u>\$ 3,835,154</u>

**3. Property Taxes**

Property taxes of the City are based on the assessments against property owners as of the first Monday in January of the calendar year in which the fiscal year commences. Tax levies on such assessed values are certified by the county prior to the commencement of the fiscal year.

Taxes are collected by Teton County and remitted to the City primarily in January and July of the fiscal year. Accordingly, the tax revenues for the fiscal year ended September 30, 2014, are based on the assessed values and tax revenues established in 2013.

**CITY OF DRIGGS, IDAHO**  
**Notes to Financial Statements**  
**September 30, 2014**

**3. Property Taxes (continued)**

The City defers recognition of property taxes assessed but not collected within 60 days of the fiscal year-end. Such amounts will be recognized as revenues in the fiscal year they become available.

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2014 was as follows:

	September 30 2013	Additions	Disposals	September 30 2014
Primary Government:				
Governmental activities:				
Capital Assets, not being depreciated				
Land	\$ 3,070,948	\$ 69,724	\$ -	\$ 3,140,672
Total Capital Assets, not being depreciated	<u>\$ 3,070,948</u>	<u>\$ 69,724</u>	<u>\$ -</u>	<u>\$ 3,140,672</u>
Capital Assets, being depreciated:				
Buildings and Improvements	\$ 20,802,194	\$ 1,517,456	\$ -	\$ 22,319,650
Furniture and Fixtures	312,843	244,417	-	557,260
Vehicles	367,852	-	-	367,852
Total Capital assets, being depreciated	<u>\$ 21,482,889</u>	<u>\$ 1,761,873</u>	<u>\$ -</u>	<u>\$ 23,244,762</u>
Accumulated Depreciation	<u>\$ 5,610,049</u>	<u>\$ 1,026,155</u>	<u>\$ -</u>	<u>\$ 6,636,204</u>
Depreciation expense was charged to the government activities as follows:				
General and administrative	\$ 274,467			
Airport	693,558			
Public works	58,130			
Total	<u>\$ 1,026,155</u>			
	September 30 2013	Additions	Disposals	September 30 2014
Primary Government:				
Business-type activities:				
Capital Assets, not being depreciated				
Sewer - Land	\$ 31,500	\$ -	\$ -	\$ 31,500
Water - Land	32,162	-	-	32,162
Water - Construction in progress	21,379	-	-	21,379
Sewer - Construction in progress	7,956,925	1,346,003	-	9,302,928
Total Capital Assets, not being depreciated	<u>\$ 8,041,966</u>	<u>\$ 1,346,003</u>	<u>\$ -</u>	<u>\$ 9,387,969</u>
Capital Assets, being depreciated:				
Sewer - Buildings and Improvements	\$ 3,676,345	\$ -	\$ -	\$ 3,676,345
Water - Buildings and Improvements	4,152,308	-	-	4,152,308
Sewer - Furniture, Fixtures, and Equipment	86,522	15,300	-	101,822
Water - Furniture, Fixtures, and Equipment	146,738	145,096	-	291,834
Sewer - Vehicles	18,880	-	-	18,880
Water - Vehicles	21,180	-	-	21,180
Total Capital assets, being depreciated	<u>\$ 8,101,973</u>	<u>\$ 160,396</u>	<u>\$ -</u>	<u>\$ 8,262,369</u>
Accumulated Depreciation - Sewer	\$ 1,309,968	\$ 129,128	\$ -	\$ 1,439,096
Accumulated Depreciation - Water	1,268,733	143,056	-	1,411,789
Total Accumulated Depreciation	<u>\$ 2,578,701</u>	<u>\$ 272,184</u>	<u>\$ -</u>	<u>\$ 2,850,885</u>

**CITY OF DRIGGS, IDAHO**  
**Notes to Financial Statements**  
**September 30, 2014**

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**5. Supplemental Proprietary Fund Cash Flow Information**

**Interest Paid During Year**

The City paid cash interest of \$81,230 in the Proprietary Funds for the year ended September 30, 2014.

