

**CITY OF MIDDLETON, IDAHO**

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Report on Audited  
Basic  
Financial Statements  
and  
Supplemental Information

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For the Year Ended September 30, 2019

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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, 2019, 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, 2019, 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 35 through 43 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 revenues by source and expenditures by object are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues by source and expenditures by object 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 revenues by source and expenditures by object 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 May 15, 2020, 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  
May 15, 2020

**City of Middleton, Idaho**  
Statement of Net Position  
September 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Middleton Urban Renewal Agency
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,061,711	\$ 2,325,814	\$ 5,387,525	\$ 257,151
Property Taxes Receivable, Net	27,000	-	27,000	318
Accounts Receivable, Net	17,819	268,960	286,779	-
Prepaid Items	40,116	18,520	58,636	-
Due from Other Governments	144,185	-	144,185	-
Interest Receivable	1,038	1,269	2,307	-
Noncurrent Assets:				
Restricted Cash	-	449,836	449,836	-
Capital Assets:				
Land and Construction in Progress	1,845,662	3,699,867	5,545,529	-
Buildings and Improvements, Net	6,654,936	13,721,953	20,376,889	-
Equipment, Net	599,957	736,902	1,336,859	-
Total Capital Assets	<u>9,100,555</u>	<u>18,158,722</u>	<u>27,259,277</u>	<u>-</u>
<b>Total Assets</b>	<u>12,392,424</u>	<u>21,223,121</u>	<u>33,615,545</u>	<u>257,469</u>
<b>Deferred Outflows</b>				
Pension Related Items	162,946	84,762	247,708	-
Total Deferred Outflows	<u>162,946</u>	<u>84,762</u>	<u>247,708</u>	<u>-</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	219,860	141,795	361,655	1,090
Related Party Payable	-	-	-	-
Salaries and Benefits Payable	40,446	16,359	56,805	-
Customer Deposits	-	49,879	49,879	-
Accrued Interest Payable	3,697	3,418	7,115	1,907
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Bond Payable	-	134,440	134,440	23,365
Lease Payable	50,873	15,606	66,479	-
Compensated Absences	25,217	15,339	40,556	-
Portion Due or Payable After One Year:				
Bond Payable	-	2,524,174	2,524,174	364,437
Lease Payable	64,417	60,176	124,593	-
Net Pension Liability	352,011	183,717	535,728	-
<b>Total Liabilities</b>	<u>756,521</u>	<u>3,144,903</u>	<u>3,901,424</u>	<u>390,799</u>
<b>Deferred Inflows</b>				
Pension Related Items	158,122	87,523	245,645	-
Total Deferred Inflows	<u>158,122</u>	<u>87,523</u>	<u>245,645</u>	<u>-</u>
<b>Net Position</b>				
Invested in Capital Assets, Net of Related Debt	9,100,555	15,500,108	24,600,663	-
Restricted for:				
Debt Reserve	-	369,177	369,177	-
Streets & Alleys	792,760	-	792,760	-
Other	99,298	-	99,298	-
Unrestricted (Deficit) Surplus	1,648,114	2,206,172	3,854,286	(133,330)
<b>Total Net Position</b>	<u>\$ 11,640,727</u>	<u>\$ 18,075,457</u>	<u>\$ 29,716,184</u>	<u>\$ (133,330)</u>

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

**City of Middleton, Idaho**  
**Statement of Activities**  
For the Year Ended September 30, 2019

	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		
<b>Primary Government:</b>								
Governmental Activities:								
Administrative	\$ 1,183,162	\$ 1,432,450	\$ 84,205	\$ -	\$ 333,493	\$ -	\$ 333,493	
Streets & Alleys	1,461,372	31,087	-	-	(1,430,285)	-	(1,430,285)	
Public Safety	1,415,963	-	-	-	(1,415,963)	-	(1,415,963)	
Culture and Recreation	732,725	5,947	-	-	(726,778)	-	(726,778)	
<b>Total Governmental Activities</b>	<b>4,793,222</b>	<b>1,469,484</b>	<b>84,205</b>	<b>-</b>	<b>(3,239,533)</b>	<b>-</b>	<b>(3,239,533)</b>	
Business-type Activities:								
Garbage	665,724.0	704,942.0	-	-	-	39,218	39,218	
Water	1,062,099.0	1,333,313.0	-	-	-	271,214	271,214	
Sewer	1,565,224.0	2,786,657.0	-	-	-	1,221,433	1,221,433	
Storm Drain	23,779.0	45,233.0	-	-	-	21,454	21,454	
<b>Total Business-type Activities</b>	<b>3,316,826</b>	<b>4,870,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,553,319</b>	<b>1,553,319</b>	
<b>Total Primary Government</b>	<b>\$ 8,110,048</b>	<b>\$ 6,339,629</b>	<b>\$ 84,205</b>	<b>\$ -</b>	<b>(3,239,533)</b>	<b>1,553,319</b>	<b>(1,686,214)</b>	
<b>Component Unit:</b>								
Middleton Urban Renewal Agency	\$ 31,209	\$ -	\$ -	\$ -				\$ (31,209)
General Revenues:								
Property Taxes					1,912,385	-	1,912,385	117,198
State Sources					1,006,661	-	1,006,661	-
Franchise Fees					74,335	-	74,335	-
Other					321,324	3,019	324,343	-
Unrestricted Investment Earnings					26,275	22,114	48,389	302
Transfer between Governmental Funds and Business Type Activities					120,890	(120,890)	-	-
<b>Total General Revenues and Special Items</b>					<b>3,461,870</b>	<b>(95,757)</b>	<b>3,366,113</b>	<b>117,500</b>
Change in Net Position					222,337	1,457,562	1,679,899	86,291
Net Position, Beginning of Year - Previously					11,595,741	16,667,326	28,263,067	(219,621)
Prior Period Adjustment					(177,351)	(49,431)	(226,782)	-
Net Position, Beginning of Year					11,418,390	16,617,895	28,036,285	(219,621)
<b>Net Position, End of Year</b>					<b>\$ 11,640,727</b>	<b>\$ 18,075,457</b>	<b>\$ 29,716,184</b>	<b>\$ (133,330)</b>

