

Financial Statements  
September 30, 2017  
City of Meridian, Idaho



The City of Meridian is located in the center of the Treasure Valley in southwest Idaho. Founded in 1893, and incorporated as a city in 1903, Meridian is now one of Idaho's largest and fastest growing communities. Meridian is cited by *Money Magazine* as one of its Top 50 Best Places to Live, and by America's Promise Alliance and ING as one of the Nation's 100 Best Communities for Young People. For more information, visit [www.meridiancity.org](http://www.meridiancity.org).

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## Independent Auditor's Report

Mayor and Members of the City Council  
City of Meridian, Idaho  
Meridian, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Meridian, Idaho, (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual – Capital Projects Fund and Enterprise Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Capital Projects Fund and Enterprise Fund, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Handwritten signature of Eric Sully in black ink.

Boise, Idaho  
February 8, 2018

This section of the City of Meridian's (City's) annual financial report presents management's discussion and analysis of the City's financial performance during the year ended September 30, 2017. Please use this information in conjunction with the information furnished in the City's financial statements.

### **Financial Highlights**

- The total assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2017 by \$454,860,779. Of this amount \$77,895,266 is unrestricted and available to meet the City's on-going obligations to citizens and creditors.
- Net position of the Governmental activities finished the fiscal year 2017 at \$138,045,295 and the net position of Business-type activities finished fiscal year 2017 at \$316,815,484.
- Total fund balance of governmental funds at September 30, 2017 was \$53,450,416 as compared to a total governmental fund balance at September 30, 2016 of \$44,597,323.
  - Of the September 30, 2017 fund balance, \$27,896,415 is unassigned and available to meet the entity's on-going obligations.
- The City has no outstanding long-term debt at September 30, 2017.

### **Overview of the Financial Statements**

This annual report consists of five parts – *management discussion and analysis, the government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.*

### **Government - Wide Financial Statements**

These statements report information about all of the operations of the City using accounting methods similar to those used by private sector companies. These statements are prepared using the flow of economic resources measurement focus and accrual basis of accounting. The current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The government-wide financial statements are divided into two categories:

Statement of Net Position – Reports all of the City's assets and deferred outflows of resources less liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities – Reports all of the City's revenues and expenses for the year by function. Examples of functions are public safety, administration, and water and sewer activities. Revenues, such as property tax which cannot be traced to a specific function, are reported as General Revenues.

### **Fund Financial Statements**

The Fund financial statements provide information about the City's major *funds*, not the City as a whole. The City uses a method of accounting, called fund accounting, to separate specific sources of funds and corresponding expenditures. Funds may be required by law or may be established by the City Council.

The City has the following funds:

Governmental Funds: These funds encompass the City's basic services, public safety, community planning and development, administration, and parks and recreation. Governmental fund financial statements focus on short-term inflows and outflows of spendable resources, an accounting approach known as the flow of current financial resources measurement focus and the modified accrual basis of accounting. Information provided by these statements provides a short-term view of what resources will be available to meet needs.

The City has two governmental funds:

General Fund – The general fund is the general operating fund of the City. It derives most of its income from property tax and funds the operations of the City. It includes the Development Services Fund, used to account for revenue and expenses of the community planning and development function, and the Public Safety Fund used to set aside funds for police and fire capital projects. It also includes the Impact Fee Fund used to account for park and public safety impact fee revenue and capital acquisitions.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition of major capital facilities.

The City has one proprietary fund:

Enterprise Fund: User fees finance activities in this fund. The water and sewer utilities and all the activities necessary to support their operation are accounted for in this fund. Accounting for this fund is the same as a private business on a full accrual basis.

### **Notes to the Financial Statements**

The notes provide additional information that is necessary to fully understand the data presented in the government-wide and fund financial statements.

### **Required Supplementary Information**

This section has information that further explains and supports the information in the financial statements by including a comparison of the City's budget data for the year, as well as the City's schedule of employer's share of net pension liability and the City's schedule of employer contributions.

## **FINANCIAL ANALYSIS OF THE CITY OF MERIDIAN AS A WHOLE**

### **Net Position**

Net position measures the difference between what the City owns (assets and deferred outflows) and what the City owes (liabilities and deferred inflows). At September 30, 2017, the City's combined assets and deferred outflows exceeded liabilities and deferred inflows by \$454,860,779 as compared to the net position as of September 30, 2016 of \$417,907,496.

The largest portion of the City's net position is invested in capital assets. Capital assets include land, building, equipment and machinery, and sewer and water utility infrastructure.

The City's unrestricted net position equals \$77,895,266 of total net position. This is an increase from FY2016 to FY2017. Net position restricted to a particular use equaled \$12,543,796 of the City's total net position. This is an increase from FY2016 to FY2017.

The table below has been condensed from the Statement of Net Position:

	Primary Government					
	Governmental		Business - type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 89,097,432	\$ 76,506,591	\$ 56,694,293	\$ 51,827,354	\$ 145,791,725	\$ 128,333,945
Capital Assets	95,145,798	92,393,915	270,046,387	249,123,803	365,192,185	341,517,718
Deferred Outflows of Resources	2,613,688	4,774,514	652,649	1,192,855	3,266,337	5,967,369
TOTAL Assets and Deferred Outflows of Resources	186,856,918	173,675,020	327,393,329	302,144,012	514,250,247	475,819,032
Current Liabilities	4,709,506	3,438,345	7,082,436	6,054,857	11,791,942	9,493,202
Long-term Liabilities	11,956,963	14,882,474	3,099,983	3,821,259	15,056,946	18,703,733
Deferred Inflows of Resources	32,145,154	29,378,168	395,426	336,433	32,540,580	29,714,601
TOTAL Liabilities and Deferred Inflows of Resources	48,811,623	47,698,987	10,577,845	10,212,549	59,389,468	57,911,536
Net Investment in Capital Assets	95,145,798	92,393,915	269,275,919	248,252,757	364,421,717	340,646,672
Restricted	12,543,796	12,025,481	-	-	12,543,796	12,025,481
Unrestricted	30,355,701	21,556,637	47,539,565	43,678,706	77,895,266	65,235,343
TOTAL Net Position	\$ 138,045,295	\$ 125,976,033	\$ 316,815,484	\$ 291,931,463	\$ 454,860,779	\$ 417,907,496

### Changes in Net Position

During the year the City's financial position improved by \$36,953,283. The following condensed financial information was derived from the government-wide Statement of Activities and shows how the City's net position changed during the year.

Changes in Net Position for Fiscal Year Ending September 30, 2017						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 10,000,033	\$ 9,013,372	\$ 25,514,268	\$ 24,806,048	\$ 35,514,301	\$ 33,819,420
Operating grants and contributions	787,765	777,236	14,481,136	10,226,218	15,268,901	11,003,454
Capital grants and contributions	5,701,655	3,053,968	10,293,414	12,626,940	15,995,069	15,680,908
<b>General Revenue</b>						
Property taxes	28,786,937	26,695,828	-	-	28,786,937	26,695,828
Franchise fees	1,598,461	1,464,268	-	-	1,598,461	1,464,268
Sales tax and other governmental	6,977,570	6,216,064	-	-	6,977,570	6,216,064
Investment Earnings	542,612	370,712	678,037	530,634	1,220,649	901,346
Other Revenue	(189,238)	118,241	(384,690)	106,388	(573,928)	224,629
<b>Total Revenues</b>	<b>54,205,795</b>	<b>47,709,689</b>	<b>50,582,165</b>	<b>48,296,228</b>	<b>104,787,960</b>	<b>96,005,917</b>
<b>Expenses</b>						
<b>General Government</b>						
Administration	8,214,903	7,877,254	-	-	8,214,903	7,877,254
Law Enforcement	15,605,249	14,639,106	-	-	15,605,249	14,639,106
Fire Department	10,528,642	9,861,922	-	-	10,528,642	9,861,922
Parks and Recreation	6,151,588	5,552,068	-	-	6,151,588	5,552,068
Community Planning and Devlp	3,821,153	3,445,408	-	-	3,821,153	3,445,408
Enterprise - sewer and water	-	-	23,513,142	22,671,312	23,513,142	22,671,312
<b>Total Expenses</b>	<b>44,321,535</b>	<b>41,375,758</b>	<b>23,513,142</b>	<b>22,671,312</b>	<b>67,834,677</b>	<b>64,047,070</b>
Excess of revenues over expenditures before transfers	9,884,260	6,333,931	27,069,023	25,624,916	36,953,283	31,958,847
Transfers - internal activities	2,185,002	2,173,348	(2,185,002)	(2,173,348)	-	-
Change in net position	12,069,262	8,507,279	24,884,021	23,451,568	36,953,283	31,958,847
Net Position, Beginning of Year	125,976,033	117,468,754	291,931,463	268,479,895	417,907,496	385,948,649
<b>Net Position, Ending of Year</b>	<b>\$ 138,045,295</b>	<b>\$ 125,976,033</b>	<b>\$ 316,815,484</b>	<b>\$ 291,931,463</b>	<b>\$ 454,860,779</b>	<b>\$ 417,907,496</b>



The following list details how items are categorized in various revenue categories listed on the Changes in Net Position table:

- Governmental Activities program revenues such as “Charges for Services” include building permits and filing fees, court fines, Rural Fire District proportionate share, and Parks and Recreation fees.
- Governmental Activities program revenues such as “Capital Grants and Contributions” include Parks, Police, and Fire impact fees, grant revenue, and donations.
- Business-Type Activities program revenues such as “Charges for Services” include water and sewer sales, engineering fees, and solid waste pickup administration fees.
- Business-Type Activities program revenues such as “Operating Grants and Contributions” include water and sewer connection fees and cash donations for operating expenses.
- Business-Type Activities program revenues such as “Capital Grants and Contributions” include developer donated water and sewer lines and donations for capital outlay.

**Governmental Activities:**

Governmental net position in FY2017 increased from \$125,976,033 to \$138,045,295.

Governmental revenue finished the fiscal year at \$54,205,795 resulting in an increase over last fiscal year. Property tax revenue increased from last year to finish the fiscal year at \$28,786,937. This increase in property tax revenue was the result of new residential and commercial construction growth along with the City exercising its ability to increase property tax revenue by up to 2% as allowed by State statute. This result in property tax revenue has been consistent for the City over the past few years.

The second significant source of governmental revenue in FY2017 was in the category Charges for Services. A majority of this category's revenues were development related; commercial and residential building permits, and filing fees. Charges for Services finished FY2017 at \$10,000,033 as compared to \$9,013,372 in FY2016.

