



Financial Statements
September 30, 2015

City of Caldwell, Idaho

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CITY OF CALDWELL, IDAHO

CITY OFFICIALS

September 30, 2015

MAYOR

Garret L. Nancolas

COUNCIL

Dennis Callsen, President

Mike Pollard

Robert Hopper

Shannon Ozuna

Jeremy Feucht

Terrence Biggers

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, 2015, 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 Opinion

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 Opinion

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, 2015, 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, 2015, 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 Matter

Change in Accounting Principle

As described in Note 1 and Note 14 to the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of October 1, 2014. Our opinions are not 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 budgetary comparison information, the schedules of employer's share of net pension liability and employer contributions 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 of Caldwell, Idaho's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual 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 and individual 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 February 03, 2016 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 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 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.

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

Boise, Idaho
February 03, 2016

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, 2015.

As of October 1, 2014, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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, 2015, by \$199,637,504. This is an increase of \$10,667,299 over the September 30, 2014 balance of \$188,970,205 (as restated). Of this amount, unrestricted net position of \$47,320,245 may be used to meet the City's ongoing obligations to citizens and creditors compared to \$42,405,438 (as restated) on September 30, 2014.
- As of September 30, 2015, the City of Caldwell's governmental funds reported combined ending fund balances of \$30,219,965. This is an increase of \$2,793,028 over the September 30, 2014, balance of \$27,426,937. Of this amount, \$10,373,963 is unassigned and available for spending compared to \$8,905,666 on September 30, 2014, and \$19,846,002 is reserved for specific future purposes compared to \$18,521,271 on September 30, 2014. Safety services have a committed fund balance of \$2,467,147 which represents nine years of costs savings in those departments.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,373,963 compared to \$8,905,666 last year.
- The City of Caldwell's total debt obligation was \$22,583,240 compared to \$26,181,962 last year. The portion of this debt attributed to Urban Renewal is \$17,369,000 and is not included in the City's debt capacity. The City's debt of \$5,214,240 is 18.5% of its total debt capacity of \$28,123,045.

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, Caldwell East Urban Renewal Agency, 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, Caldwell East Urban Renewal Agency, 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, 2015, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$199,637,504, an increase of \$10,667,299 over the September 30, 2014, balance of \$188,970,205 (as restated). Other assets, capital assets net of depreciation, deferred outflows of resources, liabilities, and deferred inflows of resources totaled \$80,604,940, \$172,372,251, \$3,172,036, \$32,640,214, and \$26,011,411, respectively. As compared to 2014 balances of \$75,097,381, \$171,175,185, \$0, \$30,651,219, and \$20,698,306, respectively, other assets increased \$5,507,559, capital assets net of depreciation increased \$1,197,066, deferred outflows from pension obligations of \$3,172,036 are reported for the first time, liabilities increased \$1,988,995, and deferred inflows of resources increased \$5,313,105.

Investments in capital assets, less any related outstanding debt used to acquire those assets, totaling \$148,758,938 represent by far the largest portion of the City's net position (74.5%). 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 \$96,453,905 at September 30, 2015, and increased \$417,132 from September 30, 2014, balance of \$96,036,773 for governmental activities. Capital assets, net of accumulated depreciation for business-type activities totaled \$75,918,346 at September 30, 2015 and increased \$779,934 from September 30, 2014, balance of \$75,138,412. Major asset additions are scheduled on page 12.

Governmental activities. Governmental activities increased the City's net position by \$7,656,443 accounting for a 7.83% increase in the net position (as restated). Governmental expenses totaled \$29,269,230 compared to \$34,865,245 in 2014. This \$5,596,015 expense decrease can be explained largely by a prior year transfer of the County Administration Building from the urban renewal agency which resulted in an asset write off of \$6,895,367. Police expenses increased \$423,594 for salary and benefit increases, vehicle purchases and dispatch payments to county dispatch.

Program revenues totaled \$15,601,284 which is \$1,823,796 greater than last year and covered 53.3% of governmental expenses. Major components of this increase include operating contributions in street fund for statutory increases to the gas tax of \$483,745, park fund of \$585,342 and urban renewal contributions to community services for economic development activities of \$206,210 over 2014 contributions. Charges for services in engineering services increased \$263,623 and \$340,612 from the rural fire district for fire services over 2014.

Expenditures less program revenues produced a net expense of \$13,667,946. When netted against general revenues of \$21,324,389 the change in net position for governmental activities is an increase of \$7,656,443 (see schedule on page 17).

Business-type activities. Business-type activities increased the City's net position by \$3,010,856 accounting for a 3.3% increase in the City's net position (as restated). Business-type expenses totaled \$15,650,551 compared to \$15,917,625 in 2014. Expenses for water, sewer, street lights and irrigation decreased \$186,071, \$246,125, \$12,894 and \$80,672, respectively. The expense decrease in sewer is the result of loss on an asset sale in the prior year. Sanitation and golf expenses increased \$204,370 and \$54,318 respectively. The sanitation expense increase of \$204,370 was caused by a \$200,000 payment to extinguish a loan between the general fund and airport fund related to the airport terminal.

Program revenues totaled \$18,195,165 compared to \$16,317,581 in 2014 and covered 116.3% of expenses. Major components of this \$1,877,584 increase included fee increases and customer base growth. These two factors added \$579,283 in the water fund charges for services. Similarly, increases in charges for services in the sewer fund of \$993,155, are attributed to fee increases for septic dump services, capital improvement, interceptor and plant capacity fees. These increases are also the result of an improving economy and increasing construction activity.

General revenues totaled \$466,242 compared to \$574,903 last year and covered 3.0% of expenses. General revenues comprise investment earnings of \$252,319, unrealized gain on investments of \$102,622, project reimbursements from property owners and time and materials reimbursements added \$283,089 offset by a deduction for funds transferred to governmental activities of \$171,788.

Expenditures less program revenues produced net revenue of \$2,544,614. When combined with general revenues of \$466,242, the change in net position for business-type activities is an increase of \$3,010,856 (see schedule on page 17).

City of Caldwell's Net Position (000's)

	Governmental Activities		Business-type Activities		Total	
	2015	2014**	2015	2014**	2015	2014
Current and Other	\$ 57,714	\$ 51,875	\$ 25,031	\$ 23,222	\$ 82,745	\$ 75,097
Capital Assets	96,454	96,037	75,918	75,138	172,372	171,175
Total Assets	154,168	147,912	100,949	98,360	255,117	246,272
Deferred Outflows	2,847	-	325	-	3,172	-
Short-Term Liabilities	4,622	5,284	2,657	2,342	7,279	7,626
Long-Term Liabilities	21,387	19,036	3,974	3,989	25,361	23,025
Total Liabilities	26,009	24,320	6,631	6,331	32,640	30,651
Deferred Inflows	25,564	20,698	448	-	26,012	20,698
Net Investment in						
Capital Assets	77,524	74,175	71,235	70,471	148,759	144,646
Restricted for:						
URA projects	3,558	1,918	-	-	3,558	1,918
Unrestricted	24,360	26,801	22,960	21,558	47,320	48,359
Total Net Position	<u>\$ 105,442</u>	<u>\$ 102,894</u>	<u>\$ 94,195</u>	<u>\$ 92,029</u>	<u>\$ 199,637</u>	<u>\$ 194,923</u>

**The 2014 columns in this table have not been updated to reflect the effect of the implementation of GASB 68 and 71 on the City as of July 1, 2014.

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	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 6,797	\$ 6,026	\$ 17,754	\$ 15,889	\$ 24,551	\$ 21,915
Operating grants and contributions	7,914	7,029	-	-	7,914	7,029
Capital grants and contributions	890	723	441	429	1,331	1,152
General revenues:						
Property taxes-general purpose	11,153	10,016	-	-	11,153	10,016
Property taxes-debt service	464	6,177	-	-	464	6,177
Franchise fees	729	733	-	-	729	733
Sales tax and other government	1,795	2,134	-	-	1,795	2,134
Special assessments for debt service of LIDs	16	415	-	-	16	415
Unrestricted investment earnings	304	484	252	269	556	753
Unrestricted unrealized gain (loss) on investments	69	28	103	(83)	172	(55)
Miscellaneous	258	713	283	72	541	785
Gain on disposal of asset	15	-	-	-	15	-
Internal transfers	172	(317)	(172)	317	-	-
Total revenues	30,576	34,161	18,661	16,893	49,237	51,054
Expenses:						
General government	3,180	3,609	15,651	15,918	18,831	19,527
Public safety	12,491	13,246	-	-	12,491	13,246
Parks and recreation	2,218	1,855	-	-	2,218	1,855
Community services and development	4,782	10,017	-	-	4,782	10,017
Streets	5,634	5,079	-	-	5,634	5,079
Interest on long-term debt	963	1,059	-	-	963	1,059
Total expenses	29,268	34,865	15,651	15,918	44,919	50,783
Net Revenue	\$ 1,308	\$ (704)	\$ 3,010	\$ 975	\$ 4,318	\$ 271

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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2015, the City's governmental funds reported combined ending fund balances of \$30,219,965. Of this amount, \$10,373,963 (34.3%) is unassigned fund balance and will be used to fund budgeted expenditures in the general fund between October 2015 and January 2016 until property tax revenues are received in late January. This unassigned fund balance represents 53.4% of budgeted general fund expenditures of \$19,436,463 in 2016. Other assigned fund balances include: \$1,540,998 to be used for street projects and operations costs, \$2,690,213 can only be used to fund activities in the City's special revenue funds. Additionally, \$5,989 can only be used for housing rehabilitation activities, \$1,038,209 can only be used to fund library expenditures and \$483,920 must be used to pay debt obligations. Fund balance committed for public safety and capital outlay are \$2,467,147 and \$3,734,447 respectively. Fund balances restricted for urban renewal projects and bond covenants are \$3,558,321 and \$2,738,602 respectively. Finally, \$1,588,156 is classified as non-spendable to account for advances to other funds.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance was \$10,373,963, which is \$1,468,297 more than last year. Within this unassigned fund balance, the City should maintain \$6,665,768 to pay personnel and operation expenses from October 1st until property tax revenues are received in late January. Total fund balance amounted to \$18,089,393, which is \$2,530,680 more than last year. Revenues exceeded budget by \$1,236,231 while expenditures were under budget \$616,676. The net of other financing sources/uses was under budget by \$421,632. Net change in general fund's fund balance due to positive budget variances is an increase of \$2,274,539.

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 \$18,097,109. Unassigned fund balance represents 57.3% and total fund balance represents 99.96% of total general fund expenditures.

Major components affecting the general fund's total fund balance are \$2,467,147 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 \$3,734,447. Receivables for property taxes due within one year total \$12,045,718.

