

CITY OF MIDDLETON, IDAHO

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended September 30, 2022

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	11
Statement of Net Position – Proprietary Funds	12
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	13
Statement of Cash Flows – Proprietary Funds	14
Notes to Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary (GAAP Basis) Comparison Schedule:	
General Fund	34
Streets & Alleys Fund	35
Impact Fees	36
Notes to Required Supplementary Information	37

Table of Contents
(continued)

	<u>Page</u>
Schedule of Required Supplemental Information - Pensions	38
SUPPLEMENTAL INFORMATION	
Supplemental Schedule of Revenues by Source - Budget (GAAP Basis) and Actual - General Fund	39
Supplemental Schedule of Expenditures by Object of Expenditure - Budget (GAAP Basis) and Actual - General Fund	40
FEDERAL REPORTS	
Schedule of Expenditures of Federal Awards	42
Note to Schedule of Expenditures of Federal Awards	43
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	46
Schedule of Findings and Questioned Costs	49



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Independent Auditor's Report

Honorable Mayor
and City Council
City of Middleton, Idaho

Report on the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinions

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. We are required to be independent of the City of Middleton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Middleton's 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Middleton's ability to continue as a going concern from one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Middleton's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Middleton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 34 through 38 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.

Supplementary 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 March 9, 2023, 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
March 9, 2023

City of Middleton, Idaho
Statement of Net Position
September 30, 2022

	Primary Government			Component Unit Middleton Urban Renewal Agency
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 11,000,225	\$ 10,787,985	\$ 21,788,210	\$ 448,226
Property Taxes Receivable, Net	51,235	-	51,235	123,890
Accounts Receivable, Net	31,719	349,710	381,429	-
Refund Receivable	-	-	-	7,794
Prepaid Items	-	-	-	1,284
Due from Other Governments	317,375	-	317,375	-
Unearned Royalty				
Interest Receivable	327	2,396	2,723	-
Noncurrent Assets:				
Restricted Cash	-	226,172	226,172	-
Capital Assets:				
Land and Construction in Progress	3,032,329	5,531,658	8,563,987	-
Buildings and Improvements, Net	7,296,882	12,987,890	20,284,772	-
Equipment, Net	404,345	629,701	1,034,046	-
Total Capital Assets	<u>10,733,556</u>	<u>19,149,249</u>	<u>29,882,805</u>	<u>-</u>
Total Assets	<u>22,134,437</u>	<u>30,515,512</u>	<u>52,649,949</u>	<u>581,194</u>
Deferred Outflows				
Pension Related Items	689,508	387,848	1,077,356	-
Total Deferred Outflows	<u>689,508</u>	<u>387,848</u>	<u>1,077,356</u>	<u>-</u>
Liabilities				
Current Liabilities:				
Accounts Payable	200,712	400,791	601,503	22,113
Salaries and Benefits Payable	78,898	30,912	109,810	-
Customer Deposits	-	48,966	48,966	-
Accrued Interest Payable	2,755	1,152	3,907	18,793
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Bond Payable	-	78,242	78,242	15,244
Lease Payable	65,616	17,734	83,350	-
Compensated Absences	19,213	17,316	36,529	-
Portion Due or Payable After One Year:				
Bond Payable	-	2,105,393	2,105,393	274,741
Lease Payable	2,288	9,152	11,440	-
Net Pension Liability	1,285,385	723,030	2,008,415	-
Total Liabilities	<u>1,654,867</u>	<u>3,432,688</u>	<u>5,087,555</u>	<u>330,891</u>
Deferred Inflows				
Pension Related Items	5,737	3,227	8,964	-
Unavailable Property Tax Revenue	-	-	-	123,890
Total Deferred Inflows	<u>5,737</u>	<u>3,227</u>	<u>8,964</u>	<u>123,890</u>
Net Position				
Invested in Capital Assets, Net of Related Debt	10,733,556	16,965,614	27,699,170	-
Restricted for:				
Debt Reserve	-	145,513	145,513	-
Streets & Alleys	3,953,139	-	3,953,139	-
Other	3,045,706	-	3,045,706	-
Unrestricted (Deficit) Surplus	3,430,940	10,356,318	13,787,258	126,413
Total Net Position	<u>\$ 21,163,341</u>	<u>\$ 27,467,445</u>	<u>\$ 48,630,786</u>	<u>\$ 126,413</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, 2022

	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	\$ 1,431,609	\$ 2,567,604	\$ 8,715	\$ -	\$ 1,144,710	\$ -	\$ 1,144,710	
Streets & Alleys	995,988	596,592	-	-	(399,396)	-	(399,396)	
Public Safety	1,688,881	-	-	-	(1,688,881)	-	(1,688,881)	
Culture and Recreation	575,848	9,307	-	-	(566,541)	-	(566,541)	
Total Governmental Activities	4,692,326	3,173,503	8,715	-	(1,510,108)	-	(1,510,108)	
Business-type Activities:								
Garbage	672,108.0	726,318.0	-	-	-	54,210	54,210	
Water	1,128,667.0	1,898,096.0	-	-	-	769,429	769,429	
Sewer	2,895,126.0	3,675,254.0	-	910,502	-	1,690,630	1,690,630	
Storm Drain	62,181.0	72,529.0	-	-	-	10,348	10,348	
Total Business-type Activities	4,758,082	6,372,197	-	910,502	-	2,524,617	2,524,617	
Total Primary Government	\$ 9,450,408	\$ 9,545,700	\$ 8,715	\$ 910,502	(1,510,108)	2,524,617	1,014,509	
Component Unit:								
Middleton Urban Renewal Agency	\$ 83,367	\$ -	\$ -	\$ -			\$ (83,367)	
General Revenues:								
Property Taxes					2,770,745	-	2,770,745	140,177
State Sources					1,929,885	-	1,929,885	-
Franchise Fees					117,081	-	117,081	-
Other					311,573	85,238	396,811	-
Unrestricted Investment Earnings					21,868	31,823	53,691	252
Transfer between Governmental Funds and Business Type Activities					240,662	(240,662)	-	-
Total General Revenues and Special Items					5,391,814	(123,601)	5,268,213	140,429
Change in Net Position					3,881,706	2,401,016	6,282,722	57,062
Net Position, Beginning of Year					17,281,635	25,066,429	42,348,064	69,351
Net Position, End of Year					\$ 21,163,341	\$ 27,467,445	\$ 48,630,786	\$ 126,413

