



Financial Statements
September 30, 2014

City of Caldwell, Idaho

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
Financial Statements	
Statement of Net Position	14
Statement of Activities.....	16
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Funds.....	22
Statement Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds.....	25
Statement of Fiduciary Net Position – Fiduciary Funds	27
Statement Revenues, Expenses, and Changes in Net Position – Fiduciary Funds.....	28
Notes to Financial Statements.....	29
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund.....	54
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Street Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Urban Renewal Agency	56
Notes to Required Supplementary Information	57
Other Financial Information	
Combining Balance Sheet – Nonmajor Governmental Funds	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	60
Combining Statement of Net Position – Nonmajor Enterprise Funds	62
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds.....	63
Combining Statement of Net Position – Nonmajor Internal Service Funds	64
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Internal Service Funds.....	65
Federal Awards Reports in Accordance with the Single Audit Act and OMB Circular A-133	
Schedule of Expenditures of Federal Awards.....	66
Notes to Schedule of Expenditures of Federal Awards	67
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	68
Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133	70
Summary Schedule of Prior Year Findings	72
Schedule of Findings and Questioned Costs.....	73

CITY OF CALDWELL, IDAHO

CITY OFFICIALS

September 30, 2014

MAYOR

Garret L. Nancolas

COUNCIL

Jim Blacker, President

Robert Hopper

Shannon Ozuna

Mike Pollard

Terrence Biggers

Dennis Callsen

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No.65, *Items Previously Reported as Assets and Liabilities*. As discussed in Note 13 to the financial statements, the City has retroactively restated the previously reported net position to account for bond issuance costs in accordance with this Statement. The adoption of this statement also resulted in the reclassification of items previously reported in liabilities as deferred revenue. These items are now reported in deferred inflows of resources as unavailable revenues. Our opinion is not modified with respect to this matter.

Change in Component Unit

As discussed in Note 1 to the financial statements, the City follows the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34*. As discussed in Note 13 to the financial statements, the City has retroactively restated the previously reported fund balance and net position to account for the Caldwell East Urban Renewal Agency's change in presentation from a discretely presented component unit to a blended component unit of the City. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 of Caldwell, Idaho's financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular *A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual 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 and individual 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 February 02, 2015 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
February 02, 2015

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, 2014. September 30, 2013 balances have been restated to reflect a change in reporting the Urban Renewal Agency from a discretely presented component unit to a blended component unit due to a change in the composition of the board. Urban renewal balances are now reported in these statements. In addition, the City implemented GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities* as of September 30, 2014 which resulted in September 30, 2013 balances to be restated for bond issuance costs that were previously capitalized and amortized that are now expensed in the year of debt issuance.

FINANCIAL HIGHLIGHTS

- The assets of the City of Caldwell, Idaho exceeded its liabilities and deferred inflows of resources at September 30, 2014, by \$194,923,041. This is a decrease of \$270,955 over the September 30, 2013, balance of \$194,652,086, as restated. Of this amount, unrestricted net position of \$48,358,274 may be used to meet the City's ongoing obligations to citizens and creditors compared to \$32,189,546, as restated, on September 30, 2013.
- As of September 30, 2014, the City of Caldwell's governmental funds reported combined ending fund balances of \$27,426,937. This is a decrease of \$4,651,391 over the September 30, 2013, balance of \$32,078,328, as restated. Of this amount, \$8,905,666 is unassigned and available for spending compared to \$6,604,682 on September 30, 2013, and \$18,521,271 is reserved for specific future purposes compared to \$25,473,646, as restated, last year. Safety services have a committed fund balance of \$1,973,453 which represents eight years of costs savings in those departments.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,905,666 compared to \$6,604,682 last year.
- The City of Caldwell's total debt obligation was \$26,181,962 compared to \$30,793,157 last year. The portion of this debt attributed to Urban Renewal is \$19,855,000 and is not included in the City's debt capacity. The City's debt of \$6,326,962 is 23.8% of its total debt capacity of \$26,616,424.

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 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 and 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. 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, 2014, the City's assets exceeded liabilities and deferred inflows of resources by \$194,923,041, a decrease of \$270,955 over the September 30, 2013, balance of \$194,652,086, as restated. Other assets, capital assets net of depreciation, liabilities, and deferred inflows of resources totaled \$75,097,381, \$171,175,185, \$30,651,219, and \$20,698,306, respectively. As compared to 2013 balances of \$77,468,112, \$172,141,945, \$35,740,286, and \$19,217,685, respectively, other assets decreased \$2,370,731, capital assets net of depreciation decreased \$966,760, liabilities decreased \$5,089,067, and deferred inflows of resources increased \$1,480,621.

Investments in capital assets, less any related outstanding debt used to acquire those assets, totaling \$144,646,495 represent by far the largest portion of the City's net position (74.2%). Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Capital assets, net of accumulated depreciation, totaled \$96,036,773 at September 30, 2014 and increased \$1,897,245 from September 30, 2013 balance of \$94,139,528 for governmental activities. Capital assets, net of accumulated depreciation for business-type activities totaled \$75,138,412 at September 30, 2014 and decreased \$2,864,005 from September 30, 2013 balance of \$78,002,417. Major asset additions are scheduled on page 12.

Governmental activities. Governmental activities decreased the City's net position by \$703,904 accounting for a .68% decrease in the net position. Governmental expenses totaled \$34,865,245 compared to \$27,550,719 in 2013. This \$7,314,526 expense increase can be explained largely by a transfer of the County Administration Building from the Caldwell East Urban Renewal Agency in the current year which resulted in a loss to the City of \$6,895,367. In addition, there was approximately \$626,853 in expense increases in safety services for salary and benefit increases and unbudgeted dispatch payments to county dispatch.

Program revenues totaled \$13,777,488 which is \$596,406 greater than last year and covered 39.5% of governmental expenses. Major components of this increase include street fund contributions from developers for dedicated streets of \$723,373 and increases in operating grants and contributions over 2013 of \$256,698. Other governmental revenue decreased \$239,364 from the 2013 balance.

Expenditures less program revenues produced a net expense of \$21,087,757. When netted against general revenues of \$20,383,853 the change in net position for governmental activities is a decrease of \$703,904.

Business-type activities. Business-type activities increased the City's net position by \$974,859 accounting for a 1.1% increase in the City's net position. Business-type expenses totaled \$15,917,625 compared to \$15,742,792 in 2013. Curbside recycling began in 2014 and makes up the majority of the \$174,833 cost increase.

Program revenues totaled \$16,317,581 compared to \$14,978,512 in 2013 and covered 102.5% of expenses. Major components of this \$1,339,069 increase included; one-time project reimbursement revenue to the water fund of \$278,111 for work performed for non-water projects, sewer charges for services of \$262,119, sewer contributed capital of \$212,667, first year revenues for curbside recycling of \$145,434 and charges for services of \$134,320 both in the sanitation fund. These increases are directly related to fee increases, the improvement in the economy and continued construction activity in 2014.

General revenues totaled \$574,903 compared to \$212,631 last year and covered 3.6% of expenses. The major component of this \$362,272 increase was one-time operations transfers of \$316,877 for project reimbursements from governmental funds.

Expenditures less program revenues produced net revenue of \$399,956. When combined with general revenues of \$574,903 the change in net position for business-type activities is an increase of \$974,859.

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

	Governmental Activities		Business-type		Total	
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013
Current and Other Assets	\$ 51,875	\$ 55,000	\$ 23,222	\$ 22,468	\$ 75,097	\$ 77,468
Capital Assets	96,037	94,139	75,138	78,002	171,175	172,141
Total Assets	147,912	149,139	98,360	100,470	246,272	249,609
Short-Term Liabilities	5,284	4,309	2,342	2,783	7,626	7,092
Long-Term Liabilities	19,036	22,014	3,989	6,633	23,025	28,647
Total Liabilities	24,320	26,323	6,331	9,416	30,651	35,739
Deferred Inflows of Resources	20,698	19,218	-	-	20,698	19,218
Net Investment in						
Capital Assets	74,175	92,134	70,471	70,384	144,646	162,518
Restricted for:						
Urban renewal projects	1,918	2,824	-	-	1,918	2,824
Unrestricted	26,801	8,640	21,558	20,670	48,359	29,310
Total Net Position	<u>\$102,894</u>	<u>\$ 103,598</u>	<u>\$ 92,029</u>	<u>\$ 91,054</u>	<u>\$ 194,923</u>	<u>\$ 194,652</u>

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

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

	Governmental Activities		Business-type Activities		Total	
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013
Revenues:						
Program revenues:						
Charges for services	\$ 6,026	\$ 6,062	\$ 15,889	\$ 14,979	\$ 21,915	\$ 21,041
Operating grants and contributions	7,029	6,772	-	-	7,029	6,772
Capital grants and contributions	723	347	429	-	1,152	347
General revenues:						
Property taxes-general purpose	10,016	9,567	-	-	10,016	9,567
Property taxes-debt service	6,177	6,082	-	-	6,177	6,082
Franchise fees	733	649	-	-	733	649
Sales tax and other government	2,134	2,209	-	-	2,134	2,209
Special assessments for debt service of LIDs	415	85	-	-	415	85
Unrestricted investment earnings	484	178	269	326	753	504
Unrestricted unrealized gain (loss) on investments	28	(380)	(83)	(244)	(55)	(624)
Miscellaneous	713	508	72	108	785	616
Internal transfers	(317)	(23)	317	23	-	-
Total revenues	34,161	32,056	16,893	15,192	51,054	47,248
Expenses:						
General government	3,609	3,176	15,918	15,743	19,527	18,919
Public safety	13,246	12,619	-	-	13,246	12,619
Parks and recreation	1,855	1,767	-	-	1,855	1,767
Community services and development	10,017	3,715	-	-	10,017	3,715
Streets	5,079	5,120	-	-	5,079	5,120
Interest on long-term debt	1,059	1,153	-	-	1,059	1,153
Total expenses	34,865	27,550	15,918	15,743	50,783	43,293
Net Revenue	\$ (704)	\$ 4,506	\$ 975	\$ (551)	\$ 271	\$ 3,955

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2014, the City's governmental funds reported combined ending fund balances of \$27,426,937. Of this amount, \$8,905,666 (32.5%) is unassigned fund balance and will be used to fund budgeted expenditures in the general fund between October 2014 and January 2015 until property tax revenues are received in late January. This unassigned fund balance represents 51.5% of budgeted general fund expenditures in 2015. Other assigned fund balances include: \$1,210,969 to be used for street projects and operations costs, \$2,369,759 can only be used to fund activities in the City's special revenue funds. Additionally, \$163,882 can only be used for housing rehabilitation activities, \$1,178,792 can only be used to fund library expenditures and \$430,734 must be used to pay debt obligations. Fund balance committed for public safety and capital outlay are \$1,973,453 and \$3,167,758 respectively. Fund balances restricted for urban renewal projects and bond covenants are \$1,918,272 and \$4,420,136, respectively. Finally, \$1,687,516 is classified as non-spendable.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance was \$8,905,666, which is \$2,300,984 more than last year. Within this unassigned fund balance, the City should maintain \$5,760,903 to pay personnel and operation expenses from October 1st until property tax revenues are received in late January. Total fund balance amounted to \$15,558,713, which is \$2,599,252 more than last year. Urban renewal fund balance of \$6,352,805 was added to the City's financial statements as a blended component unit classified as a major special revenue fund in 2014.

