



Financial Statements
September 30, 2016

City of Caldwell, Idaho

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CITY OF CALDWELL, IDAHO

CITY OFFICIALS

September 30, 2016

MAYOR

Garret L. Nancolas

COUNCIL

Dennis Callsen, President

Mike Pollard

Robert Hopper

Shannon Ozuna

Chris Allgood

Chuck Stadick

CITY CLERK

Debbie Geyer

CITY TREASURER / FINANCE DIRECTOR

ElJay Waite



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Caldwell, Idaho (the City), as of and for the year ended September 30, 2016, 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2017, 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.



Boise, Idaho
January 31, 2017

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, 2016.

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, 2016, by \$214,599,982. This is an increase of \$14,962,478 over the September 30, 2015, balance of \$199,637,504. Of this amount, unrestricted net position of \$56,801,753 may be used to meet the City's ongoing obligations to citizens and creditors compared to \$47,320,245 on September 30, 2015.
- As of September 30, 2016, the City of Caldwell's governmental funds reported combined ending fund balances of \$35,929,594. This is an increase of \$5,709,629, over the September 30, 2015, balance of \$30,219,965. Of this amount, \$2,680,838 is unassigned and available for spending compared to \$10,373,963 on September 30, 2015, and \$33,261,058 is reserved for specific future purposes compared to \$19,846,002 on September 30, 2015.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,680,838 compared to \$10,373,963 last year. Management has chosen to assign \$9,716,931 for city operations and city projects.
- The City of Caldwell's total debt obligation was \$21,904,000 compared to \$22,583,240 last year. The portion of this debt attributed to Urban Renewal is \$17,814,000 and is not included in the City's debt capacity. The voter approved General Obligation bond principal remaining is \$795,000. The remaining non-voter approved debt of \$3,295,000 is 10.5% of its total debt capacity of \$31,404,267.

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, 2016, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$214,599,982, an increase of \$14,962,478 over the September 30, 2015, balance of \$199,637,504. Other assets, capital assets net of depreciation, deferred outflows of resources, liabilities, and deferred inflows of resources totaled \$94,799,627, \$176,418,325, \$3,267,996, \$35,580,027, and \$24,305,939, respectively. As compared to 2015 balances of \$80,604,940, \$172,372,251, \$3,172,036, \$32,640,214, and \$26,011,411, respectively, other assets increased \$14,194,687, capital assets net of depreciation increased \$4,046,074, deferred outflows from pension obligations increased \$95,960, liabilities increased \$2,939,813, and deferred inflows of resources decreased \$1,705,472.

Investments in capital assets, less any related outstanding debt used to acquire those assets, totaling \$154,209,033 represent by far the largest portion of the City's net position (71.9%). 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 \$99,959,471 at September 30, 2016, and increased \$3,505,566 from September 30, 2015, balance of \$96,453,905 for governmental activities. Capital assets, net of accumulated depreciation for business-type activities totaled \$76,458,854 at September 30, 2016 and increased \$540,508 from September 30, 2015, balance of \$75,918,346. Major asset additions are scheduled on page 12.

Governmental activities. Governmental activities increased the City's net position by \$9,656,726 accounting for a 4.8% increase in the net position. Governmental expenses totaled \$34,903,179 compared to \$29,269,230 in 2015. This \$5,633,949 expense increase can be explained largely by Airport expenses increased by \$1,215,608 for Airport Improvement Projects, Police expenses increased \$588,783 for equipment, vehicle purchases and dispatch payments to the county dispatch. Fire expenses increased by \$560,157 for salary and benefits and capital. General Government's expenses increased by \$1,092,731 for capital and land acquisitions.

Program revenues totaled \$21,610,961 which is \$6,009,677 greater than last year and covered 61.9% of governmental expenses. Major components of this increase include an increase of \$1,134,361 in Airport grant revenues for Airport Improvement Projects; operating contributions in street fund for gas tax of \$627,051; urban renewal contributions to community services for economic development activities of \$84,716 over 2015 contributions; and \$505,342 to the Street fund for infrastructure; charges for engineering services increased \$464,455; and a \$267,800 increase from the rural fire district for fire services over 2015.

Expenditures less program revenues produced a net expense of \$13,292,218. When netted against general revenues of \$22,948,944 the change in net position for governmental activities is an increase of \$9,656,726 (see statement on page 17).

Business-type activities. Business-type activities increased the City's net position by \$5,305,752 accounting for a 2.7% increase in the City's net position. Business-type expenses totaled \$16,793,928 compared to \$15,650,551 in 2015. Expenses for water decreased \$38,103. Sewer, sanitation, golf, street lighting and irrigation expenses increased \$594,966, \$219,916, \$66,601, \$18,976, and \$281,021, respectively. The sewer expense increase of \$594,966 resulted from increases in contract services, depreciation and amortization, and maintenance and operations of \$491,001, \$68,112, and \$55,687, respectively. The sanitation expense increase of \$219,916 was caused by a \$200,000 operating transfer to the airport fund to extinguish a loan between the general fund and airport fund related to the airport terminal. And the \$281,021 increase in irrigation was the result of \$199,448 for Stormwater services being allocated to irrigation.

Program revenues totaled \$21,129,728 compared to \$18,195,165 in 2015 and covered 125.8% of expenses. Major components of this \$2,934,563 increase included fee increases and customer base growth. These two factors added \$674,641 in the water fund charges for services. Similarly, increases in charges for services in the sewer fund of \$1,933,833, 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 \$969,952 compared to \$466,242 last year and covered 5.8% of expenses. General revenues comprise investment earnings of \$214,641, unrealized gain on investments of \$135,282, gain on disposal of assets of \$425,980, and project reimbursements from property owners and time and materials reimbursements added \$296,747 offset by a deduction for funds transferred to governmental activities of \$102,698.

Expenditures less program revenues produced net revenue of \$4,335,800. When combined with general revenues of \$969,952, the change in net position for business-type activities is an increase of \$5,305,752 (see statement on page 17).

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other	\$ 66,012	\$ 57,714	\$ 28,788	\$ 25,031	\$ 94,800	\$ 82,745
Capital Assets	99,959	96,454	76,459	75,918	176,418	172,372
Total Assets	165,971	154,168	105,247	100,949	271,218	255,117
Deferred Outflows	2,932	2,847	336	325	3,268	3,172
Short-Term Liabilities	6,074	4,622	2,340	2,657	8,414	7,279
Long-Term Liabilities	23,536	21,387	3,630	3,974	27,166	25,361
Total Liabilities	29,610	26,009	5,970	6,631	35,580	32,640
Deferred Inflows	24,195	25,564	111	448	24,306	26,012
Net Investment in						
Capital Assets	81,030	77,524	73,179	71,235	154,209	148,759
Restricted for:						
URA projects	3,589	3,558	-	-	3,589	3,558
Unrestricted	30,479	24,360	26,323	22,960	56,802	47,320
Total Net Position	\$ 115,098	\$ 105,442	\$ 99,502	\$ 94,195	\$ 214,600	\$ 199,637

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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 8,195	\$ 6,797	\$ 19,231	\$ 17,754	\$ 27,426	\$ 24,551
Operating grants and contributions	10,155	7,914	-	-	10,155	7,914
Capital grants and contributions	3,261	890	1,899	441	5,160	1,331
General revenues:						
Property taxes-general purpose	11,559	11,153	-	-	11,559	11,153
Property taxes-debt service	464	464	-	-	464	464
Property taxes-URA	6,642	6,349	-	-	6,642	6,349
Franchise fees	892	729	-	-	892	729
Sales tax and other government	2,049	1,795	-	-	2,049	1,795
Special assessments for debt service of LIDs	337	16	-	-	337	16
Unrestricted investment earnings	342	304	215	252	557	556
Unrestricted unrealized gain on investments	48	69	135	103	183	172
Miscellaneous	364	258	297	283	661	541
Gain on disposal of asset	150	15	426	-	576	15
Internal transfers	103	172	(103)	(172)	-	-
Total revenues	44,561	36,925	22,100	18,661	66,661	55,586
Expenses:						
General government	4,553	3,180	16,794	15,651	21,347	18,831
Public safety	14,016	12,491	-	-	14,016	12,491
Parks and recreation	2,070	2,218	-	-	2,070	2,218
Community services and development	7,370	4,782	-	-	7,370	4,782
Streets	6,214	5,634	-	-	6,214	5,634
Interest on long-term debt	682	963	-	-	682	963
Total expenses	34,905	29,268	16,794	15,651	51,699	44,919
Net Revenue	\$ 9,656	\$ 7,657	\$ 5,306	\$ 3,010	\$ 14,962	\$ 10,667

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2016, the City's governmental funds reported combined ending fund balances of \$35,929,594. Of this amount, \$2,680,837 (7.4%) is unassigned fund balance in the general fund. Other assigned fund balances include: \$2,799,811 to be used for street projects and operations costs, \$2,729,490 can only be used to fund activities in the community services of the City's Other Governmental Funds. Additionally, \$1,143,585 can only be used to fund library expenditures and \$485,992 must be used to pay debt obligations. Fund balance committed for public safety and capital outlay are \$1,726,942 and \$4,121,936, respectively. Fund balances restricted for urban renewal projects and bond covenants are \$3,589,196 and \$5,343,865, respectively. Finally, \$1,603,310 is classified as non-spendable with the majority being advances from General Fund to the Golf fund.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance was \$2,680,838. Within the assigned fund balance, the City should maintain \$6,531,881 to pay personnel and operation expenses from October 1st until property tax revenues are received in late January. Additionally, \$3,180,000 has been budgeted and assigned from fund balance to build the Indian Creek Plaza, update facades downtown and complete multiple projects. The remaining unassigned fund balance of \$2,680,888 can be used for one-time expenditures approved by city council. Total fund balance amounted to \$19,736,580, which is \$1,647,187 more than last year. Revenues exceeded budget by \$748,348 while expenditures were under budget \$2,812,020. The net of other financing sources/uses was under budget by \$237,904. Net change in general fund's fund balance due to positive budget variances is an increase of \$3,798,272.

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 \$21,007,705. Unassigned fund balance represents 13% and total fund balance represents 93.9% of total general fund expenditures. This unassigned fund balance represents 12% of budgeted general fund expenditures of \$22,385,177 in 2017.

Major components affecting the general fund's total fund balance are \$1,726,942 committed for safety services and committed funds from impact fees for new parks, police and fire capital improvements and capital equipment for park's maintenance of \$4,121,936. Receivables for property taxes due within one year total \$12,838,359.

The street fund builds, maintains and monitors all roads, bridges, storm drains and other public easements within city limits. At the end of the current fiscal year, assigned fund balance in the street fund was \$2,799,811, which is \$1,258,813 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 \$4,346,169.