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

City of Middleton, Idaho
Balance Sheet -
Governmental Funds
September 30, 2022

	General	Streets & Alleys	Impact Fees
Assets			
Cash and Cash Equivalents	\$ 3,787,085	\$ 3,944,215	\$ 3,069,995
Receivables, Net:			
Property Tax	28,122	23,113	-
Accounts	5,358	26,361	-
Interest	327	-	-
Due from Other Governments	317,375	-	-
Total Assets	<u>\$ 4,138,267</u>	<u>\$ 3,993,689</u>	<u>\$ 3,069,995</u>
Liabilities			
Accounts Payable	\$ 164,233	\$ 10,429	\$ 24,289
Salaries and Benefits Payable	62,932	10,056	-
Total Liabilities	<u>227,165</u>	<u>20,485</u>	<u>24,289</u>
Deferred Inflows			
Unavailable Revenue - Property Taxes	<u>24,394</u>	<u>20,065</u>	<u>-</u>
Fund Balances			
Nonspendable:			
Restricted	-	3,953,139	3,045,706
Unassigned	3,886,708	-	-
Total Fund Balances	<u>3,886,708</u>	<u>3,953,139</u>	<u>3,045,706</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,138,267</u>	<u>\$ 3,993,689</u>	<u>\$ 3,069,995</u>

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

City of Middleton, Idaho
Balance Sheet -
Governmental Funds (continued)
September 30, 2022

	Non-major Library	Governmental Funds
Assets		
Cash and Cash Equivalents	\$ 198,930	\$ 11,000,225
Receivables, Net:		
Property Tax	-	51,235
Accounts	-	31,719
Interest	-	327
Due from Other Governments	-	317,375
Total Assets	\$ 198,930	\$ 11,400,881
Liabilities		
Accounts Payable	\$ 1,761	\$ 200,712
Salaries and Benefits Payable	5,910	78,898
Total Liabilities	\$ 7,671	\$ 279,610
Deferred Inflows		
Unavailable Revenue - Property Taxes	-	44,459
Fund Balances		
Nonspendable:		
Restricted	191,259	7,190,104
Unassigned		3,886,708
Total Fund Balances	191,259	11,076,812
Total Liabilities, Deferred Inflows and Fund Balances	\$ 198,930	\$ 11,400,881

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, 2022

Total Fund Balances - Governmental Funds \$ 11,076,812

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	\$ 3,032,329	
Buildings and Improvements, Net of \$3,868,897 Accum. Depr.	7,296,882	
Equipment, Net of \$1,483,784 Accumulated Depreciation	<u>404,345</u>	
		10,733,556

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. 44,459

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	\$ (19,213)	
Accrued Interest	(2,755)	
Municipal Lease	<u>(67,904)</u>	
		(89,872)

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	\$ (1,285,385)	
Pension Related Deferred Inflows	(5,737)	
Pension Related Deferred Outflows	<u>689,508</u>	
		<u>(601,614)</u>

Net Position of Governmental Activities \$ 21,163,341

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, 2022

	General	Streets & Alleys	Impact Fees
Revenues			
Property Taxes	\$ 1,502,362	\$ 1,258,888	\$ -
Intergovernmental	708,723	1,221,162	-
Charges for Services	1,559,760	596,592	1,124,925
Interest Earned	12,286	6,322	3,050
Other	232,854	76,399	-
Total Revenues	<u>4,015,985</u>	<u>3,159,363</u>	<u>1,127,975</u>
Expenditures			
Current:			
Administrative	1,280,172	-	-
Streets & Alleys	-	732,143	-
Public Safety	495,629	-	-
Police	1,122,488	-	-
Culture and Recreation	174,464	-	-
Capital Outlay	118,451	938,256	-
Total Expenditures	<u>3,191,204</u>	<u>1,670,399</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures)	<u>824,781</u>	<u>1,488,964</u>	<u>1,127,975</u>
Other Financing Sources (Uses)			
Transfer In	432,205	-	-
Transfer Out	(257,500)	(99,196)	(80,671)
Total Other Financing Sources (Uses)	<u>174,705</u>	<u>(99,196)</u>	<u>(80,671)</u>
Net Change in Fund Balances	999,486	1,389,768	1,047,304
Fund Balances - Beginning	2,887,222	2,563,371	1,998,402
Fund Balances - Ending	<u>\$ 3,886,708</u>	<u>\$ 3,953,139</u>	<u>\$ 3,045,706</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 (continued)
For the Year Ended September 30, 2022

