



Financial Statements
September 30, 2022

City of Caldwell Employee Benefit Plan Trust

City of Caldwell Employee Benefit Plan Trust

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Independent Auditor's Report

To the Board of Trustees
City of Caldwell Employee Benefit Plan Trust
Caldwell, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the fiduciary activities of the City of Caldwell Employee Benefit Plan Trust (the Plan) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Caldwell Employee Benefit Plan Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the fiduciary activities of the City of Caldwell Employee Benefit Plan Trust, as of September 30, 2022, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

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

Boise, Idaho
December 14, 2022

Trustees of the City of Caldwell Employee Benefit Plan Trust (the Plan) offer readers of these financial statements this narrative overview and analysis of the financial transactions and affairs of the Plan for the fiscal year ended September 30, 2022.

This report has been prepared in compliance with Idaho Code Section 41-4011 in which "within ninety (90) days after close of a fiscal year of the Plan, the trustee shall prepare an annual statement in writing summarizing the financial transactions of the Plan for such fiscal year and the financial condition of the Plan at the end of such year in accordance with the requirements of this chapter and with generally accepted accounting principles".

In addition to the above stated requirement, "the Plan's annual statement shall be accompanied by the certified actuarial opinion described in section 41-4010".

The independent audit firm of Eide Bailly LLP completed the 2022 fiscal year audit. This audit is available in the office of the City Clerk, 411 Blaine Street, Caldwell, Idaho.

This audit report presents a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Total plan contributions and other revenues reduced by total deductions yield the change in fiduciary net position which determines if plan funding adequately covers plan deductions each year. Over time, the Statement of Fiduciary Net Position measures the financial health of the Plan. Fiduciary net position is simply assets minus liabilities. The results of the 2022 fiscal year audit for the Plan are included within the financial statements, footnotes and audit opinion presented in this annual report.

FINANCIAL HIGHLIGHTS

- **Statement of Fiduciary Net Position:** Assets of the Plan exceeded its liabilities at September 30, 2022, resulting in fiduciary net position of \$2,442,459 compared to prior year fiduciary net position of \$2,251,628. Fiduciary net position is made up entirely of cash.
- **Statement of Changes in Fiduciary Net Position:** At September 30, 2022, plan contributions from all sources totaled \$3,901,972 compared to prior year contributions of \$3,832,469. Plan deductions at September 30, 2022, totaled \$3,797,775 compared to prior year deductions of \$3,925,768. Current year changes in fiduciary net position totaled \$190,831 compared to prior year changes in fiduciary net position of (\$63,602).
- **Reserves and Surplus:** The self-funded plan shall establish and maintain in its trust fund surplus equal to at least: (a) The equivalence of three (3) months of contributions for the current plan year; or (b) One hundred ten percent (110%) of the difference between the total dollar aggregate stop-loss attachment point plus costs of operation and the total dollar expected contributions for the current plan year. Claims liability certified by the actuary total \$326,533. For the plan year 2022, Trustees selected option (a) for required minimum reserves for the plan which total \$1,006,877. As of September 30, 2022, plan reserves and surplus (fiduciary net position) are \$2,442,459 which covers 64.31% of annual deductions and provides a surplus of \$1,435,582. In plan year 2023, Trustees desire to maintain an annual minimum cash surplus of \$1,049,789 for required reserves, which is the minimum surplus calculation for 2023 performed by the actuary. The 2023 minimum surplus increased by \$42,912 from the 2022 minimum surplus.

- Medical claims and accruals are down \$292,362, which is a 8.61% decrease from last year. There were four claims reported over \$100,000 in FY22.
- Reinsurance and administrative expenses are up by \$64,649, which represents a 10.64% increase.
- Contributions from all sources, including rebates, increased by \$126,440 which represents a 3.27% increase over prior year. Overall, contributions and rebates exceeded deductions (change in fiduciary net position) by \$190,831 as of September 30, 2022.

CONDENSED FINANCIAL INFORMATION

Statement of Fiduciary Net Position

	2022	2021
Assets		
Current Assets	\$ 2,844,911	\$ 2,633,846
Current Liabilities	402,452	382,218
Fiduciary Net Position	\$ 2,442,459	\$ 2,251,628

Statement of Changes in Fiduciary Net Position

	2022	2021
Revenues		
Contributions	\$ 3,901,972	\$ 3,832,469
Rebates	86,634	29,697
Total additions	3,988,606	3,862,166
Deductions		
Claims and administrative expenses	3,797,775	3,925,768
Net Change in Net Position	\$ 190,831	\$ (63,602)

CURRENTLY KNOWN FACTS AND DECISIONS

Background

The City of Caldwell Employee Health Trust Plan was established April 1, 2008 as a self-funded plan and is registered with the State of Idaho Department of Insurance # 3926.