**6. Long-Term Debt**

**SBA #2 Note Payable**

In August 2004, the City assumed a long-term note with the Small Business Administration from the purchase of the Broulim's Building. The note bears interest at 6.35% per annum and is repayable in monthly installments of \$3,285. This note is split evenly between the general fund, water fund and sewer fund.

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
SBA #2 Note Payable Issued August 2004 (Original Amount \$318,046)	6.35 %	2014-2016	\$47,320

**Water/Sewer Revenue Bond Payable**

In November 1997, the City issued a Sewer Revenue Bond which bears interest at 5% per annum. The bond is repayable in annual installments of \$32,530.

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
Water/Sewer Revenue Bond Issued November 1997 (Original Amount \$500,000)	5.00 %	2014-2027	\$304,686

**Rural Development Agency Note Payable**

In November 2004, the City financed a long-term note with RDA for the completion of the Driggs Springs Water Project. The note bears interest at 4.5% per annum and is repayable in annual installments of \$30,700.

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
RDA Note Payable Issued November 2004 (Original Amount \$500,000)	4.50 %	2014-2035	\$411,423

**CITY OF DRIGGS, IDAHO**  
**Notes to Financial Statements**  
**September 30, 2014**

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**6. Long-Term Debt (continued)**

**Sewer Note Payable**

In December 2004, the City refinanced a long-term note with the Idaho Department of Environmental Quality for revenue bonds with the Idaho Bond Bank. The bonds have a variable interest rate from 3.0% to 5.0% and are repayable in biannual installments with the first payment beginning March 2005.

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
Sewer Revenue Bond Issued December 2004 (Original Amount \$1,005,000)	3.0% - 5.0%	2014-2021	\$475,000

**Department of Environmental Quality Note Payable**

In October 2005, the City financed a long-term note with the Idaho Department of Environmental Quality for revenue bonds with the Idaho Bond Bank. The bonds have a fixed interest rate of 3.7% and are repayable in biannual installments with the first payment beginning February 2006.

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
DEQ Revenue Bond Issued October 2005 (Original Amount \$600,000)	3.7%	2014-2026	\$383,176

**LID Revenue Bond 2008D**

In October 2008, the City financed a local improvement district long-term note for revenue bonds with the Idaho Bond Bank. The bonds have an interest rate of 4.99% and are repayable in annual installments with the first payment beginning September 2009.

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
Revenue Bond 2008D Issued October 2008 (Original Amount \$320,000)	4.99%	2014-2023	\$140,000

**Department of Environmental Quality Note Payable (not closed)**

The City of Driggs is improving its waste water treatment system. This is being funded by a loan from the Department of Environmental Quality. The project started in 2011 and as of September 30, 2014 a total of \$9,566,432 in funds has been requested for the project. The total loan is estimated to cost \$10,000,000 with a forgiveness of \$2,500,000 and is expected to be completed in the 2015 fiscal year. Payments are expected to be for 20 years at zero percent interest.

**CITY OF DRIGGS, IDAHO**  
**Notes to Financial Statements**  
**September 30, 2014**

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**6. Long-Term Debt (continued)**

The annual requirements to amortize all long-term debt outstanding as of September 30, 2014, including interest, are as follows:

Year Ending September 30,	Governmental Funds	Proprietary Funds
2015	\$ 44,745	\$ 217,781
2016	33,840	199,871
2017	29,417	189,751
2018	8,255	192,091
2019	3,015	194,091
Thereafter	64,530	1,133,482
DEQ note payable - not closed	-	9,566,432
Total commitment	<u>\$ 183,802</u>	<u>\$ 11,693,499</u>
Interest portion	<u>\$ 28,029</u>	<u>\$ 521,236</u>
Principle portion	<u>\$ 155,773</u>	<u>\$ 11,172,263</u>

**7. Changes in Long-Term Obligations**

The following is a summary of long-term obligation transactions of the City for the year ended September 30, 2014:

