

CITY OF MIDDLETON, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2018

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Independent Auditor's Report

Honorable Mayor
and City Council
City of Middleton, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the City of Middleton, Idaho (the City), as of and for the year ended September 30, 2018, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the City of Middleton, Idaho, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the City's proportionate share of the net pension liability, and schedule of City contributions on pages 38 through 42 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middleton, Idaho's basic financial statements. The schedules of revenue by source and expenditures by object and the combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019, on our consideration of the City of Middleton, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Middleton, Idaho's internal control over financial reporting and compliance.

Zwysart John & Associates, CPAs, PLLC

Nampa, Idaho
June 19, 2019

City of Middleton, Idaho
Statement of Net Position
September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Middleton Urban Renewal Agency
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 2,194,760	\$ 466,155	\$ 2,660,915	\$ 222,025
Property Taxes Receivable, Net	30,024	-	30,024	4
Accounts Receivable, Net	17,609	207,074	224,683	-
Prepaid Items	23,040	24,729	47,769	675
Due from Other Governments	346,016	-	346,016	-
Interest Receivable	1,038	1,269	2,307	-
Noncurrent Assets:				
Restricted Cash	-	440,654	440,654	-
Capital Assets:				
Land and Construction in Progress	1,845,662	3,699,867	5,545,529	-
Buildings and Improvements, Net	7,048,704	14,331,986	21,380,690	-
Equipment, Net	722,355	721,321	1,443,676	-
Total Capital Assets	9,616,721	18,753,174	28,369,895	-
Total Assets	12,229,208	19,893,055	32,122,263	222,704
Deferred Outflows				
Pension Related Items	206,679	112,367	319,046	-
Total Deferred Outflows	206,679	112,367	319,046	-
Liabilities				
Current Liabilities:				
Accounts Payable	125,950	187,369	313,319	276
Related Party Payable	-	-	-	5,000
Salaries and Benefits Payable	35,229	11,585	46,814	-
Customer Deposits	-	52,588	52,588	-
Accrued Interest Payable	5,378	3,962	9,340	2,390
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Bond Payable	44,685	129,826	174,511	23,613
Compensated Absences	22,897	15,953	38,850	-
Portion Due or Payable After One Year:				
Bond Payable	96,344	2,658,614	2,754,958	411,045
Net Pension Liability	430,080	233,871	663,951	-
Total Liabilities	760,563	3,293,768	4,054,331	442,324
Deferred Inflows				
Pension Related Items	79,584	44,328	123,912	-
Total Deferred Inflows	79,584	44,328	123,912	-
Net Position				
Invested in Capital Assets, Net of Related Debt	9,475,692	15,964,734	25,440,426	-
Restricted for:				
Debt Reserve	-	359,995	359,995	-
Streets & Alleys	466,063	-	466,063	-
Other	244,121	-	244,121	-
Unrestricted (Deficit) Surplus	1,409,864	342,597	1,752,461	(219,620)
Total Net Position	\$ 11,595,740	\$ 16,667,326	\$ 28,263,066	\$ (219,620)

The accompanying notes are an integral
part of the financial statements.

City of Middleton, Idaho
Statement of Activities
For the Year Ended September 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental Activities:								
Administrative	\$ 995,426	\$ 1,126,295	\$ 412,433	\$ -	\$ 543,302	\$ -	\$ 543,302	
Streets & Alleys	917,696	43,488	-	-	(874,208)	-	(874,208)	
Public Safety	1,234,825	-	-	-	(1,234,825)	-	(1,234,825)	
Culture and Recreation	570,098	7,307	-	-	(562,791)	-	(562,791)	
Total Governmental Activities	<u>3,718,045</u>	<u>1,177,090</u>	<u>412,433</u>	<u>-</u>	<u>(2,128,522)</u>	<u>-</u>	<u>(2,128,522)</u>	
Business-type Activities:								
Garbage	576,816.0	612,046.0	-	-	-	35,230	35,230	
Water	598,815.0	992,118.0	-	17,750	-	411,053	411,053	
Sewer	1,671,875.0	1,746,781.0	-	-	-	74,906	74,906	
Total Business-type Activities	<u>2,847,506</u>	<u>3,350,945</u>	<u>-</u>	<u>17,750</u>	<u>-</u>	<u>521,189</u>	<u>521,189</u>	
Total Primary Government	\$ 6,565,551	\$ 4,528,035	\$ 412,433	\$ 17,750	(2,128,522)	521,189	(1,607,333)	
Component Unit:								
Middleton Urban Renewal Agency	<u>\$ 81,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (81,251)</u>
General Revenues:								
Property Taxes					1,693,765	-	1,693,765	111,575
State Sources					936,105	-	936,105	-
Franchise Fees					84,961	-	84,961	-
Other					472,260	869	473,129	-
Unrestricted Investment Earnings					16,198	16,168	32,366	123
Gain (Loss) on Sale of Assets					(21,904)	-	(21,904)	-
Transfer between Governmental Funds and Business Type Activities					899,513	(899,515)	(2)	-
Total General Revenues and Special Items					<u>4,080,898</u>	<u>(882,478)</u>	<u>3,198,420</u>	<u>111,698</u>
Change in Net Position					1,952,376	(361,289)	1,591,087	30,447
Net Position, Beginning of Year					9,643,364	17,028,615	26,671,979	(250,067)
Net Position, End of Year					<u>\$ 11,595,740</u>	<u>\$ 16,667,326</u>	<u>\$ 28,263,066</u>	<u>\$ (219,620)</u>

The accompanying notes are an integral
part of the financial statements.

