



Financial Statements  
September 30, 2017

# City of Caldwell, Idaho

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CITY OF CALDWELL, IDAHO

CITY OFFICIALS

September 30, 2017

MAYOR

Garret L. Nancolas

COUNCIL

Dennis Callsen, President

Mike Pollard

Robert Hopper

Shannon Ozuna

Chris Allgood

Chuck Stadick

CITY CLERK

Debbie Geyer

CITY TREASURER / FINANCE DIRECTOR

ElJay Waite



## Independent Auditor's Report

Members of City Council  
City of Caldwell, Idaho  
Caldwell, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Caldwell, Idaho (the City), as of and for the year ended September 30, 2017, 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.

### **Basis for Qualified Opinions**

Management has not performed the actuarial calculations for other post-employment benefits accounted for in the Post-Retirement Health Reimbursement Arrangement Internal Service Fund and accordingly, has not calculated the fund's other-post-employment benefit liability. Accounting principles generally accepted in the United States of America require a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the internal service funds on the proprietary funds financial statements and the governmental activities of the government-wide financial statements. It also requires certain disclosure regarding the annual required contribution, the net OPEB obligation and expense, and the unfunded actuarial accrued liability. The amount by which the departure would affect net position, liabilities, and expenses is not reasonably determinable.

### **Qualified Opinions**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining funds as of September 30, 2017, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the City of Caldwell, Idaho, as of September 30, 2017, 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.

### **Emphasis of a Matter**

As discussed in Note 14, the Caldwell East Urban Renewal Agency (URA) is no longer reported in the City's financial statements due a change in reporting entity that resulted from changes in legislation. The URA had previously been reported as a blended component unit. This resulted in the restatement of beginning net position and beginning fund balance. Our opinion has not been modified with respect to this matter.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of employer's share of net pension asset/liability and employer's contributions, and budgetary comparison information as listed in the table of contents 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’s financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2018, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Caldwell, Idaho’s internal control over financial reporting and compliance.



Boise, Idaho  
January 30, 2018

Management of the City of Caldwell, Idaho, (the City) offers readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

## **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City of Caldwell, Idaho exceeded its liabilities and deferred inflows of resources at September 30, 2017, by \$231,930,259. This is an increase of \$11,881,497 over the September 30, 2016, restated balance of \$220,048,762. Of this amount, unrestricted net position of \$52,405,128 may be used to meet the City's ongoing obligations to citizens and creditors compared to \$68,612,594 on September 30, 2016.
- As of September 30, 2017, the City of Caldwell's governmental funds reported combined ending fund balances of \$26,750,319. This is a decrease of \$242,241 over the September 30, 2016, restated balance of \$26,992,560. Of this amount, \$982,012 is unassigned and available for spending compared to \$2,668,536 on September 30, 2016, and \$25,768,307 is assigned or committed for specific future purposes, and classified as nonspendable fund balance compared to \$24,324,024 (restated) on September 30, 2016.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$982,012 compared to \$2,668,536 last year. Management has assigned \$12,057,563 for city operations and city projects.
- The City of Caldwell's total debt obligation was \$2,945,000 (excluding bond premium) compared to \$4,090,000 last year. The non-voter approved debt of \$2,570,000 is 0.8% of its total debt capacity of \$31,404,267. The voter approved General Obligation bond principal remaining is \$375,000.
- As a result of changes in legislation, on July 10, 2017, the Board of Commissioners for the Caldwell East Urban Renewal Agency (URA) changed from six members from City Council to three members from City Council and three members from the public who reside in the URA boundaries. As a result of this action, URA is no longer considered a component unit of the City. This resulted in a change in reporting entity that is discussed in note 14. In addition, the FY16 financial statements presented below have been restated to reflect the change in reporting entity in order to facilitate comparison to the FY17 financial statements. The change in reporting entity resulted in a net increase in net position of \$5,448,780.

An explanation of the events and activities giving rise to the increases or decreases between years is provided in the main body of this report.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These financial statements are comprised of three components:

- 1) government-wide financial statements
- 2) fund financial statements
- 3) other and required supplementary information

### **Government-wide Financial Statements.**

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

The statement of net position presents information on all City assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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.

Government-wide financial statements distinguish functions of the City 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 include general government, public safety, parks and recreation, community services, community development, streets and other charges. The business-type activities of the City include water, sewer, sanitation, golf, street lighting, and irrigation.

### **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, 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 Caldwell can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 available resources, as well as on balances of 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 current 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 the comparison between the two.

The City maintains eleven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and street fund, which are considered major funds. Data from the other nine funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

*Proprietary funds.* The City maintains two different types of proprietary funds, namely enterprise funds and internal service funds.



Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains six individual enterprise funds. Information is presented separately in the proprietary statement of net position and the proprietary statement of revenues, expenses and changes in fund net position for the Water, Sewer and Sanitation funds, which are considered major funds. Data from the other three funds are combined into a single, aggregated presentation. Nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report.

Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employee section 125-benefit plan and to maintain and administer a post-retirement Health Retirement Account Voluntary Employee Beneficiary Association (HRA VEBA) authorized under Internal Revenue Code 501(c)(9). Data from these funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

*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 fund financial statements.

*Other information.* In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. Required supplementary information includes the budget to actual for the general fund and street fund. It also includes the schedules of the City's share of the net pension asset/liability and the City's contributions to the PERSI Base plan and FRF plan. The combining statements referred to earlier in connection with nonmajor funds and internal service funds are presented immediately after the basic financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position may serve as a useful indicator of a government's financial position. At September 30, 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$231,930,259, an increase of \$11,881,497 over the September 30, 2016, restated balance of \$220,048,762. Other assets, capital assets net of depreciation, deferred outflows of resources, liabilities, and deferred inflows of resources totaled \$81,493,538, \$181,707,923, \$1,658,690, \$15,496,761, and \$17,433,131, respectively. As compared to 2016 restated balances of \$76,919,317, \$172,886,246, \$3,267,996, \$16,054,410, and \$16,970,387, respectively, other assets increased \$4,574,221, capital assets net of depreciation increased \$8,821,677, deferred outflows decreased \$1,609,306, liabilities decreased \$557,649, and deferred inflows of resources increased \$462,744. The increases in the accounts above are attributed to changes in net position which are discussed below.

Investments in capital assets, less any related outstanding debt used to acquire those assets, totaling \$178,751,698 represent by far the largest portion of the City's net position (77.1%). Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in 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. Capital assets, net of accumulated depreciation, totaled \$100,421,594 at September 30, 2017, and increased \$3,994,202 from September 30, 2016, restated balance of \$96,427,392 for governmental activities. Capital assets, net of accumulated depreciation for business-type activities totaled \$81,286,329 at September 30, 2017 and increased \$4,827,475 from September 30, 2016, balance of \$76,458,854. Major asset additions are scheduled on page 12.

**Governmental activities.** Governmental activities increased the City's net position by \$6,175,046 (change in net position) accounting for a 2.9% increase in the net position (excluding the change in reporting entity). Governmental expenses totaled \$32,039,786 compared to \$29,367,687 (restated) in 2016. Police expenses increased \$983,736 for salary, benefits and capital. Fire expenses increased by \$847,384 for salary and benefits and capital.

Program revenues totaled \$14,551,930 which is \$7,059,031 less than last year and covered 45% of governmental expenses. Major components of this decrease include a decrease of \$1,167,003 in Airport grant revenues for Airport Improvement Projects; reclassification of operating grants and contributions in program revenues in the street fund of \$6,759,992 to general shared revenues.

Expenditures less program revenues produced a net expense of \$17,487,856. When netted against general revenues of \$23,662,902 the change in net position for governmental activities is an increase of \$6,175,046 (see statement on page 17).

**Business-type activities.** Business-type activities increased the City's net position by \$5,706,451 accounting for a 2.7% increase in the City's net position (excluding the change in reporting entity). Business-type expenses totaled \$17,525,597 compared to \$16,793,928 in 2016. Expenses for sewer and irrigation decreased \$262,954 and \$131,963, respectively. Water, sanitation, golf, and street lighting increased \$335,948, \$219,323, \$323,282 and \$248,033, respectively. The water increase of \$335,948 resulted from increases in depreciation, maintenance and operations of \$65,819, and \$270,129, respectively. The sanitation expense increase of \$219,323 was caused by a \$154,698 increase in contractual services and \$64,625 increase in maintenance and operations. The \$323,282 increase in golf was the result of \$288,302 increase in contractual services which is a direct result of an increase in revenues, and \$34,980 in maintenance and operations. The \$248,033 increase in irrigation was the result of \$248,033 for maintenance and operations.

Program revenues totaled \$21,650,721 compared to \$21,129,728 in 2016 and covered 123.5% of expenses. Major components of this \$520,993 increase included fee increases and customer base growth. These two factors added \$387,785 in the water fund charges for services. Similarly, increases in charges for services in the sewer fund of \$430,002, are attributed to fee increases for septic dump services, interceptor and plant capacity fees. These increases are also the result of an improving economy and increasing construction activity.

General revenues totaled \$1,581,327 compared to \$969,952 last year and covered 9.0% of expenses. General revenues comprise investment earnings of \$383,671, unrealized loss on investments of (\$251,859), gain on disposal of assets of \$1,105,671, and project reimbursements from property owners and time and materials reimbursements added \$438,062 offset by a deduction for funds transferred to governmental activities of \$94,218.

Expenditures less program revenues produced net revenue of \$4,125,124. When combined with general revenues of \$1,581,327, the change in net position for business-type activities is an increase of \$5,706,451 (see statement on page 17).

	Governmental Activities		Business-type Activities		Total	
	2017	2016 Restated	2017	2016 Restated	2017	2016 Restated
Current and Other	\$ 51,445	\$ 48,132	\$ 30,049	\$ 28,788	\$ 81,494	\$ 76,920
Capital Assets	100,422	96,427	81,286	76,459	181,708	172,886
Total Assets	<u>151,867</u>	<u>144,559</u>	<u>111,335</u>	<u>105,247</u>	<u>263,202</u>	<u>249,806</u>
Deferred Outflows	1,444	2,932	214	336	1,658	3,268
Short-Term Liabilities	3,308	2,207	3,520	2,340	6,828	4,547
Long-Term Liabilities	5,977	7,877	2,691	3,630	8,668	11,507
Total Liabilities	<u>9,285</u>	<u>10,084</u>	<u>6,211</u>	<u>5,970</u>	<u>15,496</u>	<u>16,054</u>
Deferred Inflows	<u>17,303</u>	<u>16,859</u>	<u>130</u>	<u>111</u>	<u>17,433</u>	<u>16,970</u>
Net Investment in						
Capital Assets	100,036	77,499	78,717	73,179	178,753	150,678
Restricted	-	-	773	759	773	759
Unrestricted	<u>26,687</u>	<u>43,049</u>	<u>25,718</u>	<u>25,564</u>	<u>52,405</u>	<u>68,613</u>
Total Net Position	<u>\$ 126,723</u>	<u>\$ 120,548</u>	<u>\$ 105,208</u>	<u>\$ 99,502</u>	<u>\$ 231,931</u>	<u>\$ 220,050</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**City of Caldwell's Statement of Activities (000's)**

	Governmental Activities		Business-type Activities		Total	
	2017	2016 Restated	2017	2016	2017	2016 Restated
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 9,813	\$ 8,195	\$ 20,499	\$ 17,754	\$ 30,312	\$ 25,949
Operating grants and contributions	1,796	10,155	-	-	1,796	10,155
Capital grants and contributions	2,943	3,261	1,152	441	4,095	3,702
General revenues:						
Property taxes-general purpose	15,535	11,559	-	-	15,535	11,559
Property taxes-debt service	460	464	-	-	460	464
Franchise fees	740	892	-	-	740	892
Sales tax and other government	6,439	2,049	-	-	6,439	2,049
Special assessments for debt service of LIDs	90	337	-	-	90	337
Unrestricted investment earnings	288	281	384	252	672	533
Unrestricted unrealized gain on investments	(118)	48	(252)	103	(370)	151
Miscellaneous	135	120	437	283	572	403
Gain on disposal of asset	-	-	1,106	-	1,106	-
Internal transfers	94	103	(94)	(172)	-	(69)
Total revenues	38,215	37,464	23,232	18,661	61,447	56,125
<b>Expenses:</b>						
General government	5,321	4,553	17,526	15,651	22,847	20,204
Public safety	15,858	14,016	-	-	15,858	14,016
Culture and recreation	2,274	2,070	-	-	2,274	2,070
Community services and development	2,691	2,465	-	-	2,691	2,465
Streets	5,870	6,214	-	-	5,870	6,214
Interest on long-term debt	26	51	-	-	26	51
Total expenses	32,040	29,369	17,526	15,651	49,566	45,020
Net Revenue	\$ 6,175	\$ 8,095	\$ 5,706	\$ 3,010	\$ 11,881	\$ 11,105

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2017, the City's governmental funds reported combined ending fund balances of \$26,750,319. Of this amount, \$982,012 (3.7%) is unassigned fund balance in the general fund. Other assigned fund balances include: \$3,231,040 to be used for community services related to street projects, \$6,664,318 to be used for City General operations, \$5,393,245 to be used for City projects, \$1,901 for housing rehabilitation, and \$1,335,270 only to be used to fund activities in the community services of the City's Other Governmental Funds. Additionally, \$1,116,790 can only be used to fund library expenditures and \$485,772 must be used to pay debt obligations. Fund balance committed for public safety and capital outlay are \$2,303,319 and \$4,992,948, respectively. Finally, \$243,704 is classified as non-spendable with the majority being advances and prepaid expenses.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance was \$982,012. Within the assigned fund balance, the City should maintain \$6,664,318 to pay personnel and operation expenses from October 1st until property tax revenues are received in late January. Additionally, \$5,393,245 has been budgeted and assigned from fund balance to build the Indian Creek Plaza, update facades downtown and complete multiple projects. The remaining unassigned fund balance of \$982,012 can be used for one-time expenditures approved by city council. Total fund balance amounted to \$20,343,982, which is \$607,402 more than last year. Revenues exceeded budget by \$2,921,742 while expenditures were under budget \$2,548,613. The net of other financing sources/uses was under budget by \$114,970. Net change in general fund's fund balance due to positive budget variances is an increase of \$5,585,325.