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

**City of Middleton, Idaho**  
Balance Sheet -  
Governmental Funds  
September 30, 2019

	General	Streets & Alleys	Impact Fees
<b>Assets</b>			
Cash and Cash Equivalents	\$ 933,332	\$ 926,755	\$ 99,298
Receivables, Net:			
Property Tax	16,983	10,017	-
Accounts	4,208	13,611	-
Interest	523	515	-
Prepaid Items	31,739	4,188	-
Due from Other Governments	144,185	-	-
Total Assets	\$ 1,130,970	\$ 955,086	\$ 99,298
<b>Liabilities</b>			
Accounts Payable	\$ 46,464	\$ 148,257	\$ -
Salaries and Benefits Payable	28,481	5,512	-
Total Liabilities	74,945	153,769	-
<b>Deferred Inflows</b>			
Unavailable Revenue - Property Taxes	14,428	8,557	-
<b>Fund Balances</b>			
Nonspendable:			
Prepays	31,739	4,188	-
Restricted	-	788,572	99,298
Unassigned	1,009,858	-	-
Total Fund Balances	1,041,597	792,760	99,298
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,130,970	\$ 955,086	\$ 99,298

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



**City of Middleton, Idaho**  
 Balance Sheet -  
 Governmental Funds  
 September 30, 2019

	Capital Project Fund	Non-major Library	Total Governmental
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,041,744	\$ 60,582	\$ 3,061,711
Receivables, Net:			
Property Tax	-	-	27,000
Accounts	-	-	17,819
Interest	-	-	1,038
Prepaid Items	-	4,189	40,116
Due from Other Governments	-	-	144,185
Total Assets	\$ 1,041,744	\$ 64,771	\$ 3,291,869
<b>Liabilities</b>			
Accounts Payable	\$ 25,139	\$ -	\$ 219,860
Salaries and Benefits Payable	-	6,453	40,446
Total Liabilities	25,139	6,453	260,306
<b>Deferred Inflows</b>			
Unavailable Revenue - Property Taxes	-	-	22,985
<b>Fund Balances</b>			
Nonspendable:			
Prepays	-	4,189	40,116
Restricted	1,016,605	54,129	1,958,604
Unassigned	-	-	1,009,858
Total Fund Balances	1,016,605	58,318	3,008,578
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,041,744	\$ 64,771	\$ 3,291,869

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, 2019

Total Fund Balances - Governmental Funds \$ 3,008,578

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 \$3,045,157 Accum. Depr.	6,654,936	
Equipment, Net of \$1,259,893 Accumulated Depreciation	<u>599,957</u>	
		9,100,555

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. 22,985

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	\$ (25,217)	
Accrued Interest	(3,697)	
Lease Payable	<u>(115,290)</u>	
		(144,204)

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	\$ (352,011)	
Pension Related Deferred Inflows	(158,122)	
Pension Related Deferred Outflows	<u>162,946</u>	
		<u>(347,187)</u>

Net Position of Governmental Activities \$ 11,640,727

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, 2019

	General	Streets & Alleys	Impact Fees
<b>Revenues</b>			
Property Taxes	\$ 1,248,836	\$ 665,106	\$ -
Intergovernmental	544,266	462,395	-
Grants and Contributions	12,796	-	-
Charges for Services	779,508	31,087	727,277
Interest Earned	15,792	71	-
Other	285,000	25,512	-
Total Revenues	<u>2,886,198</u>	<u>1,184,171</u>	<u>727,277</u>
<b>Expenditures</b>			
Current:			
Administrative	772,583	-	-
Streets & Alleys	-	690,962	-
Public Safety	404,498	-	-
Police	935,902	-	-
Culture and Recreation	137,070	-	-
Capital Outlay	70,969	39,298	-
Total Expenditures	<u>2,321,022</u>	<u>730,260</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures)</b>	<u>565,176</u>	<u>453,911</u>	<u>727,277</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds From Lease	10,420	10,420	-
Transfer In	192,946	-	-
Transfer Out	(387,283)	(71,284)	(767,000)
Total Other Financing Sources (Uses)	<u>(183,917)</u>	<u>(60,864)</u>	<u>(767,000)</u>
Net Change in Fund Balances	<u>381,259</u>	<u>393,047</u>	<u>(39,723)</u>
Fund Balances - Beginning - Previous Prior Period Adjustment	771,339 (111,001)	466,063 (66,350)	139,021 -
Fund Balances - Beginning	<u>660,338</u>	<u>399,713</u>	<u>139,021</u>
Fund Balances - Ending	<u>\$ 1,041,597</u>	<u>\$ 792,760</u>	<u>\$ 99,298</u>

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, 2019

	Capital Project Fund	Non-major Library	Total Governmental
<b>Revenues</b>			
Property Taxes	\$ -	\$ -	\$ 1,913,942
Intergovernmental	-	-	1,006,661
Grants and Contributions	53,004	18,405	84,205
Charges for Services	-	5,947	1,543,819
Interest Earned	9,948	464	26,275
Other	4,000	6,812	321,324
Total Revenues	<u>66,952</u>	<u>31,628</u>	<u>4,896,226</u>
<b>Expenditures</b>			
Current:			
Administrative	11,346	10,622	794,551
Streets & Alleys	-	-	690,962
Public Safety	-	-	404,498
Police	-	-	935,902
Culture and Recreation	-	452,788	589,858
Capital Outlay	<u>752,756</u>	-	<u>863,023</u>
Total Expenditures	<u>764,102</u>	<u>463,410</u>	<u>4,278,794</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(697,150)</u>	<u>(431,782)</u>	<u>617,432</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds From Lease	-	-	20,840
Transfer In	768,511	385,000	1,346,457
Transfer Out	-	-	(1,225,567)
Total Other Financing Sources (Uses)	<u>768,511</u>	<u>385,000</u>	<u>141,730</u>
Net Change in Fund Balances	<u>71,361</u>	<u>(46,782)</u>	<u>759,162</u>
Fund Balances - Beginning - Previous Prior Period Adjustment	945,244	105,100	2,426,767
	-	-	(177,351)
Fund Balances - Beginning	<u>945,244</u>	<u>105,100</u>	<u>2,249,416</u>
Fund Balances - Ending	<u>\$ 1,016,605</u>	<u>\$ 58,318</u>	<u>\$ 3,008,578</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, 2019