	Long-Term Obligations September 30, 2013	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2013	Current Portion Due
Revenue bond 2008D	\$ 160,000	\$ -	\$ 20,000	\$ 140,000	\$ 25,000
SBA #2 note payable	27,505		11,732	15,773	12,498
Total governmental funds	<u>187,505</u>	<u>-</u>	<u>31,732</u>	<u>155,773</u>	<u>37,498</u>
SBA #2 note payable	55,010	-	23,464	31,546	24,996
Water/sewer revenue bonds payable	321,158	-	16,472	304,686	17,298
RDA water loan payable	423,084	-	11,661	411,423	12,186
Sewer revenue bonds payable	540,000	-	65,000	475,000	65,000
DEQ note payable	410,112	-	26,936	383,176	28,253
DEQ note payable -not closed	7,684,007	1,882,425	-	9,566,432	-
Total business-type funds	<u>9,433,371</u>	<u>1,882,425</u>	<u>143,533</u>	<u>11,172,263</u>	<u>147,733</u>
Total long-term obligations	<u>\$ 9,620,876</u>	<u>\$ 1,882,425</u>	<u>\$ 175,265</u>	<u>\$ 11,328,036</u>	<u>\$ 185,231</u>

## **8. Retirement Plans**

### **Public Employee Retirement System of Idaho**

The Public Employee Retirement System of Idaho (PERSI) – the PERSI Base Plan, a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After five years of credited services, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial statement reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements for the City of Driggs and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2014, the required contribution rate as a percentage of covered payroll for members was 6.79% for general employees and 8.36% for police/firefighters. The employer rate as a percent of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The City of Driggs contributions required and paid were \$50,498, \$42,392 and \$39,023 for the three years ended September 30, 2014, 2013, and 2012 respectively.

## **9. Other Required Individual Fund Disclosures**

The following individual funds had fund deficits on September 30, 2014:

**Road and Street Fund**--There is a fund deficit of \$361,882. The City expects to eliminate this deficit as reimbursements are received from the Resort Tax Fund.

**LID Fund**—There is a fund deficit of \$34,504. The City expects to eliminate this deficit as payments come in from the property owners for their share of the LID payments.

**CITY OF DRIGGS, IDAHO**  
**Notes to Financial Statements**  
**September 30, 2014**

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**10. Interfund Transactions**

The following is a schedule of interfund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Primary Government:		
Governmental Funds:		
General fund	\$ 609,195	\$ 42,390
Road and street fund	-	344,754
LID fund	-	41,759
Industrial building fund	7,144	-
Proprietary Funds:		
Water fund	46,586	141,742
Sewer fund	46,853	139,133
	<u>\$ 709,778</u>	<u>\$ 709,778</u>

The due to and due from other funds occurred for two reasons. One is that at the end of the fiscal year, if there are any negative cash amounts, the general fund loans funds to those funds to cover the negative amounts. These are expected to be paid back in the next year. The other is that loans occurred several years ago when certain funds needed funds to cover projects until the related revenues came in. These are not expected to be paid back in the next year.

**11. Fund Balances**

Fund balance is classified depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

Restricted fund balance – amounts constrained to specific purposes externally imposed by creditors (such as through debt covenants), grantor and contributors, or laws, or regulations of other governments, or through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes, pursuant to constraints imposed by formal action of the government’s highest level of decisions making authority. In the case of the City it is by council action.

**CITY OF DRIGGS, IDAHO**  
**Notes to Financial Statements**  
**September 30, 2014**

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**11. Fund Balances (continued)**

Unassigned fund balance – amounts that represent fund balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, it may be necessary to report a negative residual balance as unassigned.