As a measure of the general fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures of \$18,881,108. Unassigned fund balance represents 47.2% and total fund balance represents 82.4% of total general fund expenditures.

Major components affecting the general fund's total fund balance are fund balance of \$1,973,453 committed for safety services and fund balance from impact fees for new parks and safety services substation construction and capital equipment for park's maintenance equipment of \$3,167,758. Receivables for property taxes due within one year total \$11,680,960.

The street fund builds, maintains and monitors all roads, bridges, storm drains and other public easements within city limits. At the end of the current fiscal year, fund balance in the street fund was \$1,312,009, which is \$346,412 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 \$2,332,229.

The urban renewal agency provides economic development incentives for industrial developers within agency boundaries. At the end of the current fiscal year, fund balance in the urban renewal fund was \$6,352,805, which is \$7,674,094 lower than last year. This reduction is largely due to completing the county administration building project valued at \$6,895,367 and transferring it to the county, land purchases of \$2,300,000 offset by land sales proceeds of \$788,080. As of September 30, 2014, fund balance restricted for urban renewal projects is \$1,918,272 and \$4,420,136 is restricted for bond covenants. Increment revenue levied and allocated to the agency in 2014 was \$6,093,366 compared to \$5,576,126 in 2013.

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, \$944,247, \$17,433,907, and \$1,308,345 at year-end. Changes in unrestricted net position in the water, sewer, and sanitation funds were, respectively, (\$511,273), \$1,200,985 and \$245,602. The changes in total net position for these funds were \$87,818, \$658,517 and \$245,602, respectively. The decrease in water fund unrestricted net position is largely due to the budgeted operating loss of \$494,443. Water user fees have been increased in the 2015 budget to eliminate this deficit. The increase in sewer fund unrestricted net position is largely due to expenditure savings for general operating costs of \$592,344, capital project construction savings of \$1,036,698, offset by loss on disposal of assets of \$693,617. City retained franchise fees for administering the billing process are the major contributor to increases in net position in the Sanitation fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budget to Actual Revenues. General fund revenues exceeded budget projections by \$555,737. This variance is reported in detail on page 54. Property tax collections of \$459,880 over budget related to delinquent tax balances comprises the majority of the variance. Intergovernmental revenues comprising sales taxes and revenue sharing exceeded budget by \$86,800.

Budget to Actual Expenditures. Savings in general fund expenditures totaled \$153,449. General government expenditure savings of \$490,898 is attributed to unused contingency funds of \$472,473. A purchase of 10 acres of additional park land adjacent to the rodeo & fair grounds for \$425,000 caused capital outlay to exceed budget by \$368,496. Remaining cost reductions totaled \$31,047.

Budget to Actual Other Financing Sources (Uses). Other financing sources exceeded budget by \$1,733,847 largely due to transfers from the Caldwell East Urban Renewal Agency for Treasure Valley Community College (TVCC) building loan repayment of \$1,695,000 and project reimbursements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2014, amounts to \$171,175,185 (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 \$14,673,476 in capital assets during the year and retired assets totaling \$11,360,215. Depreciation expense for the year was \$7,718,372.

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

• Park Land	\$ 425,000
• Historic Library & Land	195,000
• O'Conner Building Roof	367,566
• Park parking lot	132,000
• Park Improvements	118,229
• Library Remodel	256,989
• Dedicated Streets	685,207
• Street equipment	366,694
• Road & Bridge Construction	436,264
• Water equipment	129,320
• Water Meters & Waterlines	545,934
• Sewer Trunk Line & Force Main	508,987

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 \$26,181,962 in outstanding debt consisting of revenue bonds, special assessment bonds, and installment loans. Specific revenue sources or the associated equipment secured all of the debt.

The City's total debt decreased \$4,611,195 during the current fiscal year from the restated 2013 balance of \$30,793,157. No new long-term debt was issued in 2014. A water bond of \$930,000 and sewer bond of \$1,035,000 were retired 5 years early in 2014. Interest cost incurred in 2014 totaled \$1,471,720. 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 averaged less than 5% for water, sewer, sanitation, streetlights and irrigation in the FY 2014 budget. These rates are set by council resolution each year including a public hearing for fee increases in excess of 5% of the fee previously charged.

Pending Conditions of Significant Importance. Economic conditions improved substantially in 2014. Real estate prices and sales increased as more buyers reentered 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 in 2014 by \$249,780,408. New construction and annexations added \$28,904,302. Taxable values at September 30, 2014 reached \$1,330,821,183 compared to the highest values recorded in 2008 of \$1,492,249,718. Property taxes levied on this \$1,330,821,183 are \$14,605,060 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 to 122 mills in 2014 compared to 128 mills in 2013. City council reduced the levy rate to 108 mills in the 2015 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 318 in 2013 and 293 in 2014. Demand for residential and commercial building permits is expected to continue at these levels in 2015.

An industrial bearing distributor relocated to the Sky Ranch Business Park bringing with it 14 new jobs.

The Caldwell East Urban Renewal Agency 2014 Amendment: Subsequent to year-end the agency approved the 2014 plan amendment that clarifies plan language. The amendment provides for the Agency to work specifically with the public bodies affected by revenue allocation to identify and implement urban renewal projects. Projects and funding shall be at the discretion of the Agency.

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 621 Cleveland Blvd., Caldwell, Idaho 83606.

City of Caldwell, Idaho
Statement of Net Position
September 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current Assets			
Cash and cash equivalents	\$ 21,491,546	\$ 21,417,339	\$ 42,908,885
Receivables			
Interest	211,885	14,888	226,773
Taxes	21,871,538	-	21,871,538
Intergovernmental	1,179,878	-	1,179,878
Accounts	196,563	2,002,523	2,199,086
Special assessments	349,896	-	349,896
Grants	127,381	-	127,381
Notes	74,640	-	74,640
Internal balances	1,211,836	(1,211,836)	-
Inventory	101,040	267,619	368,659
Total current assets	<u>46,816,203</u>	<u>22,490,533</u>	<u>69,306,736</u>
Noncurrent Assets			
Restricted cash and cash equivalents	4,685,167	731,659	5,416,826
Restricted investments	373,819	-	373,819
Capital assets			
Land and other assets not depreciated	13,266,470	1,692,153	14,958,623
Buildings, improvements, equipment and infrastructure, net of depreciation	82,770,303	73,446,259	156,216,562
	<u>\$ 147,911,962</u>	<u>\$ 98,360,604</u>	<u>\$ 246,272,566</u>

City of Caldwell, Idaho
Statement of Net Position
September 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Liabilities, Deferred Inflows of Resources, and Net Position			
Current Liabilities			
Vouchers and payroll payable	\$ 1,649,081	\$ 733,792	\$ 2,382,873
Customer deposits	21,041	810,020	831,061
Interest payable	91,839	30,533	122,372
Current portion of compensated absences	588,831	90,297	679,128
Current portion of long-term liabilities	2,933,246	677,722	3,610,968
Total current liabilities	<u>5,284,038</u>	<u>2,342,364</u>	<u>7,626,402</u>
Noncurrent Liabilities			
Compensated absences payable	27,095	-	27,095
Special assessment debt with government commitment	30,000	-	30,000
Bonds payable	18,978,482	3,965,000	22,943,482
Notes payable	-	24,240	24,240
Total liabilities	24,319,615	6,331,604	30,651,219
Deferred Inflows of Resources			
Unavailable property tax revenue	20,698,306	-	20,698,306
Net Position			
Net investment in capital assets	74,175,045	70,471,450	144,646,495
Restricted for			
Urban renewal projects	1,918,272	-	1,918,272
Unrestricted	26,800,724	21,557,550	48,358,274
Total net position	<u>102,894,041</u>	<u>92,029,000</u>	<u>194,923,041</u>
	<u>\$ 147,911,962</u>	<u>\$ 98,360,604</u>	<u>\$ 246,272,566</u>

City of Caldwell, Idaho
Statement of Activities
Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities					
General government					
Executive and legislative	\$ 274,539	\$ -	\$ -	\$ -	\$ (274,539)
Administrative	198,724	-	-	-	(198,724)
Legal	99,933	-	-	-	(99,933)
City clerk	106,084	33,770	-	-	(72,314)
Accounting	311,453	-	-	-	(311,453)
Tort insurance	318,152	318,156	-	-	4
Other general government	1,267,504	992,261	78,276	-	(196,967)
Government buildings and engineering services	1,032,743	765,550	-	-	(267,193)
Public safety					
Law enforcement	7,573,567	477,379	129,606	-	(6,966,582)
Fire department	5,138,622	1,387,356	721,135	-	(3,030,131)
Building safety	533,763	1,039,336	-	-	505,573
Parks and recreation					
Parks	1,583,196	501,362	583,452	-	(498,382)
Forestry	40,036	-	-	-	(40,036)
Recreation	231,518	142,703	-	-	(88,815)
Community services					
Community services	1,651,266	367,687	1,074,297	-	(209,282)
Community development	8,323,438	-	-	-	(8,323,438)
Senior citizens	42,609	-	-	-	(42,609)
Streets	5,079,120	-	4,441,789	723,373	86,042
Interest on long-term debt	1,058,978	-	-	-	(1,058,978)
Total governmental activities	<u>34,865,245</u>	<u>6,025,560</u>	<u>7,028,555</u>	<u>723,373</u>	<u>(21,087,757)</u>
Business-Type Activities					
Water	4,012,606	3,618,745	-	190,184	(203,677)
Sewer	6,507,727	6,766,506	-	212,667	471,446
Sanitation	3,134,888	3,368,752	-	-	233,864
Golf	768,850	514,015	-	-	(254,835)
Street lighting	434,026	450,958	-	25,735	42,667
Irrigation	1,059,528	1,170,019	-	-	110,491
Total business-type activities	<u>15,917,625</u>	<u>15,888,995</u>	<u>-</u>	<u>428,586</u>	<u>399,956</u>
Total Primary Government	<u>\$ 50,782,870</u>	<u>\$ 21,914,555</u>	<u>\$ 7,028,555</u>	<u>\$ 1,151,959</u>	<u>\$ (20,687,801)</u>