Total Net Change in Fund Balance - Governmental Funds \$ 759,162

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	\$ 54,967	
Depreciation	<u>(571,133)</u>	(516,166)

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. (1,557)

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. (20,840)

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. 46,528

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. (2,320)

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. 1,732

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. (44,202)

Change in Net Position of Governmental Activities \$ 222,337

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

**City of Middleton, Idaho**  
Statement of Net Position -  
Proprietary Funds  
September 30, 2019

	Garbage	Water	Sewer	Non-major Storm Drain	Total
<b>Assets</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 58,572	\$ 1,309,653	\$ 936,135	\$ 21,454	\$ 2,325,814
Accounts Receivable, Net	60,489	61,527	146,944	-	268,960
Interest Receivable	-	1,046	223	-	1,269
Prepaid Items	-	14,332	4,188	-	18,520
<b>Total Current Assets</b>	<b>119,061</b>	<b>1,386,558</b>	<b>1,087,490</b>	<b>21,454</b>	<b>2,614,563</b>
Noncurrent Assets:					
Restricted Cash	-	80,659	369,177	-	449,836
Capital Assets:					
Land and Construction in Progress	-	1,579,990	2,119,877	-	3,699,867
Buildings and Improvements, Net	-	2,487,260	11,234,693	-	13,721,953
Equipment, Net	-	362,812	374,090	-	736,902
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>4,510,721</b>	<b>14,097,837</b>	<b>-</b>	<b>18,608,558</b>
<b>Total Assets</b>	<b>119,061</b>	<b>5,897,279</b>	<b>15,185,327</b>	<b>21,454</b>	<b>21,223,121</b>
<b>Deferred Outflows</b>					
Pension Related Items	-	46,510	38,252	-	84,762
<b>Total Deferred Outflows</b>	<b>-</b>	<b>46,510</b>	<b>38,252</b>	<b>-</b>	<b>84,762</b>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	57,988	47,352	36,455	-	141,795
Salaries and Benefits Payable	-	7,338	9,021	-	16,359
Customer Deposits	-	49,879	-	-	49,879
Compensated Absences	-	5,840	9,499	-	15,339
Accrued Interest Payable	-	-	3,418	-	3,418
Bonds, Notes, and Loans Payable	-	-	134,440	-	134,440
Lease Payable	-	7,803	7,803	-	15,606
<b>Total Current Liabilities</b>	<b>57,988</b>	<b>118,212</b>	<b>200,636</b>	<b>-</b>	<b>376,836</b>
Noncurrent Liabilities:					
Bonds, Notes, and Loans Payable	-	-	2,524,174	-	2,524,174
Net Pension Liability	-	100,495	83,222	-	183,717
Lease Payable	-	30,088	30,088	-	60,176
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>130,583</b>	<b>2,637,484</b>	<b>-</b>	<b>2,768,067</b>
<b>Total Liabilities</b>	<b>57,988</b>	<b>248,795</b>	<b>2,838,120</b>	<b>-</b>	<b>3,144,903</b>
<b>Deferred Inflows</b>					
Pension Related Items	-	46,289	41,234	-	87,523
<b>Total Deferred Inflows</b>	<b>-</b>	<b>46,289</b>	<b>41,234</b>	<b>-</b>	<b>87,523</b>
<b>Net Position</b>					
Invested in Capital Assets, Net of Related Debt	-	4,430,062	11,070,046	-	15,500,108
Restricted - Debt Reserve	-	-	369,177	-	369,177
Unrestricted	61,073	1,218,643	905,002	21,454	2,206,172
<b>Total Net Position</b>	<b>\$ 61,073</b>	<b>\$ 5,648,705</b>	<b>\$ 12,344,225</b>	<b>\$ 21,454</b>	<b>\$ 18,075,457</b>

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, 2019

	Garbage	Water	Sewer	Non-major Storm Drain	Total
<b>Operating Revenues</b>					
Charges for Services	\$ 704,942	\$ 1,323,524	\$ 2,786,657	\$ 45,233	\$ 4,860,356
Rent	-	9,789	-	-	9,789
Miscellaneous	-	3,019	-	-	3,019
<b>Total Operating Revenues</b>	<u>704,942</u>	<u>1,336,332</u>	<u>2,786,657</u>	<u>45,233</u>	<u>4,873,164</u>
<b>Operating Expenses</b>					
Salaries	-	189,539	217,615	-	407,154
Benefits	-	85,196	102,336	-	187,532
Supplies	465	12,965	15,768	-	29,198
Professional Services	659,953	46,784	242,718	23,632	973,087
Utilities	1,307	52,855	62,882	-	117,044
Miscellaneous	3,999	36,920	88,762	147	129,828
Repairs and Maintenance	-	480,815	179,600	-	660,415
Depreciation	-	157,025	573,941	-	730,966
<b>Total Operating Expenses</b>	<u>665,724</u>	<u>1,062,099</u>	<u>1,483,622</u>	<u>23,779</u>	<u>3,235,224</u>
<b>Income (Loss) From Operations</b>	<u>39,218</u>	<u>274,233</u>	<u>1,303,035</u>	<u>21,454</u>	<u>1,637,940</u>
<b>Nonoperating Revenues (Expenses)</b>					
Interest Earned	498	12,145	9,471	-	22,114
Interest Expense	-	-	(81,602)	-	(81,602)
Transfers	(28,830)	113,445	(205,505)	-	(120,890)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(28,332)</u>	<u>125,590</u>	<u>(277,636)</u>	<u>-</u>	<u>(180,378)</u>
<b>Change in Net Position</b>	<u>10,886</u>	<u>399,823</u>	<u>1,025,399</u>	<u>21,454</u>	<u>1,457,562</u>
Total Net Position - Beginning - Previous Prior Period Adjustment	99,618 (49,431)	5,248,882 -	11,318,826 -	- -	16,617,895 -
<b>Total Net Position - Beginning</b>	<u>50,187</u>	<u>5,248,882</u>	<u>11,318,826</u>	<u>-</u>	<u>16,617,895</u>
<b>Total Net Position - Ending</b>	<u>\$ 61,073</u>	<u>\$ 5,648,705</u>	<u>\$ 12,344,225</u>	<u>\$ 21,454</u>	<u>\$ 18,075,457</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, 2019