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 \$8,937,034, which is \$2,636,138 greater than last year. This increase results from \$1,822,000 in remaining bond proceeds for the Caldwell School District Improvement Project and accumulating \$523,252 of incremental revenue for future taxing district projects, land purchases of \$1,300,000 offset by land sales proceeds of \$1,985,780. As of September 30, 2016, fund balance restricted for urban renewal projects is \$3,589,196 and \$5,343,865 is restricted for bond covenants. Increment tax revenue receivable at September 30, 2016, is \$7,615,683 compared to \$6,940,246 last year.

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, \$2,755,107, \$20,160,120, and \$1,381,376 at year-end compared to 2015 unrestricted net positions of \$1,262,303, \$18,620,249, and \$1,336,410. Changes in unrestricted net position in the water, sewer, and sanitation funds were, respectively, \$1,492,804, \$1,539,871 and \$44,966. The changes in total net position for these funds were \$1,577,385, \$3,316,110 and \$44,966, respectively. Unrestricted net position increases in the water fund resulted from deferring \$1,231,740 in capital acquisitions and projects. The increase in sewer fund unrestricted net position also resulted from deferring \$8,023,055 in capital acquisitions and projects. The sanitation fund does not carry any fixed assets or debt. Therefore, the unrestricted net position increase of \$44,966 is almost entirely related to net income.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to Actual Revenues. General fund revenues exceeded budget projections by \$748,348. This variance is reported in detail on page 61. Property tax revenue is \$195,150 over budget resulting from delinquent tax collections. Impact fees exceeded budget by \$305,531 while intergovernmental revenues which are comprised of sales tax and revenue sharing exceeded budget by \$398,295. All these increases are signs of an improving economy.

Budget to Actual Expenditures. Savings in general fund expenditures totaled \$2,812,020. General government expenditure savings of \$681,698 is attributed to unused contingency funds and deferred capital. Public safety expenditures were under budget by \$393,684 due to savings in personnel costs. Delayed construction of fire station #3 and associated fire apparatus purchases save \$1,240,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2016, amounts to \$176,418,325 (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 \$14,950,344 in capital assets during the year and retired assets totaling \$3,179,004. Depreciation expense for the year was \$8,007,024.

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

Governmental Funds:

• Land Events Center	\$ 121,400
• IT Equipment/Phones System	125,500
• Land & Buildings Downtown	333,170
• Park Facilities	627,179
• Golf Equipment	76,920
• Building Department Vehicles	46,438
• Fire Engines	1,199,979
• Fire Equipment	84,245
• Police Vehicles	242,993
• Police Parking Lot	59,335
• Park Equipment	122,441
• Dedicated Streets	2,215,081
• Road & Bridge Construction	1,181,826
• Street Equipment	739,008
• Dedicated Storm Drain/Culverts	102,023
• Airport Improvements	1,430,664
• URA Land	1,300,000

Enterprise Funds:

• Water Equipment	\$ 38,546
• Dedicated Pressurized Irrigation Stations	59,177
• Pressurized Irrigation Stations	183,383
• Dedicated Water Lines	530,631
• Water Meters & Water Lines	317,295
• Radio Read Upgrade	93,678
• Dedicated Sewer Lines	1,186,418
• Sewer Equipment	478,157
• Sewer Improvements	1,743,054
• Street Lighting Improvements	188,924
• Dedicated Street Lights	122,877

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 \$21,904,000 in outstanding debt consisting of revenue bonds, special assessment bonds, and general obligation bonds. Specific revenue sources secured all of the debt.

The City's total debt decreased \$679,240 during the current fiscal year from the 2015 balance of \$22,583,240. New long-term debt added in 2016 consisted of \$2,500,000 in revenue bonds issued by the Urban Renewal Agency for the Caldwell School District Improvement Project. Interest cost incurred in 2016 totaled \$861,557. 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 2016. Water and sewer rates were increased 4.9% and 3.6%, respectively in 2016. Sanitation (garbage collection) rates increased 1.1% and streetlights increased 3%. These rates are set by council resolution each year including a public hearing for fee increases in excess of 5% of the fee previously charged.

Pending Conditions of Significant Importance. Economic conditions continued to improve in 2016. The demand for new single-family residential units grew from 403 units in 2015 to 520 units in 2016. 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 2016 by \$164,061,109. New construction and annexations added \$43,994,930. Taxable values at September 30, 2016, reached \$1,570,213,344 compared to the highest values recorded in 2008 of \$1,492,249,718. Property taxes levied on this \$1,570,213,344 are \$15,601,266 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 1.8% to 106 mills in 2016 compared to 108 mills in 2015. City council reduced the levy rate 5.7% to 99.9 mills in the 2017 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 432 in 2015 and 560 in 2016. Demand for residential and commercial building permits is expected to continue at these levels in 2017.

Another industrial manufacturer relocated South of Sky Ranch Business Park bringing with it 80-100 new jobs.

The Caldwell East Urban Renewal Agency. Subsequent to September 30, 2016, the Agency entered into a development agreement with Gardner Company to develop a movie theater and two restaurants on the site of the former Southwest District Health building and Trolley Square complex.

The Agency continued work on the Indian Creek Plaza project. An architect was hired to design the plaza. Financing tools to fund building façade beautification projects and building code compliance upgrades were implemented in partnership with the City.

Construction of the Caldwell School District Improvement Project began and will complete in early 2017. The project was funded with revenue bonds totaling \$2,500,000. Principal and interest will be paid 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, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current Assets			
Cash and cash equivalents	\$ 28,738,517	\$ 26,606,683	\$ 55,345,200
Prepaid expenses	13,382	-	13,382
Receivables			
Interest	184,126	13,600	197,726
Taxes	24,303,930	-	24,303,930
Intergovernmental	1,545,426	-	1,545,426
Accounts	216,379	2,727,079	2,943,458
Special assessments	394,307	-	394,307
Grants	190,657	-	190,657
Notes	64,216	-	64,216
Internal balances	1,488,836	(1,488,836)	-
Inventory	36,876	170,102	206,978
Land held for development	814,001	-	814,001
	<u>57,990,653</u>	<u>28,028,628</u>	<u>86,019,281</u>
Noncurrent Assets			
Restricted cash and cash equivalents	5,642,208	759,214	6,401,422
Restricted investments	326,019	-	326,019
Net pension asset	2,052,905	-	2,052,905
Capital assets			
Land and other assets not depreciated	16,266,927	3,161,046	19,427,973
Buildings, improvements, equipment and infrastructure, net of depreciation	83,692,544	73,297,808	156,990,352
	<u>107,980,603</u>	<u>77,218,068</u>	<u>185,198,671</u>
Deferred Outflows of Resources			
Pension obligation	2,932,151	335,845	3,267,996

City of Caldwell, Idaho
Statement of Net Position
September 30, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current Liabilities			
Vouchers and payroll payable	2,535,118	830,917	3,366,035
Customer deposits	200	668,065	668,265
Interest payable	57,267	12,791	70,058
Current portion of compensated absences	609,493	118,725	728,218
Current portion of long-term liabilities	2,872,255	710,000	3,582,255
Total current liabilities	<u>6,074,333</u>	<u>2,340,498</u>	<u>8,414,831</u>
Noncurrent Liabilities			
Compensated absences payable	122,233	-	122,233
Bonds payable	16,057,037	2,570,000	18,627,037
Net pension liability	7,356,290	1,059,636	8,415,926
Total noncurrent liabilities	<u>23,535,560</u>	<u>3,629,636</u>	<u>27,165,196</u>
Deferred Inflows of Resources			
Pension obligation	760,049	111,254	871,303
Unavailable property tax revenue	23,434,636	-	23,434,636
Total deferred inflows of resources	<u>24,194,685</u>	<u>111,254</u>	<u>24,305,939</u>
Net Position			
Net investment in capital assets	81,030,179	73,178,854	154,209,033
Restricted for			
Urban renewal projects	3,589,196	-	3,589,196
Unrestricted	30,479,454	26,322,299	56,801,753
Total net position	<u>\$ 115,098,829</u>	<u>\$ 99,501,153</u>	<u>\$ 214,599,982</u>

City of Caldwell, Idaho
Statement of Activities
Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities				
General government				
Executive and legislative	\$ 307,375	\$ -	\$ -	\$ (307,375)
Administrative	234,145	-	-	(234,145)
Legal	185,822	-	-	(185,822)
City clerk	137,827	36,921	-	(100,906)
Accounting	349,862	-	-	(349,862)
Tort insurance	351,641	351,641	-	-
Other general government	1,915,757	995,906	-	(711,218)
Government buildings and engineering services	1,070,127	1,493,634	-	423,507
Public safety				
Law enforcement	8,482,002	578,571	102,355	(7,801,076)
Fire department	4,599,002	2,281,344	14,018	(2,303,640)
Building safety	934,652	1,143,224	-	208,572
Parks and recreation				
Parks	1,830,091	807,619	1,185,363	162,891
Recreation	240,046	116,296	-	(123,750)
Community services				
Community services	6,709,759	389,986	2,513,284	(3,576,772)
Community development	616,051	-	28,905	(587,146)
Senior citizens	43,933	-	-	(43,933)
Streets	6,213,582	-	6,311,097	2,919,962
Interest on long-term debt	681,505	-	-	(681,505)
Total governmental activities	<u>34,903,179</u>	<u>8,195,142</u>	<u>10,155,022</u>	<u>(13,292,218)</u>
Business-Type Activities				
Water	3,788,432	4,535,929	-	1,278,128
Sewer	6,856,568	8,663,863	-	2,993,713
Sanitation	3,559,174	3,713,064	-	153,890
Golf	889,769	570,335	-	(319,434)
Street lighting	440,108	508,173	-	190,942
Irrigation	1,259,877	1,239,260	-	38,561
Total business-type activities	<u>16,793,928</u>	<u>19,230,624</u>	<u>-</u>	<u>4,335,800</u>
Total Primary Government	<u>\$ 51,697,107</u>	<u>\$ 27,425,766</u>	<u>\$ 10,155,022</u>	<u>\$ (8,956,418)</u>