City of Caldwell, Idaho
Statement of Activities
Year Ended September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in Net Position			
Net revenue (expense)	\$ (21,087,757)	\$ 399,956	\$ (20,687,801)
General revenues			
Shared revenues			
Property taxes, levied for general purposes	10,015,760	-	10,015,760
Property taxes, levied for debt service	6,177,192	-	6,177,192
Franchise fees	733,229	-	733,229
Sales tax and other governmental	2,133,717	-	2,133,717
Special assessments for debt service of Local Improvement Districts	415,352	-	415,352
Unrestricted investment earnings	484,248	268,925	753,173
Unrestricted unrealized gain (loss) on investments	27,918	(83,054)	(55,136)
Miscellaneous	713,314	72,155	785,469
Transfers	(316,877)	316,877	-
Total general revenues	<u>20,383,853</u>	<u>574,903</u>	<u>20,958,756</u>
Change in Net Position	(703,904)	974,859	270,955
Net Position, Beginning of Year, as Restated	<u>103,597,945</u>	<u>91,054,141</u>	<u>194,652,086</u>
Net Position, End of Year	<u>\$ 102,894,041</u>	<u>\$ 92,029,000</u>	<u>\$ 194,923,041</u>

City of Caldwell, Idaho
Balance Sheet – Governmental Funds
September 30, 2014

	General	Caldwell East Urban Renewal Agency	Street	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 14,142,696	\$ 2,196,056	\$ 922,189	\$ 3,847,572	\$ 21,108,513
Receivables					
Interest	9,994	-	386	201,492	211,872
Taxes	11,680,960	6,449,877	1,856,350	1,884,351	21,871,538
Intergovernmental	610,168	-	495,238	74,472	1,179,878
Accounts	129,926	402	12,635	53,600	196,563
Special assessments	-	-	-	349,896	349,896
Grants	127,381	-	-	-	127,381
Notes	-	14,397	-	60,243	74,640
Due from other funds	158,107	-	146,410	19,237	323,754
Advances	1,511,836	-	-	-	1,511,836
Inventory	-	-	101,040	-	101,040
Restricted cash and cash equivalents	42,300	4,420,136	-	222,731	4,685,167
Restricted investments	-	-	-	373,819	373,819
	<u>\$28,413,368</u>	<u>\$ 13,080,868</u>	<u>\$ 3,534,248</u>	<u>\$ 7,087,413</u>	<u>\$ 52,115,897</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Vouchers and payroll payable	\$ 954,705	\$ 175,223	\$ 362,937	\$ 147,220	\$ 1,640,085
Customer deposits	20,841	-	-	200	21,041
Due to other funds	162,695	148,213	2,952	-	313,860
Advances	-	-	-	300,000	300,000
Total liabilities	<u>1,138,241</u>	<u>323,436</u>	<u>365,889</u>	<u>447,420</u>	<u>2,274,986</u>
Deferred Inflows of Resources					
Unavailable property tax revenue	11,488,479	6,404,627	1,856,350	1,889,290	21,638,746
Unavailable revenue	227,935	-	-	547,293	775,228
Total deferred inflows of resources	<u>11,716,414</u>	<u>6,404,627</u>	<u>1,856,350</u>	<u>2,436,583</u>	<u>22,413,974</u>
Fund Balances					
Nonspendable	1,511,836	14,397	101,040	60,243	1,687,516
Restricted by bond covenants	-	4,420,136	-	-	4,420,136
Restricted for urban renewal projects	-	1,918,272	-	-	1,918,272
Committed for public safety	1,973,453	-	-	-	1,973,453
Committed for capital outlay	3,167,758	-	-	-	3,167,758
Assigned for housing rehabilitation	-	-	-	163,882	163,882
Assigned for library services	-	-	-	1,178,792	1,178,792
Assigned for debt services	-	-	-	430,734	430,734
Assigned for community services	-	-	1,210,969	2,369,759	3,580,728
Unassigned	8,905,666	-	-	-	8,905,666
Total fund balances	<u>15,558,713</u>	<u>6,352,805</u>	<u>1,312,009</u>	<u>4,203,410</u>	<u>27,426,937</u>
	<u>\$28,413,368</u>	<u>\$ 13,080,868</u>	<u>\$ 3,534,248</u>	<u>\$ 7,087,413</u>	<u>\$ 52,115,897</u>

City of Caldwell, Idaho
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 September 30, 2014

Fund balance - total governmental funds	\$ 27,426,937
Amounts reported for governmental activities in the statement of net position are	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The costs of the assets is \$130,372,737 and the accumulated depreciation is \$34,335,964.	96,036,773
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	940,445
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:	
Interest receivable	167,363
Special assessments	529,008
Notes receivable	78,856
	775,227
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(21,941,728)
Interest on long-term debt is not due and payable in the current-period and therefore is not reported in the funds.	(91,839)
A portion of the accrued compensated absences are not due and payable in the current period and therefore, are not reported in the funds.	(615,926)
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.	364,152
Net position of governmental activities	\$ 102,894,041

City of Caldwell, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2014

	General	Caldwell East Urban Renewal Agency	Street	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 10,274,301	\$ 5,681,011	\$1,643,494	\$ 1,812,207	\$ 19,411,013
Franchise fees	733,229	-	-	-	733,229
Interest	158,085	1,078	10,483	97,516	267,162
Licenses and permits	799,320	-	-	-	799,320
Impact fees	412,302	-	-	-	412,302
Intergovernmental	2,133,717	-	2,419,779	269,329	4,822,825
Fines and forfeitures	242,571	-	-	24,740	267,311
Federal grants	929,017	-	-	40,483	969,500
Other grants	-	-	378,516	-	378,516
Charges for services	3,938,651	-	-	607,976	4,546,627
Assessments	-	-	-	76,430	76,430
Unrealized gain (loss) on investments	21,773	-	(2,396)	8,641	28,018
Miscellaneous	107,547	275,930	182,632	68,349	634,458
Total revenues	19,750,513	5,958,019	4,632,508	3,005,671	33,346,711
Expenditures					
Current					
General government	3,342,696	-	-	206,753	3,549,449
Public safety	12,624,803	-	-	-	12,624,803
Parks and recreation	805,061	-	-	703,501	1,508,562
Community services	316,667	-	-	1,067,848	1,384,515
Streets	-	-	2,872,439	-	2,872,439
Economic development	-	1,682,432	-	-	1,682,432
Debt service					
Principal on long-term debt	-	1,245,000	-	414,998	1,659,998
Interest and other	-	983,322	-	103,065	1,086,387
Capital outlay	1,791,881	8,666,226	2,024,424	411,357	12,893,888
Total expenditures	18,881,108	12,576,980	4,896,863	2,907,522	39,262,473
Excess (Deficiency) of Revenues Over (Under) Expenditures	869,405	(6,618,961)	(264,355)	98,149	(5,915,762)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	788,080	-	69,795	857,875
Contributions from developers	-	-	723,373	-	723,373
Transfers in	1,761,354	-	109,790	12,279	1,883,423
Transfers out	(31,507)	(1,843,213)	(222,396)	(103,184)	(2,200,300)
Total other financing sources (uses)	1,729,847	(1,055,133)	610,767	(21,110)	1,264,371
Net Change in Fund Balances	2,599,252	(7,674,094)	346,412	77,039	(4,651,391)
Fund Balance, Beginning of Year, as Restated	12,959,461	14,026,899	965,597	4,126,371	32,078,328
Fund Balance, End of Year	\$ 15,558,713	\$ 6,352,805	\$1,312,009	\$ 4,203,410	\$ 27,426,937

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, 2014

Net change in fund balances - total governmental funds \$ (4,651,391)

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 (\$12,893,888) exceeded depreciation expense (\$3,814,443) in the current period. 9,079,445

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. (7,182,202)

Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (226,622)

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:

Interest receivable	167,363	
Special assessments	338,922	
Notes receivable	78,856	585,141

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position. Also, governmental funds report the effect of premiums when the debt is first issued, whereas, there amounts are deferred and amortized in the statement of activities. This is the amount of repayments (\$1,659,998) and amortization of premium (\$60,718). 1,720,716

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. 15,163

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. (10,904)

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. (33,250)

Change in Net Position \$ (703,904)

City of Caldwell, Idaho
Statement of Net Position – Proprietary Funds
September 30, 2014

	Enterprise Funds				Total	Governmental
	Water	Sewer	Sanitation	Other Enterprise Funds		Internal
						Service Funds
Assets						
Current Assets						
Cash and cash equivalents	\$ 2,182,083	\$15,159,377	\$ 1,156,378	\$2,919,501	\$ 21,417,339	\$ 383,033
Receivables						
Interest	884	11,340	707	1,957	14,888	13
Accounts, net	449,379	792,759	395,741	364,644	2,002,523	-
Due from other funds	-	170,000	-	-	170,000	-
Advances	-	760,000	-	-	760,000	-
Inventory	267,619	-	-	-	267,619	-
Total current assets	2,899,965	16,893,476	1,552,826	3,286,102	24,632,369	383,046
Noncurrent Assets						
Restricted cash and cash equivalents	-	731,659	-	-	731,659	-
Capital assets						
Land	175,269	105,424	-	686,655	967,348	-
Construction in progress	209,817	514,988	-	-	724,805	-
Buildings	382,887	6,210,427	-	940,463	7,533,777	-
Improvements other than buildings	31,395,243	69,476,597	-	3,564,590	104,436,430	-
Equipment	3,444,105	5,042,728	-	1,620,107	10,106,940	-
Less accumulated depreciation	(13,116,038)	(32,106,062)	-	(3,408,788)	(48,630,888)	-
	\$ 25,391,248	\$66,869,237	\$ 1,552,826	\$6,689,129	\$ 100,502,440	\$ 383,046

City of Caldwell, Idaho
Statement of Net Position – Proprietary Funds
September 30, 2014