As a measure of the general fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures of \$24,762,739. Unassigned fund balance represents 4% and total fund balance represents 82.2% of total general fund expenditures. This unassigned fund balance represents 3.2% of budgeted general fund expenditures of \$30,255,792 in 2018.

Major components affecting the general fund's total fund balance are \$2,303,319 committed for safety services and committed funds from impact fees for new parks, police and fire capital improvements and capital equipment for park's maintenance of \$4,992,948. Receivables for property taxes due within one year total \$13,065,069.

The street fund builds, maintains and monitors all roads, bridges, storm drains and other public easements within city limits. At the end of the current fiscal year, assigned fund balance in the street fund was \$3,231,040, which is \$431,229 greater than last year. This fund balance is designated for streets and related transportation projects and is reported to the State Transportation Department annually. The street fund tries to maintain fund balance to cover all budgeted capital expenditures for the coming fiscal year to insure timely payment of all current obligations, contracts and construction projects. The next fiscal year capital expenditures budget equals \$3,001,795.

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

The changes in total net position for the Water, Sewer, and Sanitation funds were \$1,700,309, \$2,963,388 and (\$146,149), respectively. Total net position increases in the water fund resulted excess revenues over expenditures of \$1,005,642 (before contributions and transfers). The increase in sewer fund net position also resulted from excess revenues over expenditures of \$2,418,726 (before contributions and transfers). The sanitation fund does not carry any fixed assets or debt. Therefore, the net position decrease of \$146,149 is almost entirely related to net income (loss).

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

**Budget to Actual Revenues.** General fund revenues exceeded budget projections by \$2,921,742. This variance is reported in detail on page 63. Property tax revenue is \$254,820 over budget resulting from delinquent tax collections. Intergovernmental revenues, which are comprised of sales tax and revenue sharing, exceeded budget by \$324,647. All these increases are signs of an improving economy.

**Budget to Actual Expenditures.** Savings in general fund expenditures totaled \$2,548,613. General government expenditures in excess of budget of \$1,034,247 are attributed to unused contingency funds and deferred capital. Public safety expenditures were under budget by \$41,900 due to savings in personnel costs. Delayed construction of fire station #3 and associated fire apparatus purchases saved \$1,548,144.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities at September 30, 2017, amounts to \$181,707,923 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings including water and sewer service lines and streetlights, automobiles and equipment, infrastructure including streets, roads and bridges, and construction in progress. The City added \$17,967,454 in capital assets during the year and retired assets totaling \$3,915,915. Depreciation expense for the year was \$8,474,094.

Major capital asset additions during the current fiscal year included the following:

Governmental Funds:

• Gen Fund Land	\$ 1,488,836
• Gen Fund Buildings	365,000
• Park Facilities	469,599
• Building Dept. Vehicles	24,694
• Fire Vehicles	354,987
• Police Vehicles	511,103
• Police Equipment	22,500
• Engineering Dept. Vehicles	25,290
• Park Equipment	47,382
• Dedicated Streets	1,979,710
• Road & Bridge Construction	620,001
• Concrete LID Construction	220,560
• Street Equipment & Vehicles	1,437,887
• Street Dept. Building Improvements	115,156
• Storm Drain/Culverts	572,449
• Airport Improvements	137,294
• Veterans Building Improvements	105,309
• Veterans Garden Restroom	43,907

Enterprise Funds:

• Water Equipment & Machinery	\$ 352,304
• Golf Machinery	51,789
• Golf Storage Shed	32,251
• Dedicated Water Lines	518,663
• Water Meters & Water Lines	362,090
• Dedicated Sewer Lines	510,203
• Sewer Vehicles & Equipment	180,435
• Irrigation Pump Station Rebuilds & Upgrades	98,491
• Sewer Plant Site Improvements	7,183,717
• Dedicated Street Lights	123,127

Additional information on the City's capital assets can be found in Note 5.

**Long-term debt.** At the end of the current fiscal year, the City had \$2,945,000 in outstanding debt consisting of revenue bonds and general obligation bonds (excluding bond premium). Specific revenue sources secured all of the debt.

The City's total debt decreased \$1,145,000 during the current fiscal year from the 2016 balance of \$4,090,000. No new long-term debt was added during 2017. Special assessment bonds (local improvement bonds) were paid off during 2017. Interest cost incurred in 2017 totaled \$26,321. Additional information on the City's long-term debt can be found in Note 7.

## **ECONOMIC FACTORS AND NEXT YEAR'S PLANS**

Enterprise fund utility rate increases varied in 2017. Water and sewer rates were increased 4.99% and 4.9%, respectively in 2017. Sanitation (garbage collection) rates increased 1% and streetlights increased 3%. These rates are set by council resolution each year including a public hearing for fee increases in excess of 5% of the fee previously charged.

**Pending Conditions of Significant Importance.** Economic conditions continued to improve in 2017. The demand for new single-family residential units in 2017 resulted in 460 building permits issued. Real estate prices and sales increased as more buyers continued to enter the market. As home sales prices increased, so did the county assessed values. After losing \$411,226,467 in assessed value from 2008 – 2013, assessed values rebounded further in 2017 by \$198,644,027. New construction and annexations added \$55,358,666. Taxable values at September 30, 2017, reached \$1,770,313,200 compared to the highest values recorded in 2008 of \$1,492,249,718. Property taxes levied on this \$1,770,313,200 are \$16,169,427 compared to \$12,226,839 levied on the \$1,492,249,718 in 2008 with a levy rate of .822 mills. The result of increased funding at lower assessed values is higher levy rates. City-wide levy rates dropped 7.2% to 99.3 mills in 2017 compared to 107 mills in 2016. City council reduced the levy rate 7.99% to 91.4 mills in the 2018 budget and plans to continue levy rate reductions in future years.

The economy is returning to sustainable levels of new construction. Building permits, January-December, for new construction commercial and residential were 560 in 2016 and 534 in 2017. Demand for residential and commercial building permits should continue at these levels in 2018.

**Requests for Information.** This financial report is designed to provide a general overview of the City of Caldwell's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Caldwell, P.O. Box 1179 411 Blaine St., Caldwell, Idaho 83606.



City of Caldwell, Idaho  
Statement of Net Position  
September 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 26,466,491	\$ 26,565,701	\$ 53,032,192
Prepaid expenses	9,360	-	9,360
Receivables			
Interest	197,878	30,473	228,351
Taxes	16,914,957	-	16,914,957
Intergovernmental	2,007,614	-	2,007,614
Accounts	128,555	2,508,692	2,637,247
Special assessments	312,008	-	312,008
Grants	99,262	-	99,262
Notes	335,243	-	335,243
Inventory	174,101	170,335	344,436
<b>Total current assets</b>	<b>46,645,469</b>	<b>29,275,201</b>	<b>75,920,670</b>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	306,097	773,433	1,079,530
Restricted investments	272,694	-	272,694
Notes receivable	825,000	-	825,000
Net pension asset	3,395,644	-	3,395,644
Capital assets			
Land and other assets not depreciated	12,271,865	9,857,156	22,129,021
Capital assets being depreciated	88,149,729	71,429,173	159,578,902
	<b>105,221,029</b>	<b>82,059,762</b>	<b>187,280,791</b>
<b>Deferred Outflows of Resources</b>			
Pension obligation	1,444,267	214,423	1,658,690

City of Caldwell, Idaho  
Statement of Net Position  
September 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Current Liabilities</b>			
Vouchers and payroll payable	2,146,972	1,956,797	4,103,769
Customer deposits	18,789	675,313	694,102
Interest payable	1,562	12,791	14,353
Unearned revenues	29,551	-	29,551
Current portion of compensated absences	736,056	130,342	866,398
Current portion of long-term liabilities	375,000	745,000	1,120,000
Total current liabilities	<u>3,307,930</u>	<u>3,520,243</u>	<u>6,828,173</u>
<b>Noncurrent Liabilities</b>			
Compensated absences payable	84,674	-	84,674
Bonds payable	11,225	1,825,000	1,836,225
Net pension liability	5,881,569	866,120	6,747,689
Total noncurrent liabilities	<u>5,977,468</u>	<u>2,691,120</u>	<u>8,668,588</u>
<b>Deferred Inflows of Resources</b>			
Pension obligation	981,710	130,419	1,112,129
Unavailable property tax revenue	16,321,002	-	16,321,002
Total deferred inflows of resources	<u>17,302,712</u>	<u>130,419</u>	<u>17,433,131</u>
<b>Net Position</b>			
Net investment in capital assets	100,035,369	78,716,329	178,751,698
Restricted	-	773,433	773,433
Unrestricted	26,687,286	25,717,842	52,405,128
Total net position	<u>\$ 126,722,655</u>	<u>\$ 105,207,604</u>	<u>\$ 231,930,259</u>

City of Caldwell, Idaho  
Statement of Activities  
Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities					
General government					
Executive and legislative	\$ 317,879	\$ -	\$ -	\$ -	\$ (317,879)
Administrative	264,200	-	-	-	(264,200)
Legal	288,734	-	-	-	(288,734)
City clerk	168,995	37,896	-	-	(131,099)
Accounting	367,398	-	-	-	(367,398)
Tort insurance	340,741	340,740	-	-	(1)
Other general government	2,486,447	896,857	-	-	(1,589,590)
Government buildings and engineering services	1,086,529	1,444,559	-	-	358,030
Public safety					
Law enforcement	9,465,738	586,820	162,499	-	(8,716,419)
Fire department	5,446,386	2,261,317	31,837	-	(3,153,232)
Building safety	945,507	1,866,004	-	-	920,497
Parks and recreation					
Parks	2,033,805	890,569	-	-	(1,143,236)
Culture and recreation	240,225	124,991	-	-	(115,234)
Community services					
Community services	1,973,554	369,853	8,929	129,483	(1,465,289)
Community development	677,589	-	1,592,687	2,695,819	3,610,917
Senior citizens	39,618	-	-	-	(39,618)
Streets	5,870,120	993,215	-	117,855	(4,759,050)
Interest on long-term debt	26,321	-	-	-	(26,321)
Total governmental activities	<u>32,039,786</u>	<u>9,812,821</u>	<u>1,795,952</u>	<u>2,943,157</u>	<u>(17,487,856)</u>
Business-Type Activities					
Water	4,124,380	4,923,714	-	518,663	1,317,997
Sewer	6,593,614	9,093,865	-	510,203	3,010,454
Sanitation	3,778,497	3,808,868	-	-	30,371
Golf	1,213,051	786,608	-	-	(426,443)
Street lighting	688,141	540,707	-	123,127	(24,307)
Irrigation	1,127,914	1,344,966	-	-	217,052
Total business-type activities	<u>17,525,597</u>	<u>20,498,728</u>	<u>-</u>	<u>1,151,993</u>	<u>4,125,124</u>
Total Primary Government	<u>\$ 49,565,383</u>	<u>\$ 30,311,549</u>	<u>\$ 1,795,952</u>	<u>\$ 4,095,150</u>	<u>\$ (13,362,732)</u>

City of Caldwell, Idaho  
Statement of Activities  
Year Ended September 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Net Position			
Net revenue (expense)	\$ (17,487,856)	\$ 4,125,124	\$ (13,362,732)
General revenues			
Shared revenues			
Property taxes, levied for general purposes	15,535,303	-	15,535,303
Property taxes, levied for debt service	459,750	-	459,750
Franchise fees	739,784	-	739,784
Sales tax and other governmental	6,439,082	-	6,439,082
Special assessments for debt service of Local Improvement Districts	90,229	-	90,229
Unrestricted investment earnings	287,660	383,671	671,331
Unrestricted unrealized loss on investments	(118,267)	(251,859)	(370,126)
Miscellaneous	135,143	438,062	573,205
Gain on disposal of assets	-	1,105,671	1,105,671
Transfers	94,218	(94,218)	-
Total general revenues and transfers	<u>23,662,902</u>	<u>1,581,327</u>	<u>25,244,229</u>
Change in Net Position	6,175,046	5,706,451	11,881,497
Net Position, Beginning of Year	115,098,829	99,501,153	214,599,982
Change in reporting entity (see note 14)	<u>5,448,780</u>	<u>-</u>	<u>5,448,780</u>
Net Position, End of Year	<u>\$ 126,722,655</u>	<u>\$ 105,207,604</u>	<u>\$ 231,930,259</u>

City of Caldwell, Idaho  
Balance Sheet – Governmental Funds  
September 30, 2017

	General	Caldwell East Urban Renewal Agency	Street	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$20,617,388	\$ -	\$ 2,967,553	\$ 2,225,604	\$ 25,810,545
Prepaid expenses	8,140	-	-	1,220	9,360
<b>Receivables</b>					
Interest	20,537	-	2,002	175,015	197,554
Taxes	13,065,069	-	1,917,725	1,932,163	16,914,957
Intergovernmental	941,248	-	733,238	333,128	2,007,614
Accounts	88,983	-	-	39,572	128,555
Special assessments	-	-	-	312,008	312,008
Grants	21,020	-	-	78,242	99,262
Notes	-	-	-	60,243	60,243
Due from other funds	55,727	-	-	-	55,727
Inventory	-	-	174,101	-	174,101
Restricted cash and cash equivalents	42,300	-	-	263,797	306,097
Restricted investments	-	-	-	272,694	272,694
	<u>\$34,860,412</u>	<u>\$ -</u>	<u>\$ 5,794,619</u>	<u>\$ 5,693,686</u>	<u>\$ 46,348,717</u>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>					
<b>Liabilities</b>					
Vouchers and payroll payable	\$ 1,502,040	\$ -	\$ 471,753	\$ 172,843	\$ 2,146,636
Customer deposits	-	-	-	18,789	18,789
Due to other funds	-	-	-	55,727	55,727
Unearned revenues	-	-	-	29,551	29,551
Total liabilities	<u>1,502,040</u>	<u>-</u>	<u>471,753</u>	<u>276,910</u>	<u>2,250,703</u>
<b>Deferred Inflows of Resources</b>					
Unavailable property tax revenue	13,014,390	-	1,917,725	1,932,164	16,864,279
Unavailable revenue	-	-	-	483,416	483,416
Total deferred inflows of resources	<u>13,014,390</u>	<u>-</u>	<u>1,917,725</u>	<u>2,415,580</u>	<u>17,347,695</u>
<b>Fund Balances</b>					
Nonspendable	8,140	-	174,101	61,463	243,704
Committed for public safety	2,303,319	-	-	-	2,303,319
Committed for capital outlay	4,992,948	-	-	-	4,992,948
Assigned for housing rehabilitation	-	-	-	1,901	1,901
Assigned for library services	-	-	-	1,116,790	1,116,790
Assigned for debt services	-	-	-	485,772	485,772
Assigned for community services	-	-	3,231,040	1,335,270	4,566,310
Assigned for operations	6,664,318	-	-	-	6,664,318
Assigned for city projects	5,393,245	-	-	-	5,393,245
Unassigned	982,012	-	-	-	982,012
Total fund balances	<u>20,343,982</u>	<u>-</u>	<u>3,405,141</u>	<u>3,001,196</u>	<u>26,750,319</u>
	<u>\$34,860,412</u>	<u>\$ -</u>	<u>\$ 5,794,619</u>	<u>\$ 5,693,686</u>	<u>\$ 46,348,717</u>