City of Caldwell, Idaho
Statement of Activities
Year Ended September 30, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Change in Net Position			
Net revenue (expense)	\$ (13,292,218)	\$ 4,335,800	\$ (8,956,418)
General revenues			
Shared revenues			
Property taxes, levied for general purposes	11,558,915	-	11,558,915
Property taxes, levied for debt service	464,000	-	464,000
Property taxes, urban renewal increment	6,642,039	-	6,642,039
Franchise fees	891,542	-	891,542
Sales tax and other governmental	2,049,410	-	2,049,410
Special assessments for debt service of Local Improvement Districts	336,992	-	336,992
Unrestricted investment earnings	341,775	214,641	556,416
Unrestricted unrealized gain on investments	48,415	135,282	183,697
Miscellaneous	362,739	296,747	659,486
Gain on disposal of assets	150,419	425,980	576,399
Transfers	102,698	(102,698)	-
Total general revenues	<u>22,948,944</u>	<u>969,952</u>	<u>23,918,896</u>
Change in Net Position	9,656,726	5,305,752	14,962,478
Net Position, Beginning of Year	<u>105,442,103</u>	<u>94,195,401</u>	<u>199,637,504</u>
Net Position, End of Year	<u>\$ 115,098,829</u>	<u>\$ 99,501,153</u>	<u>\$ 214,599,982</u>

City of Caldwell, Idaho
Balance Sheet – Governmental Funds
September 30, 2016

	General	Caldwell East Urban Renewal Agency	Street	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 18,364,103	\$ 4,102,338	\$ 2,178,459	\$ 3,522,320	\$ 28,167,220
Prepaid expenses	6,097	-	-	7,285	13,382
Receivables					
Interest	16,609	-	1,884	165,003	183,496
Taxes	12,838,359	7,615,683	1,917,725	1,932,163	24,303,930
Intergovernmental	534,271	-	702,689	308,466	1,545,426
Accounts	118,699	450	62,808	34,422	216,379
Special assessments	-	-	-	394,307	394,307
Grants	4,208	-	-	186,449	190,657
Notes	-	3,973	-	60,243	64,216
Due from other funds	39,747	-	350,000	925	390,672
Advances	1,488,836	-	-	-	1,488,836
Inventory	-	-	36,876	-	36,876
Land held for development	-	814,001	-	-	814,001
Restricted cash and cash equivalents	42,300	5,343,865	-	256,043	5,642,208
Restricted investments	-	-	-	326,019	326,019
	<u>\$33,453,229</u>	<u>\$ 17,880,310</u>	<u>\$ 5,250,441</u>	<u>\$ 7,193,645</u>	<u>\$ 63,777,625</u>
Liabilities, Deferred Inflows, and Fund Balances					
Liabilities					
Vouchers and payroll payable	\$ 764,982	\$ 1,015,051	\$ 496,029	\$ 258,743	\$ 2,534,805
Customer deposits	-	-	-	200	200
Due to other funds	925	360,842	-	28,905	390,672
Total liabilities	<u>765,907</u>	<u>1,375,893</u>	<u>496,029</u>	<u>287,848</u>	<u>2,925,677</u>
Deferred Inflows of Resources					
Unavailable property tax revenue	12,801,663	7,567,383	1,917,725	1,932,164	24,218,935
Unavailable revenue	149,079	-	-	554,340	703,419
Total deferred inflows of resources	<u>12,950,742</u>	<u>7,567,383</u>	<u>1,917,725</u>	<u>2,486,504</u>	<u>24,922,354</u>
Fund Balances					
Nonspendable	1,494,933	3,973	36,876	67,528	1,603,310
Restricted by bond covenants	-	5,343,865	-	-	5,343,865
Restricted for urban renewal projects	-	3,589,196	-	-	3,589,196
Committed for public safety	1,726,942	-	-	-	1,726,942
Committed for capital outlay	4,121,936	-	-	-	4,121,936
Assigned for library services	-	-	-	1,143,585	1,143,585
Assigned for debt services	-	-	-	485,992	485,992
Assigned for community services	-	-	2,799,811	2,729,490	5,529,301
Assigned for operations	6,531,881	-	-	-	6,531,881
Assigned for city projects	3,185,050	-	-	-	3,185,050
Unassigned	2,675,838	-	-	(7,302)	2,668,536
Total fund balances	<u>19,736,580</u>	<u>8,937,034</u>	<u>2,836,687</u>	<u>4,419,293</u>	<u>35,929,594</u>
	<u>\$33,453,229</u>	<u>\$ 17,880,310</u>	<u>\$ 5,250,441</u>	<u>\$ 7,193,645</u>	<u>\$ 63,777,625</u>

City of Caldwell, Idaho
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 September 30, 2016

Fund balance - total governmental funds		\$ 35,929,594
<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 \$141,462,274 and the accumulated depreciation is \$41,502,803.</p>		99,959,471
<p>Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		784,299
<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	536,056	703,419
<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	2,052,905	
Net pension liability related to the PERSI base plan	(7,356,290)	
Deferred inflow of resources related to PERSI plans	(760,049)	
Deferred outflow of resources related to PERSI plans	2,932,151	(3,131,283)
<p>Long-term debt is not due and payable in the current period and therefore is not reported in the funds.</p>		(18,929,292)
<p>Interest on long-term debt is not due and payable in the current-period and therefore is not reported in the funds.</p>		(57,267)
<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>		(731,726)
<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>		571,614
Net position of governmental activities		\$ 115,098,829

City of Caldwell, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2016

	General	Caldwell East Urban Renewal Agency	Street	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 11,594,315	\$ 6,782,984	\$1,917,725	\$ 1,936,413	\$ 22,231,437
Franchise fees	891,542	-	-	-	891,542
Interest	198,192	12,520	23,172	55,852	289,736
Licenses and permits	1,244,947	-	-	-	1,244,947
Impact fees	771,531	-	-	-	771,531
Intergovernmental	2,049,410	-	3,174,204	886,572	6,110,186
Fines and forfeitures	248,759	-	-	22,417	271,176
Federal grants	116,373	-	-	1,325,391	1,441,764
Other grants	-	-	354,714	43,176	397,890
Charges for services	5,131,581	-	864,454	775,910	6,771,945
Assessments	-	-	-	188,799	188,799
Unrealized gain investments	15,309	-	11,076	20,254	46,639
Miscellaneous	82,029	243,757	62,188	43,353	431,327
Total revenues	22,343,988	7,039,261	6,407,533	5,298,137	41,088,919
Expenditures					
Current					
General government	3,858,053	-	-	257,106	4,115,159
Public safety	13,872,095	-	-	-	13,872,095
Parks and recreation	222,063	-	-	1,485,366	1,707,429
Community services	408,413	-	-	1,428,987	1,837,400
Streets	-	-	3,882,629	-	3,882,629
Economic development	-	4,904,779	-	-	4,904,779
Debt service					
Principal on long-term debt	-	2,055,000	-	415,000	2,470,000
Interest and other	-	629,124	-	61,104	690,228
Capital outlay	2,647,081	1,300,000	4,237,938	1,823,183	10,008,202
Total expenditures	21,007,705	8,888,903	8,120,567	5,470,746	43,487,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,336,283	(1,849,642)	(1,713,034)	(172,609)	(2,399,002)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	103,696	1,985,780	-	155,661	2,245,137
Bond proceeds	-	2,500,000	-	-	2,500,000
Contributions from other governments	208,633	-	505,342	229,716	943,691
Contributions from developers	-	-	2,317,105	-	2,317,105
Transfers in	-	-	176,172	123,425	299,597
Transfers out	(1,425)	-	-	(195,474)	(196,899)
Total other financing sources (uses)	310,904	4,485,780	2,998,619	313,328	8,108,631
Net Change in Fund Balances	1,647,187	2,636,138	1,285,585	140,719	5,709,629
Fund Balance, Beginning of Year	18,089,393	6,300,896	1,551,102	4,278,574	30,219,965
Fund Balance, End of Year	\$ 19,736,580	\$ 8,937,034	\$2,836,687	\$ 4,419,293	\$ 35,929,594

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, 2016

Net change in fund balances - total governmental funds		\$ 5,709,629
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 (\$10,008,202) exceeded depreciation expense (\$3,938,982) in the current period.		6,069,220
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.		(2,563,654)
Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(176,345)
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	148,191	
Notes receivable	(68,590)	79,601
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.		485,842
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 by which repayments (\$2,470,000) and amortization of premium (\$60,718) exceed proceeds from new debt (\$2,500,000).		30,718
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.		(3,657)
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.		(78,845)
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.		104,217
Change in Net Position		\$ 9,656,726

City of Caldwell, Idaho
Balance Sheet – Proprietary Funds
September 30, 2016

	Enterprise Funds					Governmental
	Water	Sewer	Sanitation	Other	Total	Internal
				Enterprise		Service
			Funds		Funds	
Assets						
Current Assets						
Cash and cash equivalents	\$ 4,625,427	\$ 17,850,956	\$ 1,227,269	\$ 2,903,031	\$ 26,606,683	\$ 571,297
Receivables						
Interest	5,958	3,678	477	3,487	13,600	630
Accounts, net	492,947	883,994	415,119	935,019	2,727,079	-
Due from other funds	-	392,982	-	-	392,982	-
Advances	-	797,918	-	-	797,918	-
Inventory	170,102	-	-	-	170,102	-
Total current assets	5,294,434	19,929,528	1,642,865	3,841,537	30,708,364	571,927
Noncurrent Assets						
Restricted cash and cash equivalents	-	759,214	-	-	759,214	-
Capital assets						
Land	175,269	105,424	-	375,911	656,604	-
Construction in progress	387,035	1,963,257	-	154,150	2,504,442	-
Buildings	476,976	6,210,427	-	940,463	7,627,866	-
Improvements other than buildings	33,721,892	73,375,535	-	4,376,895	111,474,322	-
Equipment	3,466,081	5,628,176	-	1,725,187	10,819,444	-
Less accumulated depreciation	(15,593,185)	(37,112,030)	-	(3,918,609)	(56,623,824)	-
Total noncurrent assets	22,634,068	50,930,003	-	3,653,997	77,218,068	-
Deferred Outflow of Resources						
Pension obligation	180,420	104,759	-	50,666	335,845	-
	\$ 28,108,922	\$ 70,964,290	\$ 1,642,865	\$ 7,546,200	\$ 108,262,277	\$ 571,927