Total governmental expenses increased from last fiscal year to finish FY2017 at \$44,321,535.

The function of Administration accounted for \$8,214,903 of the total governmental expenses. Administration includes the support departments: Human Resources, Information Technology, Legal, and Finance. In the transfers section of the Statement of Activities one half of the expenses for the support departments are transferred to the Enterprise Fund. Administration also includes Mayor and Council, City Clerk, and City Hall. Most of the increase in Administration is associated to additional personnel costs with the addition of 2 new employees.

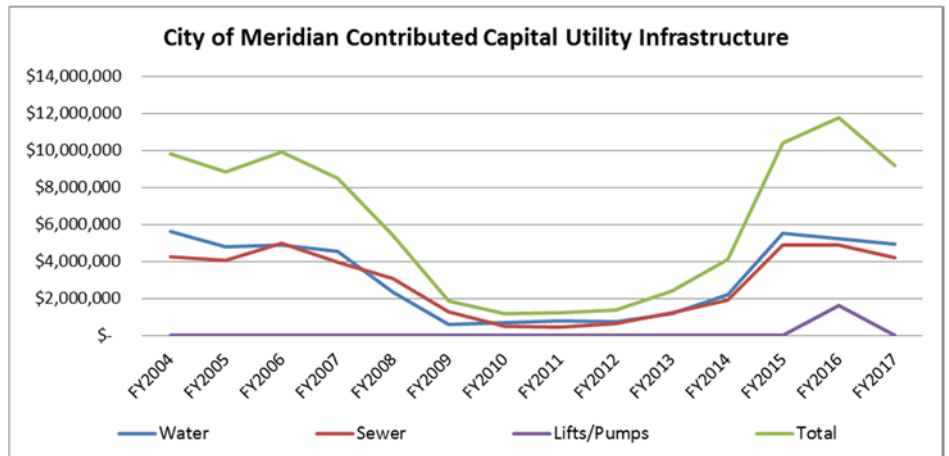
The Police Department expenses accounted for \$15,605,249 of the total governmental expenses. Police personnel and operating expenses both increased year over year. Police added 11 new positions to their staff during FY2017.

Fire Department expenses increased during FY2017 to a total of \$10,528,642 as compared to FY2016 of \$9,861,922. Similar to the Police Department, personnel and operating expenses increased year over year. The Fire Department added 17 new positions to their staff during FY2017 in anticipation of fire station #6 being constructed in FY2018.

The Parks Department expenses accounted for \$6,151,588 of the total governmental expenses. Parks personnel and operating expenses increased year over year. Parks added 4.5 new positions to their staff during FY2017.

**Business-Type Activities:**

The September 30, 2017 net position for the City's water and sewer utilities was \$316,815,484 as compared to the net position at September 30, 2016 of \$291,931,463. The activities of the water and sewer services, revenues minus expenses, increased net position by \$24,884,021 in FY2017. A majority of the increase in FY2017 can be associated to the contributed capital that the City received throughout the year. When developers complete a development project they transfer ownership of utility infrastructure (i.e. water and sewer lines) within the development to the City. The City assumes responsibility for maintenance and replacements of the utility infrastructure. The graph displays the historical utility infrastructure received from new development which impacts the total net position of the utility.



For capital expenditures, the City has consistently completed high dollar infrastructure projects year after year to keep up with City

growth and regulatory requirements during the last ten years. Large, on-going construction projects include water and sewer lines, water wells and mains, and expansion and technological improvements to the waste water treatment plant.

The Proprietary Fund is divided into three departments: Wastewater, Water, and Public Works. Within Public Works there are several support services; professional engineering support, construction management, inspections, utility billing, and environmental education.

In FY2017 the utility finished with total expenditures of \$23,513,142.

The Water Department continued to complete various capital water supply and distribution projects during FY2017 to support the growth in the City while their personnel and operating expenditures decreased slightly year over year.

The Wastewater Department continued numerous capital construction projects in FY2017 to accommodate the increased growth demands the City has experienced over the past 10 years. The Wastewater Department has started a major expansion of the treatment plant to satisfy the requirements imposed upon the City by the Federal Government. The mandates set by the Federal Government will produce various improvements at the treatment plant for both capacity and treatment. The City will be managing the projects associated to Federal Government mandates over the next 7 years. The Wastewater Department's personnel and operating expenditures increased slightly year over year.

The Sewer and Water Utility have two principal sources of operating revenue; sewer usage fees and water usage fees.

- Sewer usage fees are monthly fees utility customers pay to the City for the collection and treatment of water flushed down the sewage system.
- Water usage fees are monthly fees utility customers pay to the City for the water supplied in and on their property.

Usage fees must cover basic fixed costs to keep the system operational, there are also charges based on resources used, that is, how many gallons each customer uses.

Connection or assessment revenues are fees charged when a property is “connected” to the system. The end goal of the fee is to produce income to enable the City to build infrastructure that “maintains a consistent level of service” for existing customers as well as new customers. These fees are classed as non-operating revenue. When the City is growing, connection revenue provides resources to expand and improve the system to accommodate the additional demands created by growth.

For FY2017, the utility ended the fiscal year with \$50,582,165 in total revenue as compared to \$48,296,228 for FY2016. Of the major revenue sources for the utility, the sewer and water usage fees experienced a slight increase year over year while the connection/assessment fees ended the fiscal year higher than FY2016 as well. The major reason for the increase in revenues can be associated to the continued growth in customers and new development that the City has experienced for the past few years.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

Governmental Funds provide information about near-term inflows, outflows, and balances of resources that are available for spending. At the end of a fiscal year the unreserved fund balance serves as a useful measure of a government's net resources. Types of governmental funds reported by the City include the General Fund, the Capital Projects Fund, the Impact Fee Fund, and the Public Safety Fund.

At the end of FY2017, the City's governmental funds had a combined ending fund balance of \$53,450,416, an increase of \$8,853,093 over the combined ending fund balance at the end of the prior year.

<b>GOVERNMENTAL FUND BALANCES</b>	<b>FY2017</b>	<b>FY2016</b>	<b>Change In Fund Balance</b>
<b><i>Nonspendable</i></b>			
Prepays	\$ 202,667	\$ 192,651	\$ 10,016
<b><i>Restricted</i></b>			
Impact Fund	12,543,796	12,025,481	518,315
<b><i>Committed</i></b>			
Capital Projects Fund	10,686,661	8,328,395	2,358,266
Public Safety Fund	386,687	386,687	-
<b><i>Assigned</i></b>			
General Fund Budget for Carryforward	1,734,190	1,986,010	(251,820)
<b><i>Unassigned</i></b>			
	27,896,415	21,678,099	6,218,316
<b>TOTAL FUND BALANCE</b>	<b>\$ 53,450,416</b>	<b>\$ 44,597,323</b>	<b>\$ 8,853,093</b>

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* the fund balances are classified for the year ended September 30, 2017 as follows; of the combined ending fund balance of \$53,450,416, \$202,667 is in prepaid accounts and nonspendable, \$12,543,796 is restricted by law, \$11,073,348 has been committed by City Council to specific purposes, \$1,734,190 is assigned by intent of the City to specific purposes, and \$27,896,415 is unassigned and available for spending by the City.

The General Fund is the primary operating fund of the City, used for major operations including Fire, Police, Development Services, Parks and Recreation, Elected Officials, and Administration. At the end of FY2017 the unassigned fund balance of the General Fund increased from the FY2016 balance. The City has established a best practice to always maintain a minimum balance within the unassigned fund balance to protect on-going and necessary personnel and operating expenses. The City does not want to build up an unnecessarily high fund balance, collecting revenue it does not need. Currently the City considers about \$13 million of the unassigned fund balance to be a safe reserve. At September 30, 2017, the City considers about \$14.9 million of the \$27,896,415 unassigned fund balance available for budgeting new projects.

The Impact Fee Fund is a restricted fund, and by state statute can only be spent on Police, Fire, and Parks capital projects that maintain the level of service existing when the fees were adopted. The City collects impact fees when a building permit is purchased. Park fees are collected only for residential buildings, Fire and Police fees are collected at the sale of both residential and commercial building permits. At the end of FY2017, the Impact Fund had a fund balance of \$12,543,796.

The Capital Projects Fund is committed by City ordinance. At the end of each fiscal year, if development related permit fees exceed the costs of the Community Development Department (includes Planning Department, Building Department, Administration, and Economic Development); the excess is transferred into the Capital Projects Fund. The funds can be used for general government construction projects or the purchase of equipment with significant cost and a long life, i.e. a fire engine. At the end of FY2017 the Capital Projects Fund had a balance of \$10,686,661.

Committed for Public Safety purchases is a fund used to save for public safety construction or large capital purchases, principally fire engines. At the end of FY2017 this fund had a balance of \$386,687.

### **General Fund Budgetary Highlights**

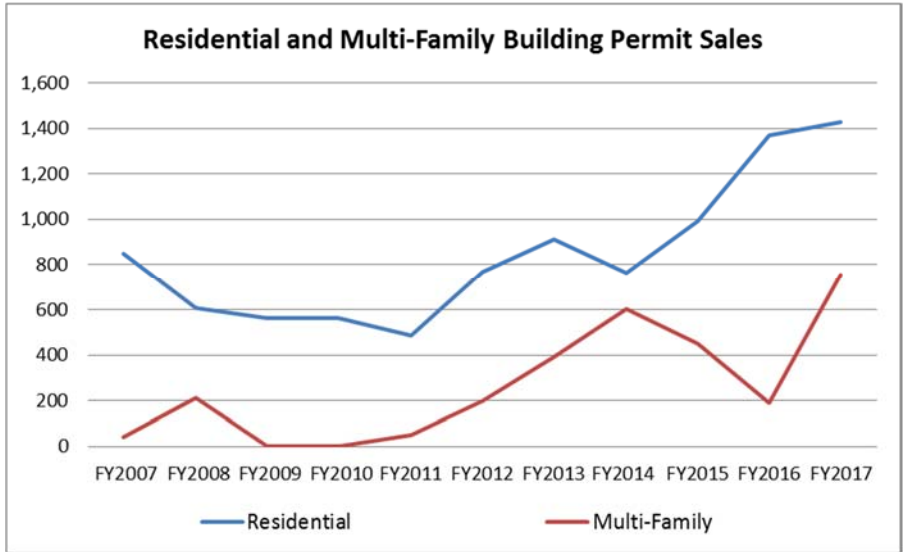
Budget to Actual comparisons are found following the Notes to the Financial Statements within the "Required Supplementary Information" and "Other Information" sections as listed in the table of contents of this audit report. Below is a discussion regarding the General Fund Budget to Actual comparison.