	Enterprise Funds					Governmental
	Water	Sewer	Sanitation	Other	Total	Internal
				Enterprise Funds		Service Funds
Liabilities and Net Position						
Current Liabilities						
Vouchers and payroll payable	\$ 151,156	\$ 143,856	\$ 244,381	\$ 194,399	\$ 733,792	\$ 9,000
Customer deposits	796,945	12,975	100	-	810,020	-
Due to other funds	170,000	-	-	-	170,000	9,894
Advances	760,000	-	-	1,211,836	1,971,836	-
Interest payable	7,750	19,572	-	3,211	30,533	-
Current portion of compensated absences payable	69,867	14,825	-	5,605	90,297	-
Current portion of long-term liabilities	-	655,000	-	22,722	677,722	-
Total current liabilities	1,955,718	846,228	244,481	1,437,773	4,484,200	18,894
Noncurrent Liabilities						
Bonds payable	-	3,965,000	-	-	3,965,000	-
Notes payable	-	-	-	24,240	24,240	-
	1,955,718	4,811,228	244,481	1,462,013	8,473,440	18,894
Net Position						
Net investment in capital assets	22,491,283	44,624,102	-	3,356,065	70,471,450	-
Unrestricted	944,247	17,433,907	1,308,345	1,871,051	21,557,550	364,152
Total net position	23,435,530	62,058,009	1,308,345	5,227,116	92,029,000	364,152
	\$ 25,391,248	\$ 66,869,237	\$ 1,552,826	\$ 6,689,129	\$ 100,502,440	\$ 383,046

City of Caldwell, Idaho
Statement Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended September 30, 2014

	Enterprise Funds				Total	Governmental
	Water	Sewer	Sanitation	Other Enterprise Funds		Internal
						Service Funds
Operating Revenues						
Charges for services	\$ 3,457,272	\$ 6,119,034	\$ 3,368,752	\$ 2,134,992	\$ 15,080,050	\$ 108,307
Other	18,401	28,392	-	25,362	72,155	-
Total operating revenues	3,475,673	6,147,426	3,368,752	2,160,354	15,152,205	108,307
Operating Expenses						
Personnel expenses	1,299,170	736,140	-	416,052	2,451,362	-
Contractual services	940,708	1,011,411	3,126,888	539,003	5,618,010	142,698
Materials and supplies	111,219	2,029	-	89,752	203,000	-
Utilities	236,225	442,212	-	721,809	1,400,246	-
Repairs and maintenance	147,751	887,837	-	233,825	1,269,413	-
Other expenses	4,376	3,608	-	12,043	20,027	-
Depreciation and amortization	1,230,667	2,493,904	-	235,398	3,959,969	-
Total operating expenses	3,970,116	5,577,141	3,126,888	2,247,882	14,922,027	142,698
Operating Income (Loss)	(494,443)	570,285	241,864	(87,528)	230,178	(34,391)
Nonoperating Revenues (Expenses)						
Hook-on-fees	161,473	647,472	-	-	808,945	-
Interest expense	(33,931)	(265,217)	(8,000)	(4,826)	(311,974)	-
Interest income	15,346	207,044	11,898	34,637	268,925	1,242
Loss on disposal of assets	(36,350)	(693,617)	-	(9,696)	(739,663)	-
Unrealized loss on investments	(3,489)	(53,691)	(160)	(25,714)	(83,054)	(101)
Nonoperating revenues (expenses)	103,049	(158,009)	3,738	(5,599)	(56,821)	1,141
Income (Loss) Before Contributions and Transfers	(391,394)	412,276	245,602	(93,127)	173,357	(33,250)
Contributions from developers	190,184	212,667	-	25,735	428,586	-
Operating transfers in	289,028	46,965	-	-	335,993	-
Operating transfers out	-	(13,391)	-	(5,725)	(19,116)	-
Change in Net Position	87,818	658,517	245,602	(73,117)	918,820	(33,250)
Net Position, Beginning of Year	23,347,712	61,399,492	1,062,743	5,300,233	91,110,180	397,402
Net Position, End of Year	\$23,435,530	\$62,058,009	\$1,308,345	\$5,227,116	\$92,029,000	\$ 364,152

	Enterprise Funds		
	Water	Sewer	Sanitation
Operating Activities			
Received from user charges	\$ 3,468,523	\$ 6,051,313	\$ 3,311,986
Payments to employees for services	(1,303,555)	(729,972)	-
Payments to suppliers for goods and services	(490,561)	(2,565,474)	(3,093,478)
Net Cash from (used for) Operating Activities	<u>1,674,407</u>	<u>2,755,867</u>	<u>218,508</u>
Noncapital Financing Activities			
Transfers in (out)	<u>289,028</u>	<u>33,574</u>	<u>-</u>
Net Cash from (used for) Noncapital Financing Activities	<u>289,028</u>	<u>33,574</u>	<u>-</u>
Capital and Related Financing Activities			
Acquisition of capital assets	(558,133)	(564,138)	-
Hook-on fees	161,473	647,472	-
Principal payments on bonds payable	(1,090,000)	(1,840,000)	-
Principal payments on notes payable	-	-	-
Interest paid	(46,550)	(288,013)	(8,000)
Net Cash used for Capital and Related Financing Activities	<u>(1,533,210)</u>	<u>(2,044,679)</u>	<u>(8,000)</u>
Investing Activities			
Interest received on investments	15,514	211,843	11,916
Net decrease in investments	(3,489)	(53,691)	(160)
Net Cash from Investing Activities	<u>12,025</u>	<u>158,152</u>	<u>11,756</u>
Net Change in Cash and Cash Equivalents	442,250	902,914	222,264
Cash and Cash Equivalents, October 1, 2013	<u>1,739,833</u>	<u>14,988,122</u>	<u>934,114</u>
Cash and Cash Equivalents, September 30, 2014	<u>\$ 2,182,083</u>	<u>\$ 15,891,036</u>	<u>\$ 1,156,378</u>
Supplemental Information			
Contributed property, plant and equipment	<u>\$ 190,184</u>	<u>\$ 212,667</u>	<u>\$ -</u>

See Notes to Financial Statements

City of Caldwell, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2014

Other Enterprise Funds	Total	Internal Service Funds
\$ 2,189,714	\$ 15,021,536	\$ 108,307
(421,155)	(2,454,682)	-
(1,605,880)	(7,755,393)	(133,698)
<u>162,679</u>	<u>4,811,461</u>	<u>(25,391)</u>
(5,725)	316,877	-
<u>(5,725)</u>	<u>316,877</u>	<u>-</u>
(228,731)	(1,351,002)	-
-	808,945	-
-	(2,930,000)	-
(21,195)	(21,195)	-
(4,826)	(347,389)	-
<u>(254,752)</u>	<u>(3,840,641)</u>	<u>-</u>
35,802	275,075	1,252
(25,714)	(83,054)	(101)
<u>10,088</u>	<u>192,021</u>	<u>1,151</u>
(87,710)	1,479,718	(24,240)
<u>3,007,211</u>	<u>20,669,280</u>	<u>407,273</u>
<u>\$ 2,919,501</u>	<u>\$ 22,148,998</u>	<u>\$ 383,033</u>
<u>\$ 25,735</u>	<u>\$ 428,586</u>	<u>\$ -</u>

	Enterprise Funds		
	Water	Sewer	Sanitation
Reconciliation of operating income (loss) to net cash from (used for) operating activities			
Operating income (loss)	\$ (494,443)	\$ 570,285	\$ 241,864
Depreciation	1,202,876	2,465,656	-
Amortization	27,791	28,248	-
Changes in assets and liabilities			
Accounts receivable	(30,504)	(94,923)	(28,986)
Internal balances	1,042,581	(145,277)	-
Inventory	(110,465)	-	-
Vouchers payable	16,826	(69,137)	33,410
Unearned revenue	-	-	(27,780)
Compensated absences	(3,609)	2,205	-
Customer deposits	23,354	(1,190)	-
Net Cash from (used for) Operating Activities	<u>\$ 1,674,407</u>	<u>\$ 2,755,867</u>	<u>\$ 218,508</u>

See Notes to Financial Statements

City of Caldwell, Idaho
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2014

<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ (87,528)	\$ 230,178	\$ (34,391)
235,398	3,903,930	-
-	56,039	-
29,360	(125,053)	-
57,494	954,798	-
-	(110,465)	-
(66,942)	(85,843)	9,000
-	(27,780)	-
(5,103)	(6,507)	-
-	22,164	-
<u>\$ 162,679</u>	<u>\$ 4,811,461</u>	<u>\$ (25,391)</u>

City of Caldwell, Idaho
Statement of Fiduciary Net Position – Fiduciary Funds
September 30, 2014

	<u>Agency Fund</u>	<u>Employee Benefit Plan Trust</u>
Assets		
Cash	\$ -	\$ 1,423,978
Accounts receivable	1,350	-
Restricted cash and cash equivalents	<u>111,101</u>	<u>-</u>
	<u>\$ 112,451</u>	<u>\$ 1,423,978</u>
Liabilities		
Vouchers payable	\$ 112,451	\$ 39,791
Health claims incurred but not reported	<u>-</u>	<u>183,774</u>
Total liabilities	<u>112,451</u>	<u>223,565</u>
Net Position	<u>-</u>	<u>1,200,413</u>
	<u>\$ 112,451</u>	<u>\$ 1,423,978</u>

City of Caldwell, Idaho
Statement Revenues, Expenses, and Changes in Net Position – Fiduciary Funds
Year Ended September 30, 2014

	Employee Benefit Plan Trust
Contributions	
Employer	\$ 2,728,039
Employees	198,152
COBRA	20,237
Total contributions	2,946,428
Other Income	
Rebates	21,434
Total other income	21,434
Deductions	
Insurance claim benefits	1,789,516
Change in IBNR	29,450
Administrative expenses	590,911
Total deductions	2,409,877
Change in Net Position	557,985
Net Position, Beginning of Year	642,428
Net Position, End of Year	\$ 1,200,413

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 Governmental Units.

Financial Reporting Entity

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

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

The Caldwell East Urban Renewal Agency (URA) was organized on December 21, 1998 to oversee redevelopment efforts in the Northeastern Caldwell areas. The City Council serves as the board of commissioners for the URA. The URA is presented in these financial statements as a blended component unit reported as a special revenue fund. Complete financial statements can be obtained from the offices of the Finance Director at the City.

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

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 to 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

Caldwell East Urban Renewal Agency Sunset

The Urban Renewal Agency (URA) of the City of Caldwell, Idaho will cease projects that require issuing bonds as of December 31, 2014. With the exception of the 2015 debt and interest payment of \$3,417,132, the URA's annual bonded debt after December 31, 2015, is forecasted to be \$2,700,000. The increment needed to service the debt will be deducted from the benefiting taxing district before calculating excess increment revenue. Non-benefiting taxing districts will receive 100% of increment revenue received by the URA as determined by the county tax collector for urban renewal projects benefiting their tax district.

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 of Resources

In addition to liabilities, the statement of financial position and the fund balance sheet will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources 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 City has three types of items that qualify for reporting in this category.

The government-wide statement of net position reports the unavailable property tax revenue as a deferred inflow of resources. The balance of the deferred inflow of resources as of September 30, 2014, will be recognized as a revenue and increase in net position at the start of the next fiscal year. This treatment is a result of the property tax calendar in the State of Idaho.