	Garbage	Water	Sewer	Non-major Storm Drain	Total
<b>Cash Flows From Operating Activities</b>					
Receipts from Customers	\$ 698,291	\$ 1,333,324	\$ 2,731,721	\$ 45,233	\$ 4,808,569
Payments to Suppliers	(760,156)	(599,163)	(615,270)	(23,779)	(1,998,368)
Payments to Employees	(4,218)	(261,109)	(304,553)	-	(569,880)
Net Cash Provided (Used) by Operating Activities	<u>(66,083)</u>	<u>473,052</u>	<u>1,811,898</u>	<u>21,454</u>	<u>2,240,321</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfer In (Out)	(28,830)	113,445	(205,505)	-	(120,890)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(28,830)</u>	<u>113,445</u>	<u>(205,505)</u>	<u>-</u>	<u>(120,890)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Purchases and Construction of Capital Assets	-	(30,366)	(30,366)	-	(60,732)
Principal Paid on Capital Debt	-	-	(129,826)	-	(129,826)
Interest Paid on Capital Debt	-	-	(82,146)	-	(82,146)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(30,366)</u>	<u>(242,338)</u>	<u>-</u>	<u>(272,704)</u>
<b>Cash Flows From Investing Activities</b>					
Interest and Dividends	498	12,145	9,471	-	22,114
Net Cash Provided (Used) by Investing Activities	<u>498</u>	<u>12,145</u>	<u>9,471</u>	<u>-</u>	<u>22,114</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(94,415)	568,276	1,373,526	21,454	1,868,841
<b>Cash and Cash Equivalents - Beginning</b>	152,987	822,036	(68,214)	-	906,809
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 58,572</u>	<u>\$ 1,390,312</u>	<u>\$ 1,305,312</u>	<u>\$ 21,454</u>	<u>\$ 2,775,650</u>
<b>Displayed As:</b>					
Cash	\$ 58,572	\$ 1,309,653	\$ 936,135	\$ 21,454	\$ 2,325,814
Restricted Cash	-	80,659	369,177	-	449,836
	<u>\$ 58,572</u>	<u>\$ 1,390,312</u>	<u>\$ 1,305,312</u>	<u>\$ 21,454</u>	<u>\$ 2,775,650</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, 2019

	Garbage	Water	Sewer	Non-major Storm Drain	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 39,218	\$ 274,233	\$ 1,303,035	\$ 21,454	\$ 1,637,940
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation	-	157,025	573,941	-	730,966
(Increase) Decrease in Accounts Receivable	(6,651)	(299)	(54,936)	-	(61,886)
(Increase) Decrease in Prepaid Expense	-	3,000	3,209	-	6,209
(Increase) Decrease in Deferred Outflows	3,003	12,301	12,301	-	27,605
Increase (Decrease) in Accounts Payable	(94,432)	28,176	(28,749)	-	(95,005)
Increase (Decrease) in Customer Deposits	-	(2,709)	-	-	(2,709)
Increase (Decrease) in Salaries and Benefits Payable	-	2,014	2,760	-	4,774
Increase (Decrease) in Compensated Absences	-	(820)	206	-	(614)
Increase (Decrease) in Net Pension Liability	(6,240)	(21,957)	(21,957)	-	(50,154)
Increase (Decrease) in Deferred Inflows	(981)	22,088	22,088	-	43,195
Net Cash Provided (Used) by Operating Activities	<u>\$ (66,083)</u>	<u>\$ 473,052</u>	<u>\$ 1,811,898</u>	<u>\$ 21,454</u>	<u>2,240,321</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, 2019

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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, 2019

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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.
- *Impact fees.* This fund accounts for the activities related to impact fees.
- *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, 2019

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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, 2019

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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, 2019, there were no allowances in any of the funds.

**City of Middleton, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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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, 2019

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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, 2019, the carrying amount of the City's deposits was \$1,707,627 and the respective bank balances totaled \$1,803,801 . 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, 2019, 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 \$750 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, 2019

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, 2019, are summarized below:

Investment Type	Fair Value	Maturity (In Years) Less Than 1
Money Market Funds	\$ 2,843,538	\$ 2,843,538
External Investment Pool	1,293,446	1,293,446
	\$ 4,136,984	\$ 4,136,984

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	\$ 407,476	\$ 1,220,242	\$ 1,627,718
Restricted Cash and Investments	-	449,836	449,836
Investments categorized as deposits	2,655,725	1,112,082	3,767,807
	\$ 3,063,201	\$ 2,782,160	\$ 5,845,361

The City has set aside \$369,177 in accordance with debt restrictions.



**City of Middleton, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of state revenue sharing of \$144,185.

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, 2019, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2019, 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](http://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, 2019

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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, 2019, 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 \$187,953 the year ended September 30, 2019.