The final FY2017 General Government budget was \$57,331,570. Actual expenditures were \$46,123,260.

FY2017 General Fund actual revenue of \$53,184,171 exceeded the final budget of \$45,212,109.

The largest percentage of General Fund revenue resides in property tax and finished FY2017 at \$28,846,381. Each budget year, by state law, taxing entities are allowed to increase the amount of property tax revenue they received during the prior calendar year by 3%. The City is also allowed to apply the prior year levy rate to the net market value of new construction. Since property tax is paid in arrears this allows the taxing entity to still collect revenue generated by new development. This helps the City provide services new growth requires. For FY2017 the City elected to apply for 2% of the property tax increase to manage the necessary service level increases resulting from the continued growth that is occurring in the City.

The City of Meridian has experienced consistent growth each year since coming out of the economic slow-down in FY2012. This is illustrated in the building permit sales graph to the right.



Intergovernmental revenue sharing is the second largest revenue stream in FY2017 and finished the fiscal year at \$8,989,089. This category includes grants, sales tax revenue sharing, and a joint powers service agreement with the Meridian Rural Fire District. Sales tax revenue is the largest

item in intergovernmental revenue. The state distributes sales tax revenue to cities and counties based on a formula that in part uses population for each taxing entity. Increases in Meridian's population coupled with a more robust economy have resulted in an increase in revenue sharing for Meridian the last number of years. The increased revenue for the City has been used to allocate the necessary resources to the departments for services to be provided to the City.

The third largest source of General Fund revenue in FY2017 was licenses and permits, namely building permit sales. At the end of FY2017, the licenses and permits revenue finished the year at \$6,265,179. As the graph above depicts, the City has maintained a healthy growth pattern with building permits approvals. The City is cautious when preparing the budget for this category because a swing in the housing market will drastically reduce permit revenue. Additionally, commercial permit revenue is difficult to predict because the fee structure is based on numerous factors such as square footage, fixtures, and value.

Multi-family housing development is relatively new to the City of Meridian. Following national trends the last three years the City issued more building permits for multi-family housing than at any time in the past. Budgeting for these permits, as with commercial, is difficult due to complexities in how building permits amounts are calculated.

Impact fee revenue exceeded the budgeted amount by \$2,144,970. As explained above, impact fees are charged when the building permit is issued and the revenue is restricted to a narrow use by state law.

There are three categories of budget expenditures; personnel, operating, and capital outlay. The discussion below will address each category and the differences between budget and actual.

Personnel expenses are a combination of on-going costs like wages, income taxes, medical benefits, PERSI retirement, and worker's compensation. The total actual personnel expense was \$29,904,905 as compared to the final budget of \$31,828,527. The primary reason for the variance between actual and budget is related to the amount of vacancy positions that were not filled during the fiscal year. Overall the City added 34 positions to the General Government FY2017 budget; these positions were filled at various times throughout the year.

Operating expenses are a combination of on-going costs like fuel, utilities, supplies, and on-going maintenance, and one-time expenses like payments to consultants, or one time purchases of equipment. The total actual operating expense was \$10,376,434 as compared to the final budget of \$11,677,494. The largest budget to actual variance for the operating expenses is due to the City not expending grant dollars as anticipated (about \$455,000 unspent).

Capital expenditures are a combination of one-time expenses like new vehicles, park construction, software acquisition, and building improvements. The total Governmental Fund FY2017 capital expense was \$5,841,921 as compared to the final budget of \$13,825,549. The largest budget to actual variance for the capital expenses is related to Fire station #6 construction. The station construction is planned for completion during FY2018. All remaining budget amounts pertaining to uncompleted capital projects will be completed in FY2018.

### CAPITAL ASSET and DEBT ADMINISTRATION

#### Capital Assets

At the end of FY2017 the City had \$364,421,717 invested in capital assets (net of accumulated depreciation). During the fiscal year the City's total investment in net assets increased. See table below:

	Capital Assets as of September 30, 2017 (net of depreciation)					
	Governmental Activities		Business - Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 27,372,306	\$ 26,676,068	\$ 2,033,614	\$ 1,976,798	\$ 29,405,920	\$ 28,652,866
Easements	1,046,813	495,023	10,564,037	9,452,778	11,610,850	9,947,801
Buildings and improvements						
other than buildings	56,404,219	59,026,935	54,048,286	56,340,268	110,452,505	115,367,203
Sewer and water lines	-	-	149,894,420	142,794,032	149,894,420	142,794,032
Equipment	5,649,940	5,779,074	23,652,296	21,734,539	29,302,236	27,513,613
Construction in progress	4,672,520	416,815	29,083,266	15,954,342	33,755,786	16,371,157
	<u>\$ 95,145,798</u>	<u>\$ 92,393,915</u>	<u>\$ 269,275,919</u>	<u>\$ 248,252,757</u>	<u>\$ 364,421,717</u>	<u>\$ 340,646,672</u>

The City's investment in capital assets includes land, buildings, sewer and water lines, buildings, vehicles and equipment. Sidewalks, bridges, and roads belong to the Ada County Highway District.

Major capital asset events in the General Government Funds in FY2017 included:

- \$4,277,847 in Park Infrastructure Construction and Development
- \$293,292 in new Equipment
- \$973,625 in new Vehicles

Major capital asset events in the Business-type Funds in FY2017 included:

- \$397,162 in Well construction
- \$397,336 in constructed Waterlines
- \$134,531 in constructed Sewerlines
- \$17,964,125 in Capital projects still in construction and not yet completed (includes various wastewater treatment plant construction projects to manage growth demands and treatment mandates)

The City booked \$4,563,926 in depreciation expense for Governmental City functions and \$9,491,472 for Business-type activities. Additional information on the City's capital assets is included in Note 5 of this report.

### **Debt Administration**

The City has no outstanding debt for the years ended September 30, 2017 and 2016.

### **FY2018 Economic Factors and Budgetary Considerations**

The City of Meridian prepares an economic forecast as a component in the process of developing the annual budget. Following local and national indicators currently affecting the City of Meridian, the City's approved FY2018 budget anticipated a level of economic activity commiserate with the prior year. Since the Spring of 2012, construction and development has continued to be active and steady. The following were taken into consideration by the City Council when it adopted the FY2018 Budget:

- The City provided for a compensation pool for the non-public safety employees of 3%
- The City considered the current FY2017 economic conditions and trends while working on the FY2018 budget. The City maintained that a conservative approach to revenue projections was in the best interest of the City.
- The City Council elected to increase the annual property taxes by 3% which is allowable by State code.
- The City continued the practice of taking on no debt.
- The Fire Department labor contract negotiations were agreed upon for FY2017 for 2 years and will be open for negotiations again starting FY2019.
- The City's sewer and water customer utility accounts continue to see growth of about 3% annually.

### **Requests for Information**

This report is designed to provide a general overview of the City of Meridian's finances for our citizens and customers. If you have questions about this report or need additional financial information, contact:

City of Meridian  
Finance Department  
33 E. Broadway Ave.  
Meridian, Idaho 83642

Phone: (208) 888-4433

City of Meridian, Idaho  
Statement of Net Position  
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets				
Cash and cash equivalents	\$ 26,485,282	\$ 23,847,798	\$ 50,333,080	\$ 1,485,469
Restricted cash and cash equivalents	9,555,277	-	9,555,277	-
Investments	14,237,544	29,131,225	43,368,769	-
Restricted investments	3,305,696	-	3,305,696	-
Receivables				
Accounts (net of \$34,999 allowance for enterprise fund uncollectibles)	1,457,344	3,411,471	4,868,815	27,275
Current portion of note receivable	-	70,512	70,512	-
Property taxes	31,201,258	-	31,201,258	1,515,780
Due from other governmental units	2,563,429	-	2,563,429	-
Interest	88,935	107,011	195,946	-
Deposits and prepaid expenses	202,667	126,276	328,943	2,874
Total current assets	<u>89,097,432</u>	<u>56,694,293</u>	<u>145,791,725</u>	<u>3,031,398</u>
Noncurrent Assets				
Long-term note receivable	-	770,468	770,468	-
Capital assets				
Land, infrastructure, and other assets not depreciated	33,091,639	41,680,917	74,772,556	798,529
Buildings, improvements and equipment, net of depreciation	62,054,159	227,595,002	289,649,161	250,924
Total noncurrent assets	<u>95,145,798</u>	<u>270,046,387</u>	<u>365,192,185</u>	<u>1,049,453</u>
Deferred Outflow of Resources				
Pension obligations	2,613,688	652,649	3,266,337	-
	<u>\$ 186,856,918</u>	<u>\$ 327,393,329</u>	<u>\$ 514,250,247</u>	<u>\$ 4,080,851</u>



City of Meridian, Idaho  
Statement of Net Position  
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 2,469,641	\$ 5,335,832	\$ 7,805,473	\$ 69,209
Accrued payroll and taxes	1,170,021	277,694	1,447,715	-
Customer deposits	864,490	1,439,587	2,304,077	-
Due within one year				
Accrued vacation - current portion	205,354	29,323	234,677	-
Note payable - current portion	-	-	-	98,497
<b>Total current liabilities</b>	<b>4,709,506</b>	<b>7,082,436</b>	<b>11,791,942</b>	<b>167,706</b>
<b>Noncurrent Liabilities</b>				
Accrued vacation - less current portion	1,412,677	263,911	1,676,588	-
Note payable - less current portion	-	-	-	406,583
Settlement payable	-	200,000	200,000	-
Net pension liability	10,544,286	2,636,072	13,180,358	-
<b>Total noncurrent liabilities</b>	<b>11,956,963</b>	<b>3,099,983</b>	<b>15,056,946</b>	<b>406,583</b>
<b>Deferred Inflows of Resources</b>				
Pension obligations	1,581,703	395,426	1,977,129	-
Unavailable revenues - property taxes	30,563,451	-	30,563,451	1,457,154
<b>Total deferred inflows of resources</b>	<b>32,145,154</b>	<b>395,426</b>	<b>32,540,580</b>	<b>1,457,154</b>
<b>Total liabilities and deferred inflows</b>	<b>48,811,623</b>	<b>10,577,845</b>	<b>59,389,468</b>	<b>2,031,443</b>
<b>Net Position</b>				
Net investment in capital assets	95,145,798	269,275,919	364,421,717	544,373
Restricted for				1,505,035
Impact funds	12,543,796	-	12,543,796	-
Unrestricted	30,355,701	47,539,565	77,895,266	-
<b>Total net position</b>	<b>138,045,295</b>	<b>316,815,484</b>	<b>454,860,779</b>	<b>2,049,408</b>
	<b>\$ 186,856,918</b>	<b>\$ 327,393,329</b>	<b>\$ 514,250,247</b>	<b>\$ 4,080,851</b>