City of Caldwell, Idaho  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 September 30, 2017

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Fund balance - total governmental funds		\$ 26,750,319
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The costs of the assets is \$145,277,644 and the accumulated depreciation is \$44,856,050.</p>		100,421,594
<p>Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		543,277
<p>Some of the City's long-term receivables will be collected after year-end, but are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:</p>		
Loan to other governments	1,100,000	
Interest receivable on community development loans	18,284	
Special assessments	465,132	1,583,416
<p>The obligations related to the PERSI base plan and the PERSI FRF plan are not due and payable in the current period nor are they financial resources in the current period. Therefore, they are not reported in the funds.</p>		
Net pension asset related to the PERSI FRF plan	3,395,644	
Net pension liability related to the PERSI base plan	(5,881,569)	
Deferred inflow of resources related to PERSI plans	(981,710)	
Deferred outflow of resources related to PERSI plans	1,444,267	(2,023,368)
<p>Long-term debt is not due and payable in the current period and therefore is not reported in the funds.</p>		(386,225)
<p>Interest on long-term debt is not due and payable in the current-period and therefore is not reported in the funds.</p>		(1,562)
<p>A portion of the accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.</p>		(820,730)
<p>Internal service funds are used by management to charge the costs of certain employee benefits to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.</p>		655,934
Net position of governmental activities		\$ 126,722,655

City of Caldwell, Idaho  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended September 30, 2017

	General	Caldwell East Urban Renewal Agency	Street	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 12,225,280	\$ -	\$ 1,917,725	\$ 1,932,163	\$ 16,075,168
Franchise fees	739,784	-	-	-	739,784
Interest	204,528	-	20,317	62,815	287,660
Licenses and permits	1,903,900	-	-	-	1,903,900
Intergovernmental	2,150,211	-	3,281,193	1,007,678	6,439,082
Capital grants	-	-	117,855	237,911	355,766
Operating grants	1,787,023	-	-	8,929	1,795,952
Charges for services	6,130,812	-	993,215	784,894	7,908,921
Assessments	-	-	-	90,229	90,229
Unrealized loss investments	(57,061)	-	(5,746)	(55,460)	(118,267)
Miscellaneous	90,334	-	151,080	42,808	284,222
Total revenues	<u>25,174,811</u>	<u>-</u>	<u>6,475,639</u>	<u>4,111,967</u>	<u>35,762,417</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	5,907,296	-	-	-	5,907,296
Public safety	15,215,417	-	-	-	15,215,417
Culture and recreation	240,225	-	-	1,689,618	1,929,843
Community services	390,577	-	-	1,954,379	2,344,956
Streets	-	-	3,349,112	-	3,349,112
<b>Debt service</b>					
Principal on long-term debt	-	-	-	435,000	435,000
Interest and other	-	-	-	40,369	40,369
Capital outlay	3,009,224	-	2,672,003	501,765	6,182,992
Total expenditures	<u>24,762,739</u>	<u>-</u>	<u>6,021,115</u>	<u>4,621,131</u>	<u>35,404,985</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>412,072</u>	<u>-</u>	<u>454,524</u>	<u>(509,164)</u>	<u>357,432</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of capital assets	-	-	61,200	-	61,200
Contributions from other governments	-	-	-	216,000	216,000
Loans to other governments	-	-	-	(1,100,000)	(1,100,000)
Transfers in	300,000	-	52,730	69,370	422,100
Transfers out	(104,670)	-	-	(94,303)	(198,973)
Total other financing sources (uses)	<u>195,330</u>	<u>-</u>	<u>113,930</u>	<u>(908,933)</u>	<u>(599,673)</u>
Net Change in Fund Balances	607,402	-	568,454	(1,418,097)	(242,241)
Fund Balance, Beginning of Year	19,736,580	8,937,034	2,836,687	4,419,293	35,929,594
Change in reporting entity -(see note 14)	-	(8,937,034)	-	-	(8,937,034)
Fund Balance, End of Year	<u>\$ 20,343,982</u>	<u>\$ -</u>	<u>\$ 3,405,141</u>	<u>\$ 3,001,196</u>	<u>\$ 26,750,319</u>

City of Caldwell, Idaho  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities  
 Year Ended September 30, 2017

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Net change in fund balances - total governmental funds \$ (242,241)

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

Government funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	6,182,992
Depreciation expense	(4,308,123)

In the statement of activities, the gain (loss) on sale of the equipment is reported, whereas in the governmental funds, the proceeds from sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the equipment sold. (123,149)

Transfers of capital assets to business activities do not require financial resources. (128,909)

Capital assets contributed do not provide financial resources. 2,371,391

Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (9,191)

Some of the City's long-term receivables will not be collected for several months after the City's fiscal year end and they are not considered available revenues in the governmental funds, but are instead counted as unavailable revenues. They are however, recorded as revenues in the statement of activities.

Special assessments	(70,924)
Interest receivable write-off -golf loan reduction	(149,079)

Loans to other governments require the use of financial resources but are recorded as notes receivable in the government-wide financial statements. 1,100,000

Revenues (expenditures) related to the PERSI obligations do not require the use of current financial resources and therefore, are not reported as revenue or expenditures in the governmental funds. 1,107,915

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. Also, governmental funds report the effect of premiums when the debt is first issued, whereas, there amounts are deferred and amortized in the statement of activities.

Principle payments	435,000
Amortization of premium	12,246



City of Caldwell, Idaho

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended September 30, 2017

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Interest expense accrued but not paid reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	1,802
Expenditures related to the long-term portion of accrued compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(89,004)
Internal service funds are used by management to charge the costs of certain employee benefits to individual funds. The net revenue (expense) of certain internal service funds are included in governmental activities in the statement of activities.	<u>84,320</u>
Change in Net Position	<u><u>\$ 6,175,046</u></u>

City of Caldwell, Idaho  
Statement of Net Position – Proprietary Funds  
September 30, 2017

	Enterprise Funds				Total	Governmental
	Water	Sewer	Sanitation	Other Enterprise Funds		Internal Service Funds
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 5,821,109	\$ 16,608,100	\$ 1,075,910	\$ 3,060,582	\$ 26,565,701	\$ 655,946
Receivables						
Interest	5,721	20,643	1,328	2,781	30,473	324
Accounts, net	594,555	980,166	452,724	481,247	2,508,692	-
Due from other funds	-	386,942	-	-	386,942	-
Advances	-	410,976	-	-	410,976	-
Inventory	170,335	-	-	-	170,335	-
<b>Total current assets</b>	<b>6,591,720</b>	<b>18,406,827</b>	<b>1,529,962</b>	<b>3,544,610</b>	<b>30,073,119</b>	<b>656,270</b>
<b>Noncurrent Assets</b>						
Restricted cash and cash equivalents	-	773,433	-	-	773,433	-
Capital assets						
Capital assets not being depreciated	175,269	9,349,368	-	332,519	9,857,156	-
Capital assets being depreciated (net)	22,417,278	45,767,655	-	3,244,240	71,429,173	-
<b>Total noncurrent assets</b>	<b>22,592,547</b>	<b>55,890,456</b>	<b>-</b>	<b>3,576,759</b>	<b>82,059,762</b>	<b>-</b>
<b>Deferred Outflow of Resources</b>						
Pension obligation	113,966	71,442	-	29,015	214,423	-
	<u>\$ 29,298,233</u>	<u>\$ 74,368,725</u>	<u>\$ 1,529,962</u>	<u>\$ 7,150,384</u>	<u>\$ 112,347,304</u>	<u>\$ 656,270</u>

City of Caldwell, Idaho  
Statement of Net Position – Proprietary Funds  
September 30, 2017

	Enterprise Funds					Governmental
	Water	Sewer	Sanitation	Other	Total	Internal
				Enterprise Funds		Service Funds
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Vouchers and payroll payable	\$ 125,739	\$ 1,400,069	\$ 294,735	\$ 136,254	\$ 1,956,797	\$ 336
Customer deposits	651,712	20,934	-	2,667	675,313	-
Due to other funds	386,942	-	-	-	386,942	-
Advances	410,976	-	-	-	410,976	-
Interest payable	1,219	11,572	-	-	12,791	-
Current portion of compensated absences payable	91,359	19,954	-	19,029	130,342	-
Current portion of long-term liabilities	-	745,000	-	-	745,000	-
<b>Total current liabilities</b>	<b>1,667,947</b>	<b>2,197,529</b>	<b>294,735</b>	<b>157,950</b>	<b>4,318,161</b>	<b>336</b>
<b>Noncurrent Liabilities</b>						
Bonds payable	-	1,825,000	-	-	1,825,000	-
Net pension liability	465,969	282,034	-	118,117	866,120	-
<b>Total noncurrent liabilities</b>	<b>465,969</b>	<b>2,107,034</b>	<b>-</b>	<b>118,117</b>	<b>2,691,120</b>	<b>-</b>
<b>Deferred Inflow of Resources</b>						
Pension obligation	74,833	49,865	-	5,721	130,419	-
<b>Net Position</b>						
Net investment in capital assets	22,592,547	52,547,023	-	3,576,759	78,716,329	-
Restricted	-	773,433	-	-	773,433	-
Unrestricted	4,496,937	16,693,841	1,235,227	3,291,837	25,717,842	655,934
<b>Total net position</b>	<b>27,089,484</b>	<b>70,014,297</b>	<b>1,235,227</b>	<b>6,868,596</b>	<b>105,207,604</b>	<b>655,934</b>
	<b>\$ 29,298,233</b>	<b>\$ 74,368,725</b>	<b>\$ 1,529,962</b>	<b>\$ 7,150,384</b>	<b>\$ 112,347,304</b>	<b>\$ 656,270</b>

City of Caldwell, Idaho  
Statement Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended September 30, 2017

	Enterprise Funds					Governmental
	Water	Sewer	Sanitation	Other	Total	Activities
				Enterprise Funds		Internal Service Funds
Operating Revenues						
Charges for services	\$ 4,496,450	\$ 9,015,639	\$ 3,808,868	\$ 2,672,281	\$ 19,993,238	\$ 230,783
Other	157,547	35,121	120,493	124,901	438,062	-
Total operating revenues	4,653,997	9,050,760	3,929,361	2,797,182	20,431,300	230,783
Operating Expenses						
Personnel expenses	1,359,411	675,935	-	444,681	2,480,027	97,167
Contractual services	657,844	1,690,550	3,713,872	785,306	6,847,572	53,322
Materials and supplies	38,798	307,331	43,482	121,586	511,197	-
Utilities	343,726	529,240	-	736,479	1,609,445	-
Repairs and maintenance	335,179	272,202	187	615,177	1,222,745	-
Other expenses	50,237	402,364	20,956	54,102	527,659	-
Depreciation and amortization	1,317,067	2,577,129	-	271,775	4,165,971	-
Total operating expenses	4,102,262	6,454,751	3,778,497	3,029,106	17,364,616	150,489
Operating Income (Loss)	551,735	2,596,009	150,864	(231,924)	3,066,684	80,294
Nonoperating Revenues (Expenses)						
Hook-on-fees	427,264	78,226	-	-	505,490	-
Interest expense	(22,118)	(138,863)	-	-	(160,981)	-
Interest income	60,852	274,713	15,517	32,589	383,671	4,057
Gain (loss) on the sale of assets	-	(185,622)	-	1,291,293	1,105,671	-
Unrealized gain (loss) on investments	(12,091)	(205,737)	(12,530)	(21,501)	(251,859)	(31)
Nonoperating revenues (expenses)	453,907	(177,283)	2,987	1,302,381	1,581,992	4,026
Income Before Contributions and Transfers	1,005,642	2,418,726	153,851	1,070,457	4,648,676	84,320
Contributions from developers	518,663	510,203	-	123,127	1,151,993	-
Operating transfers in	178,432	34,459	-	87,819	300,710	-
Operating transfers out	(2,428)	-	(300,000)	(92,500)	(394,928)	-
Change in Net Position	1,700,309	2,963,388	(146,149)	1,188,903	5,706,451	84,320
Net Position, Beginning of Year	25,389,175	67,050,909	1,381,376	5,679,693	99,501,153	571,614
Net Position, End of Year	\$ 27,089,484	\$ 70,014,297	\$ 1,235,227	\$ 6,868,596	\$ 105,207,604	\$ 655,934

	Enterprise Funds		
	Water	Sewer	Sanitation
Operating Activities			
Received from user charges	\$ 4,550,131	\$ 8,961,527	\$ 3,891,656
Payments to employees for services	(1,398,953)	(703,950)	-
Payments to suppliers for goods and services	(1,828,761)	(1,603,267)	(3,745,151)
Net Cash from Operating Activities	1,322,417	6,654,310	146,505
Noncapital Financing Activities			
Transfers in (out)	47,095	34,459	(300,000)
Net Cash from (used for) Noncapital Financing Activities	47,095	34,459	(300,000)
Capital and Related Financing Activities			
Acquisition of capital assets	(627,974)	(7,364,152)	-
Proceeds from sale of land	-	165,372	-
Hook-on fees	427,264	78,226	-
Principal payments on bonds payable	-	(710,000)	-
Interest paid	(22,118)	(138,863)	-
Net Cash used for Capital and Related Financing Activities	(222,828)	(7,969,417)	-
Investing Activities			
Interest received on investments	61,089	257,748	14,666
Net decrease in pooled investments	(12,091)	(205,737)	(12,530)
Net Cash from Investing Activities	48,998	52,011	2,136
Net Change in Cash and Cash Equivalents	1,195,682	(1,228,637)	(151,359)
Cash and Cash Equivalents, October 1, 2016	4,625,427	18,610,170	1,227,269
Cash and Cash Equivalents, September 30, 2017	\$ 5,821,109	\$ 17,381,533	\$ 1,075,910
Supplemental Information			
Contributed property, plant and equipment	\$ 518,663	\$ 510,203	\$ -
Transfer of land to governmental activities in exchange for a reduction in advances payable.	\$ -	\$ -	\$ -