City of Caldwell, Idaho
Balance Sheet – Proprietary Funds
September 30, 2016

	Enterprise Funds					Governmental Activities
	Water	Sewer	Sanitation	Other Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current Liabilities						
Vouchers and payroll payable	\$ 156,345	\$ 206,772	\$ 261,389	\$ 206,411	\$ 830,917	\$ 313
Customer deposits	653,970	13,995	100	-	668,065	-
Due to other funds	392,982	-	-	-	392,982	-
Advances	797,918	-	-	1,488,836	2,286,754	-
Interest payable	1,219	11,572	-	-	12,791	-
Current portion of compensated absences payable	81,820	21,948	-	14,957	118,725	-
Current portion of long-term liabilities	-	710,000	-	-	710,000	-
Total current liabilities	2,084,254	964,287	261,489	1,710,204	5,020,234	313
Noncurrent Liabilities						
Bonds payable	-	2,570,000	-	-	2,570,000	-
Net pension liability	571,068	334,417	-	154,151	1,059,636	-
Total noncurrent liabilities	571,068	2,904,417	-	154,151	3,629,636	-
Deferred Inflow of Resources						
Pension obligation	64,425	44,677	-	2,152	111,254	-
Net Position						
Net investment in capital assets	22,634,068	46,890,789	-	3,653,997	73,178,854	-
Unrestricted	2,755,107	20,160,120	1,381,376	2,025,696	26,322,299	571,614
Total net position	25,389,175	67,050,909	1,381,376	5,679,693	99,501,153	571,614
	<u>\$28,108,922</u>	<u>\$ 70,964,290</u>	<u>\$ 1,642,865</u>	<u>\$ 7,546,200</u>	<u>\$ 108,262,277</u>	<u>\$ 571,927</u>

City of Caldwell, Idaho
Statement Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended September 30, 2016

	Enterprise Funds					Governmental
	Water	Sewer	Sanitation	Other Enterprise Funds	Total	Internal
						Service Funds
Operating Revenues						
Charges for services	\$ 4,354,344	\$ 7,288,790	\$ 3,713,064	\$ 2,317,768	\$ 17,673,966	\$ 241,644
Other	202,219	69,536	-	24,992	296,747	-
Total operating revenues	<u>4,556,563</u>	<u>7,358,326</u>	<u>3,713,064</u>	<u>2,342,760</u>	<u>17,970,713</u>	<u>241,644</u>
Operating Expenses						
Personnel expenses	1,298,007	699,905	-	521,764	2,519,676	-
Contractual services	736,916	1,824,113	3,559,174	655,006	6,775,209	142,770
Materials and supplies	83,659	1,585	-	126,160	211,404	-
Utilities	245,032	496,486	-	717,974	1,459,492	-
Repairs and maintenance	134,776	1,057,216	-	288,848	1,480,840	-
Other expenses	4,158	65,135	-	8,217	77,510	-
Depreciation and amortization	1,251,248	2,545,009	-	271,785	4,068,042	-
Total operating expenses	<u>3,753,796</u>	<u>6,689,449</u>	<u>3,559,174</u>	<u>2,589,754</u>	<u>16,592,173</u>	<u>142,770</u>
Operating Income (Loss)	<u>802,767</u>	<u>668,877</u>	<u>153,890</u>	<u>(246,994)</u>	<u>1,378,540</u>	<u>98,874</u>
Nonoperating Revenues (Expenses)						
Hook-on-fees	181,585	1,375,073	-	-	1,556,658	-
Interest expense	(34,636)	(167,119)	-	-	(201,755)	-
Interest income	41,509	132,698	8,355	32,079	214,641	3,567
Gain (loss) on the sale of assets	(6,276)	-	-	432,256	425,980	-
Unrealized gain on investments	22,646	107,020	4,721	895	135,282	1,776
Nonoperating revenues (expenses)	<u>204,828</u>	<u>1,447,672</u>	<u>13,076</u>	<u>465,230</u>	<u>2,130,806</u>	<u>5,343</u>
Income Before Contributions and Transfers	<u>1,007,595</u>	<u>2,116,549</u>	<u>166,966</u>	<u>218,236</u>	<u>3,509,346</u>	<u>104,217</u>
Contributions from developers	530,631	1,186,418	-	182,055	1,899,104	-
Operating transfers in	39,159	13,143	-	-	52,302	-
Operating transfers out	-	-	(122,000)	(33,000)	(155,000)	-
Change in Net Position	<u>1,577,385</u>	<u>3,316,110</u>	<u>44,966</u>	<u>367,291</u>	<u>5,305,752</u>	<u>104,217</u>
Net Position, Beginning 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>
Net Position, End of Year	<u>\$ 25,389,175</u>	<u>\$ 67,050,909</u>	<u>\$ 1,381,376</u>	<u>\$ 5,679,693</u>	<u>\$ 99,501,153</u>	<u>\$ 571,614</u>

	Enterprise Funds		
	Water	Sewer	Sanitation
Operating Activities			
Received from user charges	\$ 4,404,295	\$ 7,313,125	\$ 3,706,138
Payments to employees for services	(1,283,447)	(693,978)	-
Payments to suppliers for goods and services	(1,492,676)	(3,252,300)	(3,559,752)
Net Cash from Operating Activities	1,628,172	3,366,847	146,386
Noncapital Financing Activities			
Transfers in (out)	39,159	13,143	(122,000)
Net Cash from (used for) Noncapital Financing Activities	39,159	13,143	(122,000)
Capital and Related Financing Activities			
Acquisition of capital assets	(432,950)	(2,221,210)	-
Proceeds from sale of land	-	-	-
Hook-on fees	181,585	1,375,073	-
Principal payments on bonds payable	-	(685,000)	-
Principal payments on notes payable	-	-	-
Interest paid	(35,000)	(169,687)	-
Net Cash used for Capital and Related Financing Activities	(286,365)	(1,700,824)	-
Investing Activities			
Interest received on investments	37,010	143,033	8,771
Net decrease in pooled investments	22,645	107,020	4,721
Net Cash from Investing Activities	59,655	250,053	13,492
Net Change in Cash and Cash Equivalents	1,440,621	1,929,219	37,878
Cash and Cash Equivalents, October 1, 2015	3,184,806	16,680,951	1,189,391
Cash and Cash Equivalents, September 30, 2016	\$ 4,625,427	\$ 18,610,170	\$ 1,227,269
Supplemental Information			
Land sold with note receivable	\$ -	\$ -	\$ -
Contributed property, plant and equipment	\$ 530,631	\$ 1,186,418	\$ -

See Notes to Financial Statements

City of Caldwell, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2016

Other Enterprise Funds	Total	Internal Service Funds
\$ 2,320,463	\$ 17,744,021	\$ 241,644
(513,755)	(2,491,180)	-
(1,792,335)	(10,097,063)	(139,967)
<u>14,373</u>	<u>5,155,778</u>	<u>101,677</u>
<u>(33,000)</u>	<u>(102,698)</u>	<u>-</u>
<u>(33,000)</u>	<u>(102,698)</u>	<u>-</u>
(372,305)	(3,026,465)	-
225,926	225,926	-
-	1,556,658	-
-	(685,000)	-
(24,240)	(24,240)	-
(3,211)	(207,898)	-
<u>(173,830)</u>	<u>(2,161,019)</u>	<u>-</u>
30,629	219,443	2,949
895	135,281	1,776
<u>31,524</u>	<u>354,724</u>	<u>4,725</u>
(160,933)	3,246,785	106,402
<u>3,063,964</u>	<u>24,119,112</u>	<u>464,895</u>
<u>\$ 2,903,031</u>	<u>\$ 27,365,897</u>	<u>\$ 571,297</u>
<u>\$ 517,074</u>	<u>\$ 517,074</u>	<u>\$ -</u>
<u>\$ 182,055</u>	<u>\$ 1,899,104</u>	<u>\$ -</u>

	Enterprise Funds		
	Water	Sewer	Sanitation
Reconciliation of operating income (loss) to net cash from operating activities			
Operating income (loss)	\$ 802,767	\$ 668,877	\$ 153,890
Depreciation	1,251,248	2,545,009	-
GASB 68 pension expense	9,522	5,232	-
Changes in assets and liabilities			
Accounts receivable	(19,996)	(44,554)	(6,926)
Internal balances	(369,100)	369,100	-
Inventory	21,027	-	-
Vouchers payable	61,050	(176,079)	(578)
Compensated absences	3,926	(91)	-
Customer deposits	(132,272)	(647)	-
Net Cash from Operating Activities	<u>\$ 1,628,172</u>	<u>\$ 3,366,847</u>	<u>\$ 146,386</u>

See Notes to Financial Statements

City of Caldwell, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2016

<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ (246,994)	\$ 1,378,540	\$ 98,874
271,785	4,068,042	-
3,325	18,079	-
(22,297)	(93,773)	-
75,000	75,000	3,500
-	21,027	-
(71,130)	(186,737)	(697)
4,684	8,519	-
-	(132,919)	-
<u>\$ 14,373</u>	<u>\$ 5,155,778</u>	<u>\$ 101,677</u>

City of Caldwell, Idaho
Statement of Fiduciary Net Position – Fiduciary Funds
September 30, 2016

	<u>Agency Fund</u>	<u>Employee Benefit Plan Trust</u>
Assets		
Cash	\$ -	\$ 1,383,941
Accounts receivable	11,919	-
Restricted cash and cash equivalents	<u>144,232</u>	<u>-</u>
	<u>\$ 156,151</u>	<u>\$ 1,383,941</u>
Liabilities		
Vouchers payable	\$ 156,151	\$ 63,929
Health claims incurred but not reported	<u>-</u>	<u>206,000</u>
Total liabilities	<u>156,151</u>	<u>269,929</u>
Net Position	<u>-</u>	<u>1,114,012</u>
	<u>\$ 156,151</u>	<u>\$ 1,383,941</u>

City of Caldwell, Idaho
Statement Revenues, Expenses, and Changes in Net Position – Fiduciary Funds
Year Ended September 30, 2016

	<u>Employee Benefit Plan Trust</u>
Contributions	
Employer	\$ 3,107,649
Employees	200,976
COBRA	<u>19,606</u>
Total contributions	<u>3,328,231</u>
Other Income	
Rebates	<u>7,569</u>
Total other income	<u>7,569</u>
Deductions	
Insurance claim benefits	2,588,981
Change in IBNR	(25,566)
Administrative expenses	<u>648,540</u>
Total deductions	<u>3,211,955</u>
Change in Net Position	123,845
Net Position, Beginning of Year	<u>990,167</u>
Net Position, End of Year	<u><u>\$ 1,114,012</u></u>

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 City considers revenues to be available if they are collected within 30 to 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

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 operation of the street system. Operation, maintenance and construction of the streets is provided by property taxes, state sales tax, state gas tax and federal/state transportation funds.

The City reports the following major enterprise funds:

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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 net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents the use of net position that applies to future periods, so will not be recognized as an outflow of resources (expense) until that time. The government-wide statement of net position reports the future outflows related to pension obligations as a deferred outflow of resources. The balance of the deferred outflow of resources as of September 30, 2016, will be recognized as an expense and decrease in net position in the next fiscal year.