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, fund balance in the street fund was \$1,551,102, which is \$239,093 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 \$3,677,412.

The urban renewal agency provides economic development incentives for industrial developers within agency boundaries. At the end of the current fiscal year, fund balance in the urban renewal fund was \$6,300,896, which is \$51,909 lower than last year. This modest reduction results from allocating \$1,060,000 in remaining bond proceeds for the county administration building project to pay for three parking lots adjacent to the admin building and accumulating \$1,305,301 of incremental revenue for future taxing district projects, land purchases of \$2,300,000 offset by land sales proceeds of \$788,080. As of September 30, 2015, fund balance restricted for urban renewal projects is \$3,558,321 and \$2,738,602 is restricted for bond covenants. Deferred increment revenue levied and allocated to the agency in 2015 was \$6,464,911 compared to \$6,093,366 in 2014.

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

Unrestricted net position of the water, sewer, and sanitation funds (the major funds) were, respectively, \$1,262,303, \$18,620,249, and \$1,336,410 at year-end. Changes in unrestricted net position (after restatement of the 2014 net position) in the water, sewer, and sanitation funds were, respectively, \$318,056, \$1,186,342 and \$28,065. The changes in total net position (after restatement of the 2014 net position) for these funds were \$836,803, \$1,954,948 and \$28,065, respectively. Unrestricted net position increases in water were the result of fee increases and personnel reductions related to the radio read water meter project. The increase in sewer fund unrestricted net position is largely due to expenditure savings for general operating costs and repairs due to plant operation and efficiencies. Contractual franchise fees for administering the billing process offset by a \$200,000 transfer to a governmental fund resulted in the \$28,065 increase in the Sanitation fund net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to Actual Revenues. General fund revenues exceeded budget projections by \$1,236,231. This variance is reported in detail on page 61. Property tax revenue is \$334,512 over budget and is the result of delinquent tax collections. Building permits exceeded budget by \$289,993 while intergovernmental revenues which are comprised of sales tax and revenue sharing exceeded budget by \$257,157. Franchise fees and interest revenue exceeded budget by \$194,327. Impact fee revenues exceeded budget by \$148,254. All these increases are signs of an improving economy.

Budget to Actual Expenditures. Savings in general fund expenditures totaled \$616,676. General government expenditure savings of \$421,550 is attributed to unused contingency funds, legal services and vacant positions. Public safety expenditures exceeded budget by \$330,481 due to payments for overtime and SCBA purchases in the fire department. Delayed capital acquisitions for fire apparatus and vehicles added \$561,545 in cost savings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2015, amounts to \$172,372,251 (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 \$9,567,679 in capital assets during the year and retired assets totaling \$936,102. Depreciation expense for the year was \$7,834,958.

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

Governmental Funds:

• Park Land	\$ 81,000
• Park Facility	143,822
• Fire Equipment	184,134
• Police Vehicles	308,678
• Park Equipment	163,030
• Dedicated Streets	727,079
• Road & Bridge Construction	795,782
• Street Equipment	497,725
• Storm Drain/Culverts	106,942
• Airport Improvements	178,692
• URA Land	1,401,770

Enterprise Funds:

• Irrigation Equipment	\$ 63,877
• Irrigation Lines	212,400
• Dedicated Water Lines	193,891
• Water Building	94,089
• Water Meters & Water Lines	604,543
• Radio Read Upgrade	900,995
• Dedicated Sewer Lines	156,787
• Sewer Equipment	172,938
• Sewer Improvements	2,211,242
• Street Lighting Improvements	263,571

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 \$22,583,240 in outstanding debt consisting of revenue bonds, special assessment bonds, and installment loans. Specific revenue sources or the associated equipment secured all of the debt.

The City's total debt decreased \$3,598,722 during the current fiscal year from the 2014 balance of \$26,181,962. No new long-term debt was issued in 2015. Interest cost incurred in 2015 totaled \$1,227,502. 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 2015. Council held water rates at historic levels during the recession to provide relief to customers. Water rates were increased 13% in 2015 to provided adequate funding for cost increases and the revised capital improvement plan. Sanitation (garbage collection) rates increased 1.5% 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 improved substantially in 2015. 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 2015 by \$74,345,915. New construction and annexations added \$28,561,003. Taxable values at September 30, 2015, reached \$1,406,152,235 compared to the highest values recorded in 2008 of \$1,492,249,718. Property taxes levied on this \$1,406,152,235 are \$15,253,304 compared to \$12,226,839 levied on the \$1,492,159,718 in 2008. The result of increased funding at lower assessed values is higher levy rates. City-wide levy rates dropped 11.5% to 108 mills in 2015 compared to 122 mills in 2014. City council reduced the levy rate 1.85% to 106 mills in the 2016 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 262 in 2014 and 408 in 2015. Demand for residential and commercial building permits is expected to continue at these levels in 2016.

An industrial manufacturer relocated to the Sky Ranch Business Park bringing with it 12 new jobs.

The Caldwell East Urban Renewal Agency. Subsequent to September 30, 2015, the Agency purchased property in downtown Caldwell and issued a Request for Proposal (RFP) to incentivize new retail development in downtown. The purchase includes the former offices of Southwest District Health and Trolley Square for a purchase price of \$604,350 and \$625,000, respectively.

The Agency designated the former King's building site as the preferred plaza location and authorized staff to prepare financing tools to fund building façade beautification projects and building code compliance upgrades. The Agency hired a consultant to provide plaza programming recommendations and plaza design components.

The agency passed Resolution 2016-1 on January 4, 2016 authorizing the issuance of \$2,500,000 in Revenue Allocation Bonds Series 2016 in conjunction with the Caldwell School District Improvement Project. Principal and interest will be paid with increment revenue attributed to Caldwell School District bond levy on March 1st and September 1st beginning in 2017. Final payment will be made on September 1, 2022.

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 25,838,252	\$ 23,372,857	\$ 49,211,109
Receivables			
Interest	157,549	18,402	175,951
Taxes	22,840,102	-	22,840,102
Intergovernmental	1,337,021	-	1,337,021
Accounts	228,905	2,116,232	2,345,137
Special assessments	266,160	-	266,160
Grants	99,085	-	99,085
Notes	64,215	-	64,215
Internal balances	1,413,836	(1,413,836)	-
Inventory	10,104	191,129	201,233
Total current assets	<u>52,255,229</u>	<u>24,284,784</u>	<u>76,540,013</u>
Noncurrent Assets			
Restricted cash and cash equivalents	3,004,625	746,255	3,750,880
Restricted investments	314,047	-	314,047
Net pension asset	2,139,902	-	2,139,902
Capital assets			
Land and other assets not depreciated	15,201,235	5,045,788	20,247,023
Buildings, improvements, equipment and infrastructure, net of depreciation	81,252,670	70,872,558	152,125,228
	<u>101,912,479</u>	<u>76,664,601</u>	<u>178,577,080</u>
Deferred Outflows of Resources			
Pension obligation	<u>2,847,260</u>	<u>324,776</u>	<u>3,172,036</u>

City of Caldwell, Idaho
Statement of Net Position
September 30, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current Liabilities			
Vouchers and payroll payable	\$ 1,515,542	\$ 1,017,654	\$ 2,533,196
Customer deposits	21,041	800,984	822,025
Interest payable	53,610	18,934	72,544
Current portion of compensated absences	549,628	110,206	659,834
Current portion of long-term liabilities	2,482,246	709,240	3,191,486
Total current liabilities	<u>4,622,067</u>	<u>2,657,018</u>	<u>7,279,085</u>
Noncurrent Liabilities			
Compensated absences payable	103,253	-	103,253
Special assessment debt with government commitment	15,000	-	15,000
Bonds payable	16,462,764	3,280,000	19,742,764
Net pension liability	4,806,049	694,063	5,500,112
	<u>21,387,066</u>	<u>3,974,063</u>	<u>25,361,129</u>
Deferred Inflows of Resources			
Pension obligation	3,798,238	447,679	4,245,917
Unavailable property tax revenue	21,765,494	-	21,765,494
	<u>25,563,732</u>	<u>447,679</u>	<u>26,011,411</u>
Net Position			
Net investment in capital assets	77,523,895	71,235,043	148,758,938
Restricted for			
Urban renewal projects	3,558,321	-	3,558,321
Unrestricted	24,359,887	22,960,358	47,320,245
Total net position	<u>\$ 105,442,103</u>	<u>\$ 94,195,401</u>	<u>\$ 199,637,504</u>

City of Caldwell, Idaho
Statement of Activities
Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General government					
Executive and legislative	\$ 271,063	\$ -	\$ -	\$ -	\$ (271,063)
Administrative	223,807	-	-	-	(223,807)
Legal	157,081	-	-	-	(157,081)
City clerk	114,814	38,570	-	-	(76,244)
Accounting	256,893	-	-	-	(256,893)
Tort insurance	334,897	334,897	-	-	-
Other general government	813,026	853,443	230	17,925	58,572
Government buildings and engineering services	1,008,012	1,029,173	-	-	21,161
Public safety					
Law enforcement	7,893,219	592,358	95,904	-	(7,204,957)
Fire department	4,038,845	1,727,968	442,947	-	(1,867,930)
Building safety	559,358	1,045,816	-	-	486,458
Parks and recreation					
Parks	1,972,233	677,000	1,168,794	-	(126,439)
Recreation	246,252	139,899	-	-	(106,353)
Community services					
Community services	4,285,606	358,240	1,280,507	145,000	(2,501,859)
Community development	457,811	-	-	-	(457,811)
Senior citizens	38,595	-	-	-	(38,595)
Streets	5,634,265	-	4,925,534	727,079	18,348
Interest on long-term debt	963,453	-	-	-	(963,453)
Total governmental activities	<u>29,269,230</u>	<u>6,797,364</u>	<u>7,913,916</u>	<u>890,004</u>	<u>(13,667,946)</u>
Business-Type Activities					
Water	3,826,535	4,198,028	-	193,891	565,384
Sewer	6,261,602	7,759,661	-	156,787	1,654,846
Sanitation	3,339,258	3,550,816	-	-	211,558
Golf	823,168	581,561	-	-	(241,607)
Street lighting	421,132	477,909	-	48,533	105,310
Irrigation	978,856	1,186,491	-	41,488	249,123
Total business-type activities	<u>15,650,551</u>	<u>17,754,466</u>	<u>-</u>	<u>440,699</u>	<u>2,544,614</u>
Total Primary Government	<u>\$ 44,919,781</u>	<u>\$ 24,551,830</u>	<u>\$ 7,913,916</u>	<u>\$ 1,330,703</u>	<u>\$ (11,123,332)</u>