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government				
Administration	\$ 8,214,903	\$ 225,702	\$ 314,769	\$ 16,238
Public safety				
Law enforcement	15,605,249	1,017,371	315,854	370,336
Fire department	10,528,642	1,288,222	11,365	1,510,826
Parks and recreation	6,151,588	942,950	129,437	3,804,255
Community development	3,821,153	6,525,788	16,340	-
Total governmental activities	44,321,535	10,000,033	787,765	5,701,655
Business-Type Activities				
Water and sewer	23,513,142	25,514,268	14,481,136	10,293,414
Total Primary Government	\$ 67,834,677	\$ 35,514,301	\$ 15,268,901	\$ 15,995,069
Component Unit				
Downtown development	\$ 854,493	\$ -	\$ 32,666	\$ -

General revenues  
 Shared revenues  
     Property taxes, levied for general purposes  
     Franchise fees  
     Sales tax and other governmental  
     Investment earnings  
     Net increase in fair value of investments  
     Miscellaneous  
 Gain on sale of fixed assets  
 Transfers - internal activities

Total general revenues and transfers

Change in Net Position  
 Net Position, Beginning of Year

Net Position, Ending of Year

City of Meridian, Idaho  
Statement of Activities  
Year Ended September 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Government Activities	Business-type Activities	Total	Component Unit
\$ (7,658,194)	\$ -	\$ (7,658,194)	\$ -
(13,901,688)	-	(13,901,688)	-
(7,718,229)	-	(7,718,229)	-
(1,274,946)	-	(1,274,946)	-
2,720,975	-	2,720,975	-
(27,832,082)	-	(27,832,082)	-
-	26,775,676	26,775,676	-
<u>\$ (27,832,082)</u>	<u>\$ 26,775,676</u>	<u>\$ (1,056,406)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (821,827)</u>
\$ 28,786,937	\$ -	\$ 28,786,937	\$ 1,084,649
1,598,461	-	1,598,461	-
6,977,570	-	6,977,570	-
542,612	678,037	1,220,649	6,114
(204,716)	(381,701)	(586,417)	-
39,799	5,139	44,938	8,076
(24,321)	(8,128)	(32,449)	-
2,185,002	(2,185,002)	-	-
39,901,344	(1,891,655)	38,009,689	1,098,839
12,069,262	24,884,021	36,953,283	277,012
125,976,033	291,931,463	417,907,496	1,772,396
<u>\$ 138,045,295</u>	<u>\$ 316,815,484</u>	<u>\$ 454,860,779</u>	<u>\$ 2,049,408</u>

City of Meridian, Idaho  
Balance Sheet – Governmental Funds  
September 30, 2017

	General	Capital Projects	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 18,441,437	\$ 8,043,845	\$ 26,485,282
Investments	14,237,544	-	14,237,544
Receivables			
Accounts	1,457,344	-	1,457,344
Property taxes	31,201,258	-	31,201,258
Due from other governmental units	2,563,429	-	2,563,429
Interest	81,219	7,716	88,935
Prepaid items	202,667	-	202,667
Restricted assets			
Cash and cash equivalents	9,555,277	-	9,555,277
Investments	3,305,696	-	3,305,696
	<u>\$ 81,045,871</u>	<u>\$ 8,051,561</u>	<u>\$ 89,097,432</u>
<b>Liabilities, Deferred Inflows and Fund Balance</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 2,463,337	\$ 6,304	\$ 2,469,641
Accrued payroll and taxes	1,170,021	-	1,170,021
Customer deposits	864,490	-	864,490
Total current liabilities	<u>4,497,848</u>	<u>6,304</u>	<u>4,504,152</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	31,142,864	-	31,142,864
Total liabilities and deferred inflows	<u>35,640,712</u>	<u>6,304</u>	<u>35,647,016</u>
<b>Fund Balances</b>			
<b>Nonspendable</b>			
Prepays	202,667	-	202,667
<b>Restricted</b>			
Impact Fund	6,124,409	-	6,124,409
Fund Balance Budget of Carryforward	6,419,387	-	6,419,387
<b>Committed</b>			
Capital Projects Fund	2,641,404	8,045,257	10,686,661
Public Safety Fund	386,687	-	386,687
<b>Assigned</b>			
Fund Balance Budget of Carryforward	1,734,190	-	1,734,190
Unassigned	27,896,415	-	27,896,415
Total fund balances	<u>45,405,159</u>	<u>8,045,257</u>	<u>53,450,416</u>
	<u>\$ 81,045,871</u>	<u>\$ 8,051,561</u>	<u>\$ 89,097,432</u>

City of Meridian, Idaho  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 September 30, 2017

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Fund balances - total governmental funds	\$ 53,450,416
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	95,145,798
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	579,413
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	
Net pension liability	(10,544,286)
Deferred outflows of resources related to pension obligations.	2,613,688
Deferred inflows of resources related to pensions.	(1,581,703)
Accrued vacation is not due and payable in the current period and therefore is not reported in the funds.	<u>(1,618,031)</u>
Net position of governmental activities	<u><u>\$ 138,045,295</u></u>

City of Meridian, Idaho  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended September 30, 2017

	General	Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 28,846,381	\$ -	\$ 28,846,381
Licenses and permits	6,265,179	-	6,265,179
Intergovernmental	8,989,089	-	8,989,089
Franchise fees	1,598,461	-	1,598,461
Fines and forfeitures	473,518	-	473,518
Charges for services	2,052,871	-	2,052,871
Interest	480,537	62,075	542,612
Miscellaneous	39,799	-	39,799
Donations	498,930	-	498,930
Impact revenues	3,939,406	-	3,939,406
<b>Total revenues</b>	<b>53,184,171</b>	<b>62,075</b>	<b>53,246,246</b>
<b>Expenditures</b>			
General government	7,059,113	-	7,059,113
Public safety	25,188,690	-	25,188,690
Parks and recreation	4,170,838	-	4,170,838
Community development services	3,862,698	-	3,862,698
Capital outlay	5,841,921	345,214	6,187,135
<b>Total expenditures</b>	<b>46,123,260</b>	<b>345,214</b>	<b>46,468,474</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>7,060,911</b>	<b>(283,139)</b>	<b>6,777,772</b>
<b>Other Financing Sources (Uses)</b>			
Operating transfer in	2,185,002	-	2,185,002
Operating transfer out	(2,275,054)	2,275,054	-
Unrealized loss on investments	(204,716)	-	(204,716)
Proceeds from sale of capital assets	95,035	-	95,035
<b>Total other financing sources (uses)</b>	<b>(199,733)</b>	<b>2,275,054</b>	<b>2,075,321</b>
<b>Net Change in Fund Balances</b>	<b>6,861,178</b>	<b>1,991,915</b>	<b>8,853,093</b>
<b>Fund Balance, Beginning of Year</b>	<b>38,543,981</b>	<b>6,053,342</b>	<b>44,597,323</b>
<b>Fund Balance, End of Year</b>	<b>\$ 45,405,159</b>	<b>\$ 8,045,257</b>	<b>\$ 53,450,416</b>

City of Meridian, Idaho  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities  
 Year Ended September 30, 2017

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Change in fund balance - total governmental funds \$ 8,853,093

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and loss on sale of assets in the current period.

New capital	6,187,133	
Depreciation	(4,563,926)	
Loss on sale of fixed assets	(119,354)	
Total		1,503,853

Capital assets contributed by citizens or developers are not a source of financial resources and thus, are not recognized in the governmental funds. 1,248,030

Some property tax revenue in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds. (59,444)

Expenditures (revenues) related to the net pension liability that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 564,498

Expenditures related to the long-term portion of accrued vacation do not require the use of current financial resources and therefore are not reported as expenditures governmental funds. (40,768)

Change in net position of governmental activities \$ 12,069,262

City of Meridian, Idaho  
Statement of Net Position – Proprietary Fund  
September 30, 2017

	Enterprise Fund Water and Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 23,847,798
Investments	29,131,225
Receivables	
Accounts (net of \$34,999 allowance for uncollectibles)	3,411,471
Current portion of long-term note receivable	70,512
Interest	107,011
Prepays	126,276
Total current assets	56,694,293
Noncurrent Assets	
Long-term note receivable	770,468
Capital assets	
Land	2,033,614
Easements	10,564,037
Construction in progress	29,083,266
Buildings and improvements other than buildings	82,894,648
Sewer and water lines	193,862,432
Machinery and equipment	42,034,191
Less accumulated depreciation	(91,196,269)
Total noncurrent assets	270,046,387
Deferred Outflow of Resources	
Pension investments	652,649
	\$ 327,393,329



City of Meridian, Idaho  
Statement of Net Position – Proprietary Fund  
September 30, 2017

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	<u>Enterprise Fund Water and Sewer</u>
Liabilities and Net Position	
Current Liabilities	
Accounts payable	\$ 5,335,832
Accrued payroll and taxes	277,694
Accrued vacation - current portion	29,323
Customer deposits	<u>1,439,587</u>
Total current liabilities	<u>7,082,436</u>
Noncurrent Liabilities	
Accrued vacation - less current portion	263,911
Net pension liability	2,636,072
Settlement payable	<u>200,000</u>
Total noncurrent liabilities	<u>3,099,983</u>
Deferred Inflow of Resources	
Pension investments	<u>395,426</u>
Net Position	
Net invested in capital assets	269,275,919
Unrestricted	<u>47,539,565</u>
Total net position	<u>316,815,484</u>
	<u><u>\$ 327,393,329</u></u>

City of Meridian, Idaho  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
Year Ended September 30, 2017