In addition to liabilities, the statement of net position and the fund balance sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to future periods, so will not be recognized as an inflow of resources (revenue) until that time. The government-wide statement of net position reports the property taxes levied for the following year as well as future inflows related to pension obligations as a deferred inflow of resources. The balance of the deferred inflow of resources as of September 30, 2016, 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 acquisition value on the date donated. Public domain infrastructure consisting of roads and sidewalks are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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

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

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

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

Risk Management

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

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

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

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

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

Budgets

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

Bonded Indebtedness

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

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

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

Special Assessments

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

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 Bonds, 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 bonds are payable solely from future tax revenues of the URA.

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

Caldwell East Urban Renewal Agency Revenue Allocation Bond, Series 2016 were issued to finance the construction of Caldwell School District Improvement Project. Principal and interest on the bonds 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 position with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. Restricted net position in the City is restricted pursuant to Idaho State Code to be used for Urban Renewal Projects.
- Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

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

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory or long-term notes receivable) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

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

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

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

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.

Note 2 - Cash and Investments

At September 30, 2016, cash and cash equivalents and investments were invested as follows:

	Cost	Fair Value
Cash - unrestricted		
Cash	\$ 10,305,768	\$ 10,305,768
Money market funds	2,564,114	2,564,114
Certificates of deposit	250,000	250,000
External investment pools	40,045,427	42,225,318
Total cash and cash equivalents - unrestricted	\$ 53,165,309	\$ 55,345,200
	Cost	Fair Value
Cash - restricted		
Cash	\$ 298,343	\$ 298,343
Money market funds	3,521,865	3,521,865
Undrawn bond proceeds	1,822,000	1,822,000
External investment pools	759,214	759,214
Total cash and cash equivalents - restricted	\$ 6,401,422	\$ 6,401,422
	Cost	Fair Value
Investments - restricted		
Investments carried at fair value		
US Government Agency Obligations	\$ 275,641	\$ 275,645
Mutual funds	50,374	50,374
Total investments - restricted	\$ 326,015	\$ 326,019

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, 2016, 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	\$ 22,499,948	\$ 22,499,948	\$ -	\$ -	\$ -
Idaho State Treasurer's					
Bond Fund	20,484,584	-	20,484,584	-	-
Certificates of Deposit	250,000	250,000	-	-	-
US Government Agency	275,645	-	-	13,326	262,319
	<u>\$ 43,510,177</u>	<u>\$ 22,749,948</u>	<u>\$ 20,484,584</u>	<u>\$ 13,326</u>	<u>\$ 262,319</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+	\$ 239,258	\$ -	\$ -	\$ 239,258
A	-	-	-	-
Unrated	36,387	22,499,948	20,484,584	43,020,919
	<u>\$ 275,645</u>	<u>\$ 22,499,948</u>	<u>\$ 20,484,584</u>	<u>\$ 43,260,177</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, 2016, 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	\$ 6,085,979	12.33%

Custodial Credit Risk

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

The bank ledger balance for cash deposits at September 30, 2016, is \$11,317,515, of which \$7,110,277 was collateralized. Deposits in each local and area bank are insured by the FDIC in the amount of \$714,105 for interest bearing and non-interest bearing deposit accounts. The uninsured and uncollateralized deposit balance at September 30, 2016, was \$3,493,133.

Restricted cash equivalents total \$6,415,004 of which \$3,521,865 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., or Zion's First National Bank in the City's name.

Investment in State Investment Pools

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

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

Fair Value

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

The City's investment fair value measurements are as follows at September 30, 2016.

Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities				
Corporate bonds	\$ 119,197	\$ -	\$ 119,197	\$ -
Mortgage-backed securities	156,448	-	156,448	-
	<u>275,645</u>	-	<u>275,645</u>	-
Mutual funds				
Short-term government	50,374	50,374	-	-
	<u>326,019</u>	<u>\$ 50,374</u>	<u>\$ 275,645</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV):				
State of Idaho diversified bond fund	759,214			
	<u>759,214</u>			
Total investments measured as fair value	<u>\$ 1,085,233</u>			

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

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

	Investments measured at NAV			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Diversified bond fund	\$ 759,214	None	Monthly	5-25 days

Note 3 - Restricted Assets

Restricted assets are required to be segregated as to use and are therefore identified as restricted assets. Restricted assets in the general fund and fiduciary funds are restricted pursuant to donor specifications relating to various activities. Additional restricted assets in the general fund are restricted pursuant to the bonds issued to construct the police building and in the URA are held by a bond trustee in accordance with bond documents.

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, 2016:

State of Idaho		
Revenue sharing	\$	494,092
Sales tax		335,345
Liquor apportionment		66,737
Gas tax		605,306
Canyon County		
Road and bridge tax		989
Court revenue		42,957
		<u>\$ 1,545,426</u>

Grants owed to the City at September 30, 2016, by source are:

Federal	\$	<u>190,657</u>
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Note 5 - Capital Assets

	Balance October 1, 2015	Additions	Deletions	Transfers	Balance September 30, 2016
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 13,457,507	\$ 1,754,569	\$ (1,872,642)	\$ -	\$ 13,339,434
Construction in progress	1,743,728	3,005,009	(564,972)	(1,256,272)	2,927,493
Total capital assets, not depreciated	15,201,235	4,759,578	(2,437,614)	(1,256,272)	16,266,927
Capital assets, depreciated					
Buildings	21,810,552	184,641	(296,565)	45,218	21,743,846
Improvements other than buildings	34,080,476	2,548,458	-	1,171,972	37,800,906
Equipment	14,214,459	2,515,525	(111,865)	39,082	16,657,201
Intangibles	66,607	-	-	-	66,607
Infrastructure	48,926,787	-	-	-	48,926,787
Total capital assets, depreciated	119,098,881	5,248,624	(408,430)	1,256,272	125,195,347

City of Caldwell, Idaho
Notes to Financial Statements
September 30, 2016

	Balance October 1, 2015	Additions	Deletions	Transfers	Balance September 30, 2016
Less accumulated depreciation for					
Buildings	(6,639,334)	(532,775)	170,525	-	(7,001,584)
Improvements other than buildings	(9,869,496)	(1,125,164)	-	-	(10,994,660)
Equipment	(9,131,178)	(906,577)	111,865	-	(9,925,890)
Intangibles	(13,340)	(6,661)	-	-	(20,001)
Infrastructure	(12,192,863)	(1,367,805)	-	-	(13,560,668)
Total accumulated depreciation	<u>(37,846,211)</u>	<u>(3,938,982)</u>	<u>282,390</u>	<u>-</u>	<u>(41,502,803)</u>
Total net capital assets, depreciated	<u>81,252,670</u>	<u>1,309,642</u>	<u>(126,040)</u>	<u>1,256,272</u>	<u>83,692,544</u>
Governmental Activities Capital Assets, Net	<u>\$ 96,453,905</u>	<u>\$ 6,069,220</u>	<u>\$ (2,563,654)</u>	<u>\$ -</u>	<u>\$ 99,959,471</u>
	Balance October 1, 2015	Additions	Deletions	Transfers	Balance September 30, 2016
Business-type Activities					
Capital assets, not depreciated					
Land	\$ 967,348	\$ -	\$ (310,744)	\$ -	\$ 656,604
Construction in progress	4,078,440	2,306,843	(6,276)	(3,874,565)	2,504,442
Total capital assets, not depreciated	<u>5,045,788</u>	<u>2,306,843</u>	<u>(317,020)</u>	<u>(3,874,565)</u>	<u>3,161,046</u>
Capital assets, depreciated					
Buildings	7,627,865	-	-	-	7,627,865
Improvements other than buildings	105,404,612	2,118,596	-	3,924,271	111,447,479
Equipment	10,395,233	516,703	(15,940)	(49,706)	10,846,290
Total capital assets, depreciated	<u>123,427,710</u>	<u>2,635,299</u>	<u>(15,940)</u>	<u>3,874,565</u>	<u>129,921,634</u>

	Balance October 1, 2015	Additions	Deletions	Transfers	Balance September 30, 2016
Less accumulated depreciation for					
Buildings	(5,918,130)	(169,297)	-	-	(6,087,427)
Improvements other than buildings	(40,777,418)	(3,322,972)	-	-	(44,100,390)
Equipment	(5,859,604)	(575,773)	(632)	-	(6,436,009)
Total accumulated depreciation	<u>(52,555,152)</u>	<u>(4,068,042)</u>	<u>(632)</u>	<u>-</u>	<u>(56,623,826)</u>
Total net capital assets, depreciated	<u>70,872,558</u>	<u>(1,432,743)</u>	<u>(16,572)</u>	<u>3,874,565</u>	<u>73,297,808</u>
Business-type Activities Capital Assets, Net	<u>\$ 75,918,346</u>	<u>\$ 874,100</u>	<u>\$ (333,592)</u>	<u>\$ -</u>	<u>\$ 76,458,854</u>

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

Governmental Activities	
General government	\$ 360,226
Public safety	502,171
Parks and recreation	342,765
Community services	412,095
Streets	<u>2,321,725</u>
Total depreciation expense - governmental activities	<u>\$ 3,938,982</u>
Business-type Activities	
Water	\$ 1,251,248
Sewer	2,545,009
Golf	131,552
Street Lighting	66,701
Irrigation	<u>73,532</u>
Total depreciation expense - business-type activities	<u>\$ 4,068,042</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, 2016, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
Advances			
General	Other enterprise	Operating loan to golf fund	\$ 1,488,836
Sewer	Water	Long-term loan	407,918
Sewer	Water	Long-term loan to cover costs to pay-off of the COP series 2004 bonds in 2014	390,000
Due to/from			
Sewer	Water	Short-term loan to cover costs to pay-off of the COP series 2004 bonds in 2014	195,000
Sewer	Water	Short-term loan	197,982
Street	Urban renewal agency	Cost reimbursement for Ustick Lake roundabout	350,000
General	Urban renewal agency	Operating expenses	10,842
General	Other governmental	Negative cash in CDBG Fud	28,905
Other governmental	General	Property tax and payroll refund	925
			<u>\$ 3,070,408</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 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, 2016, is as follows:

	<u>Transfers Out</u>				<u>Total</u>
	<u>General</u>	<u>Sanitation</u>	<u>Other Enterprise</u>	<u>Other Governmental</u>	
Transfers in					
Street	\$ -	\$ -	\$ -	\$ 176,172	\$ 176,172
Water	-	-	33,000	6,159	39,159
Sewer	-	-	-	13,143	13,143
Other governmental	<u>1,425</u>	<u>122,000</u>	<u>-</u>	<u>-</u>	<u>123,425</u>
	<u>\$ 1,425</u>	<u>\$ 122,000</u>	<u>\$ 33,000</u>	<u>\$ 195,474</u>	<u>\$ 351,899</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 at 3.5%.	\$ <u>15,000</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 \$23,471.	\$ <u>818,471</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 \$278,574. 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.	\$ 4,638,574
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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 \$3,247. 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.	4,483,247
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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.	6,474,000
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\$2,500,000 Urban Renewal Revenue Allocation Bonds Series 2016 due in annual installments through September 2022, in the amount of \$402,500; interest 3.35% due semi-annually. Certificates maturing on or after March 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 March 1, 2017, or any interest and principle payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.