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

At September 30, 2019, 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, 2019, 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, 2019, the City of Middleton, Idaho's proportion was 0.0469332 percent.

For the year ended September 30, 2019, the City of Middleton recognized pension expense/ (revenue) of \$252,802. At September 30, 2019, 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, 2019

5. PENSION PLAN (continued)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 49,788	\$ 63,138
Changes in assumptions or other inputs	29,800	-
Net difference between projected and actual earnings on pension plan investments	-	182,507
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	113,890	-
City of Middleton, Idaho's contributions subsequent to the measurement date	54,228	-
<b>Total</b>	<b>\$ 247,706</b>	<b>\$ 245,645</b>

\$54,228 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, 2019.

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, 2018, the beginning of the measurement period ended June 30, 2018, is 4.8 years and 4.8 for the measurement period June 30, 2019.

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:

<b>For the Year Ended September 30:</b>	<b>PERSI</b>
2020	\$ 77,284
2021	(40,301)
2022	(11,062)
2023	(23,860)

**City of Middleton, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expense
Cost-of-living adjustments	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, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019.

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, 2019

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, 2017.

<u>Asset Class</u>		<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return (Arithmetic)</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	Barclays Aggregate	30.00%	3.05%	0.80%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	8.30%	6.05%
Developed Foreign Equities	MSCI EAFE/World ex US	15.00%	8.45%	6.20%
Assumed Inflation - Mean			2.25%	2.25%
Assumed Inflation - Standard Deviation			1.50%	1.50%
Portfolio Arithmetic Mean Return			6.75%	4.50%
Portfolio Standard Deviation			12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return			6.13%	3.77%
Assumed Investment Expenses			0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses			5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expense				4.19%
Portfolio Standard Deviation				14.16%
<b>Valuation Assumptions Chosen by PERSI Board</b>				
Long-Term Expected Real Rate of Return, Net of Investment Expenses				4.05%
Assumed Inflation				3.00%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>				<b><u>7.05%</u></b>

**City of Middleton, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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5. PENSION PLAN (continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.05%. 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 7.05 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	<b>1% Decrease (6.05%)</b>	<b>Current Discount Rate (7.05%)</b>	<b>1% Increase (8.05%)</b>
Employer's proportionate share of the net pension liability (asset)	\$ 1,618,109	\$ 535,729	\$ (359,364)

*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](http://www.persi.idaho.gov).

**City of Middleton, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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>9/30/2018</u>	<u>Earned</u>	<u>Used</u>	<u>9/30/2019</u>	<u>Current</u>
Governmental Activities	\$ 22,897	\$ 48,405	\$(46,085)	\$ 25,217	\$ 25,217
Business-type Activities	<u>15,953</u>	<u>26,288</u>	<u>(26,902)</u>	<u>15,339</u>	<u>15,339</u>
	<u>\$ 38,850</u>	<u>\$ 74,693</u>	<u>\$(72,987)</u>	<u>\$ 40,556</u>	<u>\$ 40,556</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>9/30/2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2019</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,510,450	\$ -	\$ -	\$ 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>-</u>	<u>-</u>	<u>1,845,662</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	9,700,093	-	-	9,700,093
Equipment	<u>1,804,883</u>	<u>54,967</u>	<u>-</u>	<u>1,859,850</u>
Total Historical Cost	<u>10,707,072</u>	<u>54,967</u>	<u>-</u>	<u>11,559,943</u>
Less: Accumulated Depreciation				
Buildings and Improvements	2,651,389	393,768	-	3,045,157
Equipment	<u>1,082,528</u>	<u>177,365</u>	<u>-</u>	<u>1,259,893</u>
Total Accumulated Depreciation	<u>3,210,556</u>	<u>571,133</u>	<u>-</u>	<u>4,305,050</u>
Net Depreciable Assets	<u>7,496,516</u>	<u>(516,166)</u>	<u>-</u>	<u>7,254,893</u>
Governmental Activities - Net	<u>\$ 9,222,177</u>	<u>\$ (516,166)</u>	<u>\$ -</u>	<u>\$ 9,100,555</u>

**City of Middleton, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

7. CAPITAL ASSETS (continued)

	9/30/2018	Additions	Disposals	9/30/2019
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Easments	\$ 3,699,867	\$ -	\$ -	\$ 3,699,867
Total	<u>2,572,907</u>	<u>-</u>	<u>-</u>	<u>3,699,867</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	19,643,430	-	-	19,643,430
Equipment	<u>1,727,305</u>	<u>136,514</u>	<u>-</u>	<u>1,863,819</u>
Total Historical Cost	<u>20,729,519</u>	<u>136,514</u>	<u>-</u>	<u>21,507,249</u>
Less: Accumulated Depreciation				
Buildings and Improvements	5,311,444	610,033	-	5,921,477
Equipment	<u>1,005,984</u>	<u>120,933</u>	<u>-</u>	<u>1,126,917</u>
Total Accumulated Depreciation	<u>5,614,395</u>	<u>730,966</u>	<u>-</u>	<u>7,048,394</u>
Net Depreciable Assets	<u>15,115,124</u>	<u>(594,452)</u>	<u>-</u>	<u>14,458,855</u>
Business-type Activities - Net	<u>\$ 17,688,031</u>	<u>\$ (594,452)</u>	<u>\$ -</u>	<u>\$ 18,158,722</u>

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

Governmental Activities:

Administrative	\$ 43,820
Highway and Streets	130,693
Public Safety	314,105
Culture and Recreation	<u>82,515</u>
	<u>\$ 571,133</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, 2019

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, 2019, are as follows:

Business-type Activities:

<u>Description</u>	<u>Rate</u>	<u>9/30/2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2019</u>	<u>Current Portion</u>
USDA Loan 92-01	4.50%	\$ 312,225	\$ -	\$ (59,630)	\$ 252,595	\$ 62,313
USDA Loan 92-02	2.750%	2,476,215	-	(70,196)	2,406,019	72,127
		<u>\$ 2,788,440</u>	<u>\$ -</u>	<u>\$ (129,826)</u>	<u>\$ 2,658,614</u>	<u>\$ 134,440</u>