See Notes to Financial Statements

City of Caldwell, Idaho  
Statement of Cash Flows – Proprietary Funds  
Year Ended September 30, 2017

Other Enterprise Funds	Total	Internal Service Funds
\$ 3,253,621	\$ 20,656,935	\$ 230,783
(451,209)	(2,554,112)	(146,460)
(2,383,022)	(9,560,201)	(4,006)
<u>419,390</u>	<u>8,542,622</u>	<u>80,317</u>
(4,681)	(223,127)	-
<u>(4,681)</u>	<u>(223,127)</u>	<u>-</u>
(268,952)	(8,261,078)	-
-	165,372	-
-	505,490	-
-	(710,000)	-
-	(160,981)	-
<u>(268,952)</u>	<u>(8,461,197)</u>	<u>-</u>
33,295	366,798	4,363
(21,501)	(251,859)	(31)
<u>11,794</u>	<u>114,939</u>	<u>4,332</u>
157,551	(26,763)	84,649
<u>2,903,031</u>	<u>27,365,897</u>	<u>571,297</u>
<u>\$ 3,060,582</u>	<u>\$ 27,339,134</u>	<u>\$ 655,946</u>
<u>\$ 123,127</u>	<u>\$ 1,151,993</u>	<u>\$ -</u>
<u>\$ 1,488,836</u>	<u>\$ 1,488,836</u>	<u>\$ -</u>

	Enterprise Funds		
	Water	Sewer	Sanitation
Reconciliation of Operating Income (Loss) to Net Cash from operating activities			
Operating income (loss)	\$ 551,735	\$ 2,596,009	\$ 150,864
Depreciation	1,317,067	2,577,129	-
GASB 68 pension expense	(28,237)	(13,878)	-
Changes in assets and liabilities			
Accounts receivable	(101,608)	(96,172)	(37,605)
Internal balances	(392,982)	392,982	-
Inventory	(233)	-	-
Vouchers payable	(30,606)	1,193,297	33,346
Compensated absences	9,539	(1,994)	-
Customer deposits	(2,258)	6,937	(100)
Net Cash from Operating Activities	<u>\$ 1,322,417</u>	<u>\$ 6,654,310</u>	<u>\$ 146,505</u>

See Notes to Financial Statements

City of Caldwell, Idaho  
Statement of Cash Flows – Proprietary Funds  
Year Ended September 30, 2017

<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ (231,924)	\$ 3,066,684	\$ 80,294
271,775	4,165,971	-
(10,814)	(52,929)	-
-	-	-
453,770	218,385	-
-	-	-
-	(233)	-
(70,156)	1,125,881	23
4,072	11,617	-
2,667	7,246	-
<u>\$ 419,390</u>	<u>\$ 8,542,622</u>	<u>\$ 80,317</u>



City of Caldwell, Idaho  
Statement of Fiduciary Net Position – Fiduciary Funds  
September 30, 2017

	Business Improvement District Fund	Agency Fund	Employee Benefit Plan Trust
<b>Assets</b>			
Cash	\$ 150,611	\$ 210,644	\$ 2,131,027
Restricted cash and cash equivalents	-	-	-
Accounts receivables	20,061	4,000	-
Taxes receivable	-	-	-
	<u>170,672</u>	<u>214,644</u>	<u>2,131,027</u>
Total current assets	<u>\$ 170,672</u>	<u>\$ 214,644</u>	<u>\$ 2,131,027</u>
<b>Liabilities</b>			
Vouchers payables	\$ 170,672	\$ 114,056	\$ 43,546
Due to other entities	-	100,588	-
Health claims incurred but not reported	-	-	202,000
Total long-term liabilities	<u>170,672</u>	<u>214,644</u>	<u>245,546</u>
Total liabilities	<u>170,672</u>	<u>214,644</u>	<u>245,546</u>
Net Position	<u>-</u>	<u>-</u>	<u>1,885,481</u>
Total Liabilities, and Net Position	<u>\$ 170,672</u>	<u>\$ 214,644</u>	<u>\$ 2,131,027</u>

City of Caldwell, Idaho  
Statement Revenues, Expenses, and Changes in Net Position – Fiduciary Funds  
Year Ended September 30, 2017

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	Employee Benefit Plan Trust
Contributions	
Employer	\$ 3,618,351
Employees	241,330
COBRA	12,033
Total contributions	3,871,714
Other Income	
Rebates	6,399
Total other income	6,399
Deductions	
Insurance claim benefits	2,429,100
Change in IBNR	(4,000)
Administrative expenses	681,544
Total deductions	3,106,644
Change in Net Position	771,469
Net Position, Beginning of Year	1,114,012
Net Position, End of Year	\$ 1,885,481

## **Note 1 - Summary of Significant Accounting Policies**

City of Caldwell, Idaho (the City) operates under a Mayor and Council form of government and provides the following services as authorized by its charter: public safety (police and fire), parks and recreation, community services, streets, and general administrative services.

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

The accounting and reporting policies of the City relating to the funds included in the accompanying basic 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 GASB, the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments.

### **Financial Reporting Entity**

For financial reporting purposes, the financial statements for the City include all organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City's Mayor is responsible for appointing members of the Caldwell Housing Authority Board, but the City's accountability for this organization does not extend beyond making the appointments. Therefore, Caldwell Housing Authority is not included in the City's financial statements.

The Caldwell East Urban Renewal Agency (URA) was organized on December 21, 1998, to oversee redevelopment efforts in the Northeastern Caldwell areas. The City Council served as the board of commissioners for the URA. As a result of state legislation on July 10, 2017, the Board of Commissioners for the Agency changed from six members from City Council to three members from City Council and three members from the public who reside within the urban renewal boundaries. As a result of this action, the URA is no longer considered a component unit of the City. See note 14 for more details regarding changes in the reporting entity.

### **Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 or segment. *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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial 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 30 to 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 and claims and judgments, are recorded only when payment is due.

Property taxes, franchise 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 susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Street Fund** - The Street Fund is used to account for the operation of the street system. Operation, maintenance and construction of the streets is provided by property taxes, state sales tax, state gas tax and federal/state transportation funds.

The City reports the following major enterprise funds:

**Water Fund** – The Water Fund is used to account for the operations of the water system.

**Sewer Fund** – The Sewer Fund is used to account for the operations of the sewer system. Operation and maintenance of the sewer system is contracted out to an independent firm.

**Sanitation Fund** – The Sanitation Fund is used to account for the billings and receipts for the City trash service. The trash collection is contracted out to an independent firm.

These funds are used to account for operations that are financed and operated in a manner similar to private business when the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered, primarily through user charges or when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund types:

**Internal Service Funds** - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. The City uses internal service funds to account for its employee section 125-benefit plan and to maintain and administer a post-retirement Health Retirement Account Voluntary Employee Beneficiary Association (HRA VEBA) authorized under Internal Revenue Code 501(c)(9). This plan is subject to vesting and provides post-retirement benefits only (see Note 9).

**Fiduciary Funds** – Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Government. Trust funds account for assets held by the Government under the terms of a formal trust agreement. Agency funds generally are used to account for assets that the Government holds on behalf of others as their agent, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are as follows:

The Business Improvement District fund was established in the current year to account for assets held in an agency capacity for the Downtown Caldwell Business Improvement District that was established pursuant to Ordinance No 3067 in August of 2016.

Agency Funds account for asset held by the City for others in an agency capacity. These are funds collected from community projects and donations.

Employee Benefit Plan Trust Funds account for the revenues received, expenses incurred and the net position available for health benefits of the City's employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government when elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services to customers for sales and services. The Water and Sewer Funds also recognize as nonoperating revenue the portion of hook-on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments, including restricted cash, with a maturity of three months or less when purchased to be cash equivalents. The investment purchases and sales information is not available for individual funds and management believes that due to the nature of pooled investments this information is not significant for purposes of understanding the statement of cash flows. Accordingly, the net change method is used to report cash flows from investments in these statements.

For purposes of efficient cash flow management and the management of temporary investments, the City utilizes external investment pools for its cash.

### **Investments**

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, commercial paper, corporate bonds, repurchase agreements, City coupon and local improvement district bonds.

Investments are stated at fair value as determined by quoted market prices. The City pools its cash and investments to maximize interest income. The City allocates interest income on investments to the various funds based on the average balance of the net contribution of the respective fund.

### **Property Taxes Receivable**

Within the governmental fund financial statements, property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year-end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20.

Taxpayers may pay all or one-half of their tax liability on or before December 20. If one-half of the amount is paid on December 20, the remaining balance is due by the following June 20. Since the City is on a September 30 fiscal year-end, property taxes levied during September for the succeeding year's collection are recorded as unavailable revenue at the City's year-end and recognized as revenue in the following fiscal year. Canyon County bills and collects taxes for the City.

### **Deferred Inflows and Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents the use of net position that applies to future periods, so will not be recognized as an outflow of resources (expense) until that time. The government-wide statement of net position reports the future outflows related to pension obligations as a deferred outflow of resources. The balance of the deferred outflow of resources as of September 30, 2017, will be recognized as an expense and decrease in net position in the next fiscal year.

In addition to liabilities, the statement of net position and the fund balance sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. The government-wide statement of net position reports the property taxes levied for the following year as well as future inflows related to pension obligations as a deferred inflow of resources. The balance of the deferred inflow of resources as of September 30, 2017, will be recognized as a revenue and increase in net position in the next fiscal year.

The other items reported as deferred inflow of resources arises only under a modified accrual basis of accounting. Unavailable property tax revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. In addition, certain receivables recorded in the governmental fund financial statements are not available at year end, so the City records a deferred inflow of resources until such time as the revenue becomes available.

**Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

In the governmental fund financial statements, receivables are recorded when they are both measurable and available. Proprietary fund receivables consist of all revenues earned at year-end and not yet received.

**Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/due from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market. The costs of inventory items are recognized as expenditures in governmental funds when consumed (consumption method) and as expenses in proprietary funds when used.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated acquisition value on the date donated. Public domain infrastructure consisting of roads and sidewalks are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful Life (Years)
Buildings	10-50
Improvements other than buildings	7-40
Sewer and water service lines	30-50
Public domain infrastructure	30-50
Office furniture and equipment	3-30
Vehicles	5-10
Machinery and equipment	3-20



Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets of business-type activities are capitalized when they are material. There were no interest costs included as part of the costs of capital assets under construction in the current year.

### **Risk Management**

The City is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for liability insurance. The City's exposure to loss from its participation in ICRMP is limited only to the extent of their deductible.

The City provides self-insurance against potential unemployment claims. Expenses and funding for these risks are provided for in the funds responsible for employment of the workers.

The City also partially self-insures health and accident insurance. The City established the "Employee Benefit Plan Trust" (the Trust) in 2008. All health claims are paid from this Trust and all plan contributions are deposited into it. The City's Human Resource Director and Treasurer serve as trustees. The Trust is audited each year and a copy of the audit is submitted to the Idaho Department of Insurance.

The City also maintains an internal service fund to account for employee life insurance premiums and long-term disability insurance.

All funds of the City participate in the self-insurance programs. A liability for claims is established in the Trust fund if information indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate for claims incurred but not reported (IBNR) on health and accident coverage is determined by the actual claims paid through the first few months of the following year. Claims paid in excess of the estimate, if any, are not expected to be material. No amounts were accrued in the City internal service fund in the current year.

### **Budgets**

In accordance with Title 50, Chapter 10 of the Idaho State Code, the City is required to prepare, approve and adopt an annual budget for filing with the local governing body, for informational purposes. A budget means an annual estimate of revenues and expenses for the following fiscal year of the agency.

### **Bonded Indebtedness**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are recognized in the period the bonds are issued.

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from

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

### Special Assessments

Special assessment bonds are issued to provide funding for the construction of various local improvement districts. Collections from property owner assessments are the primary source of debt service funds to retire maturing bonds. The City is under no legal obligation to use general resources to subsidize debt payments even though the debt is recorded in the financial statements of the City. The special assessment bond payable was paid off in fiscal year 2017.

### General Obligation Bonds

The Bonds are general obligations of the City and the full faith, credit and resources of the City are pledged for the punctual payment of the principal of and interest on the Bonds. The Bonds are secured by *ad valorem* taxes to be levied against all taxable property within the City. These taxes, when collected, are required to be applied solely for the purpose of payment of principal and interest on the Bonds.

### Revenue Bonds

Parity lien sewer revenue refunding bonds issued in 2001 provided funding to retire a \$10,000,000 state revolving loan plus accrued interest. This bond was paid in full in 2010 through the issuance of parity lien sewer refunding bond, series 2010 through Wells Fargo Bank. Revenues collected by the water treatment plant are the primary source of monies to retire the bonds.

### **Compensated Absences Payable**

The City provides personal leave to its full-time employees. It is paid to employees when taken and will also be paid to employees or their beneficiaries upon the employee's termination, retirement or death. The amount of unpaid leave accumulated by City employees is accrued as an expense when incurred in the government-wide and proprietary fund financial statements, which use the accrual basis of accounting. The City does not pay earned sick pay upon the employees' termination, retirement or death. Accordingly, sick pay is not accrued since the amount is not a liability to the City. Compensated absences are paid by funds that employ full-time staff, which typically include the following funds: general, library, street, airport, recreation, cemetery, golf, water, and sewer.

### **Pensions**

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

## Fund Equity

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
- Restricted net position – consists of net position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. Restricted net position in the City’s Sewer fund is restricted pursuant to bond covenants.
- Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory or long-term notes receivable) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives).

Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 20% of the actual GAAP basis expenditures and other financing sources and uses.

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

### **Other Revenues**

**Sales Taxes**—Sales taxes are collected by vendors and required to be remitted to the State of Idaho. The tax is then remitted to the City quarterly. A two month lag exists between collection by the vendor and payment to the City. Revenue received in October and November from sales made in August and September, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.

**Charges for Service**—Charges for services consist primarily of charges made by both governmental and enterprise funds for services such as city council, mayor, human resources, clerk, treasurer, engineering, mapping, insurance, attorney, payroll and accounting, utility billing and other benefits provided to customers of the City.