2,500,000

Total revenue bonds

\$ 18,095,821

Business-type Activities

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.

\$ 3,280,000

The annual requirements to amortize all debt outstanding at September 30, 2016, are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,872,255	\$ 687,452	\$ 710,000	\$ 138,863
2018	2,890,225	587,494	745,000	106,913
2019	2,602,415	482,279	775,000	73,388
2020	2,698,300	386,519	1,050,000	39,375
2021	2,803,436	283,611	-	-
2022-2024	4,757,369	223,343	-	-
	<u>18,624,000</u>	<u>\$ 2,650,698</u>	<u>\$ 3,280,000</u>	<u>\$ 358,539</u>
Bond premium	<u>305,292</u>			
	<u>\$ 18,929,292</u>			

Total interest cost incurred during 2016 was \$861,557.

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 2016, based on data available from Canyon County as of September 30, 2016, would be approximately \$31,404,267.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2016:

	Debt at October 1, 2015	Debt Issued	Debt Retired	Debt at September 30, 2016	Due Within One Year
Governmental Activities					
Special assessment debt	\$ 30,000	\$ -	\$ 15,000	\$ 15,000	\$ 15,000
Idaho bond bank 2006B	1,195,000	-	400,000	795,000	420,000
Revenue allocation bonds 2006A	4,880,000	-	520,000	4,360,000	540,000
Revenue allocation bonds 2008	5,025,000	-	545,000	4,480,000	565,000
Revenue allocation bonds 2012	7,464,000	-	990,000	6,474,000	1,012,000
Revenue allocation bonds 2016	-	2,500,000	-	2,500,000	320,255
Bond premium	366,010	-	60,718	305,292	-
Compensated absences	652,881	670,586	591,741	731,726	609,493
Governmental activities long-term liabilities	<u>\$ 19,612,891</u>	<u>\$ 3,170,586</u>	<u>\$ 3,122,459</u>	<u>\$ 19,661,018</u>	<u>\$ 3,481,748</u>
Business-type Activities					
Note payable - land	\$ 24,240	\$ -	\$ 24,240	\$ -	\$ -
Revenue bonds					
Parity lien sewer series					
2010	3,965,000	-	685,000	3,280,000	710,000
Compensated absences	110,206	129,110	120,591	118,725	118,725
Business-type activities long-term liabilities	<u>\$ 4,099,446</u>	<u>\$ 129,110</u>	<u>\$ 829,831</u>	<u>\$ 3,398,725</u>	<u>\$ 828,725</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 \$3,638,538. Principal and interest paid for the current year and total customer net revenues were \$854,688 and \$2,413,457, 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 \$5,154,650, payable through March 2023. For the current year, principal and interest paid were \$737,400.

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 \$5,257,148, payable through September 2023. For the current year, principal and interest paid were \$751,476.

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 \$7,172,401, payable through September 2022. For the current year, principal and interest paid were \$1,195,249.

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$2,500,000 in revenue allocation bonds issued in February 2016 to finance the construction of the Caldwell School District Improvement Project. 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 \$2,821,380, payable through September 2022. For the current year, principal and interest paid were zero, with first payment due March 2017.

Overall, the total principal and interest paid for the current year and total customer net revenues for the Caldwell East Urban Renewal Agency were \$2,684,125 and \$6,782,984, respectively, and yields a debt service coverage ratio of 2.53.

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

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

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

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2016, 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 \$1,374,493 for the year ended September 30, 2016.

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 \$130,573 for the year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability for its proportionate share of the net pension liability of the Base Plan. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2016, the City's proportion was .4151597 percent.

For the year ended September 30, 2016, the City recognized pension expense related to the Base Plan of \$1,477,500. At September 30, 2016, 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	\$ -	\$ 838,585
Changes in assumptions or other inputs	187,080	-
Net difference between projected and actual earnings on pension plan investments	2,182,265	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	58,567	32,718
City's contributions subsequent to the measurement date	241,054	-
Total	\$ 2,668,966	\$ 871,303

The \$241,054 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, 2015, the beginning of the measurement period ended June 30, 2016, is 4.9 and 5.5 for the measurement period June 30, 2015.

At September 30, 2016, the City reported an asset for its proportionate share of the net pension asset of the FRF. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on the City's share of contributions in the FRF pension plan relative to the total contributions of all participating FRF employers. At June 30, 2016, the City's proportion was 3.8194708 percent.

For the year ended September 30, 2016, the City recognized pension revenue related to the FRF of \$563,538. At September 30, 2016, 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	\$ 499,778	\$ -
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	99,252	-
Total	\$ 599,030	\$ -

The \$99,252 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, 2015, the beginning of the measurement period ended June 30, 2016, is 1.0 year and 1.0 year for the measurement period June 30, 2015.

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
2017	\$ 16,898	\$ 42,053
2018	16,898	42,053
2019	984,734	266,436
2020	538,079	149,236

Actuarial Assumptions

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

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

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

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

*Net of pension plan investment expenses

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

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

An experience study was performed for the period July 1, 2007 through June 30, 2013, which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009, through June 30, 2013. The Total Pension Liability (Base Plan) and Asset (FRF) as of June 30, 2016, is based on the results of an actuarial valuation date of July 1, 2016.

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, 2016.

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
	Expected Return	Expected Inflation	Expected Real return	Expected Risk
Total Fund				
Actuary	7.00%	3.25%	4%	N/A
Portfolio	6.58%	2.25%	4%	12.67%

Actuarial Assumptions

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

Discount Rate

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

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

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.10 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	\$ 16,509,058	\$ 8,415,926	\$ 1,685,591
FRF	(843,293)	(2,052,905)	(3,075,541)

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, 2016, there were no payables to the defined benefit pension plans for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 9 - Other Post Employment Benefits

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

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

The Plan is funded solely by employer contributions on a pay as you go basis. Basic benefit funding is \$500 per year for each regular full-time employee. Payment is made upon retirement at \$500 for each year of service up to 30 years. Under the basic plan at September 30, 2016, thirty-seven employees met PERSI retirement eligibility

requirements and qualified for payments of \$327,978. Five employees must retire within 5 years or lose combined benefits of \$45,350. No employees have opted to retire in 2017. At September 30, 2016, cash and cash equivalents held in the plan total \$541,753. Anticipated plan revenues for 2017 are \$105,500 against budgeted expenditures of \$129,876.

Enhanced benefits are funded by the annual appropriations ordinance payable to employees who retire before the age of 65. The thirty-seven employees that meet PERSI retirement requirements will also qualify for \$242,722 of enhanced benefit payments. At September 30, 2016, both plans have benefit payments due within one year of \$570,700 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, 2016, the scheduled outstanding principal was \$3,513,889.

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, 2016:

Street Fund	\$ 930,776
CDBG/HUD Fund	2,378
Community Development Fund	2,852
Debt Service Fund	41,597
Golf Fund	280,634
Sanitation Fund	246,626

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, 2016:

Project Description	Outstanding Commitments	% Complete	Completed as of September 30	Total Contract Amount
Ustick/Lake Roundabout	\$ 241,350	33%	\$ 118,950	\$ 360,300
Ustick/Middleton Roundabout	55,267	81%	242,878	298,145
Centennial Roundabout	34,955	80%	145,832	181,800
AIP 28	102,340	85%	194,492	229,447
AIP29	35,968	44%	79,330	181,670
Roberts Rec Building	17,495	50%	17,495	34,990
Bowen Collins & Associates	94,340	86%	592,220	686,560
Bowen Collins & Associates	28,051	83%	132,909	160,960
Keller Associates	420,431	71%	1,025,187	1,445,618
	<u>\$ 1,030,197</u>			



Required Supplementary Information
September 30, 2016

City of Caldwell, Idaho

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

	2016	2015
Employer's portion of net the pension liability	0.4151597%	0.4176759%
Employer's proportionate share of the net pension liability	\$ 8,415,926	\$ 5,500,112
Employer's covered-employee payroll	\$ 10,370,086	\$ 9,825,533
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	81%	56%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	91.38%

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

	2016	2015
Employer's portion of net the pension asset	3.8194708%	3.9619978%
Employer's proportionate share of the net pension asset	\$ 2,052,905	\$ 2,139,902
Employer's covered-employee payroll	\$ 1,514,650	\$ 1,487,858
Employer's proportional share of the net pension asset as a percentage of its covered-employee payroll	135.54%	143.82%
Plan fiduciary net position as a percentage of the total pension asset	118.42%	118.08%

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

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

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

	2016	2015
Statutorily required contribution	\$ 1,374,493	\$ 1,324,325
Contributions in relation to the statutorily required contribution	\$ 1,557,988	\$ 1,518,869
Contributions (deficiency) excess	\$ 183,495	\$ 194,544
Employer's covered-employee payroll	\$ 10,575,587	\$ 10,087,100
Contributions as a percentage of covered-employee payroll	15%	15%

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

	2016	2015
Statutorily required contribution	\$ 130,573	\$ 306,551
Contributions in relation to the statutorily required contribution	\$ 256,011	\$ 310,475
Contributions (deficiency) excess	\$ 125,438	\$ 3,924
Employer's covered-employee payroll	\$ 1,536,680	\$ 1,517,281
Contributions as a percentage of covered-employee payroll	17%	20%