City of Middleton, Idaho

Balance Sheet -
Governmental Funds
September 30, 2018

	General	Streets & Alleys	Capital Project Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 581,491	\$ 386,036	\$ 960,421	\$ 266,812	\$ 2,194,760
Receivables, Net:					
Property Tax	16,666	13,358	-	-	30,024
Accounts	4,208	13,401	-	-	17,609
Interest	523	515	-	-	1,038
Prepaid Items	15,291	7,749	-	-	23,040
Due from Other Governments	236,776	66,349	42,891	-	346,016
Total Assets	<u>\$ 854,955</u>	<u>\$ 487,408</u>	<u>\$ 1,003,312</u>	<u>\$ 266,812</u>	<u>\$ 2,612,487</u>
Liabilities					
Accounts Payable	\$ 43,460	\$ 6,869	\$ 58,069	\$ 17,552	\$ 125,950
Salaries and Benefits Payable	26,552	3,538	-	5,139	35,229
Total Liabilities	<u>70,012</u>	<u>10,407</u>	<u>58,069</u>	<u>22,691</u>	<u>161,179</u>
Deferred Inflows					
Unavailable Revenue - Property Taxes	13,604	10,938	-	-	24,542
Fund Balances					
Nonspendable:					
Prepays	15,291	7,749	-	-	23,040
Restricted	-	458,314	945,243	244,121	1,647,678
Unassigned	756,048	-	-	-	756,048
Total Fund Balances	<u>771,339</u>	<u>466,063</u>	<u>945,243</u>	<u>244,121</u>	<u>2,426,766</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 854,955</u>	<u>\$ 487,408</u>	<u>\$ 1,003,312</u>	<u>\$ 266,812</u>	<u>\$ 2,612,487</u>

The accompanying notes are an integral
part of the financial statements.

City of Middleton, Idaho
 Reconciliation of the Balance Sheet of the
 Governmental Funds to the Statement of Net Position
 September 30, 2018

Total Fund Balances - Governmental Funds \$ 2,426,766

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:

Land and Construction in Progress	\$ 1,845,662	
Buildings and Improvements, Net of \$2,651,389 Accum. Depr.	7,048,704	
Equipment, Net of \$1,082,528 Accumulated Depreciation	<u>722,355</u>	
		9,616,721

Property taxes receivable will be collected this year, but are not available soon enough to pay for current period expenditures and, therefore, are deferred in the funds. 24,542

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Compensated Absences	\$ (22,897)	
Accrued Interest	(5,378)	
Municipal Lease	<u>(141,029)</u>	
		(169,304)

The City participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$ (430,080)	
Pension Related Deferred Inflows	(79,584)	
Pension Related Deferred Outflows	<u>206,679</u>	
		<u>(302,985)</u>

Net Position of Governmental Activities \$ 11,595,740

The accompanying notes are an integral
 part of the financial statements.

City of Middleton, Idaho
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2018

	General	Streets & Alleys	Capital Project Fund	Nonmajor Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 952,621	\$ 749,512	\$ -	\$ -	\$ 1,702,133
Intergovernmental	394,565	541,540	-	-	936,105
Grants and Contributions	7,042	-	403,891	1,500	412,433
Charges for Services	787,700	43,488	-	430,863	1,262,051
Interest Earned	14,658	1,527	-	13	16,198
Other	368,362	74,521	-	29,377	472,260
Total Revenues	<u>2,524,948</u>	<u>1,410,588</u>	<u>403,891</u>	<u>461,753</u>	<u>4,801,180</u>
Expenditures					
Current:					
Administrative	836,375	-	9,666	-	846,041
Streets & Alleys	-	379,064	-	-	379,064
Public Safety	401,554	-	-	-	401,554
Police	832,177	-	-	-	832,177
Culture and Recreation	125,161	-	-	324,240	449,401
Capital Outlay	194,814	3,935	1,024,263	7,877	1,230,889
Total Expenditures	<u>2,390,081</u>	<u>382,999</u>	<u>1,033,929</u>	<u>332,117</u>	<u>4,139,126</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>134,867</u>	<u>1,027,589</u>	<u>(630,038)</u>	<u>129,636</u>	<u>662,054</u>
Other Financing Sources (Uses)					
Sale of Assets	7,000	-	-	-	7,000
Proceeds From Lease	192,931	-	-	-	192,931
Transfer In	625,706	-	1,575,281	399,020	2,600,007
Transfer Out	(498,255)	(779,065)	-	(423,174)	(1,700,494)
Total Other Financing Sources (Uses)	<u>327,382</u>	<u>(779,065)</u>	<u>1,575,281</u>	<u>(24,154)</u>	<u>1,099,444</u>
Net Change in Fund Balances	462,249	248,524	945,243	105,482	1,761,498
Fund Balances - Beginning	309,090	217,539	-	138,639	665,268
Fund Balances - Ending	<u>\$ 771,339</u>	<u>\$ 466,063</u>	<u>\$ 945,243</u>	<u>\$ 244,121</u>	<u>\$ 2,426,766</u>

The accompanying notes are an integral
part of the financial statements.

City of Middleton, Idaho
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2018

Total Net Change in Fund Balance - Governmental Funds \$ 1,761,498

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. In the current period these amounts are:

Capital Outlay	\$	968,494	
Sale of Assets		(28,904)	
Depreciation		<u>(545,046)</u>	
			394,544

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.

(8,368)

Some capital additions were financed through municipal leases payable. In governmental funds, a municipal lease payable arrangement is considered a source of financing, but in the statement of Net Position, the municipal lease obligation is reported as a liability.

(192,931)

The repayment of the principal of a municipal lease consumes the current financial resources of governmental funds. The repayment of the principal, however, has no effect on Net Position.

51,902

Compensated absences 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. This amount represents the net change in compensated absences.

(3,474)

Accrued interest on long-term debt reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. This amount represents the net change in accrued interest.

(5,378)

The City participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities.

(45,417)

Change in Net Position of Governmental Activities \$ 1,952,376

The accompanying notes are an integral
 part of the financial statements.