The other two 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 \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair value on the date donated. Public domain infrastructure consisting of roads and sidewalks are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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

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

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

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

Risk Management

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

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

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

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

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

Budgets

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

Bonded Indebtedness

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

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums and discounts, as well as bond issuance costs, are recognized in the period the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Special Assessments

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

General Obligation Bonds

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

Certificates of Participation

Water revenue certificates of participation series 2004 were issued to construct a new potable water reservoir facility including a 2 million gallon reservoir, well house, pumps, backup power generator, connecting piping and such other ancillary equipment and controls to operate the same. Principal and interest on the bonds are payable solely from and secured by net revenues of the water treatment facility. These revenue certificates are not general obligations of the City. The revenue certificates were paid in full in June 2014.

Sewer revenue certificates of participation series 2004 were issued to construct a new headworks facility and a new anaerobic digester including a 55 foot diameter digester, control building, maintenance building, connecting piping, equipment and controls to operate the same. Principal and interest on the bonds are payable solely from and secured by net revenues of the sewer treatment facility. These revenue certificates are not general obligations of the City. The revenue certificates were fully paid off as of June 1, 2014. The revenue certificates were paid in full in June 2014.

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 2004A were issued to finance, in part, a variety of public and private infrastructure improvements which will improve existing conditions 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 2006A were issued to finance, in part, a variety of public infrastructure improvements which will expand waste water collection lines and pumping capacity in the project area. Principal and interest on the bonds are payable solely from future tax revenues of the URA.

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

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

Compensated Absences Payable

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

Fund Equity

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

- Net investment in capital assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings attributable to those assets.
- Restricted net position – Consists of net assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. Restricted net assets in the City are restricted pursuant to bonds issued to finance, in part, a variety of public and private infrastructure improvements which will improve existing conditions in the project area.
- Unrestricted net position – All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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

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

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

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

Revenues, Expenditures and Expenses

Sales Taxes—Sales taxes are collected by vendors and required to be remitted to the State of Idaho. The tax is then paid to the County which remits the City portion by the 25th of each month. A two month lag exists between collection by the vendor and payment to the City. Revenue received in October and November from sales made in August and September, respectively, is available for prior year expenses and is accrued in both the government-wide and fund financial statements.

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

Use of Estimates

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

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012, and was implemented in fiscal year 2014. The adoption of GASB Statement No. 65 required debt issuance costs that were previously reported as assets on the statement of net position to be shown as an expense. This had no impact on the governmental fund financial statements. In addition, certain liabilities were reclassified as a deferred inflow of resources (see Note 13).

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the City’s financial statements.

Note 2 - Cash and Investments

At September 30, 2014, cash and cash equivalents and investments were invested as follows:

	Cost	Fair Value
Cash - unrestricted		
Cash	\$ 5,941,918	\$ 5,941,918
Money market funds	2,544,006	2,544,006
Certificates of deposit	250,000	250,000
External investment pools	33,525,339	34,172,961
Total cash and cash equivalents - unrestricted	\$ 42,261,263	\$ 42,908,885
Cash - restricted		
Cash	\$ 265,031	\$ 265,031
Money market funds	3,359,136	3,359,136
Undrawn bond proceeds	1,061,000	1,061,000
External investment pools	731,659	731,659
Total cash and cash equivalents - restricted	\$ 5,416,826	\$ 5,416,826
Cash - fiduciary fund	\$ 111,101	\$ 111,101
Investments - restricted		
Investments carried at fair value		
US Government Agency Obligations	\$ 322,693	\$ 322,709
Mutual funds	51,110	51,110
Total investments - restricted	\$ 373,803	\$ 373,819

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, 2014, 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	\$ 16,217,031	\$ 16,217,031	\$ -	\$ -	\$ -
Idaho State Treasurer's Bond Fund	18,687,589	18,687,589	-	-	-
US Government Agency Obligations	322,709	-	782	12,692	309,235
	<u>\$ 35,227,329</u>	<u>\$ 34,904,620</u>	<u>\$ 782</u>	<u>\$ 12,692</u>	<u>\$ 309,235</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	\$ 279,582	\$ -	\$ -	\$ 279,582
Unrated	43,127	16,217,031	18,687,589	34,947,747
	<u>\$ 322,709</u>	<u>\$ 16,217,031</u>	<u>\$ 18,687,589</u>	<u>\$ 35,227,329</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, 2014, 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
Business Gold Money Market		\$ 2,544,006	6.87%

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, 2014, is \$7,375,171. Deposits in each local and area bank are insured by the FDIC in the amount of \$1,024,554 for interest bearing and non-interest bearing deposit accounts. The uninsured and uncollateralized deposit balance at September 30, 2014 was \$6,350,617.

Restricted cash equivalents total \$4,420,136, of which \$3,359,136 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 remaining \$1,061,000 remains with the bond trustee as funds are not yet drawn for construction.

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

Investment in State Investment Pools

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

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

Note 3 - Restricted Assets

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

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

Note 4 - Intergovernmental and Grant Receivables

The following summarizes the intergovernmental receivables at September 30, 2014:

State of Idaho	
Revenue sharing	\$ 397,946
Sales tax	275,714
Liquor apportionment	54,800
Gas tax	407,539
Canyon County	
Road and bridge tax	9,928
Court revenue	33,317
Weed abatement	634
	\$ 1,179,878
	\$ 1,179,878

Grants owed to the City at September 30, 2014, by source are:

Federal	\$ 127,381
---------	------------

Note 5 - Capital Assets

	Balance October 1, 2013	Additions	Deletions	Transfers	Balance September 30, 2014
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 9,812,801	\$ 2,786,378	\$ (221,715)	\$ -	\$ 12,377,464
Construction in progress	902,107	7,738,174	(6,904,276)	(846,999)	889,006
Total capital assets, not depreciated	<u>10,714,908</u>	<u>10,524,552</u>	<u>(7,125,991)</u>	<u>(846,999)</u>	<u>13,266,470</u>
Capital assets, depreciated					
Buildings	21,137,937	576,078	(99,806)	-	21,614,209
Improvements other than buildings	32,008,892	389,720	(10,062)	796,607	33,185,157
Equipment	13,733,660	680,167	(983,415)	50,392	13,480,804
Intangibles	66,607	-	-	-	66,607
Infrastructure	48,036,117	723,373	-	-	48,759,490
Total capital assets, depreciated	<u>114,983,213</u>	<u>2,369,338</u>	<u>(1,093,283)</u>	<u>846,999</u>	<u>117,106,267</u>
Less accumulated depreciation for					
Buildings	(5,684,671)	(509,948)	71,263	-	(6,123,356)
Improvements other than buildings	(7,587,040)	(1,112,054)	10,061	-	(8,689,033)
Equipment	(7,688,025)	(1,940,507)	955,748	-	(8,672,784)
Intangibles	(6,679)	(6,661)	-	-	(13,340)
Infrastructure	(10,592,178)	(245,273)	-	-	(10,837,451)
Total accumulated depreciation	<u>(31,558,593)</u>	<u>(3,814,443)</u>	<u>1,037,072</u>	<u>-</u>	<u>(34,335,964)</u>
Total net capital assets, depreciated	<u>83,424,620</u>	<u>(1,445,105)</u>	<u>(56,211)</u>	<u>846,999</u>	<u>82,770,303</u>
Governmental Activities Capital Assets, Net	<u>\$ 94,139,528</u>	<u>\$ 9,079,447</u>	<u>\$ (7,182,202)</u>	<u>\$ -</u>	<u>\$ 96,036,773</u>

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

Governmental Activities	
General government	\$ 332,171
Public safety	547,827
Parks and recreation	303,803
Community services	425,152
Streets	<u>2,205,490</u>
Total depreciation expense - governmental activities	<u>\$ 3,814,443</u>

City of Caldwell, Idaho
Notes to Financial Statements
September 30, 2014

	Balance October 1, 2013	Additions	Deletions	Transfers	Balance September 30, 2014
Business-type Activities					
Capital assets, not depreciated					
Land	\$ 950,598	\$ -	\$ -	\$ 16,750	\$ 967,348
Construction in progress	725,491	860,781	(707,519)	(153,948)	724,805
Total capital assets, not depreciated	<u>1,676,089</u>	<u>860,781</u>	<u>(707,519)</u>	<u>(137,198)</u>	<u>1,692,153</u>
Capital assets, depreciated					
Buildings	7,585,279	59,229	(51,502)	(59,229)	7,533,777
Improvements other than buildings	104,447,286	585,131	(773,812)	177,825	104,436,430
Equipment	11,422,001	274,445	(1,608,108)	18,602	10,106,940
Total capital assets, depreciated	<u>123,454,566</u>	<u>918,805</u>	<u>(2,433,422)</u>	<u>137,198</u>	<u>122,077,147</u>
Less accumulated depreciation for					
Buildings	(5,637,350)	(165,235)	51,407	-	(5,751,178)
Improvements other than buildings	(35,116,978)	(3,202,003)	773,675	-	(37,545,306)
Equipment	(6,373,910)	(536,691)	1,576,197	-	(5,334,404)
Total accumulated depreciation	<u>(47,128,238)</u>	<u>(3,903,929)</u>	<u>2,401,279</u>	<u>-</u>	<u>(48,630,888)</u>
Total net capital assets, depreciated	<u>76,326,328</u>	<u>(2,985,124)</u>	<u>(32,143)</u>	<u>137,198</u>	<u>73,446,259</u>
Business-type Activities Capital Assets, Net	<u>\$ 78,002,417</u>	<u>\$ (2,124,343)</u>	<u>\$ (739,662)</u>	<u>\$ -</u>	<u>\$ 75,138,412</u>

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

Business-type Activities	
Water	\$ 1,202,876
Sewer	2,465,655
Golf	117,121
Street Lighting	54,331
Irrigation	63,946
Total depreciation expense - business-type activities	<u>\$ 3,903,929</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, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
Advances			
General	Other governmental	Loan for land purchases	\$ 300,000
General	Other enterprise	Operating loan to golf fund	1,211,836
Sewer	Water	Loan to pay off revenue certification of participation series 2004	760,000
Due to/from			
General	Internal service	Operating loan	9,894
Other governmental	General	Sales tax	16,285
Sewer	Water	Loan to pay off revenue certification of participation series 2004	170,000
Other governmental	Street	Archery range irrigation	2,952
Street	General	Assurity bonds	38,568
General	Urban renewal agency	Operating expenses	148,213
Street	General	Urban renewal agency projects	<u>107,842</u>
			<u>\$ 2,765,590</u>

Transfers from the Caldwell Urban Renewal agency to the General, Street, Water, Sewer, and Other Governmental funds include transfers for project reimbursements and final principal and interest payments for the community college building made to these funds. Transfers from the Other Governmental Funds to the Street, Water, and Sewer funds include transfers for local improvement district reimbursements. Transfers into the Water fund from the General, Street, Sewer, Other Enterprise, and Other Governmental funds include transfers for project related services.