*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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 11,399,165	\$ 11,399,165	\$ 11,594,315	\$ 195,150
Franchise fees	770,000	945,000	891,542	(53,458)
Interest	124,728	124,728	198,192	73,464
Licenses and permits	1,048,350	1,383,330	1,244,947	(138,383)
Impact fees	466,000	466,000	771,531	305,531
Intergovernmental	1,651,115	1,651,115	2,049,410	398,295
Fines and forfeitures	281,000	281,000	248,759	(32,241)
Federal grants	97,840	147,016	116,373	(30,643)
Charges for services	5,068,767	5,143,786	5,131,581	(12,205)
Unrealized gain on investments	-	-	15,309	15,309
Miscellaneous	54,500	54,500	82,029	27,529
Total revenues	<u>20,961,465</u>	<u>21,595,640</u>	<u>22,343,988</u>	<u>748,348</u>
Expenditures				
Current				
General government	4,362,191	4,538,451	3,858,053	680,398
Public safety	14,140,622	14,265,779	13,872,095	393,684
Parks and recreation	227,032	227,032	222,063	4,969
Community services	373,919	404,290	408,413	(4,123)
Capital outlay	2,918,518	4,384,173	2,647,081	1,737,092
Total expenditures	<u>22,022,282</u>	<u>23,819,725</u>	<u>21,007,705</u>	<u>2,812,020</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,060,817)</u>	<u>(2,224,085)</u>	<u>1,336,283</u>	<u>3,560,368</u>
Other Financing Sources (Uses)				
Contributions from other government	144,000	144,000	208,633	64,633
Proceeds from sale of assets	-	-	103,696	103,696
Transfers in	568,650	568,650	-	(568,650)
Transfers out	(639,650)	(639,650)	(1,425)	638,225
Total other financing sources (uses)	<u>73,000</u>	<u>73,000</u>	<u>310,904</u>	<u>237,904</u>
Net Change in Fund Balances	<u>\$ (987,817)</u>	<u>\$ (2,151,085)</u>	1,647,187	<u>\$ 3,798,272</u>
Fund Balance, Beginning of Year			<u>18,089,393</u>	
Fund Balance, End of Year			<u>\$ 19,736,580</u>	

City of Caldwell, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Street Fund
Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 1,917,725	\$ 1,917,725	\$ 1,917,725	\$ -
Interest	25,000	25,000	23,172	(1,828)
Intergovernmental	2,943,967	2,943,967	3,174,204	230,237
Charges for services	829,454	829,454	864,454	35,000
Other grants	318,923	318,923	354,714	35,791
Unrealized gain on investments	-	-	11,076	11,076
Miscellaneous	392,399	392,399	62,188	(330,211)
Total revenues	<u>6,427,468</u>	<u>6,427,468</u>	<u>6,407,533</u>	<u>(19,935)</u>
Expenditures				
Streets	3,512,379	3,512,379	3,882,629	(370,250)
Capital outlay	3,677,412	3,677,412	4,237,938	(560,526)
Total expenditures	<u>7,189,791</u>	<u>7,189,791</u>	<u>8,120,567</u>	<u>(930,776)</u>
Deficiency of Revenues				
Under Expenditures	<u>(762,323)</u>	<u>(762,323)</u>	<u>(1,713,034)</u>	<u>(950,711)</u>
Other Financing Sources (Uses)				
Contributions from other governments	-	-	505,342	505,342
Contributions from developers	-	-	2,317,105	2,317,105
Operating transfers in	-	-	176,172	176,172
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,998,619</u>	<u>2,998,619</u>
Net Change in Fund Balances	<u>\$ (762,323)</u>	<u>\$ (762,323)</u>	1,285,585	<u>\$ 2,047,908</u>
Fund Balance, Beginning of Year			<u>1,551,102</u>	
Fund Balance, End of Year			<u>\$ 2,836,687</u>	

City of Caldwell, Idaho
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Urban Renewal
Agency
Year Ended September 30, 2016

	Budgeted		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 6,367,597	\$ 6,367,597	\$ 6,782,984	\$ 415,387
Interest	10,000	10,000	12,520	2,520
Miscellaneous	200,000	200,000	243,757	43,757
Total revenues	<u>6,577,597</u>	<u>6,577,597</u>	<u>7,039,261</u>	<u>461,664</u>
Expenditures				
Current				
Urban Renewal Agency	7,860,836	7,860,836	4,904,779	2,956,057
Capital outlay	1,125,000	1,125,000	1,300,000	(175,000)
Debt service				
Principal	2,081,000	2,081,000	2,055,000	26,000
Interest	629,124	629,124	629,124	-
Total expenditures	<u>11,695,960</u>	<u>11,695,960</u>	<u>8,888,903</u>	<u>2,807,057</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,118,363)</u>	<u>(5,118,363)</u>	<u>(1,849,642)</u>	<u>3,268,721</u>
Other Financing Sources				
Bond proceeds	2,500,000	2,500,000	2,500,000	-
Proceeds from sale of land	3,036,490	3,036,490	1,985,780	(1,050,710)
Total other financing sources	<u>5,536,490</u>	<u>5,536,490</u>	<u>4,485,780</u>	<u>(1,050,710)</u>
Net Change in Fund Balances	<u>\$ 418,127</u>	<u>\$ 418,127</u>	2,636,138	<u>\$ 2,218,011</u>
Fund Balance, Beginning of Year			<u>6,300,896</u>	
Fund Balance, End of Year			<u>\$ 8,937,034</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, 2016

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	CDBG HUD	Cemetery	Cemetery Capital Improvement
Assets				
Cash and cash equivalents	\$ 485,889	\$ -	\$ 412,282	\$ 37,857
Prepaid Expenses	-	-	-	-
Receivables				
Interest	141,853	-	122	90
Taxes	459,750	-	110,762	-
Intergovernmental	-	-	8,495	-
Accounts	-	-	2,614	-
Special assessments	394,307	-	-	-
Grants	-	28,905	-	-
Notes	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
	<u>\$ 1,481,799</u>	<u>\$ 28,905</u>	<u>\$ 534,275</u>	<u>\$ 37,947</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities				
Vouchers and payroll payable	\$ -	\$ -	\$ 8,884	\$ -
Customer deposits	-	-	200	-
Due to other funds	-	28,905	-	-
	<u>-</u>	<u>28,905</u>	<u>9,084</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	459,751	-	110,762	-
Unavailable revenue	536,056	-	-	-
Total deferred inflows of resources	<u>995,807</u>	<u>-</u>	<u>110,762</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Assigned for library services	-	-	-	-
Assigned for debt service	485,992	-	-	-
Assigned for community services	-	-	414,429	37,947
Unassigned	-	-	-	-
	<u>485,992</u>	<u>-</u>	<u>414,429</u>	<u>37,947</u>
Total fund balances	<u>\$ 1,481,799</u>	<u>\$ 28,905</u>	<u>\$ 534,275</u>	<u>\$ 37,947</u>

City of Caldwell, Idaho
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2016

Cemetery Perpetual Care	Community Development	Library	Airport	Recreation	Totals
\$ 1,333,010	\$ 47	\$ 534,352	\$ 174,053	\$ 544,830	\$ 3,522,320
-	2,165	4,507	613	-	7,285
-	18,284	2,437	1,217	1,000	165,003
-	-	665,514	125,863	570,274	1,932,163
-	-	54,474	8,411	237,086	308,466
-	-	-	28,912	2,896	34,422
-	-	-	-	-	394,307
-	-	-	157,544	-	186,449
-	60,243	-	-	-	60,243
-	-	925	-	-	925
-	-	256,043	-	-	256,043
-	-	326,019	-	-	326,019
<u>\$ 1,333,010</u>	<u>\$ 80,739</u>	<u>\$ 1,844,271</u>	<u>\$ 496,613</u>	<u>\$ 1,356,086</u>	<u>\$ 7,193,645</u>
\$ -	\$ 7,349	\$ 30,665	\$ 66,886	\$ 144,959	\$ 258,743
-	-	-	-	-	200
-	-	-	-	-	28,905
<u>-</u>	<u>7,349</u>	<u>30,665</u>	<u>66,886</u>	<u>144,959</u>	<u>287,848</u>
-	-	665,514	125,863	570,274	1,932,164
-	18,284	-	-	-	554,340
<u>-</u>	<u>18,284</u>	<u>665,514</u>	<u>125,863</u>	<u>570,274</u>	<u>2,486,504</u>
-	62,408	4,507	613	-	67,528
-	-	1,143,585	-	-	1,143,585
-	-	-	-	-	485,992
1,333,010	-	-	303,251	640,853	2,729,490
<u>-</u>	<u>(7,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,302)</u>
<u>1,333,010</u>	<u>55,106</u>	<u>1,148,092</u>	<u>303,864</u>	<u>640,853</u>	<u>4,419,293</u>
<u>\$ 1,333,010</u>	<u>\$ 80,739</u>	<u>\$ 1,844,271</u>	<u>\$ 496,613</u>	<u>\$ 1,356,086</u>	<u>\$ 7,193,645</u>

	Debt Service	CDBG/ HUD	Cemetery	Cemetery Capital Improvement
Revenues				
Property taxes	\$ 464,000	\$ -	\$ 110,762	\$ -
Interest	18,881	-	3,124	424
Intergovernmental	-	-	30,207	-
Fines and forfeitures	-	-	-	-
Federal grants	-	28,905	-	-
Other grants	-	-	-	-
Charges for services	-	-	123,449	13,089
Unrealized gain (loss) on investments	1,970	-	2,776	91
Assessments	188,799	-	-	-
Miscellaneous	-	-	9,395	-
Total revenues	673,650	28,905	279,713	13,604
Expenditures				
Current				
General government	-	28,905	228,201	-
Parks and recreation	-	-	-	-
Community services	-	-	-	-
Debt service				
Principal on long-term debt	415,000	-	-	-
Interest and other	61,104	-	-	-
Capital outlay	-	-	-	-
Total expenditures	476,104	28,905	228,201	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	197,546	-	51,512	13,604
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	-	-
Contributions from other governments	-	-	-	-
Operating transfers out	(195,474)	-	-	-
Operating transfers in	-	-	-	-
Total other financing sources (uses)	(195,474)	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	2,072	-	51,512	13,604
Fund Balance, Beginning of Year	483,920	-	362,917	24,343
Fund Balance, End of Year	\$ 485,992	\$ -	\$ 414,429	\$ 37,947