### **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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenditures and expenses during the reported period. The actual results could differ from those estimates.

**Note 2 - Cash and Investments**

At September 30, 2017, the City's cash and cash equivalents and investments (including fiduciary funds) were invested as follows:

	Cost	Fair Value
Cash and cash equivalents- Unrestricted		
Cash	\$ 8,241,137	\$ 8,241,137
Money market funds	2,574,766	2,574,766
Local government investment pool	24,948,092	24,980,525
Idaho state treasurer's bond fund	19,136,876	19,728,046
Total cash and cash equivalents - unrestricted	\$ 54,900,871	\$ 55,524,474
	Cost	Fair Value
Cash and cash equivalents - Restricted		
Cash -library	\$ 263,797	\$ 263,797
Other restricted accounts	42,300	42,300
Idaho state treasurer's bond fund	773,945	773,433
Total cash and cash equivalents - restricted	\$ 1,080,042	\$ 1,079,530
Investments - Restricted		
Investments carried at fair value		
US Government Agency Obligations	\$ 222,518	\$ 222,518
Mutual funds	50,176	50,176
Total investments - restricted	\$ 272,694	\$ 272,694

Investment types that are authorized for the City of Caldwell, Idaho by the Idaho Code and the City's investment policy are as follows:

1. Local and State Agency Bonds
2. U.S. Agency Bonds
3. U.S. Agency Securities
4. Certificates of Deposit

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of long and short-term investments. The City keeps funds needed for operations in short-term liquid investments while maintaining a stable longer-term investment portfolio with duration matched to expected completion of capital projects. When selecting longer-term maturities, the City's policy requires investments which provide for the stability of income and reasonable liquidity.

Investments and maturity dates at September 30, 2017, were as follows:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Local Government					
Investment Pool	\$ 24,980,525	\$ 24,980,525	\$ -	\$ -	\$ -
Idaho State Treasurer's					
Bond Fund	20,501,479	-	20,501,479	-	-
US Government Agency	222,518	-	-	1,178	221,340
	<u>\$ 45,704,522</u>	<u>\$ 24,980,525</u>	<u>\$ 20,501,479</u>	<u>\$ 1,178</u>	<u>\$ 221,340</u>

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy requires a rating of A or better by Standard & Poor's or other nationally recognized rating agency.

Rating	U.S. Government Agency Obligation	Local Government Investment Pool	Idaho State Treasurer's Bond Fund	Total
AA+	\$ 183,063	\$ -	\$ -	\$ 183,063
A	-	-	-	-
Unrated	39,455	24,980,525	20,501,479	45,521,459
	<u>\$ 222,518</u>	<u>\$ 24,980,525</u>	<u>\$ 20,501,479</u>	<u>\$ 45,704,522</u>

### Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The City's investment policy has no limitations on the amount that can be invested in any one issuer.

At September 30, 2017, investments in any one issuer (other than State investment pools) that represents 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount	Percentage
Zion's Bank	Money Market	\$ 2,574,766	5.33%

### **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 collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

The bank ledger balance for cash deposits at September 30, 2017, is \$9,601,263, of which \$9,108,910 was collateralized. Deposits in each local and area bank are insured by the FDIC in the amount of \$492,353 for interest bearing and non-interest bearing deposit accounts. The uninsured and uncollateralized deposit balance at September 30, 2017, was \$0. Money market fund are not considered deposits and thus are not insured by the FDIC and are not collateralized.

The City minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to City of Caldwell ownership and be held in the City's name. All commercial paper, agency bonds and money market funds, including the cash management automatic investment account, are held in custody by U.S. Bank, First Interstate Bank, Columbia Bank, or Zion's First National Bank in the City's name.

### **Investment in State Investment Pools**

The City is a voluntary participant in the State of Idaho Local Government Investment Pool (LGIP) and the State of Idaho Diversified Bond Fund (DBF). Both the LGIP and the DBF are regulated by State of Idaho code under the oversight of the Treasurer of the State of Idaho. The fair value of the City's investment in the pools is reported in the accompanying financial statements at amounts based on the City's pro-rata share of the fair market value provided by the fund for the entire portfolio. Both the LGIP and the DBF are unrated.

The LGIP and DBF are managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank. Interest income earned on pooled investments is allocated to the various funds of the City in proportion to each fund's respective investment balances.

**Fair Value**

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investment fair value measurements are as follows at September 30, 2017.

Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities				
Corporate bonds	\$ 119,282	\$ -	\$ 119,282	\$ -
Mortgage-backed securities	103,236	-	103,236	-
	222,518	-	222,518	-
Mutual funds				
Short-term government	50,176	50,176	-	-
Total investments	<u>\$ 272,694</u>	<u>\$ 50,176</u>	<u>\$ 222,518</u>	<u>\$ -</u>

Mutual funds categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

Investments valued using NAV per share do not have readily obtainable fair values and are instead valued based on the City's pro-rata share of the pool's net position. The City values these investments based on the information provided by the State of Idaho Treasurer's Office. The following table presents the unfunded commitments, redemption frequency and the redemption notice period for the City's investments measured at NAV:

Investments Measured at NAV				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Diversified bond fund	\$ 20,501,479	None	Monthly	5-25 days



**Note 3 - Restricted Assets**

Restricted assets are required to be segregated as to use and are therefore identified as restricted assets. Restricted assets in the general fund and fiduciary funds are restricted pursuant to donor specifications relating to various activities. Additional restricted assets in the general fund are restricted pursuant to the bonds issued.

Assets restricted in the nonmajor special revenue funds are primarily for current and future library operational funding. Assets restricted in the enterprise funds are restricted pursuant to donor specification and repayment of debt service for revenue bonds relating to the sewer plant and wastewater treatment plant construction.

**Note 4 - Intergovernmental and Grant Receivables**

The following summarizes the intergovernmental receivables at September 30, 2017:

State of Idaho	
Revenue sharing	\$ 544,790
Sales tax	366,917
Liquor apportionment	81,055
Gas tax	625,934
Urban renewal agency	355,641
Canyon County	
Road and bridge tax	2,050
Court revenue	31,227
	\$ 2,007,614

Grants owed to the City at September 30, 2017, by source are:

Federal	\$ 83,110
State	16,152
	\$ 99,262

During 2017, the City loaned the Caldwell East Urban Renewal Agency \$1,100,000 from the Cemetery Perpetual Care Fund for purposes of purchasing property. The loan is due to the City in annual installments of \$275,000 at 4% interest through September 2021. \$1,100,000 was owed to the City at September 30, 2017 and is included in notes receivable reported in the Statement of Net Position.

**Note 5 - Capital Assets**

	Balance October 1, 2016 (restated)	Additions	Contributed Capital	Deletions	Transfers	Balance September 30, 2017
<b>Governmental Activities</b>						
Capital assets, not depreciated						
Land	\$ 9,807,355	\$ 1,497,205	\$ -	\$ -	\$ -	\$ 11,304,560
Construction in progress	2,927,493	2,086,313	-	-	(4,046,501)	967,305
Total capital assets, not depreciated	<u>12,734,848</u>	<u>3,583,518</u>	<u>-</u>	<u>-</u>	<u>(4,046,501)</u>	<u>12,271,865</u>
Capital assets, depreciated						
Buildings	21,743,846	564,265	140,000	(47,212)	346,011	22,746,910
Improvements other than buildings	37,800,906	-	-	-	(617,004)	37,183,902
Equipment	16,657,201	2,035,209	-	(993,495)	(135,404)	17,563,511
Intangibles	66,607	-	-	-	-	66,607
Infrastructure	48,926,787	-	2,231,391	-	4,286,671	55,444,849
Total capital assets, depreciated	<u>125,195,347</u>	<u>2,599,474</u>	<u>2,371,391</u>	<u>(1,040,707)</u>	<u>3,880,274</u>	<u>133,005,779</u>
Less accumulated depreciation for						
Buildings	(7,001,584)	(521,905)	-	43,296	(5,303)	(7,485,496)
Improvements other than buildings	(10,994,660)	(1,178,735)	-	-	(8,735)	(12,182,130)
Equipment	(9,925,890)	(1,134,443)	-	874,262	39,172	(10,146,899)
Intangibles	(20,001)	(6,661)	-	-	(6,661)	(33,323)
Infrastructure	(13,560,668)	(1,466,379)	-	-	18,845	(15,008,202)
Total accumulated depreciation	<u>(41,502,803)</u>	<u>(4,308,123)</u>	<u>-</u>	<u>917,558</u>	<u>37,318</u>	<u>(44,856,050)</u>
Total net capital assets, depreciated	<u>83,692,544</u>	<u>(1,708,649)</u>	<u>2,371,391</u>	<u>(123,149)</u>	<u>3,917,592</u>	<u>88,149,729</u>
Governmental Activities Capital Assets, Net	<u>\$ 96,427,392</u>	<u>\$ 1,874,869</u>	<u>\$ 2,371,391</u>	<u>\$ (123,149)</u>	<u>\$ (128,909)</u>	<u>\$ 100,421,594</u>

City of Caldwell, Idaho  
Notes to Financial Statements  
September 30, 2017

	Balance October 1, 2016 (restated)	Additions	Contributed Capital	Deletions	Transfers	Balance September 30, 2017
<b>Business-type Activities</b>						
Capital assets, not depreciated						
Land	\$ 656,604	\$ -	\$ -	\$ (197,542)	\$ -	\$ 459,062
Construction in progress	2,504,442	7,462,942	-	-	(569,290)	9,398,094
Total capital assets, not depreciated	<u>3,161,046</u>	<u>7,462,942</u>	<u>-</u>	<u>(197,542)</u>	<u>(569,290)</u>	<u>9,857,156</u>
Capital assets, depreciated						
Buildings	7,627,865	32,251	-	(1,497,019)	-	6,163,097
Improvements other than buildings	111,474,325	181,357	1,151,993	(427,302)	527,585	112,907,958
Equipment	10,819,444	584,528	-	(753,345)	207,931	10,858,558
Total capital assets, depreciated	<u>129,921,634</u>	<u>798,136</u>	<u>1,151,993</u>	<u>(2,677,666)</u>	<u>735,516</u>	<u>129,929,613</u>
Less accumulated depreciation for						
Buildings	(6,087,427)	(169,482)	-	1,494,969	-	(4,761,940)
Improvements other than buildings	(44,100,390)	(3,420,299)	-	297,963	-	(47,222,726)
Equipment	(6,436,009)	(576,190)	-	533,742	(37,317)	(6,515,774)
Total accumulated depreciation	<u>(56,623,826)</u>	<u>(4,165,971)</u>	<u>-</u>	<u>2,326,674</u>	<u>(37,317)</u>	<u>(58,500,440)</u>
Total net capital assets, depreciated	<u>73,297,808</u>	<u>(3,367,835)</u>	<u>1,151,993</u>	<u>(350,992)</u>	<u>698,199</u>	<u>71,429,173</u>
Business-type Activities Capital Assets, Net	<u>\$ 76,458,854</u>	<u>\$ 4,095,107</u>	<u>\$ 1,151,993</u>	<u>\$ (548,534)</u>	<u>\$ 128,909</u>	<u>\$ 81,286,329</u>

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

<b>Governmental Activities</b>	
General government	\$ 493,843
Public safety	642,214
Parks and recreation	344,187
Community services	306,871
Streets	<u>2,521,008</u>
Total depreciation expense - governmental activities	<u><u>\$ 4,308,123</u></u>
 <b>Business-type Activities</b>	
Water	\$ 1,317,067
Sewer	2,577,129
Golf	119,517
Street Lighting	79,553
Irrigation	<u>72,705</u>
Total depreciation expense - business-type activities	<u><u>\$ 4,165,971</u></u>

**Note 6 - Interfund Balances and Transfers**

Incoming receipts and outgoing disbursements are sometimes deposited to/disbursed from one fund on behalf of another fund. At that time, a corresponding receivable/payable and operating transfer is recorded between the funds.

The composition of interfund balances as of September 30, 2017, is as follows:

Receivable Fund	Payable Fund	Description	Amount
Advances			
Sewer	Water	Long-term loan	\$ 205,976
Sewer	Water	Long-term loan to cover costs to pay-off of the COP series 2004 bonds in 2014	205,000
Due to/from			
Sewer	Water	Short-term loan to cover costs to pay-off of the COP series 2004 bonds in 2014	185,000
Sewer	Water	Short-term loan	201,942
General	Other governmental	Negative cash in CDBG Fud	53,422
General	Library	Other governmental	2,305
			<u>\$ 853,645</u>

Transfers from the General fund to the Other Governmental Funds include transfers for the allocation of costs. Transfers from the Sewer fund to the Water fund include transfers for a loan to pay off long-term debt. Transfers from the General fund to Other Enterprise funds include transfers to help fund operations.

The composition of interfund transfers for the year ended September 30, 2017, is as follows:

	Transfers Out					Total
	General	Water	Sanitation	Other Enterprise	Other Governmental	
Transfers in						
General	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ 300,000
Street	11,800	-	-	-	40,930	52,730
Water	18,400	-	-	92,500	22,614	133,514
Sewer	3,700	-	-	-	30,759	34,459
Other enterprise	1,400	-	-	-	-	1,400
Other governmental	69,370	-	-	-	-	69,370
	<u>\$ 104,670</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 92,500</u>	<u>\$ 94,303</u>	<u>\$ 591,473</u>
Transfers (out) of capital assets to governmental activities	<u>\$ -</u>	<u>\$ (2,428)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,428)</u>
Transfers in of capital assets from governmental activities	<u>\$ -</u>	<u>\$ 44,918</u>	<u>\$ -</u>	<u>\$ 86,419</u>	<u>\$ -</u>	<u>\$ 131,337</u>

**Note 7 - Long-term Debt**

Long-term debt consisted of the following as of September 30:

Governmental Activities

General obligation bonds

\$3,605,000 general obligation bond, series 2006, issued for the purpose of advance refunding of the 2001 general obligation bonds maturing on and after May 15, 2011. The final installment of \$375,000 is due in 2018 plus interest at 5.0% and including unamortized bond premium of \$11,225.

\$ 386,225

Business-type Activities

Revenue bonds

\$6,610,000 parity lien sewer revenue refunding bond series 2010 due in annual installments through September 2020 of \$745,000 to \$1,050,000; interest from 3.00% to 4.50% due semi-annually. The bonds shall not be subject to call or optional redemption prior to their stated dates of maturity.