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	<u>Enterprise Fund Water and Sewer</u>
Operating Revenues	
Charges for services	
Water sales	\$ 8,271,988
Sewer sales	14,899,247
Other service revenues	604,274
Sale of meters	443,590
Trash billing service	735,256
Engineering fees	559,913
Miscellaneous	5,139
	<u>25,519,407</u>
Operating Expenses	
Personnel services	7,496,655
Other services and charges	3,279,984
Depreciation	9,491,472
Supplies	1,980,958
Heat, lights and power	1,264,073
	<u>23,513,142</u>
Operating Income	<u>2,006,265</u>
Nonoperating Revenues (Expenses)	
Interest revenue	678,037
Connection assessment fees and donations	14,501,568
Loss on sale of fixed assets	(8,128)
Net increase in fair value of investments	(381,701)
	<u>14,789,776</u>
Income Before Contributions and Transfers	16,796,041
Donated waterlines and sewerlines	10,272,982
Operating transfers out	<u>(2,185,002)</u>
Change in Net Position	24,884,021
Net Position, Beginning of Year	<u>291,931,463</u>
Net Position, End of Year	<u><u>\$ 316,815,484</u></u>

City of Meridian, Idaho  
Statement of Cash Flows – Proprietary Fund  
Year Ended September 30, 2017

	<u>Enterprise Fund Water and Sewer</u>
Operating Activities	
Receipts from customers and users	\$ 25,751,236
Payments to suppliers	(4,875,273)
Payments to employees	<u>(7,637,106)</u>
Net Cash from Operating Activities	<u>13,238,857</u>
Noncapital Financing Activities	
Operating transfer to general fund	<u>(2,185,002)</u>
Net Cash used for Noncapital Financing Activities	<u>(2,185,002)</u>
Capital and Related Financing Activities	
Connection assessment fees	14,501,568
Proceeds from sale of capital assets	12,604
Payments on notes receivable	106,818
Acquisition of capital assets	<u>(20,262,384)</u>
Net Cash used for Capital and Related Financing Activities	<u>(5,641,394)</u>
Investing Activities	
Purchase of investments	(3,169,198)
Sale of investments	2,566,289
Interest received	<u>644,429</u>
Net Cash from Investing Activities	<u>41,520</u>
Net Change in Cash	5,453,981
Cash and Cash Equivalents, Beginning of Year	<u>18,393,817</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 23,847,798</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 2,006,265
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	9,491,472
GASB 68 actuarial pension expense	(141,125)
Changes in assets and liabilities	
Accounts receivable	(91,244)
Prepaid items	926,862
Accounts payable	722,880
Accrued payroll and taxes	674
Customer deposits	<u>323,073</u>
Net Cash from Operating Activities	<u><u>\$ 13,238,857</u></u>
Supplemental Disclosure of Cash Flow Information	
Developer and customer contributed sewer and water lines	<u><u>\$ 10,272,982</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

The City of Meridian, Idaho (the City) was incorporated August, 1903. The City operates under a mayor and council form of government and provides the following services as authorized by its charter; public safety (police and fire), community planning and development, parks and recreation, general administrative services, and water and sewer service.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to generally accepted accounting principles applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

### **Financial Reporting Entity**

As required by generally accepted accounting principles, these basic financial statements present the City in conformance with GASB.

Component units are organizations that are included in the reporting entity because of the significance of their operational or financial relationships with the City and are legally separate organizations for which the City is financially accountable. The component unit column in the combined financial statements is the financial data of the City's single component unit, the Meridian Development Corporation (MDC). MDC is a separate and distinct legal entity created by state statute. The directors of MDC are appointed by the Mayor and approved by the City Council. MDC promotes downtown development services for the citizens of the City. Complete financial statements can be obtained from the City of Meridian Division of Financial Management, 33 East Broadway Avenue, Meridian, Idaho.

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

### **Government-Wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds;

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

*Capital Projects Fund*- The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary fund;

*Enterprise Fund* – The Enterprise Fund is used to account for water and sewer operations financed and operated in a manner similar to private business. The intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Additionally the governing body may have decided that periodic determination of revenues earned, expenditures incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services to customers for water and sewer sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses, such as fees property owners pay to connect to the utility system, not meeting this definition are reported as non-operating revenues and expenses.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### **Property Taxes Receivable**

Within the governmental fund financial statement, property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the City is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as deferred inflow of resources at the City's year end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for the City.

### **Customer Services Receivable**

Amounts owed to the City for customer services are due from area residents and businesses and relate to water, sewer and trash services provided by the City. The receivable is reported net of an allowance for uncollectible accounts. An allowance is reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts was \$34,999 as of September 30, 2017.

### **Deposits and Prepaid Expenses**

Deposits and prepaid expenses consist of deposits paid by developers for various improvements as well as payments to vendors that reflect costs applicable to future accounting periods and are reported as prepaid expenses.

### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., parks, wells, water and sewer lines and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial individual cost of \$5,000 and over for machinery and equipment, \$25,000 and over for building and land improvements, buildings, intangibles, and infrastructure, and an estimated useful life in excess of three years. Land acquisitions regardless of cost are recorded as capital assets. All material fixed assets are valued at cost. Donated fixed assets are valued at their acquisition value on the date donated.

GASB requires that the City capitalize and report intangible assets, such as easements and internally created software. To value easements, the City uses current land values calculated from Ada County Assessor's data divided by two, internally developed software is valued at cost.

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

	Estimated Useful <u>Life (Years)</u>
Buildings	30
Sewer plant	25
Sewer and water lines	50
Improvements other than buildings	10-50
Equipment and software	5-20
Public domain infrastructure	40

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

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

### **Compensated Absences Payable**

The City provides vacation and sick leave to its full-time employees. Earned vacation is paid to employees when taken or paid to employees or beneficiaries upon the employees' termination, retirement or death. The City does not pay earned sick pay upon the employees' termination, retirement or death for non-union employees. The Fire Department union members are paid ten percent of their sick leave accrual upon the employees' voluntary termination, 25% upon employees' retirement, and 100% upon employees' death. The amount of unused vacation accumulated by City employees is accrued as an expense when incurred in the Proprietary Fund, which uses the accrual basis of accounting. In the Governmental Funds, only the amount that normally would be liquidated with expendable available financial resources is accrued as current year expenditures. Unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditures are accrued.

### **Deferred Outflows/Inflows of Resources**

The statement of net position includes a separate section for deferred outflows of resources. The separate financial statement element represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The City's deferred outflow of resources is its pension obligation. The pension obligation is the difference between projected and actual investment earnings, the changes in assumptions, the change the City's proportionate share of the City's net pension liability, and the contributions subsequent to the measurement date of the City's net pension liability.

In addition to the liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until then. The City has two items that qualify for reporting in the category: the deferred pension obligation and unavailable revenue. The employer deferred net pension results from the difference between the expected and actual experience of the pension plan and the net difference between projected and actual investment earnings on the pension plan investments. The unavailable revenue is reported in both the statement of net position and the balance sheet for the governmental fund and represents the unavailable revenues from property taxes.

### **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 the 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.

### **Fund Balances**

Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use for specific purposes. Fund balances in the governmental balance sheet are categorized as follows:

*Nonspendable* - when the resources cannot be spent because they are either legally or contractually required to be maintained intact, or are in a nonspendable form such as inventories, prepaid accounts, and assets held for resale.

*Restricted* - when the constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - when the City Council passes an ordinance or resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance or resolution at any time through passage of an additional ordinance or resolution, respectively.

*Assigned* - when it is intended for a specific purpose and the authority to "assign" is delegated to the City's Chief Financial Officer.



*Unassigned* - fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, assigned, or deemed as nonspendable within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

The City Council adopted a Fund Balance Policy that establishes a practice of reserving four months of the current year budget of personnel and recurring annual operating costs as minimum fund balance needed to ensure sufficient cash flow to meet the City's obligations. This reserve will be in the unassigned fund balance. This policy also recommends a spending order of restricted, committed, assigned and then unassigned unless Council approves otherwise.

### **Risk Management**

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

### **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

### **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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

### **New GASB Pronouncements**

GASB 77, *Tax Abatement Disclosures*, became effective for those periods beginning after December 15, 2015. As the City has no tax abatement programs, no additional disclosure has been made.

**Note 2 - Cash and Investments**

Cash and investments as of September 30, 2017 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 50,333,080
Cash and cash equivalents - restricted	<u>9,555,277</u>
Total cash and cash equivalents	<u><u>\$ 59,888,357</u></u>
Investments	\$ 43,368,769
Investments - restricted	<u>3,305,696</u>
Total investments	<u><u>\$ 46,674,465</u></u>

**Investments Authorized by the State of Idaho and the City of Meridian’s Investment Policy**

Investment types that are authorized for the City of Meridian by the Idaho Code and the City’s investment policy are as follows:

1. Local, State and U.S. Agency Bonds
2. U. S. Agency Securities
3. Certificates of Deposit

The City also participates in the State of Idaho Local Investment Pool (LGIP) and the State of Idaho Diversified Bond Fund (DBF). Both the LGIP and the DBF are regulated by Idaho Code under the oversight of the Treasurer of the State of Idaho. The Pools are not registered with the Securities and Exchange Commission or any other regulatory body. The State Treasurer does not provide any legally binding guarantees to support the value of the shares to participants.

The LGIP is a low risk investment pool with high liquidity. Therefore the City’s investment in the pool is reported as a cash equivalent in the accompanying financial statements as it does not meet the definition of an investment. The LGIP is not currently rated by a nationally recognized rating agency. The funds are invested in short-term investments in the priority order of safety, liquidity, and yield.

The DBF invests in longer term investment vehicles with higher returns over time than the LGIP. The DBF is not currently rated by a nationally recognized rating agency. However the investment guidelines require that funds be invested in high quality securities that provide a high level of return, with a reasonable level of risk while meeting or exceeding the Barclay’s Capital Intermediate A+ Aggregate Fixed Income Index. The City invests money in the DBF that it does not expect to need within the next three to five years. The City’s investment in the DBF is reported based on its pro-rata share of the fair market value provided by the fund for the entire portfolio.

**Fair Value Hierarchy**

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value. The following provides a summary of the hierarchy used to measure fair value.

- Level 1 – Inputs are quoted prices in active markets for identical assets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly, including quoted prices for similar assets or liabilities.
- Level 3 – Valuations derived from valuation techniques in which significant valuation drivers are observable.