	<u>Non-major Library</u>	<u>Governmental Funds</u>
Revenues		
Property Taxes	\$ -	\$ 2,761,250
Intergovernmental	-	1,929,885
Grants and Contributions	8,715	8,715
Charges for Services	9,307	3,290,584
Interest Earned	210	21,868
Other	2,320	311,573
Total Revenues	<u>20,552</u>	<u>8,323,875</u>
Expenditures		
Current:		
Administrative	-	1,280,172
Streets & Alleys	-	732,143
Public Safety	-	495,629
Police	-	1,122,488
Culture and Recreation	207,951	382,415
Capital Outlay	-	1,056,707
Total Expenditures	<u>207,951</u>	<u>5,069,554</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(187,399)</u>	<u>3,254,321</u>
Other Financing Sources (Uses)		
Transfer In	257,500	689,705
Transfer Out	(11,676)	(449,043)
Total Other Financing Sources (Uses)	<u>245,824</u>	<u>240,662</u>
Net Change in Fund Balances	58,425	3,494,983
Fund Balances - Beginning	132,834	7,581,829
Fund Balances - Ending	<u>\$ 191,259</u>	<u>\$ 11,076,812</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, 2022

Total Net Change in Fund Balance - Governmental Funds \$ 3,494,983

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	\$ 1,057,540	
Depreciation	<u>(571,998)</u>	
		485,542

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.

9,495

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.

62,295

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.

10,001

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.

2,613

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.

(183,223)

Change in Net Position of Governmental Activities \$ 3,881,706

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

City of Middleton, Idaho
Statement of Net Position -
Proprietary Funds
September 30, 2022

	Garbage	Water	Sewer	Non-major Storm Drain	Total
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 134,147	\$ 4,239,427	\$ 6,274,476	\$ 139,935	\$ 10,787,985
Accounts Receivable, Net	65,763	85,115	198,832	-	349,710
Interest Receivable	-	1,035	1,361	-	2,396
Total Current Assets	199,910	4,325,577	6,474,669	139,935	11,140,091
Noncurrent Assets:					
Restricted Cash	-	80,659	145,513	-	226,172
Capital Assets:					
Land and Construction in Progress	-	1,579,990	3,951,668	-	5,531,658
Buildings and Improvements, Net	-	2,760,258	10,227,632	-	12,987,890
Equipment, Net	-	390,621	239,080	-	629,701
Total Noncurrent Assets	-	4,811,528	14,563,893	-	19,375,421
Total Assets	199,910	9,137,105	21,038,562	139,935	30,515,512
Deferred Outflows					
Pension Related Items	-	193,924	193,924	-	387,848
Total Deferred Outflows	-	193,924	193,924	-	387,848
Liabilities					
Current Liabilities:					
Accounts Payable	59,017	21,570	310,525	9,679	400,791
Salaries and Benefits Payable	-	10,148	20,764	-	30,912
Customer Deposits	-	48,966	-	-	48,966
Compensated Absences	-	7,769	9,547	-	17,316
Accrued Interest Payable	-	-	1,152	-	1,152
Bonds, Notes, and Loans Payable	-	-	78,242	-	78,242
Lease Payable	-	8,867	8,867	-	17,734
Total Current Liabilities	59,017	97,320	429,097	9,679	595,113
Noncurrent Liabilities:					
Bonds, Notes, and Loans Payable	-	-	2,105,393	-	2,105,393
Net Pension Liability	-	361,515	361,515	-	723,030
Lease Payable	-	4,576	4,576	-	9,152
Total Noncurrent Liabilities	-	366,091	2,471,484	-	2,837,575
Total Liabilities	59,017	463,411	2,900,581	9,679	3,432,688
Deferred Inflows					
Pension Related Items	-	1,614	1,613	-	3,227
Total Deferred Inflows	-	1,614	1,613	-	3,227
Net Position					
Invested in Capital Assets, Net of Related Debt					
	-	4,730,869	12,234,745	-	16,965,614
Restricted - Debt Reserve	-	-	145,513	-	145,513
Unrestricted	140,893	4,135,135	5,950,034	130,256	10,356,318
Total Net Position	\$ 140,893	\$ 8,866,004	\$ 18,330,292	\$ 130,256	\$ 27,467,445

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, 2022

	Garbage	Water	Sewer	Non-major Storm Drain	Total
Operating Revenues					
Charges for Services	\$ 726,318	\$ 1,877,095	\$ 3,675,254	\$ 72,529	\$ 6,351,196
Rent	-	21,001	-	-	21,001
Grants	-	-	910,502	-	910,502
Miscellaneous	22,122	62,916	200	-	85,238
Total Operating Revenues	<u>748,440</u>	<u>1,961,012</u>	<u>4,585,956</u>	<u>72,529</u>	<u>7,367,937</u>
Operating Expenses					
Salaries	-	284,984	340,388	-	625,372
Benefits	-	154,862	202,032	-	356,894
Supplies	1,030	3,164	2,176	-	6,370
Professional Services	670,080	128,401	1,036,179	60,443	1,895,103
Utilities	-	75,786	81,218	-	157,004
Miscellaneous	998	60,699	281,839	-	343,536
Repairs and Maintenance	-	238,590	304,475	1,738	544,803
Depreciation	-	182,181	584,715	-	766,896
Total Operating Expenses	<u>672,108</u>	<u>1,128,667</u>	<u>2,833,022</u>	<u>62,181</u>	<u>4,695,978</u>
Income (Loss) From Operations	<u>76,332</u>	<u>832,345</u>	<u>1,752,934</u>	<u>10,348</u>	<u>2,671,959</u>
Nonoperating Revenues (Expenses)					
Interest Earned	106	12,088	19,629	-	31,823
Interest Expense	-	-	(62,104)	-	(62,104)
Transfers Out	(19,274)	(110,694)	(110,694)	-	(240,662)
Total Nonoperating Revenues (Expenses)	<u>(19,168)</u>	<u>(98,606)</u>	<u>(153,169)</u>	<u>-</u>	<u>(270,943)</u>
Change in Net Position	57,164	733,739	1,599,765	10,348	2,401,016
Total Net Position - Beginning	<u>83,729</u>	<u>8,132,265</u>	<u>16,730,527</u>	<u>119,908</u>	<u>25,066,429</u>
Total Net Position - Ending	<u>\$ 140,893</u>	<u>\$ 8,866,004</u>	<u>\$ 18,330,292</u>	<u>\$ 130,256</u>	<u>\$ 27,467,445</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, 2022

