



Financial Statements

September 30, 2022

## 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.meridianty.org](http://www.meridianty.org).

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

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

In our opinion, the accompanying financial statements 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, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information – General Fund, and the Schedule of Employer's Share of Net Pension Liability (Asset) and Employer Contribution, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

### ***Supplementary 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 Schedule 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Capital Projects Fund and Enterprise Fund, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023 on our consideration of 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 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.



Boise, Idaho  
April 14, 2023

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, 2022. 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, 2022 by \$658,719,397 as compared to \$644,817,359 at September 30, 2021.
- Net position of the Governmental activities finished the fiscal year 2022 at \$209,400,291
- Net position of Business-type activities finished fiscal year 2022 at \$449,319,106.
- Total unrestricted net position of governmental funds at September 30, 2022 was \$69,615,987 as compared to a total unrestricted governmental fund balance at September 30, 2021 of \$ 67,617,648.
- Total unrestricted net position of business-type funds at September 30, 2022 was \$92,299,400 as compared to a total unrestricted business-type fund balance at September 30, 2021 of \$82,593,538.
- The City's total outstanding long-term debt at September 30, 2022 is \$0.00.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements have four components – *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 the City's assets (what the City owns) and liabilities (what the City owes) with the difference between the two 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.

**Government-Wide Financial Statement Analysis**

**Statement of Net Position**

At September 30, 2022, the City's combined assets and deferred outflows exceeded liabilities and deferred inflows by \$658,719,397 as compared to the net position as of September 30, 2021 of \$644,817,359.

Government-wide total assets and deferred outflows of resources increased from last fiscal year to finish FY2022 at \$779,557,882. The increase was primarily due to a stronger market performance for the City's investments in the Idaho Local Government Investment Pool.

Government-wide total liabilities and deferred inflows of resources increased from last fiscal year to finish FY2022 at \$120,838,485. The increase was primarily due to a change in position of the net pension amount. Noting in FY2022 the amount reported was a liability of \$39,054,528 while in FY2021 the amount reported was an asset of \$786,059.

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 table below has been condensed from the Statement of Net Position.

	<b>Primary Government</b>					
	Governmental		Business - Type		Total	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 178,216,655	\$ 161,955,709	\$ 104,390,673	\$ 92,542,923	\$ 282,607,328	\$ 254,498,632
Capital Assets	117,761,901	109,586,457	357,328,702	360,028,182	475,090,603	469,614,639
Deferred Outflows of Resources	17,925,158	10,325,498	3,934,793	2,266,573	21,859,951	12,592,071
<b>TOTAL Assets and Deferred Outflows of Resources</b>	<b>313,903,714</b>	<b>281,867,664</b>	<b>465,654,168</b>	<b>454,837,678</b>	<b>779,557,882</b>	<b>736,705,342</b>
Current Liabilities	10,955,082	7,071,793	8,222,742	7,204,027	19,177,824	14,275,820
Long-term Liabilities	48,079,430	9,264,034	8,080,944	999,510	56,160,374	10,263,544
Deferred Inflows of Resources	45,468,911	62,822,261	31,376	4,526,358	45,500,287	67,348,619
<b>TOTAL Liabilities and Deferred Inflows of Resources</b>	<b>104,503,423</b>	<b>79,158,088</b>	<b>16,335,062</b>	<b>12,729,895</b>	<b>120,838,485</b>	<b>91,887,983</b>
Investment in Capital Assets	117,761,901	108,941,888	357,019,706	359,514,245	474,781,607	468,456,133
Restricted	22,022,403	26,150,040	-	-	22,022,403	26,150,040
Unrestricted	69,615,987	67,617,648	92,299,400	82,593,538	161,915,387	150,211,186
<b>TOTAL Net Position</b>	<b>\$ 209,400,291</b>	<b>\$ 202,709,576</b>	<b>\$ 449,319,106</b>	<b>\$ 442,107,783</b>	<b>\$ 658,719,397</b>	<b>\$ 644,817,359</b>

**Statement of Activities**

During the 2022 fiscal year the City's financial position improved by \$13,902,038. 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.

Government-wide total revenues decreased from last fiscal year to finish FY2022 at \$127,792,843. The decrease was caused by less federal revenue being recognized in FY2022 compared to FY2021 relating to monies received in response to COVID-19.

Government-wide total expenses increased from last fiscal year to finish FY2022 at \$113,890,805. The increase was associated with the City constructing two new fire stations, one new police precinct, and conducting improvements at Discovery Park and the Lake View Golf Course.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 19,622,112	\$ 15,408,298	\$ 32,319,110	\$ 31,015,063	\$ 51,941,222	\$ 46,423,361
Operating grants and contributions	954,571	11,451,436	19,164,055	18,255,767	20,118,626	29,707,203
Capital Grants and Contributions	4,808,001	8,028,828	-	14,280,626	4,808,001	22,309,454
General Revenue:						
Property taxes	42,976,972	30,617,436	-	-	42,976,972	30,617,436
Franchise fees	1,953,305	1,759,563	-	-	1,953,305	1,759,563
Sales tax and other governmental	14,433,359	14,220,950	-	-	14,433,359	14,220,950
Investment Earnings	974,294	511,581	983,326	562,286	1,957,620	1,073,867
Other Revenue	(2,732,849)	(203,624)	(3,520,726)	(207,579)	(6,253,575)	(411,203)
<b>Total Revenues</b>	<b>82,989,765</b>	<b>81,794,468</b>	<b>48,945,765</b>	<b>63,906,163</b>	<b>131,935,530</b>	<b>145,700,631</b>
<b>Expenses</b>						
General Government						
Administration	11,880,036	10,798,007	-	-	11,880,036	10,798,007
Law Enforcement	28,736,771	22,146,405	-	-	28,736,771	22,146,405
Fire Department	17,708,780	14,367,843	-	-	17,708,780	14,367,843
Parks and Recreation	12,269,684	9,994,801	-	-	12,269,684	9,994,801
Community Planning and Devlp	8,678,052	6,832,569	-	-	8,678,052	6,832,569
Enterprise - sewer and water	-	-	38,760,169	31,717,774	38,760,169	31,717,774
<b>Total Expenses</b>	<b>79,273,323</b>	<b>64,139,625</b>	<b>38,760,169</b>	<b>31,717,774</b>	<b>118,033,492</b>	<b>95,857,399</b>
Excess (deficiency) of revenues over expenditures before transfers	3,716,442	17,654,843	10,185,596	32,188,389	13,902,038	49,843,232
Transfers - internal activities	2,974,273	2,733,024	(2,974,273)	(2,733,024)	-	-
Change in net position	6,690,715	20,387,867	7,211,323	29,455,365	13,902,038	49,843,232
Net Position, Beginning of Year	202,709,576	182,321,709	442,107,783	412,652,418	644,817,359	594,974,127
<b>Net Position, Ending of Year</b>	<b>\$ 209,400,291</b>	<b>\$ 202,709,576</b>	<b>\$ 449,319,106</b>	<b>\$ 442,107,783</b>	<b>\$ 658,719,397</b>	<b>\$ 644,817,359</b>

**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. At the end of a fiscal year the unreserved fund balance serves as a useful measure of a government's net resources.



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 (Business-Type Activities):** 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.

The City has one Fiduciary Fund:

The City established the "City of Meridian Employee Benefits Plan Trust" (the Trust) in January 2020. All health claims are paid from this Trust and all plan contributions are deposited into the Trust. The Trust uses a calendar year basis as its fiscal year and the most recent audited financial statements are presented as part of this financial statement