Details of constraints on fund balances of governmental funds:

	General Fund	Special Revenue Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balances:			
Restricted:			
Airport operations and maintenance	\$ -	\$ 287,804	\$ 287,804
Restricted for City improvements	-	382,877	382,877
Restricted for utility improvements	-	48,053	48,053
Unassigned	1,101,862	(227,839)	874,023
Total fund balances	<u>\$ 1,101,862</u>	<u>\$ 490,895</u>	<u>\$ 1,592,757</u>

**12. Component Unit – Driggs Urban Renewal Agency**

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles. The basic, but not the only, criterion for including a potential component within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity include the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of the component unit addressed in defining the government's reporting entity.

**CITY OF DRIGGS, IDAHO**  
**Notes to Financial Statements**  
**September 30, 2014**

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**12. Component Unit – Driggs Urban Renewal Agency (continued)**

Included with the reporting entity:

Driggs Urban Renewal Agency - This component unit was organized to make improvements to infrastructure in specific areas of the City area. It derives its revenues from the incremental tax increases that all taxing districts forfeit from increase in value of the land and buildings in the new construction areas.

Cash and Investments – The component unit had cash deposits with a book balance of \$203,257 and a bank balance of \$198,767, which was all covered by FDIC insurance.

Related Party Transaction with Component Unit - During the year ended September 30, 2014, the City received \$377,493 from the Driggs Urban Renewal Agency. The City also had a receivable from the Agency of \$110,493.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DRIGGS, IDAHO**  
**Budgetary Comparison Schedule**  
**General Fund**  
**September 30, 2014**

	Original Budgeted Amount	Final Budgeted Amount	Acutal Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 354,435	\$ 354,435	\$ 376,697	\$ 22,262
Fines and fees	16,000	16,000	10,372	(5,628)
Building permits	11,000	11,000	31,532	20,532
Rental/lease income	26,473	26,473	21,550	(4,923)
Interest earned	12,000	12,000	10,741	(1,259)
Miscellaneous/donations	237,555	664,440	590,060	(74,380)
State sales tax	29,940	29,940	32,712	2,772
State liquor fund	60,000	60,000	72,455	12,455
Other state revenues	99,689	99,689	48,878	(50,811)
State revenue sharing	89,374	89,374	93,465	4,091
Urban renewal repayment	4,500	4,500	-	(4,500)
Grant	1,204,992	1,204,992	726,800	(478,192)
<b>TOTAL REVENUES</b>	<b>2,145,958</b>	<b>2,572,843</b>	<b>2,015,262</b>	<b>(557,581)</b>
<b>EXPENDITURES:</b>				
General and administrative	689,037	1,115,922	682,663	433,259
Public safety	48,000	48,000	48,000	-
Interest on capital leases and other debt	-	-	1,740	(1,740)
Principal on capital leases and other debt	-	-	11,732	(11,732)
Capital expenditures	1,610,544	1,610,544	1,497,656	112,888
<b>TOTAL EXPENDITURES</b>	<b>2,347,581</b>	<b>2,774,466</b>	<b>2,241,791</b>	<b>532,675</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(201,623)</b>	<b>(201,623)</b>	<b>(226,529)</b>	<b>(24,906)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	201,623	201,623	-	(201,623)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>-</b>	<b>-</b>	<b>(226,529)</b>	<b>(226,529)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>1,328,391</b>	<b>1,328,391</b>	<b>1,328,391</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$1,328,391</b>	<b>\$1,328,391</b>	<b>\$ 1,101,862</b>	<b>\$ (226,529)</b>