City of Middleton, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2018

	Garbage	Water	Sewer	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 152,987	\$ 313,168	\$ -	\$ 466,155
Internal Balance	-	428,209	-	428,209
Accounts Receivable, Net	53,838	61,228	92,008	207,074
Interest Receivable	-	1,046	223	1,269
Prepaid Items	-	17,332	7,397	24,729
Total Current Assets	206,825	820,983	99,628	1,127,436
Noncurrent Assets:				
Restricted Cash	-	80,659	359,995	440,654
Capital Assets:				
Land and Construction in Progress	-	1,579,990	2,119,877	3,699,867
Buildings and Improvements, Net	-	2,589,390	11,742,596	14,331,986
Equipment, Net	-	349,450	371,871	721,321
Total Noncurrent Assets	-	4,599,489	14,594,339	19,193,828
Total Assets	206,825	5,420,472	14,693,967	20,321,264
Deferred Outflows				
Pension Related Items	3,003	58,811	50,553	112,367
Total Deferred Outflows	3,003	58,811	50,553	112,367
Liabilities				
Current Liabilities:				
Internal Balance	-	-	428,209	428,209
Accounts Payable	102,989	19,176	65,204	187,369
Salaries and Benefits Payable	-	5,324	6,261	11,585
Customer Deposits	-	52,588	-	52,588
Compensated Absences	-	6,660	9,293	15,953
Accrued Interest Payable	-	-	3,962	3,962
Bonds, Notes, and Loans Payable	-	-	129,826	129,826
Total Current Liabilities	102,989	83,748	642,755	829,492
Noncurrent Liabilities:				
Bonds, Notes, and Loans Payable	-	-	2,658,614	2,658,614
Net Pension Liability	6,240	122,452	105,179	233,871
Total Noncurrent Liabilities	6,240	122,452	2,763,793	2,892,485
Total Liabilities	109,229	206,200	3,406,548	3,721,977
Deferred Inflows				
Pension Related Items	981	24,201	19,146	44,328
Total Deferred Inflows	981	24,201	19,146	44,328
Net Position				
Invested in Capital Assets, Net of Related Debt	-	4,518,830	11,445,904	15,964,734
Restricted - Debt Reserve	-	-	359,995	359,995
Unrestricted	99,618	730,052	(487,073)	342,597
Total Net Position	\$ 99,618	\$ 5,248,882	\$ 11,318,826	\$ 16,667,326

The accompanying notes are an integral
part of the financial statements.

City of Middleton, Idaho
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
For the Year Ended September 30, 2018

	Garbage	Water	Sewer	Total
Operating Revenues				
Charges for Services	\$ 612,046	\$ 982,614	\$ 1,746,781	\$ 3,341,441
Rent	-	9,504	-	9,504
Grants	-	17,750	-	17,750
Miscellaneous	-	164	705	869
Total Operating Revenues	<u>612,046</u>	<u>1,010,032</u>	<u>1,747,486</u>	<u>3,369,564</u>
Operating Expenses				
Salaries	(208)	203,329	198,085	401,206
Benefits	699	96,578	85,485	182,762
Supplies	670	4,234	3,924	8,828
Professional Services	539,917	75,111	144,320	759,348
Utilities	202	1,405	361	1,968
Miscellaneous	35,536	113,397	360,823	509,756
Repairs and Maintenance	-	(36,096)	246,762	210,666
Depreciation	-	140,857	562,176	703,033
Total Operating Expenses	<u>576,816</u>	<u>598,815</u>	<u>1,601,936</u>	<u>2,777,567</u>
Income (Loss) From Operations	<u>35,230</u>	<u>411,217</u>	<u>145,550</u>	<u>591,997</u>
Nonoperating Revenues (Expenses)				
Interest Earned	781	9,972	5,415	16,168
Interest Expense	-	-	(69,939)	(69,939)
Transfers In	-	-	-	-
Transfers Out	(19,538)	(503,653)	(376,324)	(899,515)
Total Nonoperating Revenues (Expenses)	<u>(18,757)</u>	<u>(493,681)</u>	<u>(440,848)</u>	<u>(953,286)</u>
Change in Net Position	16,473	(82,464)	(295,298)	(361,289)
Total Net Position - Beginning	<u>83,145</u>	<u>5,331,346</u>	<u>11,614,124</u>	<u>17,028,615</u>
Total Net Position - Ending	<u>\$ 99,618</u>	<u>\$ 5,248,882</u>	<u>\$ 11,318,826</u>	<u>\$ 16,667,326</u>

The accompanying notes are an integral
part of the financial statements.

City of Middleton, Idaho
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2018

	Garbage	Water	Sewer	Total
Cash Flows From Operating Activities				
Receipts from Customers	\$ 607,906	\$ 991,784	\$ 1,742,294	\$ 3,341,984
Payments to Suppliers	(519,555)	(145,340)	(727,347)	(1,392,242)
Payments to Employees	-	(284,069)	(263,936)	(548,005)
Net Cash Provided (Used) by Operating Activities	<u>88,351</u>	<u>562,375</u>	<u>751,011</u>	<u>1,401,737</u>
Cash Flows From Noncapital Financing Activities				
Transfer In (Out)	<u>(19,538)</u>	<u>(503,653)</u>	<u>(376,324)</u>	<u>(899,515)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(19,538)</u>	<u>(503,653)</u>	<u>(376,324)</u>	<u>(899,515)</u>
Cash Flows From Capital and Related Financing Activities				
Purchases and Construction of Capital Assets	-	(774,907)	(993,269)	(1,768,176)
Principal Paid on Capital Debt	-	-	(125,379)	(125,379)
Interest Paid on Capital Debt	-	-	(70,460)	(70,460)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(774,907)</u>	<u>(1,189,108)</u>	<u>(1,964,015)</u>
Cash Flows From Investing Activities				
Interest and Dividends	<u>781</u>	<u>9,062</u>	<u>5,221</u>	<u>15,064</u>
Net Cash Provided (Used) by Investing Activities	<u>781</u>	<u>9,062</u>	<u>5,221</u>	<u>15,064</u>
Net Increase (Decrease) in Cash and Cash Equivalents	69,594	(707,123)	(809,200)	(1,446,729)
Cash and Cash Equivalents - Beginning	<u>83,393</u>	<u>1,529,159</u>	<u>740,986</u>	<u>2,353,538</u>
Cash and Cash Equivalents - Ending	<u>\$ 152,987</u>	<u>\$ 822,036</u>	<u>\$ (68,214)</u>	<u>\$ 906,809</u>
Displayed As:				
Cash	\$ 152,987	\$ 313,168	\$ -	\$ 466,155
Internal Balances	-	428,209	(428,209)	-
Restricted Cash	-	80,659	359,995	440,654
	<u>\$ 152,987</u>	<u>\$ 822,036</u>	<u>\$ (68,214)</u>	<u>\$ 906,809</u>

The accompanying notes are an integral
part of the financial statements.