\$ 2,570,000

The annual requirements to amortize all debt outstanding at September 30, 2017, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 375,000	\$ 18,750	\$ 745,000	\$ 106,913
2019	-	-	775,000	73,388
2020	-	-	1,050,000	39,375
	<u>375,000</u>	<u>\$ 18,750</u>	<u>\$ 2,570,000</u>	<u>\$ 219,676</u>
Bond premium	<u>11,225</u>			
	<u>\$ 386,225</u>			

Total interest cost incurred during 2017 for governmental activities and business-type activities was \$26,321 and \$160,981 respectively.

In Idaho, a municipality is allowed a debt limit, excluding enterprise fund debt, of 2% of the market valuation of the real and personal property in its taxing area. The City's legal debt limits for governmental funds for fiscal year 2017, based on data available from Canyon County would be approximately \$31,404,267.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2017:

	Debt at October 1, 2016 (restated)	Debt Issued	Debt Retired	Debt at September 30, 2017	Due Within One Year
<b>Governmental Activities</b>					
Special assessment debt	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -
Idaho bond bank 2006B	795,000	-	420,000	375,000	375,000
Bond premium	23,471	-	12,246	11,225	-
Compensated absences	<u>731,726</u>	<u>802,897</u>	<u>713,893</u>	<u>820,730</u>	<u>736,056</u>
Governmental activities long-term liabilities	<u>\$ 1,565,197</u>	<u>\$ 802,897</u>	<u>\$ 1,161,139</u>	<u>\$ 1,206,955</u>	<u>\$ 1,111,056</u>
<b>Business-type Activities</b>					
Revenue bonds					
Parity lien sewer series					
2010	\$ 3,280,000	\$ -	\$ 710,000	\$ 2,570,000	\$ 745,000
Compensated absences	<u>118,725</u>	<u>148,175</u>	<u>136,558</u>	<u>130,342</u>	<u>130,342</u>
Business-type activities long-term liabilities	<u>\$ 3,398,725</u>	<u>\$ 148,175</u>	<u>\$ 846,558</u>	<u>\$ 2,700,342</u>	<u>\$ 875,342</u>

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$6,610,000 in sewer system parity lien refunding revenue bonds issued in May 2010. Proceeds from the bonds were used for the purpose of advance refunding a portion of the series 2001 sewer system parity lien refunding bonds. Proceeds from the series 2001 bonds provided financing for the construction of sewer treatment plant improvements. The bonds are payable solely from sewer customer net revenues and are payable through 2020. Annual principal and interest payments on the bonds are expected to require less than 50 percent of net revenues. The total principal and interest remaining to be paid on the bonds is approximately \$2,789,000. Principal and interest paid for the current year and total customer net revenues were \$848,863 and \$2,596,009, respectively.

## **Note 8 - Defined Benefit Pension Plan and Firefighter Retirement Fund**

### *Plan Description*

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

The City also contributes to the FRF which is a cost-sharing multiple-employer defined benefit pension plan administered by the PERSI that covers a closed group of firefighters who were hired before October 1, 1980, and who received benefits in addition to those provided under the PERSI Base Plan. The cost to administer the plan is financed through the contributions and investment earnings of the FRF. Additional FRF funding is obtained from receipts from a state fire insurance premium tax. PERSI issues a publicly available financial report that included financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

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

### *Pension Benefits*

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

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

The FRF provides retirement, disability, death and survivor benefits of eligible members of beneficiaries. Benefits are based on members' years of service as well as the final average salary. A firefighter must have 5 years of service to be eligible for a lifetime retirement allowance at age 60. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance is based on Idaho Code Title 72 Chapter 14.



The benefit payments for the FRF are calculated using a benefit formula adopted by the Idaho Legislature. The FRF cost of living increase is based on the increase in the statewide average firefighter's wage.

#### *Member and Employer Contributions*

Member and employer contributions paid to the Base Plan and FRF are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City's contribution was \$1,519,344 for the year ended September 30, 2017.

As of June 30, 2017, the total FRF employer rate was 25.31% which includes the employer excess rate of 13.65% plus the PERSI class 2 firefighters rate of 11.66%. The FRF member rate for the year for class B is 11.45% which is 3.09% above the class 2 rate of 8.36%. The City's contributions were \$143,431 for the year ended September 30, 2017.

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

At September 30, 2017, the City reported a liability for its proportionate share of the net pension liability of the Base Plan. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, the City's proportion was .4292893 percent.

For the year ended September 30, 2017, the City recognized pension expense related to the Base Plan of \$1,146,347. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 934,768	\$ 607,910
Changes in assumptions or other inputs	124,783	-
Net difference between projected and actual earnings on pension plan investments	-	404,282
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	228,342	24,328
City's contributions subsequent to the measurement date	258,169	-
Total	\$ 1,546,062	\$ 1,036,520

The \$258,169 reported as deferred outflows of resources related to pensions resulting from Employer contributions to the Base Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

The average of the expected remaining service lives of all employee that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 4.9 and 4.9 for the measurement period ended June 30, 2016.

At September 30, 2017, the City reported an asset for its proportionate share of the net pension asset of the FRF. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on the City's share of contributions in the FRF pension plan relative to the total contributions of all participating FRF employers. At June 30, 2017, the City's proportion was 3.9578287 percent.

For the year ended September 30, 2017, the City recognized pension revenue related to the FRF of \$622,870. At September 30, 2017, the City reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 75,609
City's contributions subsequent to the measurement date	112,628	-
Total	\$ 112,628	\$ 75,609

The \$112,628 reported as deferred outflows of resources related to pensions resulting from City contribution subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending September 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 1.0 year and 1.0 year for the measurement period June 30, 2016.

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

Year Ended September 30,	Base Plan	FRF
2018	\$ (310,661)	\$ (93,902)
2019	690,115	138,609
2020	228,518	17,164
2021	(356,599)	(137,480)

*Actuarial Assumptions*

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

The unfunded actuarial accrued liability for FRF is the difference between the actuarial present value of the FRF benefits not provided by the Base Plan and the FRF assets. Currently FRF assets exceed this actuarial present value; therefore there is not an unfunded liability to amortize at this time. The maximum amortization period for the FRF permitted under Section 59-1394, Idaho Code, is 50 years.

The total pension liability of the Base Plan and total pension asset of the FRF in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Base Plan	FRF
Inflation	3.25%	3.25%
Salary increases	4.25% - 10.00%	3.75%
Salary inflation	3.75%	3.75%
Investment rate of return*	7.10%	7.10%
Cost-of-living adjustments	1.00%	3.75%
*Net of pension plan investment expenses		

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

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

For the base plan, an experience study was performed for the period July 1, 2007 through June 30, 2013, which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009, through June 30, 2013. The Total Pension Liability (Base Plan) as of June 30, 2017, is based on the results of an actuarial valuation date of July 1, 2017.

For the FRF plan an experience stud was performed for the period July 1, 2011 through June 30, 2015 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 or the period from July 1, 2009, through June 30, 2013. The Total Pension Asset (FRF Plan) as of June 30, 2017, is based on the results of an actuarial valuation date of July 1, 2017.

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

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

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
	<b>Expected</b>	<b>Expected</b>	<b>Expected Real</b>	<b>Expected</b>
<b>Total Fund</b>	<b>Return</b>	<b>Inflation</b>	<b>return</b>	<b>Risk</b>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

Actuarial Assumptions

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

*Sensitivity of the Employer's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate.*

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.10 %, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 %) or 1-percentage-point higher (8.10 %) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)			
Base Plan	\$ 15,683,021	\$ 6,747,689	\$ (677,806)
FRF	(2,185,275)	(3,395,644)	(4,422,730)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at the [www.persi.idaho.gov](http://www.persi.idaho.gov).

*Payable to the Pension Plan*

At September 30, 2017, there were no payables to the defined benefit pension plans for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**Note 9 - Other Post-Employment Benefits**

Effective March 1, 2014, the City established a post-retirement Health Reimbursement Arrangement Plan, referred to as the HRA VEBA Plan, under Internal Revenue Service Notice 2002-45. It is a single employer Plan. Employees who retire under PERSI before age 65 will not be eligible for Medicare until age 65 or older. The City established the post-retirement health reimbursement benefit for PERSI retired employees to help bridge the gap between retirement and age 65.

The Plan was established and can be amended or discontinued by City Council action. Initial funding came from the agency fund Employee Health Insurance formerly used to cover employee health and dental care claims. These monies were not required to support current health claims now covered by the Employee Health Trust Plan.

The Plan is funded solely by employer contributions on a pay as you go basis. Basic benefit funding is \$500 per year for each regular full-time employee. Payment is made upon retirement at \$500 for each year of service up to 30 years. Under the basic plan at September 30, 2017, forty employees met PERSI retirement eligibility requirements and qualified for payments of \$360,926. Five employees must retire within 5 years or lose combined benefits of \$39,850. Four employees have opted to retire in 2018. At September 30, 2017, cash and cash equivalents held in the plan total \$623,052. Anticipated plan revenues for 2018 are \$109,500 against budgeted expenditures of \$32,750.

Enhanced benefits are funded by the annual appropriations ordinance payable to employees who retire before the age of 65. The forty employees that meet PERSI retirement requirements will also qualify for \$237,368 of enhanced benefit payments. At September 30, 2017, both plans have benefit payments due within one year of \$594,950 if all eligible employees retire.

Upon retirement, the employee's benefit is deposited in a Trust Account held by an independent third party and the City has no further financial obligation.

#### **Note 10 - Conduit Debt**

In March 2012, the Industrial Development Corporation Board issued \$5,500,000 of industrial development revenue bonds to provide financial assistance to a private-sector business (borrower) for the acquisition and construction of an industrial facility. The bonds are secured by the property financed and payments are made by the borrower. The City is not obligated in any manner for repayment of the bonds, and accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2017, the scheduled outstanding principal was \$2,902,778.

#### **Note 11 - Other Information**

Accounting principles generally accepted in the United States of America require disclosure, as part of the basic financial statements, of certain information concerning individual funds. The following fund had expenditures greater than appropriations for the year ended September 30, 2017:

Airport	\$	9,769
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#### **Note 12 - Contingent Liabilities**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of the City. City management believes disallowances, if any, will be immaterial.

The City has been named as defendant in various legal actions, the results of which are not presently determinable. However, in the opinion of the City's management and legal counsel, the amount of losses that might be sustained, if any, would not materially affect the City's financial position.

**Note 13 - Other Commitments**

The City has the following commitments at September 30, 2017:

Project Description	Outstanding Commitments	% Complete	Completed as of September 30	Total Contract Amount
Roberts Rec Building - Parking Lot & Landscape	\$ 180,342	12%	\$ 23,945	\$ 204,287
Veterans Hall Elevator	38,048	33%	18,952	57,000
Wolf Field Restroom #2	68,837	59%	100,388	169,225
Main Street Rebuild 5th - Kimball	338,500	0%	-	338,500
Fire Truck	316,500	5%	32,000	636,500
Power Backup Building - WWTP	307,264	88%	2,263,546	2,570,810
New Digester - WWTP	<u>2,708,548</u>	62%	4,347,392	7,055,940
	<u>\$ 3,958,039</u>			

**Note 14 - Change in Reporting Entity**

As a result of legislation on July 10, 2017, the Board of Commissioners for the Caldwell East Urban Renewal Agency (URA) changed from six members from City Council to three members from City Council and three members from the public who reside within the urban renewal boundaries. As a result of this action the URA is no longer considered to be a component unit of the City. The change in reporting entity is retroactively recorded as a restatement to beginning equity for governmental activities as indicated below:

	Governmental Activities September 30, 2016	Governmental Fund September 30, 2016
Cash and cash equivalents	\$ 4,102,338	\$ 4,102,338
Receivables	7,620,106	7,620,106
Land held for development	814,001	814,001
Restricted cash and cash equivalents	5,343,865	5,343,865
Land and other assets not depreciated	3,532,079	-
Vouchers and payroll payable	(1,015,051)	(1,015,051)
Due to other funds	(360,842)	(360,842)
Unavailable property tax revenue	(7,335,552)	(7,567,383)
Interest payable	(53,903)	-
Long-term liabilities		
Due within one year	(2,437,255)	-
Due after one year	<u>(15,658,566)</u>	<u>-</u>
Change in reporting entity	<u>\$ (5,448,780)</u>	<u>\$ 8,937,034</u>



**Note 15 - Related Party Transactions**

During 2017, Caldwell East Urban Renewal Agency (the Agency) reimbursed the City in the amount of \$1,584,687 for expenditures paid on its behalf on various projects (Demolition on Downtown Hotel Project, Canyon Hill Lateral Relocate Project, Smeed Realignment Project, Downtown Plaza, Building Repairs and Utility Expenses). Additionally, the City received monthly payments from the Agency for the Caldwell economic development funding in the amount of \$216,000 and was paid \$8,000 for accounting services from the Agency.

As of September 30, 2017, the Agency owed the City \$33,791 for the Smeed Realignment Project and \$23,851 in project related costs (utilities, bid proposal and TVCC R&M).

During 2017, the City loaned the Agency \$1,100,000 from the Cemetery Perpetual Care Fund for purposes of purchasing property. The note is due to the City in annual installments of \$275,000 at 4% interest through September 2021.



Required Supplementary Information  
September 30, 2017

# City of Caldwell, Idaho

**Schedule of Employer's Share of Net Pension Liability**

**PERSI - Base Plan**

**Last 10 - Fiscal Years\***

	2017	2016	2015
Employer's portion of net the pension liability	0.4292893%	0.4151597%	0.4176759%
Employer's proportionate share of the net pension liability	\$ 6,747,689	\$ 8,415,926	\$ 5,500,112
Employer's covered payroll	\$ 12,308,096	\$ 11,161,497	\$ 9,999,630
Employer's proportional share of the net pension liability as a percentage of its covered payroll	55%	75%	55%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%

**Schedule of Employer's Share of Net Pension Asset**

**FRF**

**Last 10 - Fiscal Years\***

	2017	2016	2015
Employer's portion of net the pension asset	3.9578287%	3.8194708%	3.9619978%
Employer's proportionate share of the net pension asset	\$ 3,395,644	\$ 2,052,905	\$ 2,139,902
Employer's covered payroll	\$ 867,239	\$ 794,910	\$ 1,504,124
Employer's proportional share of the net pension asset as a percentage of its covered payroll	391.55%	258.26%	142.27%
Plan fiduciary net position as a percentage of the total pension asset	129.65%	118.42%	118.08%

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

Data reported is measured as of June 30 (measurement date).