See Independent Auditors' Report

**CITY OF DRIGGS, IDAHO**  
**Budgetary Comparison Schedule**  
**Road and Street Fund**  
**September 30, 2014**

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	Original and Final Budgeted Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES:</b>			
State highway users fund	\$ 51,822	\$ 53,203	\$ 1,381
County road	125,100	140,995	15,895
Grant	450,000	-	(450,000)
Miscellaneous	-	4,775	4,775
TOTAL REVENUES	<u>626,922</u>	<u>198,973</u>	<u>(427,949)</u>
<b>EXPENDITURES:</b>			
General and administrative	-	154,046	(154,046)
Public works	630,824	84,603	546,221
Capital expenditures	125,000	145,685	(20,685)
TOTAL EXPENDITURES	<u>755,824</u>	<u>384,334</u>	<u>371,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(128,902)</u>	<u>(185,361)</u>	<u>(56,459)</u>
<b>OTHER FINANCING SOURCES:</b>			
Transfers from general fund	128,902	-	(128,902)
TOTAL OTHER FINANCING SOURCES	<u>128,902</u>	<u>-</u>	<u>(128,902)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(185,361)	(185,361)
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(176,521)</u>	<u>(176,521)</u>	<u>-</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (176,521)</u>	<u>\$ (361,882)</u>	<u>\$ (185,361)</u>

**CITY OF DRIGGS, IDAHO**  
**Budgetary Comparison Schedule**  
**Airport Fund**  
**September 30, 2014**

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	Original and Final Budgeted Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Rental/lease income	\$ 193,444	\$ 132,338	\$ (61,106)
Interest earned	-	827	827
Miscellaneous/donations	400	-	(400)
Other state revenues	-	37,088	37,088
Federal revenues	-	29,480	29,480
TOTAL REVENUES	<u>193,844</u>	<u>199,733</u>	<u>5,889</u>
EXPENDITURES:			
General and administrative	191,344	52,508	138,836
Capital improvements	2,500	79,799	(77,299)
TOTAL EXPENDITURES	<u>193,844</u>	<u>132,307</u>	<u>61,537</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	67,426	67,426
FUND BALANCE AT BEGINNING OF YEAR	<u>220,378</u>	<u>220,378</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 220,378</u>	<u>\$ 287,804</u>	<u>\$ 67,426</u>

**CITY OF DRIGGS, IDAHO**  
**Budgetary Comparison Schedule**  
**Resort Tax Fund**  
**September 30, 2014**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Resort tax	\$ 200,000	\$ 350,000	\$ 235,563	\$ (114,437)
Miscellaneous/donations	-	-	14,011	14,011
Interest earned	400	400	1,706	1,306
TOTAL REVENUES	<u>200,400</u>	<u>350,400</u>	<u>251,280</u>	<u>(99,120)</u>
EXPENDITURES:				
General and administrative	208,400	358,400	90,621	267,779
Capital improvements	112,000	112,000	108,457	3,543
TOTAL EXPENDITURES	<u>320,400</u>	<u>470,400</u>	<u>199,078</u>	<u>271,322</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(120,000)</u>	<u>(120,000)</u>	<u>52,202</u>	<u>172,202</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	52,202	52,202
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>330,675</u>	<u>330,675</u>	<u>330,675</u>	<u>330,675</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 330,675</u>	<u>\$ 330,675</u>	<u>\$ 382,877</u>	<u>\$ 382,877</u>

**CITY OF DRIGGS, IDAHO**  
**Budgetary Comparison Schedule**  
**LID Fund**  
**September 30, 2014**

	Original and Final Budgeted Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
LID principal	\$ 23,223	\$ 23,273	\$ 50
LID interest/late fees	11,777	7,645	(4,132)
TOTAL REVENUES	<u>35,000</u>	<u>30,918</u>	<u>(4,082)</u>
EXPENDITURES:			
Interest on capital leases and other debt	11,777	7,435	4,342
Principal on capital leases and other debt	23,223	20,000	3,223
TOTAL EXPENDITURES	<u>35,000</u>	<u>27,435</u>	<u>7,565</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>3,483</u>	<u>3,483</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from long-term obligations	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	3,483	3,483
FUND BALANCE AT BEGINNING OF YEAR	<u>(37,987)</u>	<u>(37,987)</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ (37,987)</u>	<u>\$ (34,504)</u>	<u>\$ 3,483</u>