The City’s investment fair value measurements are as follows at September 30, 2017:

<u>Investments measured at fair value</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>
<b>Debt Securities</b>				
U.S. Agency bonds	\$ 25,338,640	\$ -	\$ 25,338,640	\$ -
Municipal bonds	1,077,087	-	1,077,087	-
<b>Total investments by fair value level</b>	<b>26,415,727</b>	<b>\$ -</b>	<b>\$ 26,415,727</b>	<b>\$ -</b>
<b>Investments measured at the net asset value (NAV)</b>				
<b>State of Idaho Diversified</b>				
Bond Fund (DBF)	20,258,738			
<b>Total investments at fair value</b>	<b>\$ 46,674,465</b>			

Level 2 inputs for the investments above are based on a matrix pricing model. Investments valued using the net asset value (NAV) per share generally do not have readily obtainable market values and are instead valued based on the City’s pro-rata share of the pool’s fair value of the underlying assets. Oversight for the Diversified Bond Fund is with the Idaho State Treasurer and Idaho Code, which defines allowable investments. In general, the investment guidelines require that funds be invested in high quality securities in a manner that provides higher total return than the shorter pools given a reasonable level of risk measured over a long period. Securities in DBF are shared positions valued at current market values. The City values these investments based on information provided by the State of Idaho Treasurer’s Office. The following table presents the unfunded commitments, redemption frequency and the redemption notice period for the City’s investments measured at the NAV:

	<u>Investments Measured at the NAV</u>			
	<u>Fair Value</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
<b>State of Idaho Diversified</b>				
Bond Fund (DBF)	\$ 20,258,738	None	Monthly	5-25 days

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. This risk can be managed using a calculation called duration that uses various inputs such as yield and years until maturity to estimate interest rate risk. Generally, the higher the duration number, the higher the risk. The City manages exposure to interest rate risk by purchasing a combination of long and short-term investments. The City manages the portfolio so it is not necessary to sell securities before maturity. The City's policy does not limit the duration of the investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Duration</u>
U.S. Agency bonds	\$ 25,338,640	AA+	2.0
Municipal bonds	1,077,087	AA+	2.7
Idaho Diversified Bond Fund (DBF)	20,258,738	not rated	3.3
Idaho Local Government Investment Pool (LGIP)	55,505,778	not rated	
Money market funds	2,710,604	not rated	
Other cash and cash equivalents	<u>1,671,975</u>		
Total cash and investments	<u>\$ 106,562,822</u>		

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy is consistent with the State Code related to credit risk.

### Concentration of Credit Risk

When investments are concentrated in one issuer this concentration represents increased risk of potential loss. The GASB has adopted a principal that governments should provide note disclosure when five percent of the entity's total investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. Government, mutual funds, and other pooled investments are exempt from disclosure. The City's investment policy has no limitations on the amount that can be invested in any one issuer.

Investments in any one issuer (other than State Investment Pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
Federal Home Loan Mortgage	U.S. Agency Bond	\$ 10,975,412	23.5%
Federal National Mortgage	U.S. Agency Bond	8,261,397	17.7%
Federal Farm Credit Bank	U.S. Agency Bond	6,101,831	13.1%

**Custodial Credit Risk**

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

At year end, the carrying amount of the City’s cash deposits was \$59,888,357 and the bank balance was \$61,332,244. Of the bank balance \$667,044 is guaranteed by the Securities Investor Protection Corporation, \$250,000 was covered by federal depository insurance, \$2,043,561 was collateralized with securities held at the Federal Home Bank of Seattle for First Interstate Bank and pledged to the City of Meridian, \$55,505,778 was held by the State of Idaho Local Group Investment Pool, and the remainder of the City’s deposits of \$2,865,861 with First Interstate Bank are secured in an undivided collateral pool for public agencies.

It is the City’s policy to minimize exposure to custodial credit risk with investments by requiring that to the extent possible they be identified as to City of Meridian ownership and be held in the City’s name. All commercial paper, agency bonds and municipal bonds are held in custody by Charles Schwab & Co. in the City’s name. The City further reduces risk by confining investments to insured levels in any one institution.

**Note 3 - Due from Other Governmental Units**

The following summarizes the intergovernmental receivables at September 30, 2017:

State of Idaho	
State Liquor Dispensary	\$ 203,144
State Tax Commission	1,790,036
Idaho Transportation Department	19,123
Other Idaho Agencies	22,510
Federal Agencies	65,944
Meridian Development Corporation	116,886
Meridian Rural Fire District	312,341
Ada County	<u>33,445</u>
Total Due from Other Governmental Units	<u><u>\$ 2,563,429</u></u>

**Note 4 - Note Receivable**

In December 2014, the City entered into an agreement to annex the homes in a subdivision outside of city limits and provide them with water and sewer service. The subdivision had a utility district, Meridian Heights Water and Sewer District (MHWSO), which was dissolved in December 2014 upon approval from the District Court. All assets and liabilities of MHWSO were transferred to the City at that time, including MHWSO's debt of \$1,280,294, which is being repaid to the City by the former members of MHWSO over a period of 20 years at an interest rate of 3.5% as follows:

	<u>Beginning Balance as of October 1, 2016</u>	<u>Interest and Adjustments</u>	<u>Payments</u>	<u>Ending Balance as of September 30, 2017</u>
Long-term note receivable	\$ 947,798	\$ 32,551	\$ (139,369)	\$ 840,980
<u>Fiscal Year</u>		<u>Annual Payment</u>		
2018			\$ 70,512	
2019			70,512	
2020			70,512	
2021			70,512	
2022			70,512	
2023-2027			352,560	
2028-2039			135,860	
			<u>\$ 840,980</u>	

**Note 5 - Capital Assets**

Changes to capital assets are as follows:

<b>Governmental Activities</b>	Balance Oct. 1, 2016	Additions	Deletions	Transfers	Balance Sept. 30, 2017
Capital assets, not depreciated					
Land	\$ 26,676,068	\$ 696,238	\$ -	\$ -	\$ 27,372,306
Easements	495,023	551,790	-	-	1,046,813
Construction in progress	416,815	4,319,897	-	(64,192)	4,672,520
Total capital assets, not depreciated	<u>27,587,906</u>	<u>5,567,925</u>	<u>-</u>	<u>(64,192)</u>	<u>33,091,639</u>
Capital assets, depreciated					
Buildings	43,526,992	303,165	481	17,077	43,846,753
Improvements other than buildings	36,437,610	297,156	71,972	47,115	36,709,909
Internally developed software	47,027	-	-	-	47,027
Equipment	15,189,817	1,266,917	1,909,895	-	14,546,839
Total capital assets, depreciated	<u>95,201,446</u>	<u>1,867,238</u>	<u>1,982,348</u>	<u>64,192</u>	<u>95,150,528</u>
Less accumulated depreciation for					
Buildings	9,999,251	1,480,740	481	-	11,479,510
Improvements other than buildings	10,938,416	1,806,489	71,972	-	12,672,933
Internally developed software	47,027	-	-	-	47,027
Equipment	9,410,743	1,276,697	1,790,541	-	8,896,899
Total accumulated depreciation	<u>30,395,437</u>	<u>4,563,926</u>	<u>1,862,994</u>	<u>-</u>	<u>33,096,369</u>
Total net capital assets, depreciated	<u>64,806,009</u>	<u>(2,696,688)</u>	<u>119,354</u>	<u>64,192</u>	<u>62,054,159</u>
Governmental activities capital assets, net	<u>\$ 92,393,915</u>	<u>\$ 2,871,237</u>	<u>\$ 119,354</u>	<u>\$ -</u>	<u>\$ 95,145,798</u>

City of Meridian, Idaho  
Notes to Financial Statements  
September 30, 2017

<b>Business-type Activities</b>	Balance Oct. 1, 2016	Additions	Deletions	Transfers	Balance Sept. 30, 2017
Capital assets, not depreciated					
Land	\$ 1,976,798	\$ 56,816	\$ -	\$ -	\$ 2,033,614
Easements	9,452,778	1,111,259	-	-	10,564,037
Construction in progress	15,954,342	17,964,125	2,100	(4,833,101)	29,083,266
Total capital assets, not depreciated	<u>27,383,918</u>	<u>19,132,200</u>	<u>2,100</u>	<u>(4,833,101)</u>	<u>41,680,917</u>
Capital assets, depreciated					
Buildings and improvements other than buildings	81,817,455	146,634	25,103	955,662	82,894,648
Sewer and water lines	182,978,309	9,693,590	19,631	1,210,164	193,862,432
Machinery and equipment	38,857,763	1,565,042	1,055,889	2,667,275	42,034,191
Total capital assets, depreciated	<u>303,653,527</u>	<u>11,405,266</u>	<u>1,100,623</u>	<u>4,833,101</u>	<u>318,791,271</u>
Less accumulated depreciation for					
Buildings and improvements other than buildings	25,477,187	3,392,613	23,438	-	28,846,362
Sewer and water lines	40,184,277	3,784,299	564	-	43,968,012
Machinery and equipment	17,123,224	2,314,560	1,055,889	-	18,381,895
Total accumulated depreciation	<u>82,784,688</u>	<u>9,491,472</u>	<u>1,079,891</u>	<u>-</u>	<u>91,196,269</u>
Total net capital assets, depreciated	<u>220,868,839</u>	<u>1,913,794</u>	<u>20,732</u>	<u>4,833,101</u>	<u>227,595,002</u>
Business-type activities capital assets, net	<u>\$ 248,252,757</u>	<u>\$ 21,045,994</u>	<u>\$ 22,832</u>	<u>\$ -</u>	<u>\$ 269,275,919</u>

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

Governmental activities	
General government	\$ 1,232,776
Public safety	1,307,870
Parks and recreation	<u>2,023,280</u>
Total depreciation expense - governmental activities	<u>\$ 4,563,926</u>
Business-type activities	
Water and Sewer	<u>\$ 9,491,472</u>
Total depreciation expense - business-type activities	<u>\$ 9,491,472</u>



**Note 6 - Interfund Balances and Transfers**

The following transfers were made for the purpose of funding operations:

	Transfer In		
	General Fund	Capital Projects Fund	Total
Transfer out			
General Fund	\$ -	\$ 2,275,054	\$ 2,275,054
Enterprise Fund	2,185,002	-	2,185,002
Total transfers	<u>\$ 2,185,002</u>	<u>\$ 2,275,054</u>	<u>\$ 4,460,056</u>

The transfer from the enterprise fund to the general fund was related to personnel and operating costs that were paid by the general fund during FY2017. The transfer from the general fund to the capital projects fund was the excess of building permit revenues from prior years.