	<u>Transfers Out</u>						<u>Total</u>
	<u>General</u>	<u>Street</u>	<u>Sewer</u>	<u>Other Enterprise</u>	<u>Urban Renewal Agency</u>	<u>Other Governmental</u>	
Transfers in							
General	\$ -	\$ -	\$ -	\$ -	\$ 1,761,354	\$ -	\$ 1,761,354
Street	-	-	-	-	13,643	96,147	109,790
Water	31,507	222,396	13,391	5,725	10,915	5,094	289,028
Sewer	-	-	-	-	45,022	1,943	46,965
Other governmental	-	-	-	-	12,279	-	12,279
	<u>\$ 31,507</u>	<u>\$ 222,396</u>	<u>\$ 13,391</u>	<u>\$ 5,725</u>	<u>\$ 1,843,213</u>	<u>\$ 103,184</u>	<u>\$ 2,219,416</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 to \$35,000; interest from 3.85% to 4.20%.	\$ <u>80,000</u>
--	------------------

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 \$47,963.	\$ <u>1,627,963</u>
--	---------------------

Revenue bonds

\$3,735,000 Urban Renewal Revenue Allocation Bonds Series 2004A due in annual installments through March 2015 of \$715,000, interest from 4.45% to 4.95% due semi-annually. Certificates maturing on or after March 1, 2012, 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, 2011, or any interest payment due date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	\$ 715,000
--	------------

\$8,300,000 Urban Renewal Revenue Allocation Bonds Series 2006A due in annual installments through March 2023 of \$210,000 to \$720,000, interest from 4.00% to 5.00% due semi-annually, including unamortized bond premium of \$367,718. Certificates maturing on or after March 1, 2017, are subject to early redemption in whole or in part (in the order of maturity selected by the URA and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2016, or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	5,457,718
--	-----------

\$8,000,000 Urban Renewal Revenue Allocation Bonds Series 2008 due in annual installments through September 2023 of \$525,000 to \$720,000; interest from 4.00% to 4.25% due semi-annually, including unamortized bond premium of \$11,047. Certificates maturing on or after September 1, 2018, are subject to early redemption in whole or in part (in the order of maturity selected by the URA and by lot within a maturity in such manner as the Registrar shall determine), on September 1, 2017, or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.	5,561,047
--	-----------

\$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.

8,500,000

Total revenue bonds

\$ 20,233,765

Business-type Activities

Notes payable

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

\$ 46,962

Revenue bonds

\$6,610,000 parity lien sewer revenue refunding bond series 2010 due in annual installments through September 2020 of \$655,000 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.

\$ 4,620,000

The annual requirements to amortize all debt outstanding at September 30, 2014, are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 2,921,000	\$ 1,013,428	\$ 677,722	\$ 202,423
2016	2,470,000	690,100	709,240	171,358
2017	2,552,000	605,208	710,000	138,863
2018	2,559,000	516,219	745,000	106,913
2019	2,260,000	422,194	775,000	73,388
2020-2023	8,753,000	785,697	1,050,000	39,375
	<u>21,515,000</u>	<u>\$ 4,032,846</u>	<u>\$ 4,666,962</u>	<u>\$ 732,320</u>
Bond premium	<u>426,728</u>			
	<u>\$ 21,941,728</u>			

Total interest cost incurred during 2014 was \$1,471,720.

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 2014, based on data available from Canyon County as of September 30, 2014, would be approximately \$26,616,424.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2014:

	Debt at October 1, 2013	Debt Issued	Debt Retired	Debt at September 30, 2014	Due Within One Year
Governmental Activities					
Special assessment debt	\$ 130,000	\$ -	\$ 50,000	\$ 80,000	\$ 50,000
Idaho bond bank 2006B	1,945,000	-	365,000	1,580,000	385,000
Revenue allocation bonds 2004A	1,070,000	-	355,000	715,000	715,000
Revenue allocation bonds 2006A	5,230,000	-	140,000	5,090,000	210,000
Revenue allocation notes 2007	245,000	-	245,000	-	-
Revenue allocation bonds 2008	6,055,000	-	505,000	5,550,000	525,000
Revenue allocation bonds 2012	8,500,000	-	-	8,500,000	1,036,000
Bond premium	487,447	-	60,719	426,728	12,246
Compensated absences	605,022	589,119	578,215	615,926	588,831
Governmental activities long-term liabilities	<u>\$ 24,267,469</u>	<u>\$ 589,119</u>	<u>\$ 2,298,934</u>	<u>\$ 22,557,654</u>	<u>\$ 3,522,077</u>
Business-type Activities					
Note payable - land	\$ 68,157	\$ -	\$ 21,195	\$ 46,962	\$ 22,722
Revenue bonds					
Parity lien sewer series 2010	5,250,000	-	630,000	4,620,000	655,000
Certificates of participation					
Sewer, series 2004	1,210,000	-	1,210,000	-	-
Water, series 2004	1,090,000	-	1,090,000	-	-
Compensated absences	96,804	94,038	100,545	90,297	90,297
Business-type activities long-term liabilities	<u>\$ 7,714,961</u>	<u>\$ 94,038</u>	<u>\$ 3,051,740</u>	<u>\$ 4,757,259</u>	<u>\$ 768,019</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 \$5,347,388. Principal and interest paid for the current year and total customer net revenues were \$857,513 and \$2,021,632, respectively.

The Caldwell East Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$3,735,000 in revenue allocation bonds issued in July 2004 to finance improvements to the City's waste water treatment plant including a new headwork facility, screening system and digester. 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 \$732,696, payable through March 2015. For the current year, principal and interest paid were \$398,824.

The Caldwell East 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 \$6,629,050, payable through March 2023. For the current year, principal and interest paid were \$734,000.

The Caldwell East Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$8,000,000 in revenue allocation bonds and \$37,047 in premium issued in February 2008 to finance improvements to the City's waste water treatment plant including a new aeration basin and related facilities. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$6,761,098, payable through September 2023. For the current year, principal and interest paid were \$752,675.

The Caldwell East 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 \$9,562,611, payable through September 2022. For the current year, principal and interest paid were \$-0-.

Overall, the total principal and interest paid for the current year and total customer net revenues for the Caldwell East Urban Renewal Agency were \$2,138,295, and \$5,681,011, respectively.

Note 8 - Defined Benefit Pension Plan

Public Employee Retirement System of Idaho (PERSI) – The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring both the member and the employer to contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the City of Caldwell and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The City of Caldwell employer contributions required and paid were \$1,703,807, \$1,556,391, and \$1,526,934 for the three years ended September 30, 2014, 2013, and 2012, respectively.

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 are no longer needed 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 and is paid at retirement at \$500 for each year of service. Enhanced benefits are funded by the annual appropriations ordinance payable to employees who retire before the age of 65.

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, 2014, the scheduled outstanding principal was \$4,736,111.

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, 2014:

Expenditures/expenses exceeded appropriations:

Debt service fund	\$	114,737
Golf fund	\$	96,359

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.

In defending a suit filed against the city by an irrigation district, the City has filed condemnation actions on facilities owned by the irrigation district on behalf of the street, water, sewer and irrigation funds to protect storm water rights and property drainage rights. Subsequent to year-end, the parties agreed to settle the suit. The settlement includes a transfer of irrigation drainage facilities to the City and a cooperative agreement between both parties. The City is prepared to operate the drainage facilities.

Note 13 - Restatement

The City implemented GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities* as of September 30, 2014. Bond issuance costs were previously capitalized on the statement of net position and amortized on the statement of activities. As a result of the Statement implementation, bond issuance costs that were previously capitalized and amortized, will appropriately be expensed in the year of debt issuance.

Effective for the year ended September 30, 2014, the governing body of the URA was changed and is now solely comprised of the City's governing body. In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34*, the URA is now required to be presented as a blended component unit of the City as of and for the year ended September 30, 2014. URA was previously presented as a discretely presented component unit. As a result of the change in presentation, the beginning net position of the URA will be included in the beginning net position of the governmental activities on the statement of net position. The beginning fund balance of the URA will be included in the governmental funds balance sheet.

The total impact of adopting this statement and including URA as a blended component unit is a reduction to the governmental activities and business-type activities net position, beginning of year, by \$7,057,416 and \$56,039, respectively, as noted below:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net Position, Beginning of Year, as Previously Stated	\$ 110,655,361	\$ 91,110,180	\$ 201,765,541
Urban renewal deficiency in net position, beginning of year	(6,668,656)	-	(6,668,656)
Less adjustment to remove deferred bond issuance costs as of September 30, 2013	(388,760)	(56,039)	(444,799)
Net Position, Beginning of Year, as Restated	\$ 103,597,945	\$ 91,054,141	\$ 194,652,086

The total impact of changing URA from a discretely presented component unit to a blended component unit is an increase to the fund balance, beginning of year, by \$14,026,899 as noted below:

Total Governmental Funds Fund Balance, Beginning of Year, as Previously Stated	\$ 18,051,429
Urban renewal fund balance, beginning of year	14,026,899
Total Governmental Funds Fund Balance, Beginning of Year, as Restated	\$ 32,078,328

Note 14 - Other Commitments

The City has the following commitments at September 30, 2014:

- A contract to perform certain local improvement district projects. The original contract totaled \$222,280 of which \$133,378 remains to be spent.
- A contract to design a roundabout at three intersections. The original contract totaled \$348,219 of which \$341,445 remains to be spent.

In addition, the URA has agreed to contribute \$741,562 to the capital construction fund for the Caldwell Family YMCA in February 2015 and up to \$222,500 for business development incentives in the form of grants or loans in 2015.

Under the Federal Surface Transportation Program, the Idaho Department of Transportation (ITD) partners with the City on street and bridge construction projects. The City contracts for design services and secures right of way and submits invoices as evidence of completion to ITD for reimbursement. ITD administers federal funding, handles all bids and construction contracts and performs construction management. The City pays a contractual percent of total project costs. Currently, several completed projects are being reviewed by both the City and ITD to determine reimbursement status. City calculations show a receivable due from ITD of approximately \$260,000 while ITD believes the City owes an additional \$260,000. This matter should be resolved in the coming year.

Note 15 - Deficit Fund Balance

The Airport fund has a deficit fund balance of \$84,259 at September 30, 2014.