**City of Middleton, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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8. LONG-TERM LIABILITIES (continued)

Debt service requirements on long-term debt at September 30, 2019, are as follows:

Year Ending September 30,	Bonds	
	Principal	Interest
2020	\$ 134,440	\$ 77,532
2021	139,227	72,745
2022	144,196	67,776
2023	135,359	62,620
2024	80,394	57,898
2024-2028	436,372	255,088
2029-2033	499,766	191,694
2034-2038	572,368	119,092
2039-2043	516,492	35,963
	<u>\$2,658,614</u>	<u>\$ 940,408</u>

There was \$81,602 of interest expense for the year ended September 30, 2019. No interest was capitalized during the year.

9. TRANSFERS

During the year ended September 30, 2019 the following transfers took place between funds:

\$ 71,284	To the General Fund from the Street Fund to cover administrative costs.
28,830	To the General Fund from the Garbage Fund to cover administrative cost.
92,832	To the General Fund from the Construction Fund to cover administrative costs.
385,000	To the Library Fund from the General Fund to help start fund.
2,283	To the Water Fund from the General Fund to reimburse costs.
35,505	To the Water Fund from the Sewer Fund to reimburse costs.
75,657	To the Water Fund from the Construction Fund to reimburse costs.
767,000	To the Construction Fund from the Impact Fee Fund to pay for capital assets.
170,000	To the Construction Fund from the Sewer Fund to pay for capital assets.
<u>\$ 1,628,391</u>	

**City of Middleton, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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:

<u>Governmental Activities:</u>		
Equipment		\$ 304,831
Less: accumulated amortization (included as depreciation on the accompanying financial statements) by function		
Public Safety		<u>(131,224)</u>
		<u>\$ 173,607</u>

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>9/30/2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2019</u>	<u>Current</u>
<u>Governmental Activities:</u>							
Lease - Police Vehicles	2021	5.12%	\$ 141,029	\$ -	\$(44,685)	\$ 96,344	\$ 46,971
Lease - Loader	2024	4.40%	-	20,840	(1,894)	18,946	3,902
			<u>\$ 141,029</u>	<u>\$ 20,840</u>	<u>\$(46,579)</u>	<u>\$ 115,290</u>	<u>\$ 50,873</u>
<u>Business Type Activities</u>							
Lease - Loader	2024	4.40%	\$ -	\$ 83,360	\$ (7,578)	\$ 75,782	\$ 15,606

Future minimum lease requirements as of September 30, 2019, are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>			<u>Business Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2020	\$ 50,872	\$ 5,703	\$ 56,575	\$ 15,607	\$ 3,095	\$ 18,702
2021	53,446	3,130	56,576	16,291	2,410	18,701
2022	4,249	426	4,675	16,998	1,704	18,702
2023	4,433	242	4,675	17,735	967	18,702
2024	2,290	49	2,339	9,151	198	9,349
	<u>\$ 115,290</u>	<u>\$ 9,550</u>	<u>\$ 124,840</u>	<u>\$ 75,782</u>	<u>\$ 8,374</u>	<u>\$ 84,156</u>

**City of Middleton, Idaho**  
**Notes to Financial Statements**  
For the Year Ended September 30, 2019

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, 2019, 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, 2019.

13. PRIOR PERIOD ADJUSTMENT

In prior years certain items were misstated. This caused the Fund Balance and Net Position to be misstated. Fund Balance and Net Position were restated as follows for the year ended September 30, 2019

	Government Funds
Fund Balance, Beginning - As Previously Stated	\$ 2,426,767
Change in Fund Balance due to overstatement of due from other governments	<u>(177,351)</u>
Net Position, Beginning - Restated	<u>\$ 2,249,416</u>

**City of Middleton, Idaho**  
Notes to Financial Statements  
For the Year Ended September 30, 2019

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13. PRIOR PERIOD ADJUSTMENT (continued)

	<u>Business- Type Activities</u>
Net Position, Beginning - As Previously Stated	\$ 16,667,326
Change in Net Position due to understatement of accounts payable	<u>(49,431)</u>
Net Position, Beginning - Restated	<u>\$ 16,617,895</u>
	<u>Governmental Activities</u>
Net Position, Beginning - As Previously Stated	\$ 11,595,741
Change in Net position due to overstatement of due from other governments	<u>(177,351)</u>
Net Position, Beginning - Restated	<u>\$ 11,418,390</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

**City of Middleton, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 General Fund  
 For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 1,216,888	\$ 1,216,888	\$ 1,248,836	\$ 31,948
Intergovernmental	485,576	485,576	544,266	58,690
Grants and Contributions	-	-	12,796	12,796
Charges for Services	709,560	709,560	779,508	69,948
Interest Earned	3,000	3,000	15,792	12,792
Other	302,650	302,650	285,000	(17,650)
Total Revenues	<u>2,717,674</u>	<u>2,717,674</u>	<u>2,886,198</u>	<u>168,524</u>
<b>Expenditures</b>				
Current:				
Administrative	810,804	810,804	772,583	38,221
Public Safety	11,824	11,824	32,987	(21,163)
Building	324,156	324,156	371,511	(47,355)
Police	1,061,751	1,061,751	935,902	125,849
Parks	167,912	167,912	137,070	30,842
Capital Outlay	53,167	53,167	70,969	(17,802)
Total Expenditures	<u>2,429,614</u>	<u>2,429,614</u>	<u>2,321,022</u>	<u>108,592</u>
<b>Excess (Deficiency of Revenues Over Expenditures)</b>	<u>288,060</u>	<u>288,060</u>	<u>565,176</u>	<u>59,932</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds From Lease	-	-	10,420	10,420
Transfers In	59,284	59,284	192,946	133,662
Transfers Out	(385,000)	(385,000)	(387,283)	(2,283)
Total Other Financing Sources (Uses)	<u>(325,716)</u>	<u>(325,716)</u>	<u>(183,917)</u>	<u>141,799</u>
Net Change in Fund Balances	<u>(37,656)</u>	<u>(37,656)</u>	<u>381,259</u>	<u>418,915</u>
Fund Balances - Beginning - Previous	37,656	37,656	771,339	733,683
Prior Period Adjustment	-	-	(111,001)	(111,001)
Fund Balances - Beginning	<u>37,656</u>	<u>37,656</u>	<u>660,338</u>	<u>622,682</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,041,597</u>	<u>\$ 1,041,597</u>