**Note 7 - Changes in Long-Term Obligations**

The following is a summary of changes in long-term obligations of the City for the year ended September 30, 2017:

	Balance Oct.1, 2016	Debt Issued	Debt Retired	Balance Sept. 30, 2017	Due Within One Year
Governmental Activities					
Accrued vacation	<u>\$ 1,577,263</u>	<u>\$ 40,768</u>	<u>\$ -</u>	<u>\$ 1,618,031</u>	<u>\$ 205,354</u>
Business-type activities					
Accrued vacation	\$ 272,070	\$ 21,164	\$ -	\$ 293,234	\$ 29,323
Settlement payable	200,000	-	-	200,000	-
	<u>\$ 472,070</u>	<u>\$ 21,164</u>	<u>\$ -</u>	<u>\$ 493,234</u>	<u>\$ 29,323</u>

**Note 8 - Fund Balances – Governmental Funds**

As of September 30, 2017 fund balances were classified as follows:

*Nonspendable* - the City’s nonspendable fund balance was for prepaid expenses.

*Restricted* - the City had restricted fund balance for impact fees as mandated by the State of Idaho.

*Committed* - the City Council committed the fund balance of the Capital Projects Fund and the Public Safety Capital Projects Fund for future polices and fire capital projects.

*Assigned* - the City’s CFO assigned carryforward of the FY2017 budget balance to be spent in FY2018.

*Unassigned* - this classification represents fund balance that has not been restricted, committed, or assigned within the General Fund.

	Balance Oct. 1, 2016	Net Change	Balance Sept. 30, 2017
Fund Balances			
Nonspendable			
Prepays	\$ 192,651	\$ 10,016	\$ 202,667
Restricted			
Impact fund	9,120,148	(2,995,739)	6,124,409
Impact fund budget carryforward	2,905,333	3,514,054	6,419,387
Committed			
Capital projects fund	7,924,299	2,762,362	10,686,661
Capital projects fund budget carryforward	404,096	(404,096)	-
Public safety fund	386,687	-	386,687
Assigned			
General fund budget carryforward	1,986,010	(251,820)	1,734,190
Unassigned	21,678,099	6,218,316	27,896,415
Total fund balances	\$ 44,597,323	\$ 8,853,093	\$ 53,450,416

**Note 9 - Lease Agreements**

The City has operating leases for land and office equipment. In FY2014 the City entered into a prepaid irrevocable use 20 year agreement with Syringa Networks, LLC for the right to use certain dark fiber in the Syringa Networks System. The City was required to make an initial payment of \$1,367,000 to Syringa to install the fiber. The City has no ownership rights now or in the future in the fiber, but prepayment is considered an asset and recorded as a capital asset. The agreement also requires that the City pay annual maintenance and operating costs for a period of twenty years.

The various equipment lease agreements cover periods from July 24, 2007 through October 14, 2033, and the minimum annual payments range from \$927 to \$13,800. Total rental expense in FY2017 for all operating leases (which include rental, maintenance and usage) was approximately \$197,348.

Future minimum annual lease payments for operating leases with remaining lease terms in excess of one year are as follows:

Operating Leases	
2018	\$ 60,295
2019	32,936
2020	15,287
2021	13,800
2022	13,800
2023-2027	69,000
2028-2032	69,000
2033-2034	<u>14,950</u>
 Total minimum obligations	 <u><u>\$ 289,068</u></u>

## **Note 10 - Defined Benefit Pension Plan**

### *Plan Description*

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

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

### *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. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City's contributions were \$3,001,437 for the year ended September 30, 2017.

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

At September 30, 2017, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, the City's proportion was 0.8385367 percent.

For the year ended September 30, 2017, the City recognized pension expense of \$2,291,066. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,825,894	\$ 1,187,439
Changes in assumptions or other inputs	243,740	-
Net difference between projected and actual earnings on pension plan investments	-	789,690
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	432,356	-
City contributions subsequent to the measurement date	764,347	-
Total	\$ 3,266,337	\$ 1,977,129

\$764,347 is reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 4.9 years and 5.5 years for the measurement period ended June 30, 2016.

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

Year ended September 30,

	2018	\$	(560,680)
	2019		1,394,149
	2020		454,517
	2021		(763,125)
			(763,125)
		\$	524,861

*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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

An experience study was performed for the periods 2011 through 2015, which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The total pension liability as of June 30, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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 January 1, 2017.

#### Capital Market Assumptions

<b>Asset Class</b>	<b>Expected Return</b>	<b>Expected Risk</b>	<b>Strategic Normal</b>	<b>Strategic Ranges</b>
Equities	0%	0%	70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
<b>Total Fund</b>	<b>Expected Return</b>	<b>Expected Inflation</b>	<b>Expected Real Return</b>	<b>Expected Risk</b>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

\*Expected arithmetic return net of fees and expenses

**Actuarial Assumptions**

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

*Discount Rate*

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

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

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

	<u>1 % Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
Employer's proportionate share of the net pension liability (asset)	<u>\$ 30,633,902</u>	<u>\$ 13,180,358</u>	<u>\$ (1,323,968)</u>

*Pension plan fiduciary net position*

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

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

*Payables to the pension plan*

At September 30, 2017, the City reported payables to the defined benefit pension plan of \$264,995 for legally required employer contributions and \$176,620 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**Note 11 - Other Commitments**

The City had the following commitments at September 30, 2017:

<u>Commitment</u>	<u>Amount</u>
Animal control services	\$ 381,132
Art	42,388
Building improvements & maintenance	169,368
Dues and contributions	749,573
Equipment and electronics	500,357
Grant-funded expenditure	165,735
Headworks improvements	4,209,608
Janitorial services	217,352
Lease agreements	289,068
Park improvements	1,322,802
Parks maintenance	320,606
Professional services	1,260,851
Wastewater improvements	6,308,314
Water and sewer line replacements	746,391
Water well improvements	1,627,703
	<hr/>
Total commitments	<u>\$ 18,311,248</u>

**Note 12 - Other Post-Employment Benefits**

The City's Fire Union contract, effective October 1, 2015 changed the way post-employment health care benefits are paid to Fire Union retirees. Prior to this date, Fire Union retirees, who qualified under PERSI's rule of 80 by points, age, medical disability, or by any method in existence at the time of retirement allowed by PERSI were allowed to a health care benefit of the value of 25% of their sick leave balance at the time of retirement. This was used to pay the health insurance premium for the employee until the cash value was depleted. With such a small pool of employees eligible for this post-employment benefit, it has been the City's position that it is not cost effective to have an actuarial determination performed to calculate the ARC (Annual Required Contribution) as required by GASB 45.

From October 1, 2015 forward Fire Union employees will receive a one-time cash payout of 25% of qualifying sick leave accrual. This means the City has no post-employment benefits to report in accordance with GASB 45.



### **Note 13 - Contingent Liabilities**

The City has been named as a defendant in various legal actions, the results of which are not presently determinable, except as described below. However, in the opinion of the City Attorney, the amount of losses that might be sustained, if any, would not materially affect the City's financial position.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including amounts already collected, could become a liability of the City. City management believes disallowances, if any, will not be material.

In 2006, the City entered into an agreement with a developer to jointly provide water and sewer services for a subdivision under development (Bittercreek Meadows Subdivision Homeowners Association), outside the City limits. The developer put in a well and turned it over to the City so that homeowners could connect to the City water system. Since the development did not grow beyond 24 lots the City was not able to provide sewer and water services. In 2011, the agreement was nullified and the City paid damages to the developer, reimbursed the existing homeowners for their cost to connect to City water, deeded back the well, the well lot, a lift station lot, and land easements to the homeowners.

In 2014, the City of Meridian entered into a Settlement and Mutual Release Agreement with Bittercreek Meadows Subdivision Homeowners Association in which the City agreed to connect 24 lots to the City of Kuna's waste water treatment plant. The cost to do this is not known since it is dependent on development of adjoining vacant land but an estimated cost of \$200,000 was recorded and is reflected in the statement of net position for the Proprietary Fund.

The City is currently a party to an appeal before the District Court regarding Ada County courthouse usage. At this time, the City is unable to determine the probability of the outcome of the litigation and therefore no liability has been accrued as of September 30, 2017.

### **Note 14 - Related Party**

The City partners with Meridian Development Corporation (MDC) for various downtown improvements. During the year ended September 30, 2017, the City reimbursed MDC \$32,666 for a CDBG sidewalk design grant project and MDC agreed to contribute \$126,886 for various downtown projects in the City.

### Note 15 - Component Unit

MDC is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate and legal entity. In July 2016, the City approved the establishment of MDC's second district, known as the Ten Mile District.

#### MDC – Capital Assets

Changes to capital assets are as follows:

	Balance Oct. 1, 2016	Additions	Deletions	Transfers	Balance Sept. 30, 2017
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 845,067	\$ -	\$ (46,538)	\$ -	\$ 798,529
Total capital assets, not depreciated	845,067	-	(46,538)	-	798,529
Capital assets, depreciated					
Buildings	579,710	-	(385,199)	-	194,511
Building improvements	132,288	-	-	-	132,288
Equipment	100,437	-	-	-	100,437
Intangibles	180,160	-	-	-	180,160
Total capital assets, depreciated	992,595	-	(385,199)	-	607,396
Less accumulated depreciation for					
Buildings	(144,962)	(18,703)	87,790	-	(75,875)
Equipment	(97,378)	(3,059)	-	-	(100,437)
Intangibles	(180,160)	-	-	-	(180,160)
Total accumulated depreciation	(422,500)	(21,762)	87,790	-	(356,472)
Total net capital assets, depreciated	570,095	(21,762)	(297,409)	-	250,924
Governmental activities capital assets, net	<u>\$ 1,415,162</u>	<u>\$ (21,762)</u>	<u>\$ (343,947)</u>	<u>\$ -</u>	<u>\$ 1,049,453</u>

**MDC – Changes in Long-Term Debt**

MDC has a promissory note for \$1,274,000 that matures on March 5, 2022 with a fixed interest rate of 3.51% collateralized by real property.

The following is a summary of changes in debt of MDC for the year ended September 30, 2017.