	Garbage	Water	Sewer	Non-major Storm Drain	Total
Cash Flows From Operating Activities					
Receipts from Customers	\$ 738,272	\$ 1,943,997	\$ 4,566,122	\$ 72,529	\$ 7,320,920
Payments to Suppliers	(663,987)	(566,390)	(2,055,308)	(55,025)	(3,340,710)
Payments to Employees	-	(393,581)	(470,184)	-	(863,765)
Net Cash Provided (Used) by Operating Activities	<u>74,285</u>	<u>984,026</u>	<u>2,040,630</u>	<u>17,504</u>	<u>3,116,445</u>
Cash Flows From Noncapital Financing Activities					
Net Cash Transfer In (Out)	(19,274)	(110,694)	(110,694)	-	(240,662)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(19,274)</u>	<u>(110,694)</u>	<u>(110,694)</u>	<u>-</u>	<u>(240,662)</u>
Cash Flows From Capital and Related Financing Activities					
Purchases and Construction of Capital Assets	-	(18,185)	(1,403,096)	-	(1,421,281)
Principal Paid on Capital Debt	-	(8,499)	(84,647)	-	(93,146)
Interest Paid on Capital Debt	-	-	(62,144)	-	(62,144)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(26,684)</u>	<u>(1,549,887)</u>	<u>-</u>	<u>(1,576,571)</u>
Cash Flows From Investing Activities					
Interest and Dividends	106	11,291	18,581	-	29,978
Net Cash Provided (Used) by Investing Activities	<u>106</u>	<u>11,291</u>	<u>18,581</u>	<u>-</u>	<u>29,978</u>
Net Increase (Decrease) in Cash and Cash Equivalents	55,117	857,939	398,630	17,504	1,329,190
Cash and Cash Equivalents - Beginning	<u>79,030</u>	<u>3,462,147</u>	<u>6,021,359</u>	<u>122,431</u>	<u>9,684,967</u>
Cash and Cash Equivalents - Ending	<u>\$ 134,147</u>	<u>\$ 4,320,086</u>	<u>\$ 6,419,989</u>	<u>\$ 139,935</u>	<u>\$ 11,014,157</u>
Displayed As:					
Cash	\$ 134,147	\$ 4,239,427	\$ 6,274,476	\$ 139,935	\$ 10,787,985
Restricted Cash	-	80,659	145,513	-	226,172
	<u>\$ 134,147</u>	<u>\$ 4,320,086</u>	<u>\$ 6,419,989</u>	<u>\$ 139,935</u>	<u>\$ 11,014,157</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, 2022

	Garbage	Water	Sewer	Non-major Storm Drain	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 76,332	\$ 832,345	\$ 1,752,934	\$ 10,348	\$ 2,671,959
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation	-	182,181	584,715	-	766,896
(Increase) Decrease in Accounts Receivable	(10,168)	(17,382)	(19,834)	-	(47,384)
(Increase) Decrease in Deferred Outflows	-	(80,989)	(89,247)	-	(170,236)
Increase (Decrease) in Accounts Payable	8,121	(59,750)	(349,421)	7,156	(393,894)
Increase (Decrease) in Customer Deposits	-	367	-	-	367
Increase (Decrease) in Salaries and Benefits Payable	-	(303)	7,403	-	7,100
Increase (Decrease) in Compensated Absences	-	(2,336)	1,860	-	(476)
Increase (Decrease) in Net Pension Liability	-	364,779	382,052	-	746,831
Increase (Decrease) in Deferred Inflows	-	(234,886)	(229,832)	-	(464,718)
Net Cash Provided (Used) by Operating Activities	<u>\$ 74,285</u>	<u>\$ 984,026</u>	<u>\$ 2,040,630</u>	<u>\$ 17,504</u>	<u>\$ 3,116,445</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, 2022

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, 2022

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.

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.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- *Garbage fund.* This fund accounts for the operations and collections of the City's sanitation services.

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, 2022

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, 2022, there were no allowances in any of the funds.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

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, 2022

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, 2022, the carrying amount of the City's deposits was \$5,723,704 and the respective bank balances totaled \$5,958,975 . \$4,723,704 of the bank balance was not 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, 2022, \$4,723,704 of the City's deposits were not 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.

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.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

2. CASH AND INVESTMENTS (continued)

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, 2022, are summarized below:

Investment Type	Fair Value	Maturity (In Years) Less Than 1
Money Market Funds	\$ 14,711,275	\$ 14,711,275
External Investment Pool	1,578,653	1,578,653
	\$ 16,289,928	\$ 16,289,928

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	\$ 4,499,740	\$ 1,144,055	\$ 5,643,795
Restricted Cash and Investments	-	226,172	226,172
Investments categorized as deposits	6,500,485	9,643,930	16,144,415
	\$ 11,000,225	\$ 11,014,157	\$ 22,014,382

The City has set aside restricted funds of \$226,172 , which includes \$145,513 in accordance with debt restrictions and \$80,659 for utility customers' deposits.

3. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units consist of state revenue sharing of \$317,375 .