City of Middleton, Idaho
Statement of Cash Flows -
Proprietary Funds (continued)
For the Year Ended September 30, 2018

	<u>Garbage</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 35,230	\$ 411,217	\$ 145,550	\$ 591,997
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	140,857	562,176	703,033
(Increase) Decrease in Accounts Receivable	(4,140)	(15,279)	(5,192)	(24,611)
(Increase) Decrease in Prepaid Expense	-	(5,761)	(3,713)	(9,474)
(Increase) Decrease in Deferred Outflows	232	4,170	3,706	8,108
Increase (Decrease) in Accounts Payable	56,770	18,472	32,556	107,798
Increase (Decrease) in Customer Deposits	-	(2,969)	-	(2,969)
Increase (Decrease) in Salaries and Benefits Payable	(85)	1,596	2,894	4,405
Increase (Decrease) in Compensated Absences	(123)	1,664	5,561	7,102
Increase (Decrease) in Net Pension Liability	195	3,505	3,115	6,815
Increase (Decrease) in Deferred Inflows	272	4,903	4,358	9,533
Net Cash Provided (Used) by Operating Activities	<u>\$ 88,351</u>	<u>\$ 562,375</u>	<u>\$ 751,011</u>	<u>\$ 1,401,737</u>

The accompanying notes are an integral
part of the financial statements.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the City of Middleton, Idaho (the City), which has responsibility and control over all activities related to public safety, planning and zoning, parks, roads and streets, water, and sewer services within the City. The City receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the City is not included in any other governmental reporting entity as defined by generally accepted accounting principles. Council members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component unit column in the government-wide statements is the financial data of the Middleton Urban Renewal Agency (the Agency). The Agency is a separate and distinct legal entity created by state statute. The directors are appointed by the Mayor and approved by the City Council. The Agency provides urban development services for the citizens of the city. Complete financial statements can be obtained from the City of Middleton.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the City. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Indirect expenses—expenses of the general government related to the administration and support of the City’s programs, such as personnel and accounting (but not interest on long-term debt)—are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City’s funds. Separate statements for each fund category—*governmental and proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Any remaining governmental and enterprise funds would be aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

- *General fund.* This is the City’s primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.
- *Streets & Alleys fund.* This fund accounts for the activities related to the City’s roads and streets.
- *Capital Projects fund.* This fund accounts for the activities related to capital outlay and capital projects taken on by the City.

Proprietary fund operating revenues and expenses are related to providing sanitation, water, and sewer services to the residents and businesses of the City of Middleton, Idaho and providing services to other parts of the City government. Revenues and expenses that arise from capital and non-capital financing activities and from investing activities are presented as non-operating revenues or expenses.

The City reports the following major enterprise funds:

- *Water fund.* This fund accounts for the activities of the City’s water supply system, pumping stations, and collection systems.
- *Sewer fund.* This fund accounts for the operations and collections of the City’s sewer system.
- *Garbage fund.* This fund accounts for the operations and collections of the City’s sanitation services.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Position and in the governmental fund Balance Sheet.

The City uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable*. Prepaid items that are permanently precluded from conversion to cash.
- *Restricted*. Balances constrained to a specific purpose by enabling legislation, external parties, or constitutional provisions.
- *Unassigned*. Balances available for any purpose.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The remaining fund balance classifications (committed and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the City Council, the City's highest level of decision-making authority, through a formal action. The City Council would also have the authority to assign funds or authorize another official to do so.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position/fund balance available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed.

There is also no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the City's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

In the Streets & Alleys fund, external parties require that property taxes, grants, and intergovernmental revenues are to be used to maintain, build, or improve the City's roads and streets.

C. Assets and Liabilities

Cash Equivalents

The City requires all cash belonging to the City to be placed in custody of the Treasurer. A "Pooled Cash" concept is therefore used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in the pooled cash and investment accounts are considered to be cash and cash equivalents. See Note 2.

Receivables

All trade receivables are shown net of an allowance for doubtful accounts. As of September 30, 2018, there were no allowances in any of the funds.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax Calendar

The City levies its real property taxes through the county in September of each year based upon the assessed valuation as of the previous July. Property taxes are due in two installments on December 20 and June 20 and are considered delinquent on January 1 and July 1, at which time the property is subject to lien.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are shown below:

	<u>Capitalization</u> <u>Policy</u>	<u>Depreciation</u> <u>Method</u>	<u>Estimated</u> <u>Useful Life</u>
Buildings and Improvements	\$5,000	Straight-Line	8 – 40 Years
Equipment and Vehicles	\$5,000	Straight-Line	5 – 20 Years

General infrastructure assets acquired prior to October 2003, are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2003.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Compensated Absences

The City uses the vesting method to compute compensated absences awarded to employees.

Pensions

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

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Deposits

As of September 30, 2018, the carrying amount of the City's deposits was \$537,805 and the respective bank balances totaled \$602,241 . All of the bank balance was insured through the Federal Depository Insurance Corporation (FDIC).

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of September 30, 2018, all of the City's deposits were covered by the federal depository insurance or by collateral held by the City's agent or pledging financial institution's trust department or agent in the name of the City. The City also had \$890 of petty cash on hand. The City does not have a formal policy limiting its exposure to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

2. CASH AND INVESTMENTS (continued)

Investments

The City voluntarily participates in the State of Idaho Investment Pool which does not have a credit rating. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the City's investment in the pool is the same as the value of the pool shares.

It is the City's policy to limit investments to the safest types of securities and to diversify the City's investment portfolio so that potential losses on securities will be minimized. The City follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the City to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The City's investments at September 30, 2018, are summarized below:

Investment Type	Fair Value	Maturity (In Years) Less Than 1
Money Market Funds	\$ 1,301,793	\$ 1,301,793
External Investment Pool	<u>1,261,277</u>	<u>1,261,277</u>
	<u>\$2,563,070</u>	<u>\$ 2,563,070</u>

At year-end, cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 469,619	\$ (11,583)	\$ 458,036
Restricted Cash and Investments	-	440,653	440,653
Investments categorized as deposits	<u>1,725,339</u>	<u>477,737</u>	<u>2,203,076</u>
	<u>\$ 2,194,958</u>	<u>\$ 906,807</u>	<u>\$ 3,101,765</u>

The City has set aside \$359,994 in accordance with debt restrictions.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of state revenue sharing of \$125,778, \$111,000 due from Middleton School District, and grants receivable of \$66,349, all due from the State of Idaho.

4. PROPERTY TAXES

The City receives tax revenue from Canyon County. The County is responsible for property valuation and collection of tax levies. The taxes that have not been remitted to the City by the County as of September 30, 2018, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2018, are not considered available for use by the City and are recorded as deferred revenue in the fund financial statements.