**City of Middleton, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Streets & Alleys Fund  
 For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$ 638,676	\$ 638,676	\$ 665,106	\$ 26,430
Intergovernmental	415,377	415,377	462,395	47,018
Charges for Services	36,000	36,000	31,087	(4,913)
Interest Earned	648	648	71	(577)
Other	102,500	102,500	25,512	(76,988)
Total Revenues	<u>1,193,201</u>	<u>1,193,201</u>	<u>1,184,171</u>	<u>(9,030)</u>
<b>Expenditures</b>				
Current:				
Streets & Alleys	1,060,842	1,060,842	690,962	369,880
Capital Outlay	27,890	27,890	39,298	(11,408)
Total Expenditures	<u>1,088,732</u>	<u>1,088,732</u>	<u>730,260</u>	<u>358,472</u>
<b>Excess (Deficiency of Revenues Over Expenditures)</b>				
	<u>104,469</u>	<u>104,469</u>	<u>453,911</u>	<u>349,442</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds From Lease	-	-	10,420	10,420
Transfers Out	(217,284)	(217,284)	(71,284)	146,000
Total Other Financing Sources (Uses)	<u>(217,284)</u>	<u>(217,284)</u>	<u>(60,864)</u>	<u>156,420</u>
Net Change in Fund Balances	<u>(112,815)</u>	<u>(112,815)</u>	<u>393,047</u>	<u>505,862</u>
Fund Balances - Beginning - Previous Prior Period Adjustment	112,815	112,815	466,063	353,248
Fund Balances - Beginning	-	-	(66,350)	(66,350)
Fund Balances - Beginning	<u>112,815</u>	<u>112,815</u>	<u>399,713</u>	<u>286,898</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 792,760</u>	<u>\$ 792,760</u>



**City of Middleton, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Impact Fees  
 For the Year Ended September 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for Services	452,446	452,446	727,277	274,831
Total Revenues	<u>452,446</u>	<u>452,446</u>	<u>727,277</u>	<u>274,831</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(617,000)	(617,000)	(767,000)	(150,000)
Total Other Financing Sources (Uses)	<u>(617,000)</u>	<u>(617,000)</u>	<u>(767,000)</u>	<u>(150,000)</u>
Net Change in Fund Balances	(164,554)	(164,554)	(39,723)	124,831
Fund Balances - Beginning	164,554	164,554	139,021	(25,533)
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,298</u>	<u>\$ 99,298</u>

**City of Middleton, Idaho**  
 Budgetary (GAAP Basis) Comparison Schedule  
 Capital Project Fund  
 For the Year Ended September 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Grants and Contributions	\$ 102,000	\$ 102,000	\$ 53,004	\$ (48,996)
Total Revenues	<u>1,491,051</u>	<u>1,491,051</u>	<u>66,952</u>	<u>(1,424,099)</u>
<b>Expenditures</b>				
Current:				
Administrative	164,547	164,547	11,346	153,201
Capital Outlay	3,039,551	3,039,551	752,756	2,286,795
Total Expenditures	<u>3,204,098</u>	<u>3,204,098</u>	<u>764,102</u>	<u>2,439,996</u>
<b>Excess (Deficiency of Revenues Over Expenditures)</b>	<u>(1,713,047)</u>	<u>(1,713,047)</u>	<u>(697,150)</u>	<u>1,015,897</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,648,500	1,648,500	768,511	(879,989)
Total Other Financing Sources (Uses)	<u>1,648,500</u>	<u>1,648,500</u>	<u>768,511</u>	<u>(879,989)</u>
Net Change in Fund Balances	(64,547)	(64,547)	71,361	135,908
Fund Balances - Beginning	64,547	64,547	945,244	880,697
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,016,605</u>	<u>\$ 1,016,605</u>

**City of Middleton, Idaho**  
Notes to Required Supplementary Information  
For the Year Ended September 30, 2019

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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\*

	2019	2018	2017	2016	2015
City proportion of the net pension liability (asset)	0.0004693%	0.0450131%	0.0410020%	0.0350760%	0.0275714%
City's proportionate share of the net pension liability (asset)	\$ 535,729	\$ 663,951	\$ 644,481	\$ 711,044	\$ 363,070
City's covered-employee payroll	\$ 1,626,417	\$ 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	32.94%	45.12%	47.57%	64.56%	44.22%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	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, 2019

**City of Middleton, Idaho**  
Schedule of City Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 187,953	\$ 168,169	\$ 154,823	\$ 125,442	\$ 93,306
Contributions in relation to the contractually required contribution	<u>187,953</u>	<u>168,169</u>	<u>154,823</u>	<u>125,442</u>	<u>93,306</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,626,417	\$ 1,471,661	\$ 1,354,934	\$ 1,101,439	\$ 821,028
Contributions as a percentage of covered-employee payroll	11.56%	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, 2019