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF DRIGGS, IDAHO**  
**Budgetary Comparison Schedule**  
**Water Fund**  
**September 30, 2014**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>OPERATING REVENUES:</b>				
Utility services	\$ 500,000	\$ 500,000	\$ 505,311	\$ 5,311
One time charges	3,500	3,500	14,277	10,777
Other operating revenues	59,211	309,211	725	(308,486)
<b>TOTAL OPERATING REVENUES</b>	<b>562,711</b>	<b>812,711</b>	<b>520,313</b>	<b>(292,398)</b>
<b>OPERATING EXPENSES:</b>				
Utility expenses	285,336	535,336	423,709	111,627
Depreciation	135,000	135,000	143,056	(8,056)
<b>TOTAL OPERATING EXPENSES</b>	<b>420,336</b>	<b>670,336</b>	<b>566,765</b>	<b>103,571</b>
<b>OPERATING INCOME</b>	<b>142,375</b>	<b>142,375</b>	<b>(46,452)</b>	<b>(188,827)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest revenue	500	500	51	(449)
Interest expense	(104,875)	(104,875)	(44,783)	60,092
Capital improvements	(38,000)	(38,000)	(92,344)	(54,344)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(142,375)</b>	<b>(142,375)</b>	<b>(137,076)</b>	<b>5,299</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (183,528)</b>	<b>\$ (183,528)</b>

**CITY OF DRIGGS, IDAHO**  
**Budgetary Comparison Schedule**  
**Sewer Fund**  
**September 30, 2014**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
<b>OPERATING REVENUES:</b>				
Utility services	\$ 585,000	\$ 585,000	\$ 597,386	\$ 12,386
One time charges	5,000	5,000	18,401	13,401
Other operating revenues	195,890	195,890	203,805	7,915
<b>TOTAL OPERATING REVENUES</b>	<b>785,890</b>	<b>785,890</b>	<b>819,592</b>	<b>33,702</b>
<b>OPERATING EXPENSES:</b>				
Utility expenses	752,125	752,125	268,940	483,185
Depreciation	145,000	145,000	129,128	15,872
<b>TOTAL OPERATING EXPENSES</b>	<b>897,125</b>	<b>897,125</b>	<b>398,068</b>	<b>499,057</b>
<b>OPERATING INCOME</b>	<b>(111,235)</b>	<b>(111,235)</b>	<b>421,524</b>	<b>532,759</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Capital grants	230,000	230,000	198,872	(31,128)
Interest revenue	500	500	50	(450)
Interest expense	(119,265)	(119,265)	(33,379)	85,886
Construction Loan	700,000	1,878,000	1,960,458	82,458
Capital improvements	-	(1,178,000)	(1,361,303)	(183,303)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>811,235</b>	<b>811,235</b>	<b>764,698</b>	<b>(46,537)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 700,000</b>	<b>\$ 700,000</b>	<b>\$ 1,186,222</b>	<b>\$ 486,222</b>

**CITY OF DRIGGS, IDAHO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2014**

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	Industrial Building Fund	Impact Fee Combined Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
CASH AND INVESTMENTS	\$ 62,107	\$ 48,053	\$ 110,160
RECEIVABLES:			
Due from other funds	7,144	-	7,144
Other receivables	101,572	-	101,572
<b>TOTAL ASSETS</b>	<b>\$ 170,823</b>	<b>\$ 48,053</b>	<b>\$ 218,876</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Pre-paid	\$ 2,276	\$ -	\$ 2,276
Interfund payables	-	-	-
<b>TOTAL LIABILITIES</b>	<b>2,276</b>	<b>-</b>	<b>2,276</b>
<b>FUND BALANCES:</b>			
Fund balances:			
Restricted	-	48,053	48,053
Unassigned	168,547	-	168,547
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>168,547</b>	<b>48,053</b>	<b>216,600</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 170,823</b>	<b>\$ 48,053</b>	<b>\$ 218,876</b>