**Schedule of Employer Contributions**

**Base Plan**

**Last 10 - Fiscal Years\***

	2017	2016	2015
Statutorily required contribution	\$ 1,519,344	\$ 1,424,055	\$ 1,360,543
Contributions in relation to the statutorily required contribution	\$ 1,519,344	\$ 1,424,055	\$ 1,360,543
Contributions (deficiency) excess	\$ -	\$ -	\$ -
Employer's covered payroll	11,967,974	\$ 11,306,995	\$ 10,087,109
Contributions as a percentage of covered payroll	13%	13%	13%

**Schedule of Employer Contributions**

**FRF**

**Last 10 - Fiscal Years\***

	2017	2016	2015
Statutorily required contribution	\$ 143,431	\$ 101,420	\$ 204,650
Contributions in relation to the statutorily required contribution	\$ 143,431	\$ 101,420	\$ 204,650
Contributions (deficiency) excess	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 852,346	\$ 805,272	\$ 1,517,282
Contributions as a percentage of covered payroll	17%	13%	13%

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

Data reported is measured as of September 30.

City of Caldwell, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund  
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 11,970,460	\$ 11,970,460	\$ 12,225,280	\$ 254,820
Franchise fees	715,000	715,000	739,784	24,784
Interest	153,010	153,010	204,528	51,518
Licenses and permits	1,283,197	1,483,197	1,903,900	420,703
Intergovernmental	1,825,564	1,825,564	2,150,211	324,647
Operating grants	27,430	101,382	1,787,023	1,685,641
Charges for services	5,919,033	5,926,033	6,130,812	204,779
Unrealized loss on investments	-	-	(57,061)	(57,061)
Miscellaneous	70,323	78,423	90,334	11,911
<b>Total revenues</b>	<b>21,964,017</b>	<b>22,253,069</b>	<b>25,174,811</b>	<b>2,921,742</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	4,873,049	4,873,049	5,907,296	(1,034,247)
Public safety	14,937,528	15,257,317	15,215,417	41,900
Culture and recreation	229,987	269,987	240,225	29,762
Community development	396,943	396,943	390,577	6,366
Capital outlay	6,414,056	6,514,056	3,009,224	3,504,832
<b>Total expenditures</b>	<b>26,851,563</b>	<b>27,311,352</b>	<b>24,762,739</b>	<b>2,548,613</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(4,887,546)</b>	<b>(5,058,283)</b>	<b>412,072</b>	<b>5,470,355</b>
<b>Other Financing Sources (Uses)</b>				
Contributions from other governments	28,000	28,000	-	(28,000)
Transfers in	1,899,183	2,039,183	1,333,899	(705,284)
Transfers out	(1,911,823)	(1,958,823)	(1,138,569)	820,254
<b>Total other financing sources (uses)</b>	<b>15,360</b>	<b>108,360</b>	<b>195,330</b>	<b>86,970</b>
<b>Net Change in Fund Balances</b>	<b>\$ (4,872,186)</b>	<b>\$ (4,949,923)</b>	<b>607,402</b>	<b>\$ 5,557,325</b>
Fund Balance, Beginning of Year			19,736,580	
Fund Balance, End of Year			<u>\$ 20,343,982</u>	

City of Caldwell, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Street Fund  
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,917,725	\$ 1,917,725	\$ 1,917,725	\$ -
Interest	25,000	25,000	20,317	(4,683)
Intergovernmental	3,115,790	3,115,790	3,281,193	165,403
Charges for services	1,060,531	1,060,531	993,215	(67,316)
Other grants	541,946	541,946	117,855	(424,091)
Capital Grants - Other General	124,000	124,000	-	(124,000)
Unrealized loss on investments	-	-	(5,746)	(5,746)
Miscellaneous	20,500	20,500	151,080	130,580
Total revenues	<u>6,805,492</u>	<u>6,805,492</u>	<u>6,475,639</u>	<u>(329,853)</u>
<b>Expenditures</b>				
Streets	5,439,051	5,693,051	3,349,112	2,343,939
Capital outlay	3,758,615	4,119,940	2,672,003	1,447,937
Total expenditures	<u>9,197,666</u>	<u>9,812,991</u>	<u>6,021,115</u>	<u>3,791,876</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	<u>(2,392,174)</u>	<u>(3,007,499)</u>	<u>454,524</u>	<u>3,462,023</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	60,000	60,000	61,200	1,200
Loan proceeds	287,250	287,250	-	(287,250)
Operating transfers in	46,607	46,607	52,730	6,123
Total other financing sources (uses)	<u>393,857</u>	<u>393,857</u>	<u>113,930</u>	<u>(279,927)</u>
<b>Net Change in Fund Balances</b>	<u><u>\$ (1,998,317)</u></u>	<u><u>\$ (2,613,642)</u></u>	568,454	<u><u>\$ 3,182,096</u></u>
Fund Balance, Beginning of Year			<u>2,836,687</u>	
Fund Balance, End of Year			<u><u>\$ 3,405,141</u></u>	

**Note 1 - Budgets and Budgetary Accounting**

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

- Prior to September 1, the City Treasurer and City Council prepare a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at City Hall to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.
- Budgetary amendments are approved by City Council during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles for the general, debt service, and special revenue funds. All annual appropriations lapse at fiscal year-end. The Mayor is authorized to transfer budget amounts within departments and between departments within any fund. Revisions that alter the total expenditure appropriation of any fund must be approved by the City Council. State law does not allow fund expenditures to exceed fund appropriations.



Other Financial Information  
September 30, 2017

# City of Caldwell, Idaho



## **NONMAJOR GOVERNMENTAL FUNDS**

### **DEBT SERVICE FUND**

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, including bonds, certificates of participation and capital leases.

### **SPECIAL REVENUE FUNDS**

To account for specific revenues that are legally restricted to expenditures for particular purposes.

**CDBG/HUD** –To account for resources received for federal community development block programs received directly from the U.S. Department of Housing and Urban Development (HUD).

#### **Cemetery Fund**

To account for the operation and maintenance of the cemetery. Property taxes and sales of cemetery plots are the principal revenue sources. City ordinances require that these revenues be used to finance cemetery operations and maintenance.

#### **Cemetery Capital Improvement Fund**

To account for the resources and expenditures of the City's cemetery capital improvement fund. Grave fees are the principal revenue sources and capital outlay is the primary expenditure.

#### **Cemetery Perpetual Care Fund**

To account for the resources and expenditures of the City's perpetual care fund. Grave fees and earnings on investments are the principal source of revenues. Capital outlay is the primary expenditure.

#### **Community Development Fund**

To account for the collection of low interest mortgages made to low income citizens of the City and the subsequent expenditures of these funds. These loans were established under a Community Development grant.

#### **Library Fund**

To account for the operation of the public library. Financing is provided principally through property taxes which are restricted for library operations by City ordinance.

#### **Airport Fund**

To account for operation of the City airport. Financing is provided by property taxes, federal and state grants as well as state gasoline and sales tax. City ordinance requires that these revenues be restricted to financing airport operations.

#### **Recreation Fund**

To account for operation of City-owned parks and recreation programs. Financing is provided principally through program fees and a specific annual property tax levy. City ordinance restricts revenues property taxes to financing of parks and recreation programs.

	Debt Service	CDBG HUD	Cemetery	Cemetery Capital Improvement
<b>Assets</b>				
Cash and cash equivalents	\$ 503,875	\$ -	\$ 453,727	\$ 32,652
Prepaid Expenses	-	-	-	-
Receivables				
Interest	153,611	-	505	24
Taxes	459,750	-	110,762	-
Intergovernmental	-	-	9,346	-
Accounts	-	-	4,926	-
Special assessments	312,008	-	-	-
Grants	-	58,875	-	-
Notes	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
	<u>\$ 1,429,244</u>	<u>\$ 58,875</u>	<u>\$ 579,266</u>	<u>\$ 32,676</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities</b>				
Vouchers and payroll payable	\$ -	\$ 5,453	\$ 12,117	\$ 240
Customer deposits	18,589	-	200	-
Due to other funds	-	53,422	-	-
Unearned revenues	-	-	-	-
	<u>18,589</u>	<u>58,875</u>	<u>12,317</u>	<u>240</u>
<b>Deferred Inflows of Resources</b>				
Unavailable property tax revenue	459,751	-	110,762	-
Unavailable revenue	465,132	-	-	-
Total deferred inflows of resources	<u>924,883</u>	<u>-</u>	<u>110,762</u>	<u>-</u>
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Assigned for housing rehabilitation	-	-	-	-
Assigned for library services	-	-	-	-
Assigned for debt service	485,772	-	-	-
Assigned for community services	-	-	456,187	32,436
	<u>485,772</u>	<u>-</u>	<u>456,187</u>	<u>32,436</u>
	<u>\$ 1,429,244</u>	<u>\$ 58,875</u>	<u>\$ 579,266</u>	<u>\$ 32,676</u>

City of Caldwell, Idaho  
Combining Balance Sheet – Nonmajor Governmental Funds  
September 30, 2017

Cemetery Perpetual Care	Community Development	Library	Airport	Recreation	Totals
\$ 238,781	\$ 9,376	\$ 549,859	\$ 262,981	\$ 174,353	\$ 2,225,604
-	-	1,220	-	-	1,220
117	18,284	2,047	166	261	175,015
-	-	665,514	125,863	570,274	1,932,163
-	-	59,929	9,253	254,600	333,128
-	-	-	31,498	3,148	39,572
-	-	-	-	-	312,008
-	-	-	19,367	-	78,242
-	60,243	-	-	-	60,243
-	-	263,797	-	-	263,797
-	-	272,694	-	-	272,694
<u>\$ 238,898</u>	<u>\$ 87,903</u>	<u>\$ 1,815,060</u>	<u>\$ 449,128</u>	<u>\$ 1,002,636</u>	<u>\$ 5,693,686</u>
\$ 329	\$ 7,475	\$ 29,231	\$ 19,035	\$ 98,963	\$ 172,843
-	-	-	-	-	18,789
-	-	2,305	-	-	55,727
-	-	-	-	29,551	29,551
<u>329</u>	<u>7,475</u>	<u>31,536</u>	<u>19,035</u>	<u>128,514</u>	<u>276,910</u>
-	-	665,514	125,863	570,274	1,932,164
-	18,284	-	-	-	483,416
-	18,284	665,514	125,863	570,274	2,415,580
-	60,243	1,220	-	-	61,463
-	1,901	-	-	-	1,901
-	-	1,116,790	-	-	1,116,790
-	-	-	-	-	485,772
238,569	-	-	304,230	303,848	1,335,270
<u>238,569</u>	<u>62,144</u>	<u>1,118,010</u>	<u>304,230</u>	<u>303,848</u>	<u>3,001,196</u>
<u>\$ 238,898</u>	<u>\$ 87,903</u>	<u>\$ 1,815,060</u>	<u>\$ 449,128</u>	<u>\$ 1,002,636</u>	<u>\$ 5,693,686</u>

	Debt Service	CDBG/ HUD	Cemetery	Cemetery Capital Improvement
<b>Revenues</b>				
Property taxes	\$ 459,750	\$ -	\$ 110,762	\$ -
Interest	23,228	-	5,603	271
Intergovernmental	-	-	32,485	-
Capital grants	-	108,428	-	-
Operating grants	-	-	-	-
Charges for services	-	-	113,461	11,971
Unrealized gain (loss) on investments	(3,861)	-	(3,364)	(187)
Assessments	90,229	-	-	-
Miscellaneous	106	-	9,929	-
Total revenues	<u>569,452</u>	<u>108,428</u>	<u>268,876</u>	<u>12,055</u>
<b>Expenditures</b>				
Current				
Parks and recreation	-	-	-	-
Community services	-	108,428	228,518	17,566
Debt service				
Principal on long-term debt	435,000	-	-	-
Interest and other	40,369	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>475,369</u>	<u>108,428</u>	<u>228,518</u>	<u>17,566</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>94,083</u>	<u>-</u>	<u>40,358</u>	<u>(5,511)</u>
<b>Other Financing Sources (Uses)</b>				
Contributions from other governments	-	-	-	-
Loans to other governments	-	-	-	-
Operating transfers out	(94,303)	-	-	-
Operating transfers in	-	-	1,400	-
Total other financing sources (uses)	<u>(94,303)</u>	<u>-</u>	<u>1,400</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(220)	-	41,758	(5,511)
Fund Balance, Beginning of Year	<u>485,992</u>	<u>-</u>	<u>414,429</u>	<u>37,947</u>
Fund Balance, End of Year	<u><u>\$ 485,772</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 456,187</u></u>	<u><u>\$ 32,436</u></u>

City of Caldwell, Idaho

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

Year Ended September 30, 2017

Cemetery Perpetual Care	Community Development	Library	Airport	Recreation	Totals
\$ -	\$ -	\$ 665,514	\$ 125,863	\$ 570,274	\$ 1,932,163
12,562	14	15,789	1,278	4,070	62,815
-	-	208,302	32,163	734,728	1,007,678
-	-	-	129,483	-	237,911
-	-	8,929	-	-	8,929
20,345	-	29,900	194,526	414,691	784,894
(27,348)	-	(8,743)	1,878	(13,835)	(55,460)
-	-	-	-	-	90,229
-	3,000	22,235	4,782	2,756	42,808
<u>5,559</u>	<u>3,014</u>	<u>941,926</u>	<u>489,973</u>	<u>1,712,684</u>	<u>4,111,967</u>
-	-	-	-	1,689,618	1,689,618
-	269,446	976,508	353,913	-	1,954,379
-	-	-	-	-	435,000
-	-	-	-	-	40,369
-	-	-	137,294	364,471	501,765
<u>-</u>	<u>269,446</u>	<u>976,508</u>	<u>491,207</u>	<u>2,054,089</u>	<u>4,621,131</u>
<u>5,559</u>	<u>(266,432)</u>	<u>(34,582)</u>	<u>(1,234)</u>	<u>(341,405)</u>	<u>(509,164)</u>
-	216,000	-	-	-	216,000
(1,100,000)	-	-	-	-	(1,100,000)
-	-	-	-	-	(94,303)
-	57,470	4,500	1,600	4,400	69,370
<u>(1,100,000)</u>	<u>273,470</u>	<u>4,500</u>	<u>1,600</u>	<u>4,400</u>	<u>(908,933)</u>
(1,094,441)	7,038	(30,082)	366	(337,005)	(1,418,097)
<u>1,333,010</u>	<u>55,106</u>	<u>1,148,092</u>	<u>303,864</u>	<u>640,853</u>	<u>4,419,293</u>
<u>\$ 238,569</u>	<u>\$ 62,144</u>	<u>\$ 1,118,010</u>	<u>\$ 304,230</u>	<u>\$ 303,848</u>	<u>\$ 3,001,196</u>

## **NONMAJOR PROPRIETARY FUNDS**

### **ENTERPRISE FUNDS**

To account for operations that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or when the City's council has decided that periodic determination of net income is appropriate for accountability purposes.