***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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Taxes:</b>			
Property Taxes	\$ 1,216,888	\$ 1,248,836	\$ 31,948
Total Taxes	<u>1,216,888</u>	<u>1,248,836</u>	<u>31,948</u>
<b>Intergovernmental:</b>			
State Liquor Apportionment	74,860	90,946	16,086
State Revenue Sharing	292,600	338,863	46,263
State Sales Tax	118,116	114,457	(3,659)
Total Intergovernmental	<u>485,576</u>	<u>544,266</u>	<u>58,690</u>
<b>Grants and Contributions</b>			
Grants	-	12,796	12,796
Total Grants and Contributions	<u>-</u>	<u>12,796</u>	<u>12,796</u>
<b>Charges for Services:</b>			
Beer, Wine, and Liquor Licenses	2,210	2,610	400
Building Permits	621,835	639,276	17,441
Business Permits	-	2,320	2,320
Franchise Fees	42,514	43,248	734
Rent	25,001	30,365	5,364
Fines and Fees	18,000	61,689	43,689
Total Licenses and Permits	<u>709,560</u>	<u>779,508</u>	<u>69,948</u>
<b>Other:</b>			
Donations	-	-	-
Reimbursements	144,621	202,019	57,398
Interest Earned	3,000	15,792	12,792
Miscellaneous Revenue	158,029	82,981	(75,048)
Total Other	<u>305,650</u>	<u>300,792</u>	<u>(4,858)</u>
<b>Proceeds From Debt</b>			
	<u>-</u>	<u>10,420</u>	<u>10,420</u>
<b>Total Revenue</b>	<u><u>\$ 2,717,674</u></u>	<u><u>\$ 2,896,618</u></u>	<u><u>\$ 168,524</u></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, 2019

	Budget	Actual	Variance
<b>Administrative:</b>			
Salaries	\$ 312,872	\$ 322,533	\$ (9,661)
Benefits	151,533	123,788	27,745
Supplies	10,164	7,086	3,078
Repairs and Maintenance	2,556	2,437	119
Professional Fees	188,716	234,155	(45,439)
Other Services and Charges	144,963	82,584	62,379
Capital Outlay	44,320	39,065	5,255
Total Administrative	<u>855,124</u>	<u>811,648</u>	<u>43,476</u>
<b>Public Safety:</b>			
Code Enforcement	12,216	15,323	(3,107)
Professional Fees	(392)	17,664	(18,056)
Total Public Safety	<u>11,824</u>	<u>32,987</u>	<u>(21,163)</u>
<b>Building Inspection:</b>			
Salaries	36,470	44,177	(7,707)
Benefits	34,313	22,103	12,210
Supplies	1,500	3,232	(1,732)
Repairs and Maintenance	41,500	33,391	8,109
Professional Fees	120,762	185,073	(64,311)
Other Services and Charges	89,611	83,535	6,076
Capital Outlay	-	6,357	(6,357)
Total Building Inspection	<u>\$ 324,156</u>	<u>\$ 377,868</u>	<u>\$ (53,712)</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Police:</b>			
Salaries	\$ 619,296	\$ 593,189	\$ 26,107
Benefits	292,532	212,866	79,666
Supplies	15,589	4,916	10,673
Repairs and Maintenance	17,448	15,170	2,278
Professional Fees	2,200	-	2,200
Other Services and Charges	62,780	57,912	4,868
Lease Payments	51,906	51,849	57
Capital Outlay	8,847	14,382	(5,535)
Total Police	<u>1,070,598</u>	<u>950,284</u>	<u>120,314</u>
<b>Parks:</b>			
Salaries	48,330	42,310	6,020
Benefits	32,791	21,020	11,771
Supplies	2,870	8,360	(5,490)
Repairs and Maintenance	30,498	12,231	18,267
Professional Fees	11,000	17,614	(6,614)
Other Services and Charges	42,423	35,535	6,888
Capital Outlay	-	11,165	(11,165)
Total Parks	<u>167,912</u>	<u>148,235</u>	<u>19,677</u>
Total Expenditures	<u>\$ 2,429,614</u>	<u>\$ 2,321,022</u>	<u>\$ 108,592</u>

***FEDERAL REPORTS***



ZWYGART JOHN

CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2019, 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 May 15, 2020.

**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 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 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  
May 15, 2020

**City of Middleton, Idaho**  
Schedule of Findings  
For the Year Ended September 30, 2019

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**2019-001: Cash and Other Reconciliations**

**Conditions:** During the course of our audit, we identified that the City was not performing adequate reconciliations procedures for cash and other balances.

**Criteria:** The City should design and implement standardized policies and procedures to ensure timely and accurate reconciliation of the cash and other balances.

**Cause:** The City did not have or follow standardized reconciliation policies and procedures for the cash and other 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 the cash and other balances 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.

**2019-002: 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, 2019

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**2019-001: Account Payable Reconciliations**

The new Treasurer has put the following internal controls in place to address the concerns above and to protect the City moving forward.

**ACCOUNTS PAYABLE**

- Clerk gathers all incoming payables daily into the AP folder. On the Monday following council meetings the AP folder is handed off to the Treasurer.
- Treasurer reviews, codes, and obtains approvals from department heads on the payables.
- Payables are then given to the Mayor and he reviews them. Once 2nd review is complete they are handed back to the clerk for entry into Caselle.
- Reports are run and reviewed, payables are brought back to the Treasurer who reviews the coding and prints the checks. Reports are prepared for council review.
- Council Presidents comes into City Hall and reviews all the payables prior to council meeting.
- Council approves the payables at council meeting.
- Checks are signed and mailed the day after approval at council meeting.

**BANK RECONCILIATIONS**

- Bank statements are downloaded as soon as they are available from the different banks. (Between the 1st & 5th of the month)
- Treasurer records interest earned and reconciles every bank statement by the 10th of each month. Ensuring all activity is captured in the proper accounting period.
- The Mayor reviews and signs all bank statements after reconciled.

**2019-002: Material Audit Adjustments**

The Treasurer has put monthly checks in place to monitor balances which will reduce adjustments needed going forward

If there are any questions on management's response to findings please contact the City Treasurer at (208)-585-3133.