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, 2022, are considered by the City as a receivable. Taxes not collected within 60 days after September 30, 2022, are not considered available for use by the City and are recorded as deferred revenue in the fund financial statements.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

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.

Pension Benefits

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.

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.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

5. PENSION PLAN (continued)

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 74% for public safety. As of June 30, 2022, it was 7.16% for general employees and 9.13% for public safety. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The City of Middleton, Idaho's contributions were \$246,807 for the year ended September 30, 2022.

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

At September 30, 2022, 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, 2022, 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, 2022, the City of Middleton, Idaho's proportion was 0.0509911 percent.

For the year ended September 30, 2022, the City of Middleton recognized pension expense/ (revenue) of \$541,901. At September 30, 2022, the City of Middleton, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 220,851	\$ 8,964
Changes in assumptions or other inputs	327,432	-
Net difference between projected and actual earnings on pension plan investments	462,112	-
City of Middleton, Idaho's contributions subsequent to the measurement date	66,961	-
Total	\$ 1,077,356	\$ 8,964

\$66,961 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, 2022.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

5. PENSION PLAN (continued)

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, 2022, the beginning of the measurement period ended June 30, 2021, is 4.6 years and 4.6 for the measurement period June 30, 2022.

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
2023	\$ 306,439
2024	259,977
2025	120,239
2026	381,737

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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%
Salary inflation	3.05%
Investment rate of return	6.35%, net of investment expenses
Cost-of-living adjustments	1%

Contributing Members, Service Retirement Members, and Beneficiaries

- General Employees and All Beneficiaries – Males Pub-2010 General Tables, increased 11%
- General Employees and All Beneficiaries – Females Pub-2010 General Tables, increased 21%
- Teachers – Males Pub-2010 Teacher Tables, increased 12%
- Teachers – Females Pub-2010 Teacher Tables, increased 21%

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

5. PENSION PLAN (continued)

- Fire & Police – Males Pub-2010 Safety Tables, increased 21%
- Fire & Police – Females Pub -2010 Safety Tables, increased 26%
- Disabled Members – Males Pub-2010 Disabled Tables, increased 38%
- Disabled Members – Females Pub-2010 Disabled Tables, increased 36%

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2022 is based on the results of an actuarial valuation date of July 1, 2022.

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

These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are 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 2022.

Asset Class	
Fixed Income	30.00%
US/Global Equity	55.00%
International Equity	15.00%
Cash	0.00%
Total	100.00%

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

5. PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. 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 6.35 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 (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	\$ 3,544,655	\$ 2,008,415	\$ 751,041

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, 2022

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>9/30/2021</u>	<u>Earned</u>	<u>Used</u>	<u>9/30/2022</u>	<u>Current</u>
Governmental Activities	\$ 29,214	\$ 46,652	\$ (56,653)	\$ 19,213	\$ 19,213
Business-type Activities	<u>17,792</u>	<u>32,195</u>	<u>(32,671)</u>	<u>17,316</u>	<u>17,316</u>
	<u>\$ 47,006</u>	<u>\$ 78,847</u>	<u>\$ (89,324)</u>	<u>\$ 36,529</u>	<u>\$ 36,529</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	<u>9/30/2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>9/30/2022</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,743,921	\$ 925,140	\$ -	\$ 2,669,061
Construction in Progress	<u>363,268</u>	<u>-</u>	<u>-</u>	<u>363,268</u>
Total	<u>1,725,661</u>	<u>925,140</u>	<u>-</u>	<u>3,032,329</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	11,033,379	132,400	-	11,165,779
Equipment	<u>1,888,129</u>	<u>-</u>	<u>-</u>	<u>1,888,129</u>
Total Historical Cost	<u>10,707,072</u>	<u>132,400</u>	<u>-</u>	<u>13,053,908</u>
Less: Accumulated Depreciation				
Buildings and Improvements	3,424,449	444,448	-	3,868,897
Equipment	<u>1,356,234</u>	<u>127,550</u>	<u>-</u>	<u>1,483,784</u>
Total Accumulated Depreciation	<u>3,210,556</u>	<u>571,998</u>	<u>-</u>	<u>5,352,681</u>
Net Depreciable Assets	<u>7,496,516</u>	<u>(439,598)</u>	<u>-</u>	<u>7,701,227</u>
Governmental Activities - Net	<u>\$ 9,222,177</u>	<u>\$ 485,542</u>	<u>\$ -</u>	<u>\$ 10,733,556</u>

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

7. CAPITAL ASSETS (continued)

	9/30/2021	Additions	Disposals	9/30/2022
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Easments	\$ 3,625,867	\$ -	\$ -	\$ 3,625,867
Construction in Progress	554,730	1,351,061	-	1,905,791
Total	3,699,867	1,351,061	-	5,531,658
Capital Assets Being Depreciated:				
Buildings and Improvements	20,621,460	19,450	-	20,640,910
Equipment	1,966,256	50,770	-	2,017,026
Total Historical Cost	20,729,519	70,220	-	22,657,936
Less: Accumulated Depreciation				
Buildings and Improvements	7,003,785	649,235	-	7,653,020
Equipment	1,269,664	117,661	-	1,387,325
Total Accumulated Depreciation	5,614,395	766,896	-	9,040,345
Net Depreciable Assets	15,115,124	(696,676)	-	13,617,591
Business-type Activities - Net	\$ 17,688,031	\$ 654,385	\$ -	\$ 19,149,249

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

Governmental Activities:

Administrative	\$ 51,700
Highway and Streets	345,604
Public Safety	48,306
Culture and Recreation	126,388
	\$ 571,998

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

8. 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.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