City of Caldwell, Idaho
Statement of Activities
Year Ended September 30, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Change in Net Position			
Net revenue (expense)	\$ (13,667,946)	\$ 2,544,614	\$ (11,123,332)
General revenues			
Shared revenues			
Property taxes, levied for general purposes	11,152,603	-	11,152,603
Property taxes, levied for debt service	464,000	-	464,000
Property taxes, urban renewal increment	6,349,628	-	6,349,628
Franchise fees	729,388	-	729,388
Sales tax and other governmental	1,795,409	-	1,795,409
Special assessments for debt service of Local Improvement Districts	16,170	-	16,170
Unrestricted investment earnings	303,542	252,319	555,861
Unrestricted unrealized gain (loss) on investments	69,054	102,622	171,676
Miscellaneous	257,368	283,089	540,457
Gain on disposal of assets	15,439	-	15,439
Transfers	171,788	(171,788)	-
Total general revenues	<u>21,324,389</u>	<u>466,242</u>	<u>21,790,631</u>
Change in Net Position	7,656,443	3,010,856	10,667,299
Net Position, Beginning of Year, as Restated	<u>97,785,660</u>	<u>91,184,545</u>	<u>188,970,205</u>
Net Position, End of Year	<u>\$ 105,442,103</u>	<u>\$ 94,195,401</u>	<u>\$ 199,637,504</u>

City of Caldwell, Idaho
Balance Sheet – Governmental Funds
September 30, 2015

	General	Caldwell East Urban Renewal Agency	Street	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 16,781,499	\$ 3,579,086	\$ 1,460,325	\$ 3,552,447	\$ 25,373,357
Receivables					
Interest	12,076	-	679	144,782	157,537
Taxes	12,045,718	6,940,246	1,917,725	1,936,413	22,840,102
Intergovernmental	482,939	-	565,568	288,514	1,337,021
Accounts	176,450	475	17,136	34,844	228,905
Special assessments	-	-	-	266,160	266,160
Grants	38,233	-	-	60,852	99,085
Notes	-	3,973	-	60,243	64,216
Due from other funds	39,555	-	-	-	39,555
Advances	1,513,836	-	-	-	1,513,836
Inventory	-	-	10,104	-	10,104
Restricted cash and cash equivalents	42,300	2,738,602	-	223,723	3,004,625
Restricted investments	-	-	-	314,047	314,047
	<u>\$ 31,132,606</u>	<u>\$ 13,262,382</u>	<u>\$ 3,971,537</u>	<u>\$ 6,882,025</u>	<u>\$ 55,248,550</u>
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities					
Vouchers and payroll payable	\$ 839,510	\$ 42,680	\$ 502,710	\$ 129,632	\$ 1,514,532
Customer deposits	20,841	-	-	200	21,041
Due to other funds	-	12,000	-	31,054	43,054
Advances	-	-	-	100,000	100,000
Total liabilities	<u>860,351</u>	<u>54,680</u>	<u>502,710</u>	<u>260,886</u>	<u>1,678,627</u>
Deferred Inflows of Resources					
Unavailable property tax revenue	11,965,193	6,906,806	1,917,725	1,936,414	22,726,138
Unavailable revenue	217,669	-	-	406,151	623,820
Total deferred inflows of resources	<u>12,182,862</u>	<u>6,906,806</u>	<u>1,917,725</u>	<u>2,342,565</u>	<u>23,349,958</u>
Fund Balances					
Nonspendable	1,513,836	3,973	10,104	60,243	1,588,156
Restricted by bond covenants	-	2,738,602	-	-	2,738,602
Restricted for urban renewal projects	-	3,558,321	-	-	3,558,321
Committed for public safety	2,467,147	-	-	-	2,467,147
Committed for capital outlay	3,734,447	-	-	-	3,734,447
Assigned for housing rehabilitation	-	-	-	5,989	5,989
Assigned for library services	-	-	-	1,038,209	1,038,209
Assigned for debt services	-	-	-	483,920	483,920
Assigned for community services	-	-	1,540,998	2,690,213	4,231,211
Unassigned	10,373,963	-	-	-	10,373,963
Total fund balances	<u>18,089,393</u>	<u>6,300,896</u>	<u>1,551,102</u>	<u>4,278,574</u>	<u>30,219,965</u>
	<u>\$ 31,132,606</u>	<u>\$ 13,262,382</u>	<u>\$ 3,971,537</u>	<u>\$ 6,882,025</u>	<u>\$ 55,248,550</u>

City of Caldwell, Idaho
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 September 30, 2015

Fund balance - total governmental funds		\$ 30,219,965
<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 \$134,300,116 and the accumulated depreciation is \$37,846,211.</p>		96,453,905
<p>Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		960,644
<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>		
Interest receivable on golf loan	149,079	
Interest receivable on community development loans	18,284	
Special assessments	387,865	
Notes receivable	68,590	623,818
<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	2,139,902	
Net pension liability related to the PERSI base plan	(4,806,049)	
Deferred inflow of resources related to PERSI plans	(3,798,238)	
Deferred outflow of resources related to PERSI plans	2,847,260	(3,617,125)
<p>Long-term debt is not due and payable in the current period and therefore is not reported in the funds.</p>		(18,960,010)
<p>Interest on long-term debt is not due and payable in the current-period and therefore is not reported in the funds.</p>		(53,610)
<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>		(652,881)
<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>		467,397
Net position of governmental activities		\$ 105,442,103

City of Caldwell, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2015

	General	Caldwell East Urban Renewal Agency	Street	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 11,193,932	\$ 6,288,112	\$1,856,349	\$ 1,894,229	\$ 21,232,622
Franchise fees	729,388	-	-	-	729,388
Interest	143,664	3,244	10,104	86,754	243,766
Licenses and permits	1,067,743	-	-	-	1,067,743
Impact fees	573,254	-	-	-	573,254
Intergovernmental	1,795,409	-	2,499,168	824,485	5,119,062
Fines and forfeitures	243,639	-	-	25,048	268,687
Federal grants	176,826	-	-	163,505	340,331
Other grants	230	-	268,419	31,082	299,731
Charges for services	4,187,818	-	301,598	699,862	5,189,278
Assessments	-	-	-	157,313	157,313
Unrealized gain investments	34,855	-	13,958	18,337	67,150
Miscellaneous	112,198	199,505	35,360	31,500	378,563
Total revenues	20,258,956	6,490,861	4,984,956	3,932,115	35,666,888
Expenditures					
Current					
General government	2,990,320	-	-	211,632	3,201,952
Public safety	13,525,552	-	-	-	13,525,552
Parks and recreation	212,596	-	-	1,508,837	1,721,433
Community services	347,536	-	-	1,645,999	1,993,535
Streets	-	-	3,359,638	-	3,359,638
Economic development	-	2,164,033	-	-	2,164,033
Debt service					
Principal on long-term debt	-	2,486,000	-	435,000	2,921,000
Interest and other	-	931,132	-	82,926	1,014,058
Capital outlay	1,021,105	1,401,770	2,187,882	225,884	4,836,641
Total expenditures	18,097,109	6,982,935	5,547,520	4,110,278	34,737,842
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,161,847	(492,074)	(562,564)	(178,163)	929,046
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	440,165	-	-	440,165
Contributions from other governments	379,950	-	-	145,000	524,950
Contributions from developers	-	-	727,079	-	727,079
Transfers in	-	-	74,578	211,117	285,695
Transfers out	(11,117)	-	-	(102,790)	(113,907)
Total other financing sources (uses)	368,833	440,165	801,657	253,327	1,863,982
Net Change in Fund Balances	2,530,680	(51,909)	239,093	75,164	2,793,028
Fund Balance, Beginning of Year	15,558,713	6,352,805	1,312,009	4,203,410	27,426,937
Fund Balance, End of Year	\$ 18,089,393	\$ 6,300,896	\$1,551,102	\$ 4,278,574	\$ 30,219,965

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, 2015

Net change in fund balances - total governmental funds \$ 2,793,028

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. This is the amount by which capital outlays (\$4,836,641) exceeded depreciation expense (\$3,883,854) in the current period. 952,787

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. (535,655)

Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 20,199

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	(141,143)	
Notes receivable	(10,266)	
		(151,409)

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. 1,491,256

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. This is the amount of repayments (\$2,921,000) and amortization of premium (\$60,718). 2,981,718

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. 38,229

Expenditures related to the long-term portion of accrued vacation do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (36,955)

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. 103,245

Change in Net Position \$ 7,656,443

City of Caldwell, Idaho
Balance Sheet – Proprietary Funds
September 30, 2015

	Enterprise Funds					Governmental Activities
	Water	Sewer	Sanitation	Other Enterprise Funds	Total	Internal Service Funds
Assets						
Current Assets						
Cash and cash equivalents	\$ 3,184,806	\$15,934,696	\$ 1,189,391	\$3,063,964	\$ 23,372,857	\$ 464,895
Receivables						
Interest	1,459	14,013	893	2,037	18,402	12
Accounts, net	472,951	839,440	408,193	395,648	2,116,232	-
Due from other funds	-	369,100	-	-	369,100	3,500
Advances	-	1,190,900	-	-	1,190,900	-
Inventory	191,129	-	-	-	191,129	-
Total current assets	3,850,345	18,348,149	1,598,477	3,461,649	27,258,620	468,407
Noncurrent Assets						
Restricted cash and cash equivalents	-	746,255	-	-	746,255	-
Capital assets						
Land	175,269	105,424	-	686,655	967,348	-
Construction in progress	1,176,813	2,579,554	-	322,073	4,078,440	-
Buildings	476,976	6,210,427	-	940,463	7,627,866	-
Improvements other than buildings	31,996,785	69,780,059	-	3,654,611	105,431,455	-
Equipment	3,427,535	5,215,667	-	1,725,187	10,368,389	-
Less accumulated depreciation	(14,325,368)	(34,582,961)	-	(3,646,823)	(52,555,152)	-
Total noncurrent assets	22,928,010	50,054,425	-	3,682,166	76,664,601	-
Deferred Outflow of Resources						
Pension obligation	177,124	106,980	-	40,672	324,776	-
	<u>\$ 26,955,479</u>	<u>\$68,509,554</u>	<u>\$ 1,598,477</u>	<u>\$7,184,487</u>	<u>\$ 104,247,997</u>	<u>\$ 468,407</u>