Note 16 - Subsequent Event

Subsequent to September 30, 2014, the Caldwell East Urban Renewal Agency purchased approximately 4 acres of fully developed industrial land adjacent to industrial land owned by the URA for \$201,770. The URA now owns approximately 70 acres of fully developed industrial land and is actively marketing it to potential industrial users.



Required Supplementary Information
September 30, 2014

City of Caldwell, Idaho

City of Caldwell, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund
Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 9,814,421	\$ 9,814,421	\$ 10,274,301	\$ 459,880
Franchise fees	661,000	661,000	733,229	72,229
Interest	98,500	98,500	158,085	59,585
Licenses and permits	810,288	810,288	799,320	(10,968)
Impact fees	444,900	444,900	412,302	(32,598)
Intergovernmental	2,046,917	2,046,917	2,133,717	86,800
Fines and forfeitures	251,820	251,820	242,571	(9,249)
Federal grants	937,640	937,640	929,017	(8,623)
Charges for services	4,006,184	4,006,184	3,938,651	(67,533)
Unrealized gain on investments	-	-	21,773	21,773
Miscellaneous	123,106	123,106	107,547	(15,559)
Total revenues	<u>19,194,776</u>	<u>19,194,776</u>	<u>19,750,513</u>	<u>555,737</u>
Expenditures				
Current				
General government	3,833,594	3,833,594	3,342,696	490,898
Public safety	12,663,407	12,663,407	12,624,803	38,604
Parks and recreation	853,235	853,235	805,061	48,174
Community services	260,936	260,936	316,667	(55,731)
Capital outlay	1,423,385	1,423,385	1,791,881	(368,496)
Total expenditures	<u>19,034,557</u>	<u>19,034,557</u>	<u>18,881,108</u>	<u>153,449</u>
Excess of Revenues Over Expenditures	<u>160,219</u>	<u>160,219</u>	<u>869,405</u>	<u>709,186</u>
Other Financing Sources (Uses)				
Transfers in	-	-	1,761,354	1,761,354
Transfers out	(4,000)	(4,000)	(31,507)	(27,507)
Total other financing sources (uses)	<u>(4,000)</u>	<u>(4,000)</u>	<u>1,729,847</u>	<u>1,733,847</u>
Net Change in Fund Balances	<u>\$ 156,219</u>	<u>\$ 156,219</u>	2,599,252	<u>\$ 2,443,033</u>
Fund Balance, Beginning of Year			<u>12,959,461</u>	
Fund Balance, End of Year			<u>\$ 15,558,713</u>	

City of Caldwell, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Street Fund
Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 1,628,377	\$ 1,628,377	\$ 1,643,494	\$ 15,117
Interest	100,643	100,643	10,483	(90,160)
Intergovernmental	1,864,467	1,864,467	2,419,779	555,312
Other grants	328,516	328,516	378,516	50,000
Unrealized loss on investments	-	-	(2,396)	(2,396)
Miscellaneous	140,600	140,600	182,632	42,032
Total revenues	4,062,603	4,062,603	4,632,508	569,905
Expenditures				
Streets	4,337,193	4,337,193	2,872,439	1,464,754
Capital outlay	1,807,234	1,807,234	2,024,424	(217,190)
Total expenditures	6,144,427	6,144,427	4,896,863	1,247,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,081,824)	(2,081,824)	(264,355)	1,817,469
Other Financing Sources (Uses)				
Contributions from developers	-	-	723,373	723,373
Operating transfers in	-	-	109,790	109,790
Operating transfers out	(10,000)	(10,000)	(222,396)	(212,396)
Total other financing sources (uses)	(10,000)	(10,000)	610,767	620,767
Net Change in Fund Balances	\$ (2,091,824)	\$ (2,091,824)	346,412	\$ 2,438,236
Fund Balance, Beginning of Year			965,597	
Fund Balance, End of Year			\$ 1,312,009	

City of Caldwell, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Urban Renewal
Agency
Year Ended September 30, 2014

	Budgeted		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 5,500,000	\$ 5,500,000	\$ 5,681,011	\$ 181,011
Interest	10,000	10,000	1,078	(8,922)
Miscellaneous	264,500	264,500	275,930	11,430
Total revenues	<u>5,774,500</u>	<u>5,774,500</u>	<u>5,958,019</u>	<u>183,519</u>
Expenditures				
Current				
Urban Renewal Agency	1,988,748	1,988,748	1,682,432	306,316
Capital outlay	-	10,801,378	8,666,226	2,135,152
Debt service				
Principal	3,030,236	3,030,236	1,245,000	1,785,236
Interest	755,516	755,516	983,322	(227,806)
Total expenditures	<u>5,774,500</u>	<u>16,575,878</u>	<u>12,576,980</u>	<u>3,998,898</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(10,801,378)</u>	<u>(6,618,961)</u>	<u>4,182,417</u>
Other Financing Sources				
Bond proceeds	-	8,500,000	-	(8,500,000)
Proceeds from sale of land	-	788,080	788,080	-
Operating transfers out	-	-	(1,843,213)	(1,843,213)
Total Other Financing Sources	<u>-</u>	<u>9,288,080</u>	<u>(1,055,133)</u>	<u>(10,343,213)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (1,513,298)</u>	<u>(7,674,094)</u>	<u>\$ (6,160,796)</u>
Fund Balance, Beginning of Year			<u>14,026,899</u>	
Fund Balance, End of Year			<u>\$ 6,352,805</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, 2014

City of Caldwell, Idaho

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

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

SPECIAL REVENUE FUNDS

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

Cemetery Fund

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

Cemetery Capital Improvement Fund

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

Cemetery Perpetual Care Fund

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

Community Development Fund

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

Library Fund

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

Airport Fund

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

Recreation Fund

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

	Debt Service	Cemetery	Cemetery Capital Improvement	Cemetery Perpetual Care
Assets				
Cash and cash equivalents	\$ 430,501	\$ 318,150	\$ 12,248	\$ 1,261,771
Receivables				
Interest	179,346	218	3	629
Taxes	464,000	106,278	-	-
Intergovernmental	-	6,906	-	-
Accounts	-	2,364	-	-
Special assessments	349,896	-	-	-
Notes	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Total assets	\$ 1,423,743	\$ 433,916	\$ 12,251	\$ 1,262,400
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities				
Vouchers and payroll payable	\$ -	\$ 13,395	\$ -	\$ -
Customer deposits	-	200	-	-
Advances	-	-	-	-
Total liabilities	-	13,595	-	-
Deferred Inflows of Resources				
Unavailable property tax revenue	464,000	107,217	-	-
Unavailable revenue	529,009	-	-	-
Total Deferred Inflows of Resources	993,009	107,217	-	-
Fund Balances				
Nonspendable	-	-	-	-
Assigned for housing rehabilitation	-	-	-	-
Assigned for library services	-	-	-	-
Assigned for debt service	430,734	-	-	-
Assigned for community services	-	313,104	12,251	1,262,400
Total fund balances	430,734	313,104	12,251	1,262,400
	\$ 1,423,743	\$ 433,916	\$ 12,251	\$ 1,262,400

City of Caldwell, Idaho
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2014

Community Development	Library	Airport	Recreation	Totals
\$ 167,122	\$ 590,894	\$ 194,927	\$ 871,959	\$ 3,847,572
18,395	2,212	46	643	201,492
-	644,215	121,835	548,023	1,884,351
-	44,282	6,837	16,447	74,472
-	-	39,766	11,470	53,600
-	-	-	-	349,896
60,243	-	-	-	60,243
-	16,285	-	2,952	19,237
-	222,731	-	-	222,731
-	373,819	-	-	373,819
<u>\$ 245,760</u>	<u>\$ 1,894,438</u>	<u>\$ 363,411</u>	<u>\$ 1,451,494</u>	<u>\$ 7,087,413</u>
\$ 3,351	\$ 71,431	\$ 25,835	\$ 33,208	\$ 147,220
-	-	-	-	200
-	-	300,000	-	300,000
<u>3,351</u>	<u>71,431</u>	<u>325,835</u>	<u>33,208</u>	<u>447,420</u>
-	644,215	121,835	552,023	1,889,290
18,284	-	-	-	547,293
<u>18,284</u>	<u>644,215</u>	<u>121,835</u>	<u>552,023</u>	<u>2,436,583</u>
60,243	-	-	-	60,243
163,882	-	-	-	163,882
-	1,178,792	-	-	1,178,792
-	-	-	-	430,734
-	-	(84,259)	866,263	2,369,759
<u>224,125</u>	<u>1,178,792</u>	<u>(84,259)</u>	<u>866,263</u>	<u>4,203,410</u>
<u>\$ 245,760</u>	<u>\$ 1,894,438</u>	<u>\$ 363,411</u>	<u>\$ 1,451,494</u>	<u>\$ 7,087,413</u>

	Debt Service	Cemetery	Cemetery Capital Improvement	Cemetery Perpetual Care
Revenues				
Property taxes	\$ 464,270	\$ 101,148	\$ -	\$ -
Interest	22,562	3,737	53	10,118
Intergovernmental	-	24,693	-	-
Fines and forfeitures	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	97,146	9,941	15,092
Unrealized gain (loss) on investments	(4,816)	(1,745)	(25)	(909)
Assessments	76,430	-	-	-
Miscellaneous	-	10,763	-	-
Total revenues	558,446	235,742	9,969	24,301
Expenditures				
Current				
General government	-	206,753	-	-
Parks and recreation	-	-	-	-
Community services	-	-	-	-
Debt service				
Principal on long-term debt	414,998	-	-	-
Interest and other	103,065	-	-	-
Capital outlay	-	-	15,813	-
Total expenditures	518,063	206,753	15,813	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,383	28,989	(5,844)	24,301
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Operating transfers out	(98,090)	-	-	-
Operating transfers in	-	-	-	12,279
Total other financing sources (uses)	(98,090)	-	-	12,279
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(57,707)	28,989	(5,844)	36,580
Fund Balance, Beginning of Year	488,441	284,115	18,095	1,225,820
Fund Balance, End of Year	\$ 430,734	\$ 313,104	\$ 12,251	\$ 1,262,400