5. PENSION PLAN

Plan Description

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

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

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

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

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

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2018, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City of Middleton, Idaho's contributions were \$168,169 the year ended September 30, 2018.

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

At September 30, 2018, the City of Middleton, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Middleton, Idaho's proportion of the net pension liability was based on the City of Middleton Idaho's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2018, the City of Middleton, Idaho's proportion was 0.0450131 percent.

For the year ended September 30, 2018, the City of Middleton recognized pension expense/ (revenue) of \$246,841. At September 30, 2018, the City of Middleton, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,883	\$ 50,144
Changes in assumptions or other inputs	43,203	-
Net difference between projected and actual earnings on pension plan investments	-	73,768
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	156,239	-
City of Middleton, Idaho's contributions subsequent to the measurement date	46,721	-
Total	\$ 319,046	\$ 123,912

\$46,721 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017, the beginning of the measurement period ended June 30, 2018, is 4.9 years and 5.5 for the measurement period June 30, 2017.

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

For the Year Ended September 30:	PERSI
2019	\$ 143,038
2020	48,706
2021	(12,059)
2022	15,449

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

Actuarial Assumptions

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

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expense
Cost-of-living	1%

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

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

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2018.

<u>Asset Class</u>	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%

<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

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

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

5. PENSION PLAN (continued)

Discount Rate

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 1,662,020	\$ 663,951	\$ (162,491)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

6. COMPENSATED ABSENCES

Vacation leave is granted to all regular City employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. Changes in accumulated vacation are as follows:

	<u>9/30/2017</u>	<u>Earned</u>	<u>Used</u>	<u>9/30/2018</u>	<u>Current</u>
Governmental Activities	\$ 19,423	\$ 47,156	\$(43,682)	\$ 22,897	\$ 22,897
Business-type Activities	<u>8,850</u>	<u>22,273</u>	<u>(15,170)</u>	<u>15,953</u>	<u>15,953</u>
	<u>\$ 28,273</u>	<u>\$ 69,429</u>	<u>\$(58,852)</u>	<u>\$ 38,850</u>	<u>\$ 38,850</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>9/30/2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2018</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,390,450	\$ 120,000	\$ -	\$ 1,510,450
Construction in Progress	<u>335,212</u>	<u>-</u>	<u>-</u>	<u>335,212</u>
Total	<u>1,725,661</u>	<u>120,000</u>	<u>-</u>	<u>1,845,662</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	9,240,222	459,871	-	9,700,093
Equipment	<u>1,466,850</u>	<u>388,622</u>	<u>(50,589)</u>	<u>1,804,883</u>
Total Historical Cost	<u>10,707,072</u>	<u>848,493</u>	<u>(50,589)</u>	<u>11,504,976</u>
Less: Accumulated Depreciation				
Buildings and Improvements	2,269,729	381,660	-	2,651,389
Equipment	<u>940,827</u>	<u>163,386</u>	<u>(21,685)</u>	<u>1,082,528</u>
Total Accumulated Depreciation	<u>3,210,556</u>	<u>545,046</u>	<u>(21,685)</u>	<u>3,733,917</u>
Net Depreciable Assets	<u>7,496,516</u>	<u>303,447</u>	<u>(28,904)</u>	<u>7,771,059</u>
Governmental Activities - Net	<u>\$ 9,222,177</u>	<u>\$ 423,447</u>	<u>\$ (28,904)</u>	<u>\$ 9,616,721</u>

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

7. CAPITAL ASSETS

	9/30/2017	Additions	Disposals	9/30/2018
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Easments	\$ 2,572,907	\$ 1,126,960	\$ -	\$ 3,699,867
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>2,572,907</u>	<u>1,126,960</u>	<u>-</u>	<u>3,699,867</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	19,018,437	624,993	-	19,643,430
Equipment	<u>1,711,082</u>	<u>16,223</u>	<u>-</u>	<u>1,727,305</u>
Total Historical Cost	<u>20,729,519</u>	<u>641,216</u>	<u>-</u>	<u>21,370,735</u>
Less: Accumulated Depreciation				
Buildings and Improvements	4,714,950	596,494	-	5,311,444
Equipment	<u>899,445</u>	<u>106,539</u>	<u>-</u>	<u>1,005,984</u>
Total Accumulated Depreciation	<u>5,614,395</u>	<u>703,033</u>	<u>-</u>	<u>6,317,428</u>
Net Depreciable Assets	<u>15,115,124</u>	<u>(61,817)</u>	<u>-</u>	<u>15,053,307</u>
Business-type Activities - Net	<u>\$ 17,688,031</u>	<u>\$ 1,065,143</u>	<u>\$ -</u>	<u>\$ 18,753,174</u>

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

Governmental Activities:

Administrative	\$ 41,608
Highway and Streets	101,080
Public Safety	323,964
Culture and Recreation	<u>78,394</u>
	<u>\$ 545,046</u>

All assets that were constructed using the bond funds were completed in prior years, so no interest has been capitalized in the enterprise funds.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

7. RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) worker's compensation, i.e. employee injuries, and f) medical insurance costs of its employees. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, medical insurance costs, and professional liabilities.

8. LONG-TERM LIABILITIES

Business-type Activities – Sewer Fund Bond Payable

The City issued \$1,200,000 of Series 2002 Revenue Bonds dated July 23, 2002, with a maturity date of July 23, 2032, and bearing interest at 4.5% per annum. Payments are due in July of each year. The Bonds were issued to pay for sewer system upgrades.

The City issued \$2,800,000 of Series 2013 Revenue Bonds dated September 23, 2013, with a maturity date of September 23, 2043, and bearing interest at 2.75% per annum. Payments are due in September of each year. The Bonds were issued to pay for sewer system upgrades.