The Plan provides payment of "Eligible Expenses" incurred by plan participants for medical, dental, pharmacy, vision and other expenses incurred in the administration of the plan. As of September 30, 2022, the Plan covered 885 eligible members and dependents. Which represents a 16.6% decrease from September 30, 2021.

Trustees meet once each quarter and include the City Finance Director and/or City Treasurer, and Human Resource Director.

Initiatives and Activities

- Health contribution rates increased by 5.1% and dental contribution rates did not increase in FY2022.
- Health and dental contribution rates will increase by 5% in FY2023.
- Employees will dis-continue paying the \$94 per month for health insurance in FY2023 and instead pay only for dependents at a rate of 15% of the Employers cost.
- The City of Caldwell (the City) has contracted with Wellness 360 to provide wellness measures and administer an Employee Wellness Program for 2023. Employees may earn points to purchase gift cards of various values as they reach different levels of the wellness platform. Wellness includes education to assist employees in managing their health and promoting healthy eating and exercise programs. Wellness initiatives and goals include lowering future medical expenses through employee participation in healthy lifestyle changes and early detection and elimination of many preventable illnesses and diseases.
- Contracts with health care providers under the Plan meet or exceed requirements placed on health care plans under the Affordable Health Care Act.
- The City provides a Fitness Reimbursement Program that promotes and encourages employees to be active and maintain healthy lifestyles.

City of Caldwell Employee Benefit Plan Trust
Statement of Fiduciary Net Position
September 30, 2022

Assets		
Cash		<u>\$ 2,844,911</u>
Total assets		<u>2,844,911</u>
Liabilities		
Claims payable		75,919
Health claims incurred but not paid		<u>326,533</u>
Total liabilities		<u>402,452</u>
Fiduciary Net Position		<u><u>\$ 2,442,459</u></u>

City of Caldwell Employee Benefit Plan Trust
Statement of Changes in Fiduciary Net Position
Year Ended September 30, 2022

Additions	
Contributions	
Employer	\$ 3,524,963
Employees	284,013
COBRA	<u>92,996</u>
	3,901,972
Rebates	<u>86,634</u>
Total additions	<u>3,988,606</u>
Deductions	
Insurance claim benefits	3,102,423
Change in health claims incurred but not paid	22,851
Stop loss premiums	370,263
Administrative expenses	<u>302,238</u>
Total deductions	<u>3,797,775</u>
Net Change in Net Position	190,831
Fiduciary Net Position, Beginning of Year	<u>2,251,628</u>
Fiduciary Net Position, End of Year	<u><u>\$ 2,442,459</u></u>

Note 1 - Plan Description

The following description of the City of Caldwell Employee Benefit Plan Trust (the Plan) provides only general information. The Plan Agreement and Summary Plan Documents should be referred to for a more complete description of the Plan's provisions.

General

The Plan provides optional health care benefits to all full-time employees of the City of Caldwell (the City) who regularly work at least 30 hours per week, their dependents, or Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) eligible participants from the City. Coverage commences on the first day of the month following the date of hire and terminates the last day of the month in which terminated.

Benefits

Medical and dental coverage is available to participants of the Plan. Medical coverage includes prescription drugs and vision coverage. Full time employees separated from the City may continue their coverage under the Plan for a fixed monthly contribution if they elect COBRA coverage.

Self-Insured

All Plan benefits are self-insured. Regence Blue Shield of Idaho (contract administrator) and Delta Dental of Idaho (contract administrator), selected by the Plan Trustees, administer the benefits and receive a fee per covered employee for processing and paying benefit claims. Despite the Plan's utilization of third-party claims processors, ultimate responsibility for payments to providers and participants is retained by the Plan.

The Plan utilizes a pharmacy benefit manager which periodically makes quarterly refunds to the Plan based on the Plan's actual utilization pattern of specific drugs.