**CITY OF DRIGGS, IDAHO**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**September 30, 2014**

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	Industrial Building Fund	Impact Fee Combined Funds	Total Nonmajor Governmental Funds
REVENUES:			
Rental/lease income	\$ 19,762	\$ 7,721	\$ 27,483
Other revenues	6,320	-	6,320
TOTAL REVENUES	<u>26,082</u>	<u>7,721</u>	<u>33,803</u>
EXPENDITURES:			
General and administrative	15,009	-	15,009
TOTAL EXPENDITURES	<u>15,009</u>	<u>-</u>	<u>15,009</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>11,073</u>	<u>7,721</u>	<u>18,794</u>
OTHER FINANCING SOURCES (USES):			
Transfer to outside entity	<u>-</u>	<u>-</u>	<u>-</u>
	<u>11,073</u>	<u>7,721</u>	<u>18,794</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>157,474</u>	<u>40,332</u>	<u>197,806</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ 168,547</u>	<u>\$ 48,053</u>	<u>\$ 216,600</u>

**CITY OF DRIGGS, IDAHO**  
**Schedules of Loans Payable**  
**Future Principal and Interest Requirements**  
**September 30, 2014**

---

	Interest Rate	Fiscal Year	ANNUAL PAYMENT	
			Principal Amount	Interest Payment
SBA Loan #2-General August 2004 Issue	6.35%	2015	\$ 37,494	\$ 1,926
		2016	9,826	105
			<u>\$ 47,320</u>	<u>\$ 2,031</u>
Water/Sewer Revenue Bond November 1997 Issue	5.0%	2015	\$ 17,296	\$ 15,234
		2016	18,160	14,370
		2017	19,069	13,461
		2018	20,022	12,508
		2019	21,023	11,507
		2020	22,074	10,456
		2021	23,178	9,352
		2022	24,337	8,193
		2023	25,554	6,976
		2024	26,831	5,699
		2025	28,173	4,357
		2026	29,582	2,948
		2027	29,387	-
		<u>\$ 304,686</u>	<u>\$ 115,061</u>	

**CITY OF DRIGGS, IDAHO**  
**Schedules of Loans Payable (continued)**  
**Future Principal and Interest Requirements**  
**September 30, 2014**

	Interest Rate	Fiscal Year	ANNUAL PAYMENT	
			Principal Amount	Interest Payment
RDA Loan Payable	4.50%	2015	\$ 12,186	\$ 18,514
November 2004 Issue		2016	12,734	17,966
		2017	13,307	17,393
		2018	13,906	16,794
		2019	14,532	16,168
		2020	15,186	15,514
		2021	15,869	14,831
		2022	16,583	14,117
		2023	17,330	13,370
		2024	18,110	12,590
		2025	18,924	11,776
		2026	19,776	10,924
		2027	20,666	10,034
		2028	21,596	9,104
		2029	22,568	8,132
		2030	23,583	7,117
		2031	24,645	6,055
		2032	25,754	4,946
		2033	26,912	3,788
		2034	28,124	2,576
		2035	29,132	1,311
			<u>\$ 411,423</u>	<u>\$ 233,020</u>
Sewer Note Payable	5.0%	2015	\$ 65,000	\$ 20,360
December 2004 Issue	5.0%	2016	70,000	17,110
Refinance of	3.8%	2017	70,000	13,610
November 1999 Issue	4.0%	2018	75,000	10,950
	4.0%	2019	80,000	7,950
	4.1%	2020	80,000	4,750
	4.2%	2021	35,000	1,470
			<u>\$ 475,000</u>	<u>\$ 76,200</u>

See Independent Auditors' Report

**CITY OF DRIGGS, IDAHO**  
**Schedules of Loans Payable (continued)**  
**Future Principal and Interest Requirements**  
**September 30, 2014**