City of Caldwell, Idaho
Balance Sheet – Proprietary Funds
September 30, 2015

	Enterprise Funds					Governmental
	Water	Sewer	Sanitation	Other	Total	Internal
				Enterprise		Service
				Funds	Funds	Funds
Liabilities						
Current Liabilities						
Vouchers and payroll payable	\$ 95,295	\$ 382,851	\$ 261,967	\$ 277,541	\$ 1,017,654	\$ 1,010
Customer deposits	786,242	14,642	100	-	800,984	-
Due to other funds	369,100	-	-	-	369,100	-
Advances	1,190,900	-	-	1,413,836	2,604,736	-
Interest payable	1,583	14,140	-	3,211	18,934	-
Current portion of compensated absences payable	77,894	22,039	-	10,273	110,206	-
Current portion of long-term liabilities	-	685,000	-	24,240	709,240	-
Total current liabilities	2,521,014	1,118,672	262,067	1,729,101	5,630,854	1,010
Noncurrent Liabilities						
Bonds payable	-	3,280,000	-	-	3,280,000	-
Net pension liability	378,523	228,620	-	86,920	694,063	-
	378,523	3,508,620	-	86,920	3,974,063	-
Deferred Inflow of Resources						
Pension obligation	244,152	147,463	-	56,064	447,679	-
Net Position						
Net investment in capital assets	22,549,487	45,114,550	-	3,571,006	71,235,043	-
Unrestricted	1,262,303	18,620,249	1,336,410	1,741,396	22,960,358	467,397
Total net position	23,811,790	63,734,799	1,336,410	5,312,402	94,195,401	467,397
	\$ 26,955,479	\$ 68,509,554	\$ 1,598,477	\$ 7,184,487	\$ 104,247,997	\$ 468,407

City of Caldwell, Idaho
Statement Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended September 30, 2015

	Enterprise Funds					Governmental
	Water	Sewer	Sanitation	Other	Total	Internal
				Enterprise		Service
			Funds		Funds	
Operating Revenues						
Charges for services	\$ 4,029,857	\$ 6,683,006	\$3,550,816	\$2,245,961	\$16,509,640	\$ 225,918
Other	206,678	36,261	321	39,829	283,089	-
Total operating revenues	<u>4,236,535</u>	<u>6,719,267</u>	<u>3,551,137</u>	<u>2,285,790</u>	<u>16,792,729</u>	<u>225,918</u>
Operating Expenses						
Personnel expenses	1,265,963	749,865	-	428,063	2,443,891	-
Contractual services	856,002	1,333,112	3,339,258	422,812	5,951,184	135,868
Materials and supplies	98,877	2,561	-	147,762	249,200	-
Utilities	231,217	500,490	-	716,354	1,448,061	-
Repairs and maintenance	125,849	1,001,529	-	244,710	1,372,088	-
Other expenses	5,645	3,417	-	11,887	20,949	-
Depreciation and amortization	1,225,899	2,476,897	-	248,308	3,951,104	-
Total operating expenses	<u>3,809,452</u>	<u>6,067,871</u>	<u>3,339,258</u>	<u>2,219,896</u>	<u>15,436,477</u>	<u>135,868</u>
Operating Income	<u>427,083</u>	<u>651,396</u>	<u>211,879</u>	<u>65,894</u>	<u>1,356,252</u>	<u>90,050</u>
Nonoperating Revenues (Expenses)						
Hook-on-fees	168,171	1,076,655	-	-	1,244,826	-
Interest expense	(17,083)	(193,731)	-	(3,260)	(214,074)	-
Interest income	17,034	195,255	11,128	28,902	252,319	11,291
Unrealized loss on investments	41,426	46,655	5,058	9,483	102,622	1,904
Nonoperating revenues (expenses)	<u>209,548</u>	<u>1,124,834</u>	<u>16,186</u>	<u>35,125</u>	<u>1,385,693</u>	<u>13,195</u>
Income Before Contributions and Transfers	<u>636,631</u>	<u>1,776,230</u>	<u>228,065</u>	<u>101,019</u>	<u>2,741,945</u>	<u>103,245</u>
Contributions from developers	193,891	156,787	-	90,021	440,699	-
Operating transfers in	6,281	21,931	-	-	28,212	-
Operating transfers out	-	-	(200,000)	-	(200,000)	-
Change in Net Position	<u>836,803</u>	<u>1,954,948</u>	<u>28,065</u>	<u>191,040</u>	<u>3,010,856</u>	<u>103,245</u>
Net Position, Beginning of Year, as restated	<u>22,974,987</u>	<u>61,779,851</u>	<u>1,308,345</u>	<u>5,121,362</u>	<u>91,184,545</u>	<u>364,152</u>
Net Position, End of Year	<u>\$23,811,790</u>	<u>\$63,734,799</u>	<u>\$1,336,410</u>	<u>\$5,312,402</u>	<u>\$94,195,401</u>	<u>\$ 467,397</u>

	Enterprise Funds		
	Water	Sewer	Sanitation
Operating Activities			
Received from user charges	\$ 4,202,260	\$ 6,674,253	\$ 3,538,685
Payments to employees for services	(1,267,369)	(750,631)	-
Payments to suppliers for goods and services	(672,520)	(3,233,189)	(3,321,672)
Net Cash from Operating Activities	2,262,371	2,690,433	217,013
Noncapital Financing Activities			
Transfers in (out)	6,281	21,931	(200,000)
Net Cash from (used for) Noncapital Financing Activities	6,281	21,931	(200,000)
Capital and Related Financing Activities			
Acquisition of capital assets	(1,468,736)	(2,384,178)	-
Hook-on fees	168,171	1,076,655	-
Principal payments on bonds payable	-	(655,000)	-
Principal payments on notes payable	-	-	-
Interest paid	(23,249)	(199,163)	-
Net Cash used for Capital and Related Financing Activities	(1,323,814)	(2,161,686)	-
Investing Activities			
Interest received on investments	16,459	192,582	10,942
Net decrease in investments	41,426	46,655	5,058
Net Cash from Investing Activities	57,885	239,237	16,000
Net Change in Cash and Cash Equivalents	1,002,723	789,915	33,013
Cash and Cash Equivalents, October 1, 2014	2,182,083	15,891,036	1,156,378
Cash and Cash Equivalents, September 30, 2015	\$ 3,184,806	\$ 16,680,951	\$ 1,189,391
Supplemental Information			
Contributed property, plant and equipment	\$ 193,891	\$ 156,787	\$ -

See Notes to Financial Statements

City of Caldwell, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2015

Other Enterprise Funds	Total	Internal Service Funds
\$ 2,254,786	\$ 16,669,984	\$ 225,918
(426,837)	(2,444,837)	-
(1,258,383)	(8,485,764)	(157,252)
<u>569,566</u>	<u>5,739,383</u>	<u>68,666</u>
-	(171,788)	-
-	(171,788)	-
(437,426)	(4,290,340)	-
-	1,244,826	-
-	(655,000)	-
(22,722)	(22,722)	-
(3,260)	(225,672)	-
<u>(463,408)</u>	<u>(3,948,908)</u>	<u>-</u>
28,822	248,805	11,292
9,483	102,622	1,904
<u>38,305</u>	<u>351,427</u>	<u>13,196</u>
144,463	1,970,114	81,862
<u>2,919,501</u>	<u>22,148,998</u>	<u>383,033</u>
<u>\$ 3,063,964</u>	<u>\$ 24,119,112</u>	<u>\$ 464,895</u>
<u>\$ 90,021</u>	<u>\$ 440,699</u>	<u>\$ -</u>

	Enterprise Funds		
	Water	Sewer	Sanitation
Reconciliation of operating income to net cash from operating activities			
Operating income	\$ 427,083	\$ 651,396	\$ 211,879
Depreciation	1,225,899	2,476,897	-
GASB 68 pension revenue	(14,992)	(9,055)	-
Changes in assets and liabilities			
Accounts receivable	(23,572)	(46,681)	(12,452)
Internal balances	630,000	(630,000)	-
Inventory	76,490	-	-
Vouchers payable	(55,861)	238,995	17,586
Compensated absences	8,027	7,214	-
Customer deposits	(10,703)	1,667	-
Net Cash from Operating Activities	<u>\$ 2,262,371</u>	<u>\$ 2,690,433</u>	<u>\$ 217,013</u>

See Notes to Financial Statements

City of Caldwell, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2015

<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 65,894	\$ 1,356,252	\$ 90,050
248,308	3,951,104	-
(3,442)	(27,489)	-
(31,004)	(113,709)	-
202,000	202,000	(13,394)
-	76,490	-
83,142	283,862	(7,990)
4,668	19,909	-
-	(9,036)	-
<u>\$ 569,566</u>	<u>\$ 5,739,383</u>	<u>\$ 68,666</u>

City of Caldwell, Idaho
Statement of Fiduciary Net Position – Fiduciary Funds
September 30, 2015

	Agency Fund	Employee Benefit Plan Trust
Assets		
Cash	\$ -	\$ 1,157,790
Accounts receivable	8,119	130,672
Restricted cash and cash equivalents	126,602	-
	\$ 134,721	\$ 1,288,462
Liabilities		
Vouchers payable	\$ 134,721	\$ 66,729
Health claims incurred but not reported	-	231,566
Total liabilities	134,721	298,295
Net Position	-	990,167
	\$ 134,721	\$ 1,288,462

City of Caldwell, Idaho
Statement Revenues, Expenses, and Changes in Net Position – Fiduciary Funds
Year Ended September 30, 2015

	Employee Benefit Plan Trust
Contributions	
Employer	\$ 2,786,634
Employees	200,127
COBRA	19,972
Total contributions	3,006,733
Other Income	
Rebates	16,332
Total other income	16,332
Deductions	
Insurance claim benefits	2,568,176
Change in IBNR	47,792
Administrative expenses	617,343
Total deductions	3,233,311
Change in Net Position	(210,246)
Net Position, Beginning of Year	1,200,413
Net Position, End of Year	\$ 990,167

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 serves as the board of commissioners for the URA. The URA is presented in these financial statements as a blended component unit reported as a special revenue fund. Complete financial statements can be obtained from the offices of the Finance Director at the City.

The City contributes to the multi-employer Public Employee Retirement System of Idaho (System). The System is administered by the State of Idaho and the City is not the major participant in the plan, therefore, the plan financial statements are not included in this report.

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 government 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.

Caldwell East Urban Renewal Agency - The Caldwell East Urban Renewal Agency fund is used to oversee redevelopment efforts in the Northeastern Caldwell areas.

Street Fund - The Street Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

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:

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.

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

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.

Caldwell East Urban Renewal Agency Sunset

Under the conditions of the 2014 amendment to the Plan of the Urban Renewal Agency of the City of Caldwell, Idaho, the agency's revenue allocation area and the collection of revenue from property taxes will cease December 21, 2022.

Section 800 regarding Duration of this Plan is hereby further amended to read, in its entirety, as follows:

Except for the nondiscrimination and non-segregation provisions which shall run in perpetuity, the provisions of this Plan shall be effective, and the provisions of other documents formulated pursuant to this Plan shall be effective for twenty-four (24) years from the original date of adoption of this Plan by the City of Caldwell through December 21, 2022, provided, however, that the revenue from property taxes shall be restricted to collection of taxes assessed for the twenty-three (23) year period commencing with the 1999 assessment through the 2022 assessment.