Contributions received for the Plan are used to pay administrative fees and expenses incurred by the plan. Certain managerial and administrative services performed by the City are provided to the Plan without charge. In future years, the Plan may be charged an administrative fee for administrative services performed by the City.

Insurance Premiums

The Plan is insured by Regence Blue Shield of Idaho against specific excess losses greater than \$120,000 and aggregate excess losses based on a set factor multiplied by the number of enrollees over twelve months.

Contributions

The coverages are funded through contributions from the City, participating employees and other past employees under COBRA which related to the continuation of coverage under group health plans. Plan trustees and the Plan's benefits consultant approve funding requirements each year. The Trustees determines City and employee contributions rates to meet funding requirements.

Approved employee contributions shall not exceed 15% of the additional contribution for dependent coverage over the base rate for employee coverage.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accounting and reporting policies of the Plan included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB).

The Plan is accounted for and reported as a fiduciary fund using the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred. The statements of fiduciary net position and the statement of changes in fiduciary net position display information about the Plan.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant estimates used in preparing these financial statements include those assumed in determining the incurred, but not paid claims liability. It is at least reasonably possible that the significant estimates used will change within the next year.

Cash

Cash represents cash on hand and in banks.

Prescription Rebates

Prescription rebates are recorded as revenue when received.

Payments for Benefits

Claim payments are recorded when paid by the third-party claims processor. Amounts due to claims processors that have yet to be reimbursed by the Plan are recorded as claims payable in the accompanying statement of fiduciary net position.

Re-insurance premiums paid by the Plan are recorded as administrative expenses in the accompanying statement of changes in fiduciary net position.

Expenses

Expenses of administering the Plan are the responsibility of the Plan.

Note 3 - Cash**Deposit and Investment Policies**

The City of Caldwell Employee Benefit Plan Trust Agreement allows investments in securities that are legal for investment of Plan funds under Idaho Code 50-1013 and Idaho Code 41-4009 and authorized in writing by a Trustee.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. Cash assets are insured by Federal Depository Insurance Corporation up to \$250,000 and collateralized for any additional amounts. As of September 30, 2022, the bank balance was \$2,860,460, of which \$250,000 is covered by FDIC and \$2,610,460 is collateralized by a letter of credit from the Federal Home Loan Bank of Cincinnati held by U. S. Bank for \$3,500,000.

Note 4 - Estimated Health Claims Incurred but Not Paid

Health claims incurred but not paid (IBNP) are claims that have occurred but are not settled and claims incurred but not paid. The liability is actuarially estimated based on historical claims experience and industry accepted actuarial methods and assumptions. The estimate is prepared by an independent actuarial firm, Milliman based on historical claims experience, plan enrollment, and processing lag times. Claims payable includes additional amounts separate from the incurred but not paid estimate as the claims payable relates to benefit payments known and processed by the contract administrator which are to be paid from the Plan following fiscal year-end. All unpaid claims as of September 30, 2022, are expected to be resolved in the subsequent year.

Changes in the unpaid health claims incurred but not paid in the years ended September 30, 2022 and 2021 were:

	2022	2021
Balance, October 1	\$ 303,682	\$ 380,551
Claims and Changes in Estimates	3,125,274	3,317,916
Claims Payments	<u>(3,102,423)</u>	<u>(3,394,785)</u>
Balance, September 30	<u>\$ 326,533</u>	<u>\$ 303,682</u>

Note 5 - Funding Policy

The City's policy is to make sufficient contributions to the Plan to pay the total claim obligations incurred during the plan year. As required by State of Idaho Code, the Plan is required to maintain a surplus of at least a) the equivalence of three months of contributions for the current plan year; or b) 110% of the difference between the total dollar aggregate stop-loss attachment point plus costs of operation and the total dollar expected contributions for the current plan year. Fiduciary net position at year end exceeds the requirement listed in a) above and therefore the Plan is compliant with statutorily mandated reserve requirements.



Other Information
September 30, 2022

City of Caldwell Employee Benefit Plan Trust



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 Board of Trustees
City of Caldwell Employee Benefit Plan Trust
Caldwell, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the fiduciary activities of City of Caldwell Employee Benefit Plan Trust (the Plan), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City of Caldwell Employee Benefit Plan Trust’s basic financial statements and have issued our report thereon dated December 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan’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 Plan’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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Caldwell Employee Benefit Plan Trust'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Boise, Idaho
December 14, 2022