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	Interest Rate	Fiscal Year	ANNUAL PAYMENT	
			Principal Amount	Interest Payment
DEQ Loan Payable -Water October 2005 issue.	3.70%	2015	\$ 28,253	\$ 14,658
		2016	29,332	13,588
		2017	30,432	12,479
		2018	31,584	11,327
		2019	32,780	10,131
		2020	34,021	8,890
		2021	35,308	7,603
		2022	36,645	6,266
		2023	38,032	4,879
		2024	39,471	3,440
		2025	40,965	1,945
		2026	6,363	395
		<u>\$ 383,186</u>	<u>\$ 95,601</u>	
LID Revenue Bond 2008D October 2008 issue. Revenue Bond 2008D Issued October 2008	4.99%	2015	\$ 25,000	\$ 6,605
		2016	25,000	5,530
		2017	25,000	4,417
		2018	5,000	3,255
		2019	-	3,015
		2020	30,000	3,015
		2021	30,000	1,515
		<u>\$ 140,000</u>	<u>\$ 27,352</u>	

See Independent Auditors' Report

**CITY OF DRIGGS, IDAHO**  
**Schedule of Expenditures of Federal Awards**  
**September 30, 2014**

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	Federal CFDA Number	Expenditures	Revenues Cash Basis
<b>Environmental Protection Agency:</b>			
* I Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 1,346,003	\$ 1,882,425
<b>Department of Housing and Urban Development:</b>			
I Community Development Block Grants	14.228	192,317	198,872
<b>U.S. Department of Transportation:</b>			
From the Federal Aviation Administration:			
D Airport Improvement Grant	20.106	69,724	37,088
* D Highway Planning and Construction	20.205	1,241,949	689,061
I Public Transportation for Nonurbanized Areas	20.509	48,882	48,878
<b>National Endowment for the Humanities:</b>			
I Promotioin of the Arts - Grants to Organizations and Individuals	45.024	<u>253,452</u>	<u>49,739</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 3,152,327</u>	<u>\$ 2,906,063</u>
<b>* Major Programs</b>			
I Indirect funds received through the State of Idaho		<u>\$ 1,840,654</u>	<u>\$ 2,179,914</u>
D Direct funds received directly from Federal Government		<u>\$ 1,311,673</u>	<u>\$ 726,149</u>

See Independent Auditors' Report and Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF DRIGGS, IDAHO**

**Notes to the Schedule of Expenditures of Federal Awards**

**September 30, 2014**

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1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Driggs, Idaho and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Monorable Mayor and City Council  
City of Driggs, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Driggs, Idaho, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Driggs, Idaho's basic financial statements, and have issued our report thereon dated February 13, 2015.

**Internal Control Over Financial Reporting**

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

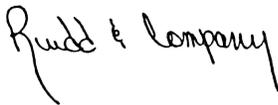
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Driggs, 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*.

## **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.



Rexburg, Idaho  
February 13, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and City Council  
City of Driggs, Idaho

**Report on Compliance for Each Major Federal Program**

We have audited City of Driggs, Idaho's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Driggs, Idaho's major federal programs for the year ended September 30, 2014. City of Driggs, Idaho's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Driggs, Idaho's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of 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 City of Driggs, Idaho'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 each major federal program. However, our audit does not provide a legal determination of City of Driggs, Idaho's compliance.

***Opinion on Each Major Federal Program***

In our opinion, City of Driggs, Idaho, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

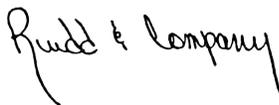
## Report on Internal Control Over Compliance

Management of City of Driggs, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Driggs, Idaho's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City of Driggs, Idaho'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 over compliance 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Rexburg, Idaho  
February 13, 2015

CITY OF DRIGGS, IDAHO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Section I - Summary of Auditors' Results**

(i) Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified  
that are not considered to be  
material weaknesses? No

Noncompliance material to financial  
statements noted? No

(ii) Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified  
that are not considered to be  
material weaknesses? No

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with section 510(a)  
of Circular A-133? No

CITY OF DRIGGS, IDAHO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Funds
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II – Financial Statement Finding**

None

**Section III – Federal Award Findings and Questioned Costs**

None

CITY OF DRIGGS, IDAHO  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**Section II – Financial Statement Finding**

None

**Section III – Federal Award Findings and Questioned Costs**

None