9. LONG-TERM LIABILITIES

Business-type Activities – Sewer Fund Bond Payable

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, 2022, are as follows:

Description	Rate	9/30/2021	Increase	Decrease	9/30/2022	Current Portion
USDA Loan 92-02	2.750%	<u>\$ 2,259,783</u>	<u>\$ -</u>	<u>\$ (76,148)</u>	<u>\$ 2,183,635</u>	<u>\$ 78,242</u>

Debt service requirements on long-term debt at September 30, 2022, are as follows:

Year Ending September 30,	Bonds	
	Principal	Interest
2023	\$ 78,242	\$ 60,050
2024	80,394	57,898
2025	82,605	55,687
2026	84,876	53,416
2027	87,210	51,082
2028-2032	473,372	218,088
2033-2037	542,140	149,320
2038-2042	620,899	70,561
2043-2043	<u>133,897</u>	<u>3,682</u>
	<u>\$2,183,635</u>	<u>\$ 719,784</u>

There was \$62,144 of interest expense for the year ended September 30, 2022. No interest was capitalized during the year.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

10. TRANSFERS

During the year ended September 30, 2022 the following transfers took place between funds:

\$ 257,500	To the Library Fund from the General Fund to reimburse expenses.
80,671	To the General Fund from the Impact Fees Fund to reimburse expenses.
99,196	To the General Fund from the Street Fund to reimburse expenses.
19,274	To the General Fund from the Garbage Fund to reimburse expenses.
110,694	To the General Fund from the Water Fund to reimburse expenses.
110,694	To the General Fund from the Sewer Fund to reimburse expenses.
11,676	To the General Fund from the Library Fund to reimburse expenses.
<u>\$ 689,705</u>	

11. 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	\$ 494,964
Less: accumulated amortization (included as depreciation on the accompanying financial statements) by function	
Public Safety	<u>(335,696)</u>
	<u>\$ 159,269</u>

Changes in long-term obligations for the year ended September 30, 2022, are as follows:

<u>Description</u>	<u>Maturity</u>	<u>Rate</u>	<u>9/30/2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2022</u>	<u>Current</u>
<u>Governmental Activities:</u>							
Lease - Police Vehicles	2023	5.40%	119,228	-	(58,046)	61,182	61,182
Lease - Loader	2024	4.40%	10,971	-	(4,249)	6,722	4,434
			<u>\$ 130,199</u>	<u>\$ -</u>	<u>\$ (62,295)</u>	<u>\$ 67,904</u>	<u>\$ 65,616</u>
<u>Business Type Activities</u>							
Lease - Loader	2024	4.40%	<u>\$ 43,884</u>	<u>\$ -</u>	<u>\$ (16,998)</u>	<u>\$ 26,886</u>	<u>\$ 17,734</u>

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

11. MUNICIPAL LEASE (continued)

Future minimum lease requirements as of September 30, 2022, 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>
2023	\$ 65,616	\$ 3,548	\$ 69,164	\$ 17,734	\$ 967	\$ 18,701
2024	2,288	49	2,337	9,152	198	9,350
	<u>\$ 67,904</u>	<u>\$ 3,597</u>	<u>\$ 71,501</u>	<u>\$ 26,886</u>	<u>\$ 1,165</u>	<u>\$ 28,051</u>

12. LEASE REVENUE

The City leases the land for the Viper Park to the Greater Middleton Area Recreation District with a 40 year lease for \$400. All \$400 was paid at the start of the lease in 2021. At the completion of the lease the property, and any improvements made on the property, will return to the City's control.

The City leases a gravel pit to a construction company. The lease is for 2 years, with an option to extend every 2 years for a total of 10 years. The City \$541,251 in leases payments during the year ending September 30, 2022.

13. 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, 2022.

City of Middleton, Idaho
Notes to Financial Statements
For the Year Ended September 30, 2022

14. 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, 2022, is as follows:

Governmental Activities:	Rate	Beginning	Increase	Decrease	Ending	Estimated Current
Note Payable - Middleton						
Village Project	4.110%	\$ 289,985	\$ -	\$ -	\$ 289,985	\$ 15,244
		<u>\$ 289,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,985</u>	<u>\$ 15,244</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Middleton, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 1,519,814	\$ 1,519,814	\$ 1,502,362	\$ (17,452)
Intergovernmental	484,468	484,468	708,723	224,255
Grants and Contributions	34,320	34,320	-	(34,320)
Charges for Services	1,263,200	1,263,200	1,559,760	296,560
Interest Earned	5,015	5,015	12,286	7,271
Other	230,393	230,393	232,854	2,461
Total Revenues	<u>3,537,210</u>	<u>3,537,210</u>	<u>4,015,985</u>	<u>478,775</u>
Expenditures				
Current:				
Administrative	1,179,334	1,179,334	1,280,172	(100,838)
Public Safety	28,032	28,032	21,919	6,113
Building	408,380	408,380	473,710	(65,330)
Police	1,233,195	1,233,195	1,122,488	110,707
Parks	201,772	201,772	174,464	27,308
Capital Outlay	441,130	441,130	118,451	322,679
Operating Reserve	139,401	139,401	-	139,401
Total Expenditures	<u>3,631,244</u>	<u>3,631,244</u>	<u>3,191,204</u>	<u>440,040</u>
Excess (Deficiency of Revenues Over Expenditures)	<u>(94,034)</u>	<u>(94,034)</u>	<u>824,781</u>	<u>38,735</u>
Other Financing Sources (Uses)				
Transfers In	351,534	351,534	432,205	80,671
Transfers Out	(257,500)	(257,500)	(257,500)	-
Total Other Financing Sources (Uses)	94,034	94,034	174,705	80,671
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>999,486</u>	<u>999,486</u>
Fund Balances - Beginning	-	-	2,887,222	2,887,222
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,886,708</u>	<u>\$ 3,886,708</u>