Section 304 regarding Cooperation with Public Bodies shall be amended by addition of the following paragraph:

Subsequent to December 31, 2014, the Agency shall work specifically with the public bodies affected by revenue allocation to identify and implement urban renewal projects important to those public bodies and consider the scope of such projects in light of such public bodies' pro rata connection to tax increment. All projects and funding shall be at the discretion of the Agency, not the public bodies. For guidance, the Agency's construction of the new Canyon County Administration Building prior to December 31, 2014 shall be deemed an identified and implemented project for Canyon County and the Agency's construction of two sewer projects (Revenue Allocation Bonds Series 2006A for various sewer system improvements including collection lines and related facilities for the system, and Revenue Allocation Bonds Series 2008 for Caldwell Wastewater Treatment Plant upgrades – Phase 4) prior to December 31, 2014, shall be deemed identified and implemented projects for the City of Caldwell.

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 the Local Government Investment Pool 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, except for the certificates of deposit which are non-participating contracts, and are therefore carried at amortized costs. The City pools its investible funds 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 financial 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, 2015, will be recognized as an expense and decrease in net position in the next fiscal year.

In addition to liabilities, the statement of financial 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, 2015, 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 government 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 fair 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.

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.

Caldwell East Urban Renewal Agency Revenue Allocation Bonds, Series 2006A were issued to finance, in part, a variety of public infrastructure improvements which will expand waste water collection lines and pumping capacity in the project area. Principal and interest on the bonds are payable solely from future tax revenues of the URA.

Caldwell East Urban Renewal Agency Revenue Allocation Notes, Series 2008 were issued to finance the acquisition and construction of a portion of certain sewer treatment facilities and related improvements. Principal and interest on the notes are payable solely from future tax revenues of the URA.

Caldwell East Urban Renewal Agency Revenue Allocation Notes, Series 2012 were issued to finance the construction of a new Canyon County Administration Building. Principal and interest on the notes are payable solely from future tax revenues of the URA.

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 that net pension asset 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 assets 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 assets in the City are restricted pursuant to bonds issued to finance, in part, a variety of public and private infrastructure improvements which will improve existing conditions in the project area.
- Unrestricted net position – all other assets that do 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.

Revenues, Expenditures and Expenses

Sales Taxes—Sales taxes are collected by vendors and required to be remitted to the State of Idaho. The tax is then paid to the County which remits the City portion by the 25th of each month. 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 the General Fund and Water Fund 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 the other funds 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.

Recently Issued and Adopted Accounting Pronouncements

As of October 1, 2014, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 14 and the additional disclosure required by these standards are included in Notes 8.

Note 2 - Cash and Investments

At September 30, 2015, cash and cash equivalents and investments were invested as follows:

	Cost	Fair Value
Cash - unrestricted		
Cash	\$ 5,535,908	\$ 5,535,908
Money market funds	2,553,449	2,553,449
Certificates of deposit	250,000	250,000
External investment pools	40,057,944	40,871,752
Total cash and cash equivalents - unrestricted	\$ 48,397,301	\$ 49,211,109
Cash - restricted		
Cash	\$ 266,023	\$ 266,023
Money market funds	2,738,602	2,738,602
External investment pools	746,255	746,255
Total cash and cash equivalents - restricted	\$ 3,750,880	\$ 3,750,880
Investments - restricted		
Investments carried at fair value		
US Government Agency Obligations	\$ 263,271	\$ 263,272
Mutual funds	50,775	50,775
Total investments - restricted	\$ 314,046	\$ 314,047

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, 2015, 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	\$ 21,646,822	\$ 21,646,822	\$ -	\$ -	\$ -
Idaho State Treasurer's					
Bond Fund	19,971,185	-	19,971,185	-	-
Certificates of Deposit	250,000	250,000	-	-	-
US Government Agency	263,272	-	252	13,198	249,822
	<u>\$ 42,131,279</u>	<u>\$ 21,896,822</u>	<u>\$ 19,971,437</u>	<u>\$ 13,198</u>	<u>\$ 249,822</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+	\$ 226,398	\$ -	\$ -	\$ 226,398
Unrated	36,874	21,646,822	19,971,185	41,654,881
	<u>\$ 263,272</u>	<u>\$ 21,646,822</u>	<u>\$ 19,971,185</u>	<u>\$ 41,881,279</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, 2015, 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	\$ 5,292,051	11.22%

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, 2015, is \$6,345,867. Deposits in each local and area bank are insured by the FDIC in the amount of \$672,428 for interest bearing and non-interest bearing deposit accounts. The uninsured and uncollateralized deposit balance at September 30, 2015 was \$5,673,439.

Restricted cash equivalents total \$3,750,880 of which \$2,738,602 are held by a bond trustee in AAA rated money market funds in accordance with bond documents, which are not insured under FDIC or 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, Bank of the Cascades, UBS Financial Services, Inc., Zion's First National Bank, or Contango Capital Advisors Inc. 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.

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 to construct the police building.

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 golf course and sewer plant and wastewater treatment plant construction.

Note 4 - Intergovernmental and Grant Receivables

The following summarizes the intergovernmental receivables at September 30, 2015:

State of Idaho		
Revenue sharing	\$	455,204
Sales tax		304,368
Liquor apportionment		58,949
Gas tax		474,516
Canyon County		
Road and bridge tax		3,362
Court revenue		40,622
		\$ 1,337,021

Grants owed to the City at September 30, 2015, by source are:

Federal	\$ 99,085
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Note 5 - Capital Assets

	Balance October 1, 2014	Additions	Deletions	Transfers	Balance September 30, 2015
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 12,377,464	\$ 1,504,769	\$ (424,726)	\$ -	\$ 13,457,507
Construction in progress	889,006	968,970	(64,624)	(49,624)	1,743,728
Total capital assets, not depreciated	13,266,470	2,473,739	(489,350)	(49,624)	15,201,235
Capital assets, depreciated					
Buildings	21,614,209	196,343	-	-	21,810,552
Improvements other than buildings	33,185,157	845,695	-	49,624	34,080,476
Equipment	13,480,804	1,153,567	(419,912)	-	14,214,459
Intangibles	66,607	-	-	-	66,607
Infrastructure	48,759,490	167,297	-	-	48,926,787
Total capital assets, depreciated	117,106,267	2,362,902	(419,912)	49,624	119,098,881

City of Caldwell, Idaho
Notes to Financial Statements
September 30, 2015

	Balance October 1, 2014	Additions	Deletions	Transfers	Balance September 30, 2015
Less accumulated depreciation for					
Buildings	(6,123,356)	(515,978)	-	-	(6,639,334)
Improvements other than buildings	(8,689,033)	(1,180,463)	-	-	(9,869,496)
Equipment	(8,672,784)	(832,001)	373,607	-	(9,131,178)
Intangibles	(13,340)	-	-	-	(13,340)
Infrastructure	(10,837,451)	(1,355,412)	-	-	(12,192,863)
Total accumulated depreciation	<u>(34,335,964)</u>	<u>(3,883,854)</u>	<u>373,607</u>	<u>-</u>	<u>(37,846,211)</u>
 Total net capital assets, depreciated	 <u>82,770,303</u>	 <u>(1,520,952)</u>	 <u>(46,305)</u>	 <u>49,624</u>	 <u>81,252,670</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 96,036,773</u>	 <u>\$ 952,787</u>	 <u>\$ (535,655)</u>	 <u>\$ -</u>	 <u>\$ 96,453,905</u>
	Balance October 1, 2014	Additions	Deletions	Transfers	Balance September 30, 2015
Business-type Activities					
Capital assets, not depreciated					
Land	\$ 967,348	\$ -	\$ -	\$ -	\$ 967,348
Construction in progress	724,805	3,559,540	-	(205,905)	4,078,440
Total capital assets, not depreciated	<u>1,692,153</u>	<u>3,559,540</u>	<u>-</u>	<u>(205,905)</u>	<u>5,045,788</u>
Capital assets, depreciated					
Buildings	7,533,777	34,859	-	59,229	7,627,865
Improvements other than buildings	104,436,430	848,346	(26,840)	146,676	105,404,612
Equipment	10,106,940	288,293	-	-	10,395,233
Total capital assets, depreciated	<u>122,077,147</u>	<u>1,171,498</u>	<u>(26,840)</u>	<u>205,905</u>	<u>123,427,710</u>

City of Caldwell, Idaho
Notes to Financial Statements
September 30, 2015

	Balance October 1, 2014	Additions	Deletions	Transfers	Balance September 30, 2015
Less accumulated depreciation for					
Buildings	(5,751,178)	(166,952)	-	-	(5,918,130)
Improvements other than buildings	(37,545,306)	(3,232,112)	-	-	(40,777,418)
Equipment	(5,334,404)	(552,040)	26,840	-	(5,859,604)
Total accumulated depreciation	<u>(48,630,888)</u>	<u>(3,951,104)</u>	<u>26,840</u>	<u>-</u>	<u>(52,555,152)</u>
Total net capital assets, depreciated	<u>73,446,259</u>	<u>(2,779,606)</u>	<u>-</u>	<u>205,905</u>	<u>70,872,558</u>
Business-type Activities Capital Assets, Net	<u>\$ 75,138,412</u>	<u>\$ 779,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,918,346</u>

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

Governmental Activities		
General government		\$ 223,486
Public safety		439,289
Parks and recreation		479,833
Community services		445,467
Streets		<u>2,295,779</u>
Total depreciation expense - governmental activities		<u>\$ 3,883,854</u>
Business-type Activities		
Water		\$ 1,225,899
Sewer		2,476,897
Golf		121,133
Street Lighting		58,061
Irrigation		<u>69,114</u>
Total depreciation expense - business-type activities		<u>\$ 3,951,104</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, 2015, is as follows:

Receivable Fund	Payable Fund	Description	Amount
Advances			
General	Other governmental	Loan for land purchases	\$ 100,000
General	Other enterprise	Operating loan to golf fund	1,413,836
Sewer	Water	Long-term loan	605,900
Sewer	Water	Long-term loan to cover costs to pay-off of the COP series 2004 bonds in 2014	585,000
Due to/from			
Sewer	Water	Short-term loan to cover costs to pay-off of the COP series 2004 bonds in 2014	175,000
Sewer	Water	Short-term loan	194,100
Other governmental	Other governmental	VEBA benefits	3,500
General	Urban renewal agency	Operating expenses	12,000
General	Other governmental	Property tax and payroll refund	27,555
			<u>\$ 3,116,891</u>