Business-type Activities – Sewer Fund Note Payable

Changes in long-term obligations for the year ended September 30, 2018, are as follows:

Business-type Activities:

Description	Rate	9/30/2017	Increase	Decrease	9/30/2018	Current Portion
USDA Loan 92-01	4.50%	\$ 369,287	-	\$ (57,062)	\$ 312,225	\$ 59,630
USDA Loan 92-02	2.750%	2,544,532	-	(68,317)	2,476,215	70,196
		<u>\$ 2,913,819</u>	<u>\$ -</u>	<u>\$ (125,379)</u>	<u>\$ 2,788,440</u>	<u>\$ 129,826</u>

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

8. LONG-TERM LIABILITIES (continued)

Debt service requirements on long-term debt at September 30, 2018, are as follows:

Year Ending	Bonds	
September 30,	Principal	Interest
2019	\$ 129,826	\$ 82,146
2020	134,440	77,532
2021	139,227	72,745
2022	144,196	67,776
2023	135,359	62,620
2024-2028	424,693	266,767
2029-2033	486,390	205,070
2034-2038	557,049	134,411
2039-2043	637,260	53,486
	<u>\$2,788,440</u>	<u>\$1,022,553</u>

There was \$86,072 of interest expense for the year ended September 30, 2018. No interest was capitalized during the year.

9. TRANSFERS

During the year ended September 30, 2018 the following transfers took place between funds:

\$ 399,020	From the General Fund to the Library Fund to open the fund.
99,235	From the General Fund to the Capital Project Fund to cover administrative cost.
625,706	From the Street Fund to the General Fund to cover administrative costs.
153,359	From the Street Fund to the Capital Project Fund to cover capital projects.
19,538	From the Garbage Fund to the Capital Project Fund to cover capital projects.
503,651	From the Water Fund to the Capital Project Fund to cover capital projects.
376,324	From the Sewer Fund to the Capital Project Fund to cover capital projects.
423,174	From the Impact Fee Fund to the Capital Project Fund to cover capital projects.
<u>\$ 2,600,007</u>	

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

10. MUNICIPAL LEASE

The City leases certain vehicles under long-term lease agreements. Certain leases have been recorded as municipal leases. The municipal leases consist of:

Governmental Activities:

Equipment	\$ 192,931
Less: accumulated amortization (included as depreciation on the accompanying financial statements) by function	
Public Safety	<u>(53,592)</u>
	<u>\$ 139,339</u>

Changes in long-term obligations for the year ended September 30, 2018, are as follows:

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>9/30/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2018</u>	<u>Current</u>
Governmental Activities:							
Lease - Police Vehicles	2021	5.12%	\$ -	\$ 192,931	\$ (51,902)	\$ 141,029	\$ 44,685

Future minimum lease requirements as of September 30, 2018, are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2019	\$ 44,685	\$ 7,215	\$ 51,900
2020	46,971	4,929	51,900
2021	49,373	2,527	51,900
	<u>\$ 141,029</u>	<u>\$ 14,671</u>	<u>\$ 155,700</u>

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2018

11. COMPONENT UNIT

The Middleton Urban Renewal Agency (the Agency) is a separate and distinct legal entity of the City of Middleton created by and existing under the Idaho Urban Renewal Law of 1965, as amended. The Directors for the Agency are appointed by the Mayor and approved by the City Council. The Agency provides urban renewal services for the citizens of the City.

The following is a summary of the disclosures required for a fair presentation of the component unit in the City's financial statements.

A summary of long-term liability activity for the year ended September 30, 2018, is as follows:

Governmental Activities:	Rate	Beginning	Increase	Decrease	Ending	Estimated Current
Note Payable - CJM LP	3.396%	\$ 170,542	\$ -	\$ (44,797)	\$ 125,745	\$ 7,150
Note Payable - Middleton Village Project	4.110%	308,913	-	-	308,913	14,197
		<u>\$ 479,455</u>	<u>\$ -</u>	<u>\$ (44,797)</u>	<u>\$ 434,658</u>	<u>\$ 21,347</u>

12. RELATED PARTY TRANSACTIONS

Middleton Urban Renewal Agency (the Agency) is a component unit of the City. The capital assets constructed from the Agency's activities are contributed to the City. In the current year, there was no work for assets transferred from the Agency to the City. There are no amounts payable between the Agency and the City as of September 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

City of Middleton, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 917,751	\$ 917,751	\$ 952,621	\$ 34,870
Intergovernmental	282,426	282,426	394,565	112,139
Grants and Contributions	-	-	7,042	7,042
Charges for Services	778,857	778,857	787,700	8,843
Interest Earned	300	300	14,658	14,358
Other	216,489	216,489	368,362	151,873
Total Revenues	<u>2,195,823</u>	<u>2,195,823</u>	<u>2,524,948</u>	<u>329,125</u>
Expenditures				
Current:				
Administrative	946,292	946,292	836,375	109,917
Public Safety	125,257	125,257	18,121	107,136
Building	417,448	417,448	383,433	34,015
Police	840,171	840,171	832,177	7,994
Parks	174,009	174,009	125,161	48,848
Capital Outlay	129,410	129,410	194,814	(65,404)
Total Expenditures	<u>2,632,587</u>	<u>2,632,587</u>	<u>2,390,081</u>	<u>242,506</u>
Excess (Deficiency of Revenues Over Expenditures)	<u>(436,764)</u>	<u>(436,764)</u>	<u>134,867</u>	<u>86,619</u>
Other Financing Sources (Uses)				
Sale of Assets	-	-	7,000	7,000
Proceeds From Lease	-	-	192,931	192,931
Transfers In	625,705	625,705	625,706	1
Transfers Out	(498,255)	(498,255)	(498,255)	-
Total Other Financing Sources (Uses)	<u>127,450</u>	<u>127,450</u>	<u>327,382</u>	<u>199,932</u>
Net Change in Fund Balances	(309,314)	(309,314)	462,249	771,563
Fund Balances - Beginning	309,314	309,314	309,090	(224)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 771,339</u>	<u>\$ 771,339</u>

City of Middleton, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Streets & Alleys Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 700,058	\$ 700,058	\$ 749,512	\$ 49,454
Intergovernmental	537,160	537,160	541,540	4,380
Charges for Services	29,500	29,500	43,488	13,988
Interest Earned	300	300	1,527	1,227
Other	47,600	47,600	74,521	26,921
Total Revenues	<u>1,314,618</u>	<u>1,314,618</u>	<u>1,410,588</u>	<u>95,970</u>
Expenditures				
Current:				
Streets & Alleys	794,674	794,674	379,064	415,610
Capital Outlay	3,200	3,200	3,935	(735)
Total Expenditures	<u>797,874</u>	<u>797,874</u>	<u>382,999</u>	<u>414,875</u>
Excess (Deficiency of Revenues Over Expenditures)	<u>516,744</u>	<u>516,744</u>	<u>1,027,589</u>	<u>510,845</u>
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	<u>(779,064)</u>	<u>(779,064)</u>	<u>(779,065)</u>	<u>(1)</u>
Total Other Financing Sources (Uses)	<u>(779,064)</u>	<u>(779,064)</u>	<u>(779,065)</u>	<u>(1)</u>
Net Change in Fund Balances	(262,320)	(262,320)	248,524	510,844
Fund Balances - Beginning	<u>262,320</u>	<u>262,320</u>	<u>217,539</u>	<u>(44,781)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,063</u>	<u>\$ 466,063</u>