City of Middleton, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Streets & Alleys Fund
 For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property Taxes	\$ 1,198,584	\$ 1,198,584	\$ 1,258,888	\$ 60,304
Intergovernmental	781,037	781,037	1,221,162	440,125
Grants and Contributions	-	-	-	-
Charges for Services	194,817	194,817	596,592	401,775
Interest Earned	1,000	1,000	6,322	5,322
Other	2,500	2,500	76,399	73,899
Total Revenues	<u>2,177,938</u>	<u>2,177,938</u>	<u>3,159,363</u>	<u>981,425</u>
Expenditures				
Current:				
Streets & Alleys	1,230,700	1,230,700	732,143	498,557
Capital Outlay	2,235,042	2,235,042	938,256	1,296,786
Total Expenditures	<u>3,465,742</u>	<u>3,465,742</u>	<u>1,670,399</u>	<u>1,795,343</u>
Excess (Deficiency of Revenues Over Expenditures)	<u>(1,287,804)</u>	<u>(1,287,804)</u>	<u>1,488,964</u>	<u>2,776,768</u>
Other Financing Sources (Uses)				
Transfers In	1,387,000	1,387,000	-	(1,387,000)
Transfers Out	(99,196)	(99,196)	(99,196)	-
Total Other Financing Sources (Uses)	<u>1,287,804</u>	<u>1,287,804</u>	<u>(99,196)</u>	<u>(1,387,000)</u>
Net Change in Fund Balances	-	-	1,389,768	1,389,768
Fund Balances - Beginning	-	-	2,563,371	2,563,371
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,953,139</u>	<u>\$ 3,953,139</u>

City of Middleton, Idaho
 Budgetary (GAAP Basis) Comparison Schedule
 Impact Fees
 For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for Services	\$ 849,550	\$ 849,550	\$ 1,124,925	\$ 275,375
Interest Earned	-	-	3,050	3,050
Total Revenues	<u>849,550</u>	<u>849,550</u>	<u>1,127,975</u>	<u>278,425</u>
Expenditures				
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency of Revenues Over Expenditures)	<u>849,550</u>	<u>849,550</u>	<u>1,127,975</u>	<u>278,425</u>
Other Financing Sources (Uses)				
Transfers In	87,450	87,450	-	(87,450)
Transfers Out	(937,000)	(937,000)	(80,671)	856,329
Total Other Financing Sources (Uses)	<u>(849,550)</u>	<u>(849,550)</u>	<u>(80,671)</u>	<u>768,879</u>
Net Change in Fund Balances	-	-	1,047,304	1,047,304
Fund Balances - Beginning	-	-	1,998,402	1,998,402
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,045,706</u>	<u>\$ 3,045,706</u>

City of Middleton, Idaho
Notes to Required Supplementary Information
For the Year Ended September 30, 2022

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 Required Supplemental Information
Public Employees Retirement System of Idaho
Last 10 - Fiscal Years*

Schedule of the City's Proportionate Share of Net Pension Liability

Year	City proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered employee payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.0509911%	\$ 2,008,414	\$ 2,049,175	98.01%	83.09%
2021	0.0051548%	\$ (40,712)	\$ 1,923,310	-2.12%	100.36%
2020	0.0512603%	\$ 1,190,332	\$ 1,813,345	65.64%	88.22%
2019	0.0469332%	\$ 535,729	\$ 1,626,417	32.94%	93.79%
2018	0.0450131%	\$ 663,951	\$ 1,471,661	45.12%	91.69%
2017	0.0410020%	\$ 644,481	\$ 1,354,934	47.57%	90.68%
2016	0.0350760%	\$ 711,044	\$ 1,101,439	64.56%	87.26%
2015	0.0275714%	\$ 363,070	\$ 821,028	44.22%	91.38%

Data reported is measured as of June 30, 2022

Schedule of City Contributions

Year	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2022	\$ 246,807	\$ 246,807	-	2,049,175	12.04%
2021	\$ 231,628	\$ 231,628	-	1,923,310	12.04%
2020	\$ 218,499	\$ 218,499	-	1,813,345	12.05%
2019	\$ 187,953	\$ 187,953	-	1,626,417	11.56%
2018	\$ 168,169	\$ 168,169	-	1,471,661	11.43%
2017	\$ 154,823	\$ 154,823	-	1,354,934	11.43%
2016	\$ 125,442	\$ 125,442	-	1,101,439	11.39%
2015	\$ 93,306	\$ 93,306	-	821,028	11.36%

Data reported is measured as of September 30, 2022

* 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.

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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Taxes:			
Property Taxes	\$ 1,519,814	\$ 1,502,362	\$ (17,452)
Total Taxes	<u>1,519,814</u>	<u>1,502,362</u>	<u>(17,452)</u>
Intergovernmental:			
State Liquor Apportionment	98,444	124,426	25,982
State Revenue Sharing	386,024	584,297	198,273
Total Intergovernmental	<u>484,468</u>	<u>708,723</u>	<u>224,255</u>
Grants and Contributions			
Grants	34,320	-	(34,320)
Total Grants and Contributions	<u>34,320</u>	<u>-</u>	<u>(34,320)</u>
Charges for Services:			
Beer, Wine, and Liquor Licenses	3,000	3,100	100
Building Permits	680,400	1,245,079	564,679
Business Permits	2,500	1,540	(960)
Franchise Fees	44,200	61,740	17,540
Rent	17,100	41,670	24,570
Fines and Fees	264,000	206,631	(57,369)
Park Impact Fees	172,500	-	(172,500)
Police Impact Fees	79,500	-	(79,500)
Total Licenses and Permits	<u>1,263,200</u>	<u>1,559,760</u>	<u>296,560</u>
Other:			
Reimbursements	160,393	160,913	520
Interest Earned	5,015	12,286	7,271
Miscellaneous Revenue	70,000	71,941	1,941
Total Other	<u>235,408</u>	<u>245,140</u>	<u>9,732</u>
Total Revenue	<u><u>\$ 3,537,210</u></u>	<u><u>\$ 4,015,985</u></u>	<u><u>\$ 478,775</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, 2022