Transfers from the General fund to the Caldwell Urban Renewal agency includes transfers for operating expenses. Transfers from the General fund to the Other Governmental Funds include transfers for the purchase of land and 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, 2015, is as follows:

	Transfers Out			Total
	General	Other Enterprise	Other Governmental	
Transfers in				
Street	\$ -	\$ -	\$ 74,578	\$ 74,578
Water	-	-	6,281	6,281
Sewer	-	-	21,931	21,931
Other governmental	11,117	200,000	-	211,117
	<u>\$ 11,117</u>	<u>\$ 200,000</u>	<u>\$ 102,790</u>	<u>\$ 313,907</u>

Note 7 - Long-term Debt

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

Governmental Activities

Special assessment bonds

\$795,190 local improvement bonds due in annual installments through 2017 of \$15,000; interest from 3.85% to 4.20%.	\$ <u>30,000</u>
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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. Due in annual installments through 2018 of \$375,000 to \$420,000 plus interest at 5.0% and including unamortized bond premium of \$35,717.	\$ <u>1,230,717</u>
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Revenue bonds

\$8,300,000 Urban Renewal Revenue Allocation Bonds Series 2006A due in annual installments through March 2023 of \$520,000 to \$720,000, interest from 4.00% to 5.00% due semi-annually, including unamortized bond premium of \$323,148. Certificates maturing on or after March 1, 2017, are subject to early redemption in whole or in part (in the order of maturity selected by the URA and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2016, or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	\$ 5,203,146
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\$8,000,000 Urban Renewal Revenue Allocation Bonds Series 2008 due in annual installments through September 2023 of \$545,000 to \$720,000; interest from 4.00% to 4.25% due semi-annually, including unamortized bond premium of \$7,147. Certificates maturing on or after September 1, 2018, are subject to early redemption in whole or in part (in the order of maturity selected by the URA and by lot within a maturity in such manner as the Registrar shall determine), on September 1, 2017, or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	5,032,147
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\$8,500,000 Urban Renewal Revenue Allocation Bonds Series 2012 due in annual installments through September 2022 of \$990,000 to \$1,157,000; interest from 1.85% to 3.3% due semi-annually. Certificates maturing on or after September 15, 2016, are subject to early redemption in whole or in part (in the order of maturity selected by the URA and by lot within a maturity in such manner as the Registrar shall determine), on September 15, 2015, or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.

7,464,000

Total revenue bonds

\$ 17,699,293

Business-type Activities

Notes payable

\$275,229 note payable issued for purchase of land due in annual installments through 2016 of \$25,982 (including interest at 7%), secured by land.

\$ 24,240

Revenue bonds

\$6,610,000 parity lien sewer revenue refunding bond series 2010 due in annual installments through September 2020 of \$685,000 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.

\$ 3,965,000

The annual requirements to amortize all debt outstanding at September 30, 2015, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 2,470,000	\$ 660,243	\$ 709,240	\$ 171,358
2017	2,552,000	625,815	710,000	138,863
2018	2,559,000	516,219	745,000	106,913
2019	2,260,000	422,194	775,000	73,388
2020	2,344,000	338,319	1,050,000	39,375
2021-2024	6,409,000	447,378	-	-
	<u>18,594,000</u>	<u>\$ 3,010,168</u>	<u>\$ 3,989,240</u>	<u>\$ 529,897</u>
Bond premium	366,010			
	<u>\$ 18,960,010</u>			

Total interest cost incurred during 2015 was \$1,227,502.

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 2015, based on data available from Canyon County as of September 30, 2015, would be approximately \$28,123,045.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2015:

	Debt at October 1, 2014	Debt Issued	Debt Retired	Debt at September 30, 2015	Due Within One Year
Governmental Activities					
Special assessment debt	\$ 80,000	\$ -	\$ 50,000	\$ 30,000	\$ 15,000
Idaho bond bank 2006B	1,580,000	-	385,000	1,195,000	400,000
Revenue allocation bonds 2004A	715,000	-	715,000	-	-
Revenue allocation bonds 2006A	5,090,000	-	210,000	4,880,000	520,000
Revenue allocation bonds 2008	5,550,000	-	525,000	5,025,000	545,000
Revenue allocation bonds 2012	8,500,000	-	1,036,000	7,464,000	990,000
Bond premium	426,728	-	60,718	366,010	12,246
Compensated absences	615,926	570,574	533,619	652,881	549,628
Governmental activities long-term liabilities	<u>\$ 22,557,654</u>	<u>\$ 570,574</u>	<u>\$ 3,515,337</u>	<u>\$ 19,612,891</u>	<u>\$ 3,031,874</u>
Business-type Activities					
Note payable - land	\$ 46,962	\$ -	\$ 22,722	\$ 24,240	\$ 24,240
Revenue bonds					
Parity lien sewer series					
2010	4,620,000	-	655,000	3,965,000	685,000
Compensated absences	90,297	110,274	90,365	110,206	110,206
Business-type activities long-term liabilities	<u>\$ 4,757,259</u>	<u>\$ 110,274</u>	<u>\$ 768,087</u>	<u>\$ 4,099,446</u>	<u>\$ 819,446</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 \$4,493,225. Principal and interest paid for the current year and total customer net revenues were \$848,731 and \$2,357,539, respectively.

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$8,300,000 in revenue allocation bonds and \$724,294 in re-offering premium issued in December 2006 to finance improvements to the City's waste water treatment plant including collection lines and related facilities. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$5,892,050, payable through March 2023. For the current year, principal and interest paid were \$737,000.

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$8,000,000 in revenue allocation bonds and \$37,047 in premium issued in February 2008 to finance improvements to the City's waste water treatment plant including a new aeration basin and related facilities. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$6,008,623, payable through September 2023. For the current year, principal and interest paid were \$752,475.

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$8,500,000 in revenue allocation bonds issued in December 2012 to finance the construction of the County Courthouse. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$8,367,650, payable through September 2022. For the current year, principal and interest paid were \$1,194,961.

Overall, the total principal and interest paid for the current year and total customer net revenues for the Caldwell East Urban Renewal Agency were \$3,417,132 and \$6,288,112, respectively, and yields a debt service coverage ratio of 1.84.

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.

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.

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 accumulated 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, 2015, 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 \$1,324,325 for the year ended September 30, 2015.

The total FRF employer contribution rate through December 31, 2014 was 37.55%. This includes the employer excess rate of 25.89% plus the PERSI class 2 firefighters rate of 11.66%. As of January 1, 2015, the total employer rate was reduced to 25.31% which includes the lower 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 \$306,551 for the year ended September 30, 2015.

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

At September 30, 2015, 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 July 1, 2015, 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 related to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the City's proportion was .4176759 percent.

For the year ended September 30, 2015, the City recognized pension expense related to the Base Plan of \$1,096,029. At September 30, 2015, 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	\$ -	\$ 659,345
Changes in assumptions or other inputs	200,305	-
Net difference between projected and actual earnings on pension plan investments	2,024,194	2,888,305
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	75,301	-
City's contributions subsequent to the measurement date	273,896	-
Total	\$ 2,573,696	\$ 3,547,650

The \$273,896 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, 2016.

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, 2014, the beginning of the measurement period ended June 30, 2015, is 5.5 years.

At September 30, 2015, 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 July 1, 2015, 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 July 1, 2015, the City's proportion was 3.9619978 percent.

For the year ended September 30, 2015, the City recognized pension revenue related to the FRF of \$1,055,780. At September 30, 2015, 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	\$ 486,291	\$ 698,267
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	-	-
City's contributions subsequent to the measurement date	112,049	-
Total	\$ 598,340	\$ 698,267

The \$112,049 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, 2016.

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, 2014, the beginning of the measurement period ended June 30, 2015, is 1 year.

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
2016	\$ (547,462)	\$ (111,183)
2017	(547,462)	(111,183)
2018	(547,462)	(111,183)
2019	426,241	121,573
2020	(31,705)	-

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, 2015, 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

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 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) and Asset (FRF) as of June 30, 2015, is based on the results of an actuarial valuation date of July 1, 2015.

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, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.08%
Broad US Equities	Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%

*Arithmetic return

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 percent, 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 percent) or 1-percentage-point higher (8.10 percent) 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	\$ 13,396,275	\$ 5,500,112	\$ (1,064,500)
FRF	(827,732)	(2,139,902)	(3,245,953)

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.

Payable to the Pension Plan

At September 30, 2015, 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 of to 30 years. Under the basic plan at September 30, 2015, thirty-four employees met PERSI retirement eligibility

requirements and qualified for payments of \$324,000. Nine employees must retire within 5 years or lose combined benefits of \$80,000. Two of these employees have opted to retire in 2016. At September 30, 2015, cash and cash equivalents held in the plan total \$439,580. Anticipated plan revenues for 2016 are \$102,000 against budgeted expenditures of \$29,000.

Enhanced benefits are funded by the annual appropriations ordinance payable to employees who retire before the age of 65. The thirty-four employees that meet PERSI retirement requirements will also qualify for \$293,850 of enhanced benefit payments. The two retiring employees will receive benefit payments of \$30,500. At September 30, 2015, both plans have benefit payments due within one year of \$379,500 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, 2015, the scheduled outstanding principal was \$4,125,000.

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 funds had expenditures greater than appropriations for the year ended September 30, 2015:

General Fund	\$	28,584
Community Development Fund		7,857
Debt Service Fund		85,220
Golf Fund		53,089
Sanitation Fund		51,536

The Golf fund has a deficit net position of \$56,241 at September 30, 2015.

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, 2015:

- A contract to design a roundabout at three intersections. The original contract totaled \$348,219 of which \$182,330 remains to be spent.
- URA has committed to contribute up to \$110,000 for business development incentives grants all of which remains to be spent.