	<u>2016</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>2017</u>
Governmental Activities				
Note payable - building	\$ 608,607	\$ -	\$ (103,527)	\$ 505,080
Governmental Activities				
long-term liabilities	<u>\$ 608,607</u>	<u>\$ -</u>	<u>\$ (103,527)</u>	<u>\$ 505,080</u>

Maturities of the note payable are as follows for the years ended September 30:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 98,497	\$ 14,819	\$ 113,316
2019	111,123	12,495	123,618
2020	115,087	8,531	123,618
2021	119,192	4,426	123,618
2022	<u>61,181</u>	<u>626</u>	<u>61,807</u>
Totals	<u>\$ 505,080</u>	<u>\$ 40,897</u>	<u>\$ 545,977</u>

**MDC – Line of Credit**

MDC has entered into a revolving line of credit with Washington Trust Bank that provides for available borrowings up to \$100,000. The agreement matures on July 31, 2018 and is unsecured. Borrowings under the line of credit bear variable interest rate at 3.25% per annum. There were no amounts outstanding on the line as of September 30, 2017. Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness and dividend payments.



Required Supplementary Information  
September 30, 2017

## City of Meridian, Idaho

City of Meridian, Idaho  
 Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 Year Ended September 30, 2017

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**Schedule of Employer's Share of Net Pension Liability  
 PERSI - Base Plan  
 Last 4 Fiscal Years\***

	2017	2016	2015	2014
Employer's portion of net pension liability	0.8385367%	0.8327922%	0.8309225%	0.7877442%
Employer's proportionate share of the net pension liability	\$ 13,180,358	\$ 16,881,978	\$ 10,941,899	\$ 5,799,030
Employer's covered payroll	\$ 26,158,967	\$ 24,506,473	\$ 23,418,704	\$ 21,670,660
Employer's proportional share of the net pension liability as a percentage of its payroll	50.39%	68.89%	46.72%	26.76%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	87.26%	91.38%	94.95%

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

Data reported is measured at the measurement date which is as of June 30 of each year.

City of Meridian, Idaho  
 Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
 Year Ended September 30, 2017

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**Schedule of Employer Contributions  
 PERSI - Base Plan  
 Last 4 Fiscal Years\***

	2017	2016	2015	2014
Statutorily required contribution	\$ 2,827,648	\$ 2,475,578	\$ 2,717,964	\$ 2,560,496
Contributions in relation to the statutorily required contribution	\$ 3,001,437	\$ 2,796,909	\$ 2,682,620	\$ 2,461,739
Contribution (deficiency) excess	\$ 173,789	\$ 321,331	\$ (35,344)	\$ (98,757)
Employer's covered payroll	\$ 26,645,195	\$ 24,966,360	\$ 24,029,237	\$ 22,142,233
Contributions as a percentage of covered payroll	11.26%	11.20%	11.16%	11.12%

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

Data reported is measured as of September 30 of each year.

City of Meridian, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund  
Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 28,280,322	\$ 28,280,322	\$ 28,846,381	\$ 566,059
Licenses and permits	3,636,970	3,636,970	6,265,179	2,628,209
Intergovernmental	6,725,414	7,794,623	8,989,089	1,194,466
Franchise fees	1,325,000	1,325,000	1,598,461	273,461
Fines and forfeitures	407,000	407,000	473,518	66,518
Charges for services	1,278,500	1,299,052	2,052,871	753,819
Impact revenues	1,794,436	1,794,436	3,939,406	2,144,970
Donations	15,000	484,706	498,930	14,224
Interest	190,000	190,000	480,537	290,537
Miscellaneous	-	-	39,799	39,799
<b>Total revenues</b>	<b>43,652,642</b>	<b>45,212,109</b>	<b>53,184,171</b>	<b>7,972,062</b>
<b>Expenditures</b>				
General government personnel costs	4,957,844	4,908,911	4,630,858	278,053
General government operating expense	2,853,511	3,442,327	2,428,255	1,014,072
Public safety				
Police personnel costs	13,561,037	13,729,967	12,702,128	1,027,839
Police operating expense	2,449,287	2,744,529	2,424,511	320,018
Fire personnel costs	8,866,442	9,089,534	8,805,100	284,434
Fire operating expense	1,343,190	1,476,931	1,256,951	219,980
Parks and recreation personnel costs	2,720,542	2,715,645	2,438,918	276,727
Parks and recreation operating expense	1,855,977	1,877,372	1,731,920	145,452
Community development personnel costs	1,384,470	1,384,470	1,327,901	56,569
Community development operating expense	2,134,850	2,136,335	2,534,797	(398,462)
Capital outlay				
General government	325,244	173,373	31,500	141,873
Public safety				
Police	1,051,113	1,015,252	839,472	175,780
Fire	1,343,349	4,981,520	257,286	4,724,234
Parks and recreation	9,665,401	7,627,087	4,713,663	2,913,424
Community development	31,602	28,317	-	28,317
<b>Total expenditures</b>	<b>54,543,859</b>	<b>57,331,570</b>	<b>46,123,260</b>	<b>11,208,310</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(10,891,217)</b>	<b>(12,119,461)</b>	<b>7,060,911</b>	<b>19,180,372</b>

City of Meridian, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund  
Year Ended September 30, 2017

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Operating transfer in	2,655,832	2,693,332	2,185,002	(508,330)
Operating transfer out	(188,830)	(226,330)	(2,275,054)	(2,048,724)
Unrealized gain on investments	-	-	(204,716)	(204,716)
Gain on sale of capital assets	-	-	95,035	95,035
Total other financing sources (uses)	<u>2,467,002</u>	<u>2,467,002</u>	<u>(199,733)</u>	<u>(2,666,735)</u>
Excess (Deficiency) of Revenues				
Other Sources (Uses) Over (Under)				
Expenditures	<u>(8,424,215)</u>	<u>(9,652,459)</u>	<u>6,861,178</u>	
Fund Balance, Beginning of Year	<u>38,543,981</u>	<u>38,543,981</u>	<u>38,543,981</u>	
Fund Balance, End of Year	<u><u>\$ 30,119,766</u></u>	<u><u>\$ 28,891,522</u></u>	<u><u>\$ 45,405,159</u></u>	



**Note 1 - Budgets and Budgetary Accounting**

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

Prior to September 1, the CFO, Department Directors, Mayor, and City Council prepare a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at City Hall to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an ordinance.

Budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund. Budgets for enterprise funds are not legally required but are adopted on a non-GAAP basis. All annual appropriations lapse at fiscal year-end. Revisions that alter the total expenditure appropriation of any fund must be approved by the City Council. State law does not allow fund expenditures to exceed fund appropriations. The budget presented in the report has been amended.

Formal budgetary integration is employed as a management control device during the year for all funds.



Other Information  
September 30, 2017

# City of Meridian, Idaho

City of Meridian, Idaho

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund  
Year Ended September 30, 2017

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	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest	\$ 2,000	\$ 2,000	\$ 62,075	\$ 60,075
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>62,075</u>	<u>60,075</u>
Expenditures				
General government capital outlay	422,140	444,096	345,214	98,882
Total expenditures	<u>422,140</u>	<u>444,096</u>	<u>345,214</u>	<u>98,882</u>
Excess (Deficiency) of revenues over (Under) Expenditures	<u>(420,140)</u>	<u>(442,096)</u>	<u>(283,139)</u>	<u>158,957</u>
Other Financing Sources (Uses)				
Operating transfer in	-	-	2,275,054	2,275,054
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,275,054</u>	<u>2,275,054</u>
Excess (Deficiency) of Revenues and Other Sources (Uses) Over (Under) Expenditures	<u>(420,140)</u>	<u>(442,096)</u>	<u>1,991,915</u>	
Fund Balance, Beginning of Year	<u>6,053,342</u>	<u>6,053,342</u>	<u>6,053,342</u>	
Fund Balance, End of Year	<u>\$ 5,633,202</u>	<u>\$ 5,611,246</u>	<u>\$ 8,045,257</u>	

City of Meridian, Idaho

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Enterprise Fund  
Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Water sales	\$ 8,055,445	\$ 8,055,445	\$ 8,271,988	\$ 216,543
Sewer sales	14,900,000	14,900,000	14,899,247	(753)
Other service revenues	350,000	350,000	604,274	254,274
Sale of meters	200,000	200,000	443,590	243,590
Trash billing service	649,271	649,271	735,256	85,985
Engineering fees	200,000	200,000	559,913	359,913
Assessment revenue and cash donations	7,760,558	7,760,558	14,501,568	6,741,010
Interest	375,000	375,000	678,037	303,037
Miscellaneous	-	-	5,139	5,139
Total revenues	<u>32,490,274</u>	<u>32,490,274</u>	<u>40,699,012</u>	<u>8,208,738</u>
<b>Expenditures</b>				
Administration personnel costs	4,062,943	4,062,943	3,374,938	688,005
Administration operating expenses	2,534,902	2,494,797	1,589,346	905,451
Water personnel costs	1,827,561	1,827,561	1,708,156	119,405
Water operating expenses	2,267,100	2,250,444	1,865,533	384,911
Wastewater personnel costs	2,757,440	2,757,440	2,533,523	223,917
Wastewater operating expenses	3,925,985	3,233,033	3,070,136	162,897
Capital outlay	46,889,721	42,043,447	20,262,385	21,781,062
Total expenditures	<u>64,265,652</u>	<u>58,669,665</u>	<u>34,404,017</u>	<u>24,265,648</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(31,775,378)</u>	<u>(26,179,391)</u>	<u>6,294,995</u>	<u>32,474,386</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfer out	(2,467,003)	(2,467,003)	(2,185,002)	282,001
Unrealized gain on investments	-	-	(381,701)	(381,701)
Gain on sale of capital assets	-	-	12,605	12,605
Total other financing sources (uses)	<u>(2,467,003)</u>	<u>(2,467,003)</u>	<u>(2,554,098)</u>	<u>(87,095)</u>
Excess (Deficiency) of Revenues and Other Sources (Uses) Over (Under) Expenditures	<u>(34,242,381)</u>	<u>(28,646,394)</u>	<u>3,740,897</u>	
Fund Balance, Beginning of Year	<u>43,678,706</u>	<u>43,678,706</u>	<u>46,670,751</u>	
Fund Balance, End of Year	<u>\$ 9,436,325</u>	<u>\$ 15,032,312</u>	<u>\$ 50,411,648</u>	
Deferred outflows			652,649	
Deferred inflows			(395,426)	
Net pension liabilities			(2,636,072)	
Non current liabilities			(200,000)	
Accrued vacation			(293,234)	
Net invested in capital assets			<u>269,275,919</u>	
Net Position, GAAP Basis, End of Year			<u>\$ 316,815,484</u>	



**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***

To the Mayor and Member of the City Council  
City of Meridian, Idaho  
Meridian, Idaho

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Meridian, Idaho (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 8, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control 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'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 testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho  
February 8, 2018