City of Caldwell, Idaho

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

Year Ended September 30, 2016

Cemetery Perpetual Care	Community Development	Library	Airport	Recreation	Totals
\$ -	\$ -	\$ 665,514	\$ 125,863	\$ 570,274	\$ 1,936,413
5,420	2	13,820	3,890	10,291	55,852
-	-	211,369	29,907	615,089	886,572
-	-	22,417	-	-	22,417
-	-	-	1,296,486	-	1,325,391
-	-	-	43,176	-	43,176
22,946	-	12,338	195,749	408,339	775,910
4,101	-	12,866	(2,227)	677	20,254
-	-	-	-	-	188,799
-	1,750	26,752	-	5,456	43,353
<u>32,467</u>	<u>1,752</u>	<u>965,076</u>	<u>1,692,844</u>	<u>1,610,126</u>	<u>5,298,137</u>
-	-	-	-	-	257,106
-	-	-	-	1,485,366	1,485,366
-	244,019	855,193	329,775	-	1,428,987
-	-	-	-	-	415,000
-	-	-	-	-	61,104
-	-	-	1,430,664	392,519	1,823,183
<u>-</u>	<u>244,019</u>	<u>855,193</u>	<u>1,760,439</u>	<u>1,877,885</u>	<u>5,470,746</u>
<u>32,467</u>	<u>(242,267)</u>	<u>109,883</u>	<u>(67,595)</u>	<u>(267,759)</u>	<u>(172,609)</u>
-	-	-	155,661	-	155,661
-	229,716	-	-	-	229,716
-	-	-	-	-	(195,474)
-	1,425	-	122,000	-	123,425
<u>-</u>	<u>231,141</u>	<u>-</u>	<u>277,661</u>	<u>-</u>	<u>313,328</u>
32,467	(11,126)	109,883	210,066	(267,759)	140,719
<u>1,300,543</u>	<u>66,232</u>	<u>1,038,209</u>	<u>93,798</u>	<u>908,612</u>	<u>4,278,574</u>
<u>\$ 1,333,010</u>	<u>\$ 55,106</u>	<u>\$ 1,148,092</u>	<u>\$ 303,864</u>	<u>\$ 640,853</u>	<u>\$ 4,419,293</u>

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, 2016

	Golf	Street Lighting	Irrigation	Totals
Assets				
Current Assets				
Cash and cash equivalents	\$ 159,084	\$ 937,294	\$ 1,806,653	\$ 2,903,031
Interest receivable	2,952	535	-	3,487
Accounts receivable	525,060	55,094	354,865	935,019
Total current assets	687,096	992,923	2,161,518	3,841,537
Noncurrent Assets				
Capital assets				
Land	375,911	-	-	375,911
Construction in progress	-	-	154,150	154,150
Buildings	940,463	-	-	940,463
Improvements other than buildings	1,430,563	2,316,300	630,032	4,376,895
Equipment	1,013,209	-	711,978	1,725,187
Less accumulated depreciation	(2,754,778)	(686,752)	(477,079)	(3,918,609)
Total noncurrent assets	1,005,368	1,629,548	1,019,081	3,653,997
Deferred Outflow of Resources				
Pension obligation	28,796	-	21,870	50,666
	\$ 1,721,260	\$ 2,622,471	\$ 3,202,469	\$ 7,546,200
Liabilities				
Current Liabilities				
Vouchers and payroll payables	\$ 36,382	\$ 18,935	\$ 151,094	\$ 206,411
Advances	1,488,836	-	-	1,488,836
Current portion of compensated absences	14,957	-	-	14,957
Total current liabilities	1,540,175	18,935	151,094	1,710,204
Noncurrent Liabilities				
Net pension liability	87,308	-	66,843	154,151
Deferred Inflow of Resources				
Pension obligation	446	-	1,706	2,152
Net Position				
Net investment in capital assets	1,005,368	1,629,548	1,019,081	3,653,997
Unrestricted	(912,037)	973,988	1,963,745	2,025,696
Total net position	93,331	2,603,536	2,982,826	5,679,693
	\$ 1,721,260	\$ 2,622,471	\$ 3,202,469	\$ 7,546,200

City of Caldwell, Idaho

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds
Year Ended September 30, 2016

	Golf	Street Lighting	Irrigation	Totals
Operating Revenues				
Charges for services	\$ 570,335	\$ 508,173	\$ 1,239,260	\$ 2,317,768
Other	24,857	-	135	24,992
Total operating revenues	<u>595,192</u>	<u>508,173</u>	<u>1,239,395</u>	<u>2,342,760</u>
Operating Expenses				
Personnel services	336,843	-	184,921	521,764
Contractual services	109,034	146,575	399,397	655,006
Materials and supplies	89,170	-	36,990	126,160
Utilities	82,976	226,658	408,340	717,974
Repairs and maintenance	132,151	-	156,697	288,848
Other expenses	8,043	174	-	8,217
Depreciation and amortization	131,552	66,701	73,532	271,785
Total operating expenses	<u>889,769</u>	<u>440,108</u>	<u>1,259,877</u>	<u>2,589,754</u>
Operating Income (Loss)	<u>(294,577)</u>	<u>68,065</u>	<u>(20,482)</u>	<u>(246,994)</u>
Nonoperating Revenues (Expenses)				
Interest income	12,672	6,149	13,258	32,079
Gain of sale of assets	432,256	-	-	432,256
Unrealized gain (loss) on investments	<u>(779)</u>	<u>(9)</u>	<u>1,683</u>	<u>895</u>
Total nonoperating revenues	<u>444,149</u>	<u>6,140</u>	<u>14,941</u>	<u>465,230</u>
Income (Loss) Before Contributions and Transfers	<u>149,572</u>	<u>74,205</u>	<u>(5,541)</u>	<u>218,236</u>
Contributions from developers	-	122,877	59,178	182,055
Operating transfers out	-	-	(33,000)	(33,000)
Change in Net Position	149,572	197,082	20,637	367,291
Net Position, Beginning of Year	<u>(56,241)</u>	<u>2,406,454</u>	<u>2,962,189</u>	<u>5,312,402</u>
Net Position, End of Year	<u>\$ 93,331</u>	<u>\$ 2,603,536</u>	<u>\$ 2,982,826</u>	<u>\$ 5,679,693</u>

City of Caldwell, Idaho
Combining Statement of Net Position – Nonmajor Internal Service Funds
September 30, 2016

	Post-Retirement Health Reimbursement Arrangement	Section 125 Benefit Plan	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 541,122	\$ 30,175	\$ 571,297
Interest receivable	630	-	630
	<u>\$ 541,752</u>	<u>\$ 30,175</u>	<u>\$ 571,927</u>
 Liabilities and Net Position			
Liabilities			
Vouchers payable	\$ -	\$ 313	\$ 313
Total liabilities	<u>-</u>	<u>313</u>	<u>313</u>
 Net Position			
Unrestricted	<u>541,752</u>	<u>29,862</u>	<u>571,614</u>
Total net position	<u>541,752</u>	<u>29,862</u>	<u>571,614</u>
	<u>\$ 541,752</u>	<u>\$ 30,175</u>	<u>\$ 571,927</u>

City of Caldwell, Idaho

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

Year Ended September 30, 2016

	<u>Post-Retirement Health Reimbursement Arrangement</u>	<u>Section 125 Benefit Plan</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 143,040	\$ 98,604	\$ 241,644
Total operating revenues	<u>143,040</u>	<u>98,604</u>	<u>241,644</u>
Operating Expenses			
Personnel Services	49,723	93,047	142,770
Total operating expenses	<u>49,723</u>	<u>93,047</u>	<u>142,770</u>
Operating Income	<u>93,317</u>	<u>5,557</u>	<u>98,874</u>
Nonoperating Revenues			
Interest income	3,567	-	3,567
Unrealized gain on investments	1,776	-	1,776
Total nonoperating revenues	<u>5,343</u>	<u>-</u>	<u>5,343</u>
Change in Net Position	98,660	5,557	104,217
Net Position, Beginning of Year	<u>443,092</u>	<u>24,305</u>	<u>467,397</u>
Net Position, End of Year	<u>\$ 541,752</u>	<u>\$ 29,862</u>	<u>\$ 571,614</u>



Single Audit Information
September 30, 2016
City of Caldwell, Idaho

City of Caldwell, Idaho
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218		\$ 28,905
Total Department of Housing and Urban Development			<u>28,905</u>
U.S. Department of Justice			
Edward Byrne Justice Assistance Grant			
Edward Byrne JAG Program Local Solicitation	16.738		40,112
Passed through City of Nampa			
Edward Byrne JAG Program Local Solicitation	16.738	2014-DJ-BX-0975	<u>5,160</u>
Total Department of Justice			<u>45,272</u>
U.S. Department of Transportation			
Federal Aviation Administration			
Airport Improvements	20.106		<u>1,296,486</u>
Passed through the Idaho Department of Transportation			
State and Community Highway Safety	20.600	AL-2016-EB-00-00 OP-2016-00-00-00 PT-2016-EA-00-00	2,000 925 <u>1,553</u> <u>4,478</u>
National Highway Transportation Safety	20.616	M2HVE-2016-00-00-00 M5HVE-2016-00-00-00 M5HVE-2016-EB-00-00 M5HVE-2016-EB-00-00	743 3,500 931 <u>836</u> <u>6,010</u>
Total Department of Transportation			<u>1,306,974</u>

City of Caldwell, Idaho
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2016

U.S. Department of Homeland Security			
Passed through Canyon County: Office of Emergency Management			
State Homeland Security Program (SHSP) - Law Enforcement	97.067	EMW-2015-SS-00091	46,595
Passed through Idaho Office of Emergency Management			
Hazardous Materials Emergency Preparedness Grant Program (HMEP)	97.067	HM-HMPO0511-15-01-00	3,078
State Homeland Security Program (SHSP) - Response Assets	97.067	EMW-2014-SS-00084	<u>10,940</u>
Total Department of Homeland Security			<u>60,613</u>
Total Federal Financial Assistance			<u><u>\$ 1,441,764</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 - Significant Accounting Policies

Governmental fund types account for the City's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.

The City has not elected to use the 10% de minimis cost rate.



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, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated January 31, 2017. Our opinion was modified on the governmental activities and the aggregate remaining funds due to a departure from GAAP.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2016-A that we consider to be a significant deficiency.

Compliance and Other Matters

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

The City's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Boise, Idaho
January 31, 2017



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Caldwell, Idaho's (the City) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended September 30, 2016. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Boise, Idaho
January 31, 2017

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Modified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2016-A – Year-end close and financial statement preparation

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.

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 the government-wide statements, fund level statement, cash flow statements, and other supplementary information. The footnotes were prepared by the Finance Department.

Cause:

The final trial balance was not compared to all supporting documentation to determine if 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 required audit work papers prepared at the start of the audit, management did not have the time needed to prepare the financial statements.

Effect:

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

Recommendation:

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

Management Response and Corrective Plan:

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

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

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

Section III – Federal Award Findings and Questioned Costs

None

Section II – Financial Statement Findings

Material Weakness

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

Initial Fiscal Year Finding Occurred: Ongoing

Finding Summary: 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. Eide Bailly, LLP prepared the adjusting entries related to implementation of GASB 68.

Status: Partially corrected. The GASB 68 adjustment was calculated by the Finance Department. The footnotes were prepared by the Finance Department. The rest of the finding remained unchanged.

Reason for Recurrence: The Finance department made significant strides in the current year with the year-end close process and participation in the report preparation process. As it is a significant process, it may take a few years for the City to be able to fully prepare the financial statements.

Section III – Federal Award Findings and Questioned Costs

No findings were reported in the prior year.