Note 14 - Adoption of New Standard

As of October 1, 2014, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflow of resources related to contributions made after the measurement date as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net Position, Beginning of Year, as previously reported	\$ 102,894,041	\$ 92,029,000	\$ 194,923,041
Net Pension Liability at September 30, 2014	(2,651,677)	(382,940)	(3,034,617)
Net Pension Asset at September 30, 2014	1,461,695	-	1,461,695
Deferred Inflows related to investments and experience during the year ended September 30, 2014	(4,559,647)	(527,162)	(5,086,809)
Deferred Outflows related to contributions made during the year ended September 30, 2014	641,248	65,647	706,895
Net Position, Beginning of Year, as Restated	<u>\$ 97,785,660</u>	<u>\$ 91,184,545</u>	<u>\$ 188,970,205</u>

	Enterprise Funds			
	Water Fund	Sewer Fund	Golf Fund	Irrigation Fund
Net Position, Beginning of Year, as previously reported	\$ 23,435,530	\$ 62,058,009	\$ 220,989	\$ 2,727,277
Net Pension Liability at September 30, 2014	(208,845)	(126,138)	(26,735)	(21,222)
Deferred Inflows related to investments and experience during the year ended September 30, 2014	(287,500)	(173,644)	(36,804)	(29,214)
Deferred Outflows related to contributions made during the year ended September 30, 2014	<u>35,802</u>	<u>21,624</u>	<u>4,583</u>	<u>3,638</u>
Net Position, Beginning of Year, as Restated	<u>\$ 22,974,987</u>	<u>\$ 61,779,851</u>	<u>\$ 162,033</u>	<u>\$ 2,680,479</u>



Required Supplementary Information
September 30, 2015

City of Caldwell, Idaho

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

	2015	2014
Employer's portion of net the pension liability	0.4176759%	0.4122244%
Employer's proportionate share of the net pension liability	\$ 5,500,112	\$ 2,354,325
Employer's covered-employee payroll	\$ 10,022,231	\$ 9,635,503
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	55%	24%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

Schedule of Employer's Share of Net Pension Asset
FRF
Last 10 - Fiscal Years*

	2015	2014
Employer's portion of net the pension asset	3.9619978%	3.8695466%
Employer's proportionate share of the net pension asset	\$ 2,139,902	\$ 1,461,695
Employer's covered-employee payroll	\$ 1,487,858	\$ 1,409,713
Employer's proportional share of the net pension asset as a percentage of its covered-employee payroll	143.82%	103.69%
Plan fiduciary net position as a percentage of the total pension asset	118.08%	112.01%

*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 July 1 (measurement date)

**Schedule of Employer Contributions
 Base Plan
 Last 10 - Fiscal Years***

	2015	2014
Statutorily required contribution	\$ 1,324,325	\$ 1,264,183
Contributions in relation to the statutorily required contribution	\$ 1,320,180	\$ 1,264,183
Contributions (deficiency) excess	\$ (4,145)	\$ -
Employer's covered-employee payroll	\$ 10,087,100	\$ 9,760,257
Contributions as a percentage of covered-employee payroll	13%	13%

**Schedule of Employer Contributions
 FRF
 Last 10 - Fiscal Years***

	2015	2014
Statutorily required contribution	\$ 306,551	\$ 419,025
Contributions in relation to the statutorily required contribution	\$ 310,475	\$ 419,025
Contributions (deficiency) excess	\$ 3,924	\$ -
Employer's covered-employee payroll	\$ 1,517,281	\$ 1,409,514
Contributions as a percentage of covered-employee payroll	20%	30%

*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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 10,859,420	\$ 10,859,420	\$ 11,193,932	\$ 334,512
Franchise fees	612,000	612,000	729,388	117,388
Interest	66,725	66,725	143,664	76,939
Licenses and permits	777,750	777,750	1,067,743	289,993
Impact fees	425,000	425,000	573,254	148,254
Intergovernmental	1,538,252	1,538,252	1,795,409	257,157
Fines and forfeitures	251,500	251,500	243,639	(7,861)
Federal grants	-	-	177,056	177,056
Charges for services	4,445,342	4,445,342	4,187,818	(257,524)
Unrealized gain on investments	-	-	34,855	34,855
Miscellaneous	46,736	46,736	112,198	65,462
Total revenues	<u>19,022,725</u>	<u>19,022,725</u>	<u>20,258,956</u>	<u>1,236,231</u>
Expenditures				
Current				
General government	3,411,870	3,411,870	2,990,320	421,550
Public safety	13,195,071	13,195,071	13,525,552	(330,481)
Parks and recreation	221,009	221,009	212,596	8,413
Community services	303,185	303,185	347,536	(44,351)
Capital outlay	1,582,650	1,582,650	1,021,105	561,545
Total expenditures	<u>18,713,785</u>	<u>18,713,785</u>	<u>18,097,109</u>	<u>616,676</u>
Excess of Revenues Over Expenditures	<u>308,940</u>	<u>308,940</u>	<u>2,161,847</u>	<u>1,852,907</u>
Other Financing Sources (Uses)				
Contributions from other government	-	-	379,950	379,950
Transfers in	205,000	205,000	-	(205,000)
Transfers out	(257,799)	(257,799)	(11,117)	246,682
Total other financing sources (uses)	<u>(52,799)</u>	<u>(52,799)</u>	<u>368,833</u>	<u>421,632</u>
Net Change in Fund Balances	<u>\$ 256,141</u>	<u>\$ 256,141</u>	2,530,680	<u>\$ 2,274,539</u>
Fund Balance, Beginning of Year			<u>15,558,713</u>	
Fund Balance, End of Year			<u>\$ 18,089,393</u>	

City of Caldwell, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Street Fund
Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 1,856,350	\$ 1,856,350	\$ 1,856,349	\$ (1)
Interest	50,000	50,000	10,104	(39,896)
Intergovernmental	2,423,856	2,423,856	2,499,168	75,312
Charges for services	301,598	301,598	301,598	-
Other grants	599,028	599,028	268,419	(330,609)
Unrealized gain on investments	-	-	13,958	13,958
Miscellaneous	374,408	374,408	35,360	(339,048)
Total revenues	5,605,240	5,605,240	4,984,956	(620,284)
Expenditures				
Streets	3,551,154	3,551,154	3,359,638	191,516
Capital outlay	2,332,229	2,332,229	2,187,882	144,347
Total expenditures	5,883,383	5,883,383	5,547,520	335,863
Excess (Deficiency) of Revenues Over (Under) Expenditures	(278,143)	(278,143)	(562,564)	(284,421)
Other Financing Sources (Uses)				
Contributions from developers	-	-	727,079	727,079
Operating transfers in	-	-	74,578	74,578
Total other financing sources (uses)	-	-	801,657	801,657
Net Change in Fund Balances	\$ (278,143)	\$ (278,143)	239,093	\$ 517,236
Fund Balance, Beginning of Year			1,312,009	
Fund Balance, End of Year			\$ 1,551,102	

City of Caldwell, Idaho
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Urban Renewal
Agency
Year Ended September 30, 2015

	Budgeted		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 6,012,066	\$ 6,012,066	\$ 6,288,112	\$ 276,046
Interest	10,000	10,000	3,244	(6,756)
Miscellaneous	288,000	288,000	199,505	(88,495)
Total revenues	<u>6,310,066</u>	<u>6,310,066</u>	<u>6,490,861</u>	<u>180,795</u>
Expenditures				
Current				
Urban Renewal Agency	4,452,996	4,452,996	2,164,033	2,288,963
Capital outlay	-	-	1,401,770	(1,401,770)
Debt service				
Principal	2,486,000	2,486,000	2,486,000	-
Interest	931,132	931,132	931,132	-
Total expenditures	<u>7,870,128</u>	<u>7,870,128</u>	<u>6,982,935</u>	<u>887,193</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,560,062)</u>	<u>(1,560,062)</u>	<u>(492,074)</u>	<u>1,067,988</u>
Other Financing Sources				
Proceeds from sale of land	<u>1,560,062</u>	<u>1,560,062</u>	<u>440,165</u>	<u>(1,119,897)</u>
Total other financing sources	<u>1,560,062</u>	<u>1,560,062</u>	<u>440,165</u>	<u>(1,119,897)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(51,909)</u>	<u>\$ (51,909)</u>
Fund Balance, Beginning of Year			<u>6,352,805</u>	
Fund Balance, End of Year			<u>\$ 6,300,896</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.

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, 2015

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.

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	Cemetery	Cemetery Capital Improvement	Cemetery Perpetual Care
Assets				
Cash and cash equivalents	\$ 483,587	\$ 363,015	\$ 24,340	\$ 1,299,802
Receivables				
Interest	122,041	161	3	741
Taxes	464,000	110,762	-	-
Intergovernmental	-	7,787	-	-
Accounts	-	2,989	-	-
Special assessments	266,160	-	-	-
Grants	-	-	-	-
Notes	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Total assets	\$ 1,335,788	\$ 484,714	\$ 24,343	\$ 1,300,543
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities				
Vouchers and payroll payable	\$ -	\$ 10,835	\$ -	\$ -
Customer deposits	-	200	-	-
Due to other funds	-	-	-	-
Advances	-	-	-	-
Total liabilities	-	11,035	-	-
Deferred Inflows of Resources				
Unavailable property tax revenue	464,001	110,762	-	-
Unavailable revenue	387,867	-	-	-
Total Deferred Inflows of Resources	851,868	110,762	-	-
Fund Balances				
Nonspendable	-	-	-	-
Assigned for housing rehabilitation	-	-	-	-
Assigned for library services	-	-	-	-
Assigned for debt service	483,920	-	-	-
Assigned for community services	-	362,917	24,343	1,300,543
Total fund balances	483,920	362,917	24,343	1,300,543
	\$ 1,335,788	\$ 484,714	\$ 24,343	\$ 1,300,543

City of Caldwell, Idaho
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2015

Community Development	Library	Airport	Recreation	Totals
\$ 14,472	\$ 506,060	\$ 120,756	\$ 740,415	\$ 3,552,447
18,284	2,974	42	536	144,782
-	665,514	125,863	570,274	1,936,413
-	49,929	7,709	223,089	288,514
-	-	28,420	3,435	34,844
-	-	-	-	266,160
-	-	60,852	-	60,852
60,243	-	-	-	60,243
-	223,723	-	-	223,723
-	314,047	-	-	314,047
<u>\$ 92,999</u>	<u>\$ 1,762,247</u>	<u>\$ 343,642</u>	<u>\$ 1,537,749</u>	<u>\$ 6,882,025</u>
\$ 8,483	\$ 27,470	\$ 23,981	\$ 58,863	\$ 129,632
-	-	-	-	200
-	31,054	-	-	31,054
-	-	100,000	-	100,000
<u>8,483</u>	<u>58,524</u>	<u>123,981</u>	<u>58,863</u>	<u>260,886</u>
-	665,514	125,863	570,274	1,936,414
18,284	-	-	-	406,151
<u>18,284</u>	<u>665,514</u>	<u>125,863</u>	<u>570,274</u>	<u>2,342,565</u>
60,243	-	-	-	60,243
5,989	-	-	-	5,989
-	1,038,209	-	-	1,038,209
-	-	-	-	483,920
-	-	93,798	908,612	2,690,213
<u>66,232</u>	<u>1,038,209</u>	<u>93,798</u>	<u>908,612</u>	<u>4,278,574</u>
<u>\$ 92,999</u>	<u>\$ 1,762,247</u>	<u>\$ 343,642</u>	<u>\$ 1,537,749</u>	<u>\$ 6,882,025</u>