City of Middleton, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Capital Project Fund
 For the Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Grants and Contributions	\$ 429,500	\$ 429,500	\$ 403,891	\$ (25,609)
Total Revenues	<u>429,500</u>	<u>429,500</u>	<u>403,891</u>	<u>(25,609)</u>
Expenditures				
Current:				
Administrative	133,100	133,100	9,666	123,434
Capital Outlay	2,547,106	2,547,106	1,024,263	1,522,843
Total Expenditures	<u>2,680,206</u>	<u>2,680,206</u>	<u>1,033,929</u>	<u>1,646,277</u>
Excess (Deficiency of Revenues Over Expenditures)	<u>(2,250,706)</u>	<u>(2,250,706)</u>	<u>(630,038)</u>	<u>1,620,668</u>
Other Financing Sources (Uses)				
Transfers In	2,265,706	2,265,706	1,575,281	(690,425)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,265,706</u>	<u>2,265,706</u>	<u>1,575,281</u>	<u>(690,425)</u>
Net Change in Fund Balances	15,000	15,000	945,243	930,243
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 945,243</u>	<u>\$ 930,243</u>

City of Middleton, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- A. Prior to September 1, the Department Heads, the City Treasurer, Mayor, and City Council prepare a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at the City Hall to obtain landowner and resident comments.
- C. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- D. The City is authorized to transfer budgeted amounts between departments within any non-enterprise fund; however, no revision can be made to increase the overall tax supported funds except when federal or state grants are approved. The City, however, must follow the same budgetary procedures as they followed when the original budget was approved. The budget for enterprise funds may also be revised in the same manner as those situations involving federal and state grants.
- E. Formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue funds.

City of Middleton, Idaho
Schedule of the City's Proportionate Share of the
Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City proportion of the net pension liability (asset)	0.0450131%	0.0410020%	0.0350760%	0.0275714%
City's proportionate share of the net pension liability (asset)	\$ 663,951	\$ 644,481	\$ 711,044	\$ 363,070
City's covered-employee payroll	\$ 1,471,661	\$ 1,354,934	\$ 1,101,439	\$ 821,028
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.12%	47.57%	64.56%	44.22%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	87.26%	82.26%	91.38%

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

Data reported is measured as of June 30, 2018

City of Middleton, Idaho
Schedule of City Contributions

Public Employees Retirement System of Idaho

	Last 10 - Fiscal Years*			
	2018	2017	2016	2015
Contractually required contributions	\$ 168,169	\$ 154,823	\$ 125,442	\$ 93,306
Contributions in relation to the contractually required contribution	168,169	154,823	125,442	93,306
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,471,661	\$ 1,354,934	\$ 1,101,439	\$ 821,028
Contributions as a percentage of covered-employee payroll	11.43%	11.43%	11.39%	11.36%

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

Data reported is measured as of September 30, 2018

SUPPLEMENTAL INFORMATION

City of Middleton, Idaho
Supplemental Schedule of Revenues by Source -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended Sep 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes:			
Property Taxes	\$ 917,751	\$ 952,621	\$ 34,870
Total Taxes	<u>917,751</u>	<u>952,621</u>	<u>34,870</u>
Intergovernmental:			
State Liquor Apportionment	66,144	91,054	24,910
State Revenue Sharing	159,693	232,563	72,870
State Sales Tax	56,589	70,948	14,359
Total Intergovernmental	<u>282,426</u>	<u>394,565</u>	<u>112,139</u>
Grants and Contributions			
Grants	-	7,042	7,042
Total Grants and Contributions	<u>-</u>	<u>7,042</u>	<u>7,042</u>
Charges for Services:			
Beer, Wine, and Liquor Licenses	2,150	2,690	540
Building Permits	702,665	686,809	(15,856)
Business Permits	-	1,200	1,200
Franchise Fees	38,492	44,413	5,921
Rent	21,100	21,872	772
Fines and Fees	14,450	30,716	16,266
Total Licenses and Permits	<u>778,857</u>	<u>787,700</u>	<u>8,843</u>
Other:			
Donations	-	957	957
Reimbursements	41,000	191,703	150,703
Mayor Youth Advisory	5,000	700	(4,300)
Interest Earned	300	14,658	14,358
Sale of Assets	-	7,000	7,000
Miscellaneous Revenue	170,489	175,002	4,513
Total Other	<u>216,789</u>	<u>390,020</u>	<u>173,231</u>
Proceeds From Debt	<u>-</u>	<u>192,931</u>	<u>192,931</u>
Total Revenue	<u>\$ 2,195,823</u>	<u>\$ 2,724,879</u>	<u>\$ 336,125</u>

City of Middleton, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund
For the Year Ended September 30, 2018

	Budget	Actual	Variance
Administrative:			
Salaries	\$ 299,032	\$ 304,894	\$ (5,862)
Benefits	158,374	125,163	33,211
Supplies	3,049	9,809	(6,760)
Repairs and Maintenance	4,600	2,896	1,704
Professional Fees	342,288	284,203	58,085
Other Services and Charges	138,949	109,410	29,539
Capital Outlay	5,150	-	5,150
Total Administrative	<u>951,442</u>	<u>836,375</u>	<u>115,067</u>
Public Safety:			
Law Enforcement	124,757	18,121	106,636
Professional Fees	500	-	500
Capital Outlay	52,988	(735)	53,723
Total Public Safety	<u>178,245</u>	<u>17,386</u>	<u>160,859</u>
Building Inspection:			
Salaries	103,129	85,548	17,581
Benefits	47,294	31,316	15,978
Supplies	1,940	3,245	(1,305)
Repairs and Maintenance	17,632	24,288	(6,656)
Professional Fees	149,121	153,061	(3,940)
Other Services and Charges	98,332	85,975	12,357
Total Building Inspection	<u>\$ 417,448</u>	<u>\$ 383,433</u>	<u>\$ 34,015</u>