#### **Golf Fund**

To account for the operations of the City's public golf courses (Purple Sage and Fairview).

#### **Street Lighting Fund**

To account for the billings and receipts for the City street lights.

#### **Irrigation Fund**

To account for maintenance, operation and capital replacement of the City's irrigation system.

### **INTERNAL SERVICE FUNDS**

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

#### **Post-Retirement Health Reimbursement Arrangement**

To account for post-employment benefits for employees who retire under PERSI before age 65 that are not yet eligible for Medicare until age 65 or older. The benefits will help retired employees to bridge the gap between retirement and age 65.

#### **Section 125 Benefit Plan**

To account for employee cafeteria contributions and expenditures for health services.

City of Caldwell, Idaho  
Combining Statement of Net Position – Nonmajor Enterprise Funds  
September 30, 2017

	Golf	Street Lighting	Irrigation	Totals
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 340,015	\$ 867,632	\$ 1,852,935	\$ 3,060,582
Interest receivable	259	860	1,662	2,781
Accounts receivable	1,708	60,568	418,971	481,247
<b>Total current assets</b>	<b>341,982</b>	<b>929,060</b>	<b>2,273,568</b>	<b>3,544,610</b>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Capital assets not being depreciated	178,368	-	154,151	332,519
Capital asset being depreciated (net)	670,899	1,682,624	890,717	3,244,240
<b>Total noncurrent assets</b>	<b>849,267</b>	<b>1,682,624</b>	<b>1,044,868</b>	<b>3,576,759</b>
<b>Deferred Outflow of Resources</b>				
Pension obligation	15,383	-	13,632	29,015
	<u>\$ 1,206,632</u>	<u>\$ 2,611,684</u>	<u>\$ 3,332,068</u>	<u>\$ 7,150,384</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Vouchers and payroll payables	\$ 59,688	\$ 19,472	\$ 57,094	\$ 136,254
Customer deposits	2,667	-	-	2,667
Current portion of compensated absences	19,029	-	-	19,029
<b>Total current liabilities</b>	<b>81,384</b>	<b>19,472</b>	<b>57,094</b>	<b>157,950</b>
<b>Noncurrent Liabilities</b>				
Net pension liability	65,621	-	52,496	118,117
<b>Deferred Inflow of Resources</b>				
Pension obligation	2,594	-	3,127	5,721
<b>Net Position</b>				
Net investment in capital assets	849,267	1,682,624	1,044,868	3,576,759
Unrestricted	207,766	909,588	2,174,483	3,291,837
<b>Total net position</b>	<b>1,057,033</b>	<b>2,592,212</b>	<b>3,219,351</b>	<b>6,868,596</b>
	<u>\$ 1,206,632</u>	<u>\$ 2,611,684</u>	<u>\$ 3,332,068</u>	<u>\$ 7,150,384</u>

City of Caldwell, Idaho

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds  
Year Ended September 30, 2017

	Golf	Street Lighting	Irrigation	Totals
<b>Operating Revenues</b>				
Charges for services	\$ 786,608	\$ 540,707	\$ 1,344,966	\$ 2,672,281
Other	12,507	34	112,360	124,901
<b>Total operating revenues</b>	<b>799,115</b>	<b>540,741</b>	<b>1,457,326</b>	<b>2,797,182</b>
<b>Operating Expenses</b>				
Personnel services	266,782	-	177,899	444,681
Contractual services	397,336	108,427	279,543	785,306
Materials and supplies	81,681	-	39,905	121,586
Utilities	108,498	224,297	403,684	736,479
Repairs and maintenance	206,078	271,290	137,809	615,177
Other expenses	33,159	4,574	16,369	54,102
Depreciation and amortization	119,517	79,553	72,705	271,775
<b>Total operating expenses</b>	<b>1,213,051</b>	<b>688,141</b>	<b>1,127,914</b>	<b>3,029,106</b>
<b>Operating Income (Loss)</b>	<b>(413,936)</b>	<b>(147,400)</b>	<b>329,412</b>	<b>(231,924)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	4,930	10,247	17,412	32,589
Gain of sale of assets	1,291,293	-	-	1,291,293
Unrealized gain (loss) on investments	3,096	(6,798)	(17,799)	(21,501)
<b>Total nonoperating revenues</b>	<b>1,299,319</b>	<b>3,449</b>	<b>(387)</b>	<b>1,302,381</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>885,383</b>	<b>(143,951)</b>	<b>329,025</b>	<b>1,070,457</b>
Contributions from developers	-	123,127	-	123,127
Transfers in	78,319	9,500	-	87,819
Transfers out	-	-	(92,500)	(92,500)
<b>Change in Net Position</b>	<b>963,702</b>	<b>(11,324)</b>	<b>236,525</b>	<b>1,188,903</b>
<b>Net Position, Beginning of Year</b>	<b>93,331</b>	<b>2,603,536</b>	<b>2,982,826</b>	<b>5,679,693</b>
<b>Net Position, End of Year</b>	<b>\$ 1,057,033</b>	<b>\$ 2,592,212</b>	<b>\$ 3,219,351</b>	<b>\$ 6,868,596</b>



City of Caldwell, Idaho  
Combining Statement of Cash Flows – Nonmajor Enterprise Funds  
Year Ended September 30, 2017

	Non Major Enterprise Funds			
	Golf	Street Lighting	Irrigation	Total
Operating Activities				
Received from user charges	\$ 1,325,134	\$ 535,267	\$ 1,393,220	\$ 3,253,621
Payments to employees for services	(268,683)	-	(182,526)	(451,209)
Payments to suppliers for goods and services	(803,597)	(608,053)	(971,372)	(2,383,022)
Net Cash from (used for) Operating Activities	252,854	(72,786)	239,322	419,390
Noncapital Financing Activities				
Transfers in (out)	78,319	9,500	(92,500)	(4,681)
Net Cash from (used for) Noncapital Financing Activities	78,319	9,500	(92,500)	(4,681)
Capital and Related Financing Activities				
Acquisition of capital assets	(160,961)	(9,500)	(98,491)	(268,952)
Net Cash used for Capital and Related Financing Activities	(160,961)	(9,500)	(98,491)	(268,952)
Investing Activities				
Interest received on investments	7,623	9,922	15,750	33,295
Net increase (decrease) in pooled investments	3,096	(6,798)	(17,799)	(21,501)
Net Cash from (used for) Investing Activities	10,719	3,124	(2,049)	11,794
Net Change in Cash and Cash Equivalents	180,931	(69,662)	46,282	157,551
Cash and Cash Equivalents, October 1, 2016	159,084	937,294	1,806,653	2,903,031
Cash and Cash Equivalents, September 30, 2017	\$ 340,015	\$ 867,632	\$ 1,852,935	\$ 3,060,582
Contributed property, plant and equipment	\$ -	\$ 123,127	\$ -	\$ 123,127
Transfer of land to governmental activities in exchange for a reduction in advances payable	\$ 1,488,836	\$ -	\$ -	\$ 1,488,836

City of Caldwell, Idaho  
Combining Statement of Cash Flows – Nonmajor Enterprise Funds  
Year Ended September 30, 2017

	<u>Golf</u>	<u>Street Lighting</u>	<u>Irrigation</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash from (used for) operating activities				
Operating income (loss)	\$ (413,936)	\$ (147,400)	\$ 329,412	\$ (231,924)
Depreciation	119,517	79,553	72,705	271,775
GASB 68 pension expense	(6,126)	-	(4,688)	(10,814)
Changes in assets and liabilities				
Accounts receivable	523,351	(5,474)	(64,107)	453,770
Inventory	-	-	-	-
Vouchers payable	23,309	535	(94,000)	(70,156)
Compensated absences	4,072	-	-	4,072
Customer deposits	2,667	-	-	2,667
Net Cash from (used for) Operating Activities	<u>\$ 252,854</u>	<u>\$ (72,786)</u>	<u>\$ 239,322</u>	<u>\$ 419,390</u>

City of Caldwell, Idaho  
Combining Statement of Net Position – Nonmajor Internal Service Funds  
September 30, 2017

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	Post-Retirement Health Reimbursement Arrangement	Section 125 Benefit Plan	Totals
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets			
Cash and cash equivalents	\$ 622,729	\$ 33,217	\$ 655,946
Interest receivable	324	-	324
	<u>\$ 623,053</u>	<u>\$ 33,217</u>	<u>\$ 656,270</u>
Liabilities and Net Position			
Liabilities			
Vouchers payable	\$ 5	\$ 331	\$ 336
Total liabilities	<u>5</u>	<u>331</u>	<u>336</u>
Net Position			
Unrestricted	<u>623,048</u>	<u>32,886</u>	<u>655,934</u>
Total net position	<u>623,048</u>	<u>32,886</u>	<u>655,934</u>
	<u>\$ 623,053</u>	<u>\$ 33,217</u>	<u>\$ 656,270</u>

City of Caldwell, Idaho

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Internal Service  
Funds

Year Ended September 30, 2017

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	<u>Post-Retirement Health Reimbursement Arrangement</u>	<u>Section 125 Benefit Plan</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 126,568	\$ 104,215	\$ 230,783
Total operating revenues	<u>126,568</u>	<u>104,215</u>	<u>230,783</u>
Operating Expenses			
Personnel Services	-	97,167	97,167
Contractual services	49,298	4,024	53,322
Total operating expenses	<u>49,298</u>	<u>101,191</u>	<u>150,489</u>
Operating Income	<u>77,270</u>	<u>3,024</u>	<u>80,294</u>
Nonoperating Revenues			
Interest income	4,057	-	4,057
Unrealized loss on investments	(31)	-	(31)
Total nonoperating revenues	<u>4,026</u>	<u>-</u>	<u>4,026</u>
Change in Net Position	81,296	3,024	84,320
Net Position, Beginning of Year	<u>541,752</u>	<u>29,862</u>	<u>571,614</u>
Net Position, End of Year	<u>\$ 623,048</u>	<u>\$ 32,886</u>	<u>\$ 655,934</u>

City of Caldwell, Idaho  
Combining Statement of Cash Flows – Nonmajor Internal Service Funds  
Year Ended September 30, 2017

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	Post-Retirement Health Reimbursement Arrangement	Section 125 Benefit Plan	Totals
Operating Activities			
Received from user charges	\$ 126,568	\$ 104,215	\$ 230,783
Payments to employees for services	(49,293)	(97,167)	(146,460)
Payments to suppliers for goods and services	-	(4,006)	(4,006)
Net Cash from Operating Activities	<u>77,275</u>	<u>3,042</u>	<u>80,317</u>
Investing Activities			
Interest received on investments	4,363	-	4,363
Net decrease in pooled investments	(31)	-	(31)
Net Cash from Investing Activities	<u>4,332</u>	<u>-</u>	<u>4,332</u>
Net Change in Cash and Cash Equivalents	81,607	3,042	84,649
Cash and Cash Equivalents, October 1, 2016	<u>541,122</u>	<u>30,175</u>	<u>571,297</u>
Cash and Cash Equivalents, September 30, 2017	<u><u>\$ 622,729</u></u>	<u><u>\$ 33,217</u></u>	<u><u>\$ 655,946</u></u>

City of Caldwell, Idaho  
Combining Statement of Cash Flows – Nonmajor Internal Service Funds  
Year Ended September 30, 2017

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	<u>Post-Retirement Health Reimbursement Arrangement</u>	<u>Section 125 Benefit Plan</u>	<u>Total</u>
Reconciliation of operating income to net cash from operating activities			
Operating income	\$ 77,270	\$ 3,024	\$ 80,294
Changes in assets and liabilities			
Vouchers payable	<u>5</u>	<u>18</u>	<u>23</u>
Net Cash from Operating Activities	<u><u>\$ 77,275</u></u>	<u><u>\$ 3,042</u></u>	<u><u>\$ 80,317</u></u>



**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***

Members of the City Council  
City of Caldwell, Idaho  
Caldwell, 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, each major fund, and the aggregate remaining fund information of the City of Caldwell, Idaho (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated January 30, 2018. Our opinion was modified on the governmental activities and the aggregate remaining funds due to a departure from GAAP.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2017-A that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

**The City's Response to Finding**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

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

Boise, Idaho  
January 30, 2018



**2017-A – Financial statement preparation**

Criteria:

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited.

Condition:

Eide Bailly, LLP prepared the financial statements using the trial balance accounts and figures obtained during our audit procedures. This preparation included the government-wide statements, fund level statement, cash flow statements, and other supplementary information.

Cause:

The City did not have the time and resources needed to prepare the financial statements.

Effect:

Management must rely on the auditing firm to report financial data reliably in accordance with generally accepted accounting principles. Although the circumstance is not unusual for an organization of your size, the absence of controls over the preparation of financial statements increase the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected by the City's internal control.

Recommendation:

Management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response and Corrective Plan:

The City purchased and implemented a software package called Engagement, which is the same software the auditors currently use for the city's audit and financial statement preparation. While the acquisition of the software provided an understanding to the preparation of the financial statements, additional training will be needed to fully learn and become more efficient using the Engagement Software. Additional licensing will be purchased so that all Finance Department staff will have access to the software and be able to use the lead sheets that are already setup and available within the software.

With the Engagement Software being in place for a full year, audit preparations will be able to begin earlier in the fiscal year rather than after the fiscal year ends and some footnote preparations can begin at an earlier date in the audit process.

Management will continue to evaluate the efficiencies gained and staff's time involved in the preparation of the footnotes and the financial statements as well as cost considerations to determine the degree of risk management is willing to accept for a significant deficiency.