City of Caldwell, Idaho

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

Year Ended September 30, 2014

Community Development	Library	Airport	Recreation	Totals
\$ -	\$ 613,392	\$ 111,787	\$ 521,610	\$ 1,812,207
1,964	47,001	1,058	11,023	97,516
-	158,345	24,449	61,842	269,329
-	24,740	-	-	24,740
-	-	40,483	-	40,483
-	12,745	208,023	265,029	607,976
(893)	22,540	(3,119)	(2,392)	8,641
-	-	-	-	76,430
43,334	11,535	700	2,017	68,349
<u>44,405</u>	<u>890,298</u>	<u>383,381</u>	<u>859,129</u>	<u>3,005,671</u>
-	-	-	-	206,753
-	-	-	703,501	703,501
39,596	713,303	314,949	-	1,067,848
-	-	-	-	414,998
-	-	-	-	103,065
-	256,989	130,191	8,364	411,357
<u>39,596</u>	<u>970,292</u>	<u>445,140</u>	<u>711,865</u>	<u>2,907,522</u>
<u>4,809</u>	<u>(79,994)</u>	<u>(61,759)</u>	<u>147,264</u>	<u>98,149</u>
-	-	69,795	-	69,795
-	-	(5,094)	-	(103,184)
-	-	-	-	12,279
<u>-</u>	<u>-</u>	<u>64,701</u>	<u>-</u>	<u>(21,110)</u>
4,809	(79,994)	2,942	147,264	77,039
<u>219,316</u>	<u>1,258,786</u>	<u>(87,201)</u>	<u>718,999</u>	<u>4,126,371</u>
<u>\$ 224,125</u>	<u>\$ 1,178,792</u>	<u>\$ (84,259)</u>	<u>\$ 866,263</u>	<u>\$ 4,203,410</u>

NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

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

Golf Fund

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

Street Lighting Fund

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

Irrigation Fund

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

INTERNAL SERVICE FUNDS

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

Post-Retirement Health Reimbursement Arrangement

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

Section 125 Benefit Plan

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

City of Caldwell, Idaho
Combining Statement of Net Position – Nonmajor Enterprise Funds
September 30, 2014

	Golf	Street Lighting	Irrigation	Totals
Assets				
Current Assets				
Cash and cash equivalents	\$ 14,718	\$ 1,048,024	\$ 1,856,759	\$ 2,919,501
Interest receivable	9	780	1,168	1,957
Accounts receivable	4,120	52,235	308,289	364,644
Total current assets	<u>18,847</u>	<u>1,101,039</u>	<u>2,166,216</u>	<u>3,286,102</u>
Noncurrent Assets				
Capital assets				
Land	686,655	-	-	686,655
Buildings	940,463	-	-	940,463
Improvements other than buildings	1,430,563	1,740,929	393,098	3,564,590
Equipment	972,006	-	648,101	1,620,107
Less accumulated depreciation	<u>(2,512,367)</u>	<u>(561,989)</u>	<u>(334,432)</u>	<u>(3,408,788)</u>
	<u>\$ 1,536,167</u>	<u>\$ 2,279,979</u>	<u>\$ 2,872,983</u>	<u>\$ 6,689,129</u>
Liabilities and Net Position				
Current Liabilities				
Vouchers and payroll payables	\$ 47,564	\$ 1,129	\$ 145,706	\$ 194,399
Advances	1,211,836	-	-	1,211,836
Interest payable	3,211	-	-	3,211
Current portion of compensated absences	5,605	-	-	5,605
Current portion of long-term liabilities	<u>22,722</u>	<u>-</u>	<u>-</u>	<u>22,722</u>
Total current liabilities	<u>1,290,938</u>	<u>1,129</u>	<u>145,706</u>	<u>1,437,773</u>
Noncurrent Liabilities				
Notes payable	<u>24,240</u>	<u>-</u>	<u>-</u>	<u>24,240</u>
Total liabilities	<u>1,315,178</u>	<u>1,129</u>	<u>145,706</u>	<u>1,462,013</u>
Net Position				
Net investment in capital assets	1,470,358	1,178,940	706,767	3,356,065
Unrestricted	<u>(1,249,369)</u>	<u>1,099,910</u>	<u>2,020,510</u>	<u>1,871,051</u>
Total net position	<u>220,989</u>	<u>2,278,850</u>	<u>2,727,277</u>	<u>5,227,116</u>
	<u>\$ 1,536,167</u>	<u>\$ 2,279,979</u>	<u>\$ 2,872,983</u>	<u>\$ 6,689,129</u>

City of Caldwell, Idaho

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds
Year Ended September 30, 2014

	Golf	Street Lighting	Irrigation	Totals
Operating Revenues				
Charges for services	\$ 514,015	\$ 450,958	\$ 1,170,019	\$ 2,134,992
Other	24,010	-	1,352	25,362
Total operating revenues	538,025	450,958	1,171,371	2,160,354
Operating Expenses				
Personnel services	301,601	-	114,451	416,052
Contractual services	62,131	130,331	346,541	539,003
Materials and supplies	88,926	-	826	89,752
Utilities	96,141	239,639	386,029	721,809
Repairs and maintenance	86,090	-	147,735	233,825
Other expenses	11,818	225	-	12,043
Depreciation and amortization	117,121	54,331	63,946	235,398
Total operating expenses	763,828	424,526	1,059,528	2,247,882
Operating Income (Loss)	(225,803)	26,432	111,843	(87,528)
Nonoperating Revenues (Expenses)				
Interest expense	(4,826)	-	-	(4,826)
Interest income	155	13,416	21,066	34,637
Loss on disposal of assets	(196)	(9,500)	-	(9,696)
Unrealized loss on investments	(75)	(2,498)	(23,141)	(25,714)
Total nonoperating revenues (expenses)	(4,942)	1,418	(2,075)	(5,599)
Income (Loss) Before Contributions and Transfers	(230,745)	27,850	109,768	(93,127)
Contributions from developers	-	25,735	-	25,735
Operating transfers out	-	(5,725)	-	(5,725)
Change in Net Position	(230,745)	47,860	109,768	(73,117)
Net Position, Beginning of Year	451,734	2,230,990	2,617,509	5,300,233
Net Position, End of Year	\$ 220,989	\$ 2,278,850	\$ 2,727,277	\$ 5,227,116

City of Caldwell, Idaho
Combining Statement of Net Position – Nonmajor Internal Service Funds
September 30, 2014

	Post-Retirement Health Reimbursement Arrangement	Section 125 Benefit Plan	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 358,479	\$ 24,554	\$ 383,033
Interest receivable	13	-	13
	<u>\$ 358,492</u>	<u>\$ 24,554</u>	<u>\$ 383,046</u>
Liabilities and Net Position			
Liabilities			
Vouchers payable	\$ 9,000	\$ -	\$ 9,000
Due to other funds	-	9,894	9,894
Total liabilities	<u>9,000</u>	<u>9,894</u>	<u>18,894</u>
Net Position			
Unrestricted	<u>349,492</u>	<u>14,660</u>	<u>364,152</u>
Total net position	<u>\$ 358,492</u>	<u>\$ 24,554</u>	<u>\$ 383,046</u>

City of Caldwell, Idaho

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

Year Ended September 30, 2014

	<u>Post-Retirement Health Reimbursement Arrangement</u>	<u>Section 125 Benefit Plan</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 863	\$ 107,444	\$ 108,307
Total operating revenues	<u>863</u>	<u>107,444</u>	<u>108,307</u>
Operating Expenses			
Contractual services	29,427	113,271	142,698
Total operating expenses	<u>29,427</u>	<u>113,271</u>	<u>142,698</u>
Operating Loss	<u>(28,564)</u>	<u>(5,827)</u>	<u>(34,391)</u>
Nonoperating Revenues			
Interest income	1,242	-	1,242
Unrealized loss on investments	<u>(101)</u>	<u>-</u>	<u>(101)</u>
Total nonoperating revenues	<u>1,141</u>	<u>-</u>	<u>1,141</u>
Change in Net Position	(27,423)	(5,827)	(33,250)
Net Position, Beginning of Year	<u>376,915</u>	<u>20,487</u>	<u>397,402</u>
Net Position, End of Year	<u>\$ 349,492</u>	<u>\$ 14,660</u>	<u>\$ 364,152</u>



Federal Awards Reports in Accordance with the Single
Audit Act and OMB Circular A-133
September 30, 2014

City of Caldwell, Idaho

City of Caldwell, Idaho
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures
Department of Justice			
Direct Program			
Missing Children's Assistance	16.543		\$ 3,313
Edward Byrne Justice Assistance Grant	16.738		50,932
Passed through the Idaho State Police Taking our Streets Back	16.609	2011-GP-BX-0081	<u>38,123</u>
Total Department of Justice			<u>\$ 92,368</u>
Department of Transportation			
Direct Program			
Highway Planning and Construction	20.205		<u>\$ 2,595</u>
State and Community Highway Safety Alcohol Impaired Driving Countermeasures Incentive Grants I Total Cluster	20.600		38,610
	20.601		<u>12,000</u>
			<u>50,610</u>
Airport Improvements	20.106		<u>40,483</u>
Total Department of Transportation			<u>\$ 93,688</u>
Department of Homeland Security			
Passed through Idaho Military Division			
Staffing for Adequate Fire and Emergency Response	97.083	2011 FH 01023	<u>\$ 707,252</u>
		EMW2011SS00018	44,104
		EMW2012SS00136	27,215
		EMW2013SS00149	<u>2,380</u>
Homeland Security Grant Program	97.067		<u>73,699</u>
Total Department of Homeland Security			<u>780,951</u>
Total Federal Financial Assistance			<u>\$ 967,007</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Caldwell, Idaho (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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The City received federal awards both directly from federal agencies and indirectly through pass-through entities.

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.

Note 3 - Major Programs

The major program is identified in the summary of Auditors' Results section of the Schedule of Findings and Questioned Costs.

The following program has been identified as a major program for the year ended September 30, 2014:

<u>Program</u>	<u>CFDA Number</u>
Staffing for Adequate Fire and Emergency Response	97.083

**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, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 02, 2015. Our opinion was modified on the governmental activities and the aggregate remaining funds due to a departure from GAAP.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2014-A to be a material weakness.

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

Compliance and Other Matters

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

The City's Response to Finding

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

Purpose of this Report

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

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

Boise, Idaho
February 02, 2015

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the 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, 2014.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Boise, Idaho
February 02, 2015

None reported

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Modified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness 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 Circular A-133, Section .510(a)?	No

Identification of major programs:

CFDA number	Name of Federal Program or Cluster
97.083	Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2014-A – Year-end close and financial statement preparation
Material Weakness**

Criteria:

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

Condition:

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

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 requested 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:

Management hired the Deputy Treasurer position in March 2014 and began training in essential duties to prepare year-end entries, schedule preparation and trial balance comparison to supporting documents. Just prior to year-end, the Accounting Supervisor resigned. This required remaining staff to complete assigned tasks plus those duties performed by the Accounting Supervisor. Some overtime was required to complete all major audit schedules but not all supporting schedules and journal entries were completed before fieldwork began. Management believes staff members are now adequately trained to complete audit preparations for future audits.

Section III – Federal Award Findings and Questioned Costs

None