City of Middleton, Idaho
Supplemental Schedule of Expenditures by Object of Expenditure -
Budget (GAAP Basis) and Actual - General Fund (continued)
For the Year Ended September 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Police:			
Salaries	\$ 515,140	\$ 501,871	\$ 13,269
Benefits	193,978	207,276	(13,298)
Supplies	10,172	9,898	274
Repairs and Maintenance	19,150	18,016	1,134
Professional Fees	-	1,130	(1,130)
Other Services and Charges	49,829	42,084	7,745
Lease Payments	51,902	51,902	-
Capital Outlay	30,072	196,051	(165,979)
Total Police	<u>870,243</u>	<u>1,028,228</u>	<u>(157,985)</u>
Parks:			
Salaries	79,120	44,362	34,758
Benefits	24,220	19,751	4,469
Supplies	1,615	5,967	(4,352)
Repairs and Maintenance	19,322	14,623	4,699
Professional Fees	6,713	10,909	(4,196)
Other Services and Charges	43,019	29,549	13,470
Capital Outlay	41,200	(502)	41,702
Total Parks	<u>215,209</u>	<u>124,659</u>	<u>90,550</u>
Total Expenditures	<u>\$ 2,632,587</u>	<u>\$ 2,390,081</u>	<u>\$ 242,506</u>

City of Middleton, Idaho
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2018

	<u>Library</u>	<u>Impact Fees</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 127,791	\$ 139,021	\$ 266,812
Total Assets	<u>\$ 127,791</u>	<u>\$ 139,021</u>	<u>\$ 266,812</u>
Liabilities			
Accounts Payable	\$ 17,552	\$ -	\$ 17,552
Salaries and Benefits Payable	5,139	-	5,139
Total Liabilities	<u>22,691</u>	<u>-</u>	<u>22,691</u>
Fund Balances			
Restricted	105,100	139,021	244,121
Total Fund Balances	<u>105,100</u>	<u>139,021</u>	<u>244,121</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 127,791</u>	<u>\$ 139,021</u>	<u>\$ 266,812</u>

The accompanying notes are an integral
part of the financial statements.

City of Middleton, Idaho
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2018

	<u>Library</u>	<u>Impact Fees</u>	<u>Total</u>
Revenues			
Grants and Contributions	\$ 1,500	\$ -	\$ 1,500
Charges for Services	7,307	423,556	430,863
Interest Earned	13	-	13
Other	29,377	-	29,377
Total Revenues	<u>38,197</u>	<u>423,556</u>	<u>461,753</u>
Expenditures			
Current:			
Culture and Recreation	324,240	-	324,240
Capital Outlay	7,877	-	7,877
Total Expenditures	<u>332,117</u>	<u>-</u>	<u>332,117</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(293,920)</u>	<u>423,556</u>	<u>129,636</u>
Other Financing Sources (Uses)			
Transfer In	399,020	-	399,020
Transfer Out	-	(423,174)	(423,174)
Total Other Financing Sources (Uses)	<u>399,020</u>	<u>(423,174)</u>	<u>(24,154)</u>
Net Change in Fund Balances	105,100	382	105,482
Fund Balances - Beginning	-	138,639	138,639
Fund Balances - Ending	<u>\$ 105,100</u>	<u>\$ 139,021</u>	<u>\$ 244,121</u>

The accompanying notes are an integral
part of the financial statements.

FEDERAL REPORTS



ZWYGART JOHN

CERTIFIED PUBLIC ACCOUNTANTS

Zwygart John & Associates CPAs, PLLC

16130 North Merchant Way, Suite 120 ♦ Nampa, Idaho 83687

Phone: 208-459-4649 ♦ FAX: 208-229-0404

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

Honorable Mayor
and City Council
City of Middleton, 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, the discretely presented component unit, each major fund, and the remaining fund information of the City of Middleton, Idaho, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Middleton, Idaho's basic financial statements and have issued our report thereon dated June 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Middleton, Idaho'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 of Middleton, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Middleton, Idaho's internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Middleton, Idaho'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*.

Response to Findings

City of Middleton's response to the findings identified in our audit are described in the accompanying schedule of findings. The Cities 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 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.

Zwysart John & Associates, CPAs, PLLC

Nampa, Idaho
June 19, 2019

City of Middleton, Idaho
Schedule of Findings
For the Year Ended September 30, 2018

2018-001: Account Reconciliations

Conditions: During the course of our audit, we identified multiple balance sheet accounts across various funds for which the City is not performing adequate reconciliations procedures.

Criteria: The City should design and implement standardized policies and procedures to ensure timely and accurate reconciliation of all funds' balance sheet accounts.

Cause: The City does not have or follow standardized reconciliation policies and procedures for balance sheet accounts.

Effect: Multiple accounts, across various funds, were materially misstated as a direct result of the lack of reconciliation procedures.

Recommendation: The City should implement internal controls regarding standardized reconciliation procedures, to ensure all balance sheet accounts for all funds are regularly reconciled to supporting documents. The standardized procedures should indicate all accounts that are to be reconciled, as well as the frequency of the reconciliations to be performed. Such procedures will ensure errors do not accumulate, but can be identified and attributed to a particular period, which will make it easier to perform future reconciliations.

2018-002: Material Audit Adjustments

Conditions: During the audit, we proposed multiple material adjustments to properly state assets, liabilities, revenues, and expenses for various funds. Our proposed adjustments were identified as a result of our audit procedures.

Criteria: The City should design and implement internal controls to prevent and detect material misstatements to fund trial balances in a timely manner.

Cause: The internal controls currently in place were not sufficient to identify material misstatements in various funds.

Effect: Several of the fund trial balances we received were materially misstated.

Recommendation: The City should implement internal controls, which should include standard accounting and operating procedures, to ensure all balances in all funds are properly stated at year-end.

City of Middleton, Idaho
Management's Response
For the Year Ended September 30, 2018

2018-001: Account Reconciliations

The City Clerk and Treasurer will research implementing internal controls to insure reconciliations are being done on a timely basis for all balance sheets across all funds.

2018-002: Material Audit Adjustments

The City Clerk and Treasurer will research implementing internal controls to insure that the trail balance accounts are being reviewed for material misstatements on a regular basis to prevent year end misstatements.