	Budget	Actual	Variance
Administrative:			
Salaries	\$ 400,393	\$ 394,984	\$ 5,409
Benefits	143,294	121,954	21,340
Supplies	6,000	4,519	1,481
Repairs and Maintenance	9,000	7,376	1,624
Professional Fees	504,213	638,324	(134,111)
Other Services and Charges	116,434	113,015	3,419
Capital Outlay	237,003	80,671	156,332
Total Administrative	<u>1,416,337</u>	<u>1,360,843</u>	<u>55,494</u>
Public Safety:			
Code Enforcement	13,032	7,419	5,613
Professional Fees	15,000	14,500	500
Capital Outlay	30,000	-	30,000
Total Public Safety	<u>58,032</u>	<u>21,919</u>	<u>36,113</u>
Building Inspection:			
Salaries	82,727	95,050	(12,323)
Benefits	49,274	33,736	15,538
Supplies	6,000	6,156	(156)
Repairs and Maintenance	16,950	39,986	(23,036)
Professional Fees	160,600	208,170	(47,570)
Other Services and Charges	92,829	90,612	2,217
Capital Outlay	92,427	-	92,427
Total Building Inspection	<u>500,807</u>	<u>473,710</u>	<u>27,097</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, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Police:			
Salaries	\$ 737,849	\$ 705,421	\$ 32,428
Benefits	305,865	221,200	84,665
Supplies	5,500	5,835	(335)
Repairs and Maintenance	15,200	24,943	(9,743)
Professional Fees	1,000	-	1,000
Other Services and Charges	103,293	100,601	2,692
Lease Payments	64,488	64,488	-
Capital Outlay	20,000	21,616	(1,616)
Total Police	<u>1,253,195</u>	<u>1,144,104</u>	<u>109,091</u>
Parks:			
Salaries	52,970	51,953	1,017
Benefits	45,211	26,481	18,730
Supplies	4,950	2,991	1,959
Repairs and Maintenance	24,100	25,839	(1,739)
Professional Fees	30,747	19,910	10,837
Other Services and Charges	43,794	47,290	(3,496)
Capital Outlay	61,700	16,164	45,536
Total Parks	<u>263,472</u>	<u>190,628</u>	<u>72,844</u>
Operating Reserve	<u>139,401</u>	<u>-</u>	<u>139,401</u>
Total Expenditures	<u><u>\$ 3,631,244</u></u>	<u><u>\$ 3,191,204</u></u>	<u><u>\$ 440,040</u></u>

FEDERAL REPORTS

City of Middleton, Idaho
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2022

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Flow Through Number</u>	<u>Expenditures</u>
<u>U.S. Department of the Treasury</u>			
Direct			
Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>\$ 1,351,061</u>
State and Community Highway Safety	20.600	0260	2,726
National Priority Safety Programs	20.616	0260	<u>1,284</u>
Total Highway Safety Cluster			<u>4,010</u>
<u>National Foundation on the Arts and the Humanities</u>			
Passed Through the Idaho Commission for Libraries			
State Library Program	45.310	LS-249959-OLS-21	<u>3,000</u>
Total Federal Financial Assistance Expended			<u>\$ 1,358,071</u>

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

City of Middleton, Idaho
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Middleton, Idaho under programs of the Federal Government for the year ended September 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Middleton, Idaho, it is not intended to and does not present the financial position or changes in Net Position of the City of Middleton, Idaho.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. INDIRECT COST RATE

The City of Middleton, Idaho has not elected to use the 10-percent de minimis indirect cost rate.



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, 2022, 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 March 9, 2023.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Zwyzart John & Associates, CPAs, PLLC

Nampa, Idaho
March 9, 2023



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**Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control Over Compliance
Required by Uniform Guidance**

Honorable Mayor
and City Council
City of Middleton, Idaho

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Middleton, Idaho's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Middleton, Idaho's major federal programs for the year ended September 30, 2022. The City of Middleton, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Middleton, Idaho, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Middleton, Idaho and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Middleton, Idaho's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Middleton, Idaho's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Middleton, Idaho's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Middleton, Idaho's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Middleton, Idaho's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Middleton, Idaho's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Middleton, Idaho's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Zwygart John & Associates CPAS, PLLC

Nampa, Idaho
March 9, 2023

City of Middleton, Idaho
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section I - Summary of Auditor's Results

The auditor's report expresses an unmodified opinion on the general purpose financial statements of the City of Middleton.

Internal control over financial reporting:

Material weakness(es) identified? yes none reported

Reportable Condition(s) identified that are not considered to be a material yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Significant deficiencies disclosed? yes none reported

Material weaknesses disclosed? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Material weakness(es) identified? yes none reported

Reportable Condition(s) identified that are yes none reported

Any audit findings disclosed that are required to be reported in accordance with 2CFR SECTION 200.516(A)? yes no

The programs tested as major programs include

Federal Assistance Listing Numbers	Name of Federal Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Compliance Findings and Questioned Costs

None