	Debt Service	Cemetery	Cemetery Capital Improvement	Cemetery Perpetual Care
Revenues				
Property taxes	\$ 464,000	\$ 108,156	\$ -	\$ -
Interest	49,984	2,724	43	10,139
Intergovernmental	-	27,301	-	-
Fines and forfeitures	-	-	-	-
Federal grants	-	-	-	-
Other grants	-	-	-	-
Charges for services	-	111,946	11,731	17,786
Unrealized gain (loss) on investments	2,605	1,726	318	10,218
Assessments	157,313	-	-	-
Miscellaneous	-	9,592	-	-
Total revenues	673,902	261,445	12,092	38,143
Expenditures				
Current				
General government	-	211,632	-	-
Parks and recreation	-	-	-	-
Community services	-	-	-	-
Debt service				
Principal on long-term debt	435,000	-	-	-
Interest and other	82,926	-	-	-
Capital outlay	-	-	-	-
Total expenditures	517,926	211,632	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	155,976	49,813	12,092	38,143
Other Financing Sources (Uses)				
Contributions from other governments	-	-	-	-
Operating transfers out	(102,790)	-	-	-
Operating transfers in	-	-	-	-
Total other financing sources (uses)	(102,790)	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	53,186	49,813	12,092	38,143
Fund Balance, Beginning of Year	430,734	313,104	12,251	1,262,400
Fund Balance, End of Year	\$ 483,920	\$ 362,917	\$ 24,343	\$ 1,300,543

City of Caldwell, Idaho

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

Year Ended September 30, 2015

Community Development	Library	Airport	Recreation	Totals
\$ -	\$ 644,215	\$ 121,835	\$ 556,023	\$ 1,894,229
603	15,030	635	7,596	86,754
-	157,384	27,029	612,771	824,485
-	25,048	-	-	25,048
-	1,381	162,124	-	163,505
-	-	31,082	-	31,082
-	13,210	178,519	366,670	699,862
(2,559)	5,437	1,314	(722)	18,337
-	-	-	-	157,313
-	12,710	350	8,848	31,500
<u>(1,956)</u>	<u>874,415</u>	<u>522,888</u>	<u>1,551,186</u>	<u>3,932,115</u>
-	-	-	-	211,632
-	-	-	1,508,837	1,508,837
312,054	989,816	344,129	-	1,645,999
-	-	-	-	435,000
-	-	-	-	82,926
-	25,182	200,702	-	225,884
<u>312,054</u>	<u>1,014,998</u>	<u>544,831</u>	<u>1,508,837</u>	<u>4,110,278</u>
<u>(314,010)</u>	<u>(140,583)</u>	<u>(21,943)</u>	<u>42,349</u>	<u>(178,163)</u>
145,000	-	-	-	145,000
-	-	-	-	(102,790)
11,117	-	200,000	-	211,117
<u>156,117</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>253,327</u>
(157,893)	(140,583)	178,057	42,349	75,164
<u>224,125</u>	<u>1,178,792</u>	<u>(84,259)</u>	<u>866,263</u>	<u>4,203,410</u>
<u>\$ 66,232</u>	<u>\$ 1,038,209</u>	<u>\$ 93,798</u>	<u>\$ 908,612</u>	<u>\$ 4,278,574</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 Balance Sheet – Nonmajor Enterprise Funds
September 30, 2015

	Golf	Street Lighting	Irrigation	Totals
Assets				
Current Assets				
Cash and cash equivalents	\$ 46,437	\$ 972,425	\$ 2,045,102	\$ 3,063,964
Interest receivable	-	639	1,398	2,037
Accounts receivable	3,805	54,506	337,337	395,648
Total current assets	50,242	1,027,570	2,383,837	3,461,649
Noncurrent Assets				
Capital assets				
Land	686,655	-	-	686,655
Construction in progress	-	215,038	107,035	322,073
Buildings	940,463	-	-	940,463
Improvements other than buildings	1,430,563	1,789,462	434,586	3,654,611
Equipment	1,013,209	-	711,978	1,725,187
Less accumulated depreciation	(2,623,226)	(620,050)	(403,547)	(3,646,823)
	<u>1,447,664</u>	<u>1,384,450</u>	<u>850,052</u>	<u>3,682,166</u>
Deferred Outflow of Resources				
Pension obligation	22,674	-	17,998	40,672
	<u>\$ 1,520,580</u>	<u>\$ 2,412,020</u>	<u>\$ 3,251,887</u>	<u>\$ 7,184,487</u>
Liabilities				
Current Liabilities				
Vouchers and payroll payables	\$ 45,550	\$ 5,566	\$ 226,425	\$ 277,541
Advances	1,413,836	-	-	1,413,836
Interest payable	3,211	-	-	3,211
Current portion of compensated absences	10,273	-	-	10,273
Current portion of long-term liabilities	24,240	-	-	24,240
Total current liabilities	1,497,110	5,566	226,425	1,729,101
Noncurrent Liabilities				
Net pension liability	48,456	-	38,464	86,920
Deferred Inflow of Resources				
Pension obligation	31,255	-	24,809	56,064
Net Position				
Net investment in capital assets	1,374,968	1,384,450	811,588	3,571,006
Unrestricted	(1,431,209)	1,022,004	2,150,601	1,741,396
Total net position	(56,241)	2,406,454	2,962,189	5,312,402
	<u>\$ 1,520,580</u>	<u>\$ 2,412,020</u>	<u>\$ 3,251,887</u>	<u>\$ 7,184,487</u>

City of Caldwell, Idaho

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds
Year Ended September 30, 2015

	Golf	Street Lighting	Irrigation	Totals
Operating Revenues				
Charges for services	\$ 581,561	\$ 477,909	\$ 1,186,491	\$ 2,245,961
Other	22,623	12,279	4,927	39,829
Total operating revenues	604,184	490,188	1,191,418	2,285,790
Operating Expenses				
Personnel services	301,023	-	127,040	428,063
Contractual services	110,056	126,172	186,584	422,812
Materials and supplies	91,898	-	55,864	147,762
Utilities	91,262	236,717	388,375	716,354
Repairs and maintenance	92,831	-	151,879	244,710
Other expenses	11,705	182	-	11,887
Depreciation and amortization	121,133	58,061	69,114	248,308
Total operating expenses	819,908	421,132	978,856	2,219,896
Operating Income (Loss)	(215,724)	69,056	212,562	65,894
Nonoperating Revenues (Expenses)				
Interest expense	(3,260)	-	-	(3,260)
Interest income	86	10,659	18,157	28,902
Unrealized gain (loss) on investments	624	(644)	9,503	9,483
Total nonoperating revenues (expenses)	(2,550)	10,015	27,660	35,125
Income (Loss) Before Contributions and Transfers	(218,274)	79,071	240,222	101,019
Contributions from developers	-	48,533	41,488	90,021
Change in Net Position	(218,274)	127,604	281,710	191,040
Net Position, Beginning of Year, as restated	162,033	2,278,850	2,680,479	5,121,362
Net Position, End of Year	\$ (56,241)	\$ 2,406,454	\$ 2,962,189	\$ 5,312,402

City of Caldwell, Idaho
Combining Statement of Net Position – Nonmajor Internal Service Funds
September 30, 2015

	Post-Retirement Health Reimbursement Arrangement	Section 125 Benefit Plan	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 439,580	\$ 25,315	\$ 464,895
Interest receivable	12	-	12
Due from other funds	3,500	-	3,500
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 443,092</u>	<u>\$ 25,315</u>	<u>\$ 468,407</u>
Liabilities and Net Position			
Liabilities			
Vouchers payable	\$ -	\$ 1,010	\$ 1,010
Total liabilities	<u> </u>	<u> </u>	<u> </u>
	-	1,010	1,010
Net Position			
Unrestricted	<u> </u>	<u> </u>	<u> </u>
	443,092	24,305	467,397
Total net position	<u> </u>	<u> </u>	<u> </u>
	443,092	24,305	467,397
	<u>\$ 443,092</u>	<u>\$ 25,315</u>	<u>\$ 468,407</u>

City of Caldwell, Idaho

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

Year Ended September 30, 2015

	<u>Post-Retirement Health Reimbursement Arrangement</u>	<u>Section 125 Benefit Plan</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 124,014	\$ 101,904	\$ 225,918
Total operating revenues	<u>124,014</u>	<u>101,904</u>	<u>225,918</u>
Operating Expenses			
Personnel Services	33,714	102,154	135,868
Total operating expenses	<u>33,714</u>	<u>102,154</u>	<u>135,868</u>
Operating Income (Loss)	<u>90,300</u>	<u>(250)</u>	<u>90,050</u>
Nonoperating Revenues			
Interest income	1,396	9,895	11,291
Unrealized gain on investments	1,904	-	1,904
Total nonoperating revenues	<u>3,300</u>	<u>9,895</u>	<u>13,195</u>
Change in Net Position	93,600	9,645	103,245
Net Position, Beginning of Year	<u>349,492</u>	<u>14,660</u>	<u>364,152</u>
Net Position, End of Year	<u>\$ 443,092</u>	<u>\$ 24,305</u>	<u>\$ 467,397</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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 03, 2016. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as 2015-A to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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
February 03, 2016

**2015-A – Year-end close (including government-wide entries), financial statement preparation, and implementation of GASB 68
Material Weakness**

Criteria:

Management should have an internal control system in place designed to record all year-end adjusting entries necessary to close the fiscal year and to determine that all closing entries are recorded correctly and timely. Management should also have an internal control system in place designed to provide for the preparation of the financial statements being audited, including the footnote disclosures required by GASB. Management should also have a system in place to prepare the entries necessary to implement new standards.

Condition:

Several adjusting entries were proposed and posted during the audit that should have been recorded as part of the year-end closing process. Eide Bailly, LLP prepared the financial statements using the trial balance accounts and figures obtained during our audit procedures. This preparation included certain accrual closing entries, government-wide reporting conversion entries, entries related to the implementation of GASB 68/71, and creation of footnote disclosures.

Cause:

All entries had been made or committed prior to the start of the audit. Because the City did not have the close of the year-end trial balance completed and the requested audit work papers prepared at the start of the audit, management did not have the time needed to prepare the financial statements or address the entries and disclosure required by the new GASB 68/71.

Effect:

Management must rely on the auditing firm to report financial data reliably in accordance with generally accepted accounting principles.

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:

Management accepts the degree of risk associated with this condition because of cost considerations.

The City hired two vacant positions in 2015. The accounts payable/payroll position was filled by a person from another city experienced in both positions. The deputy treasurer position was refilled on October 1, 2015 by experienced accountant from another city. Both began training in essential duties to prepare year-end entries, schedule preparation and trial balance comparison to supporting documents and made valuable contributions during the audit. Audit fieldwork went very well this year with expectations of greater efficiencies in 2016. Staff members will be given additional training to complete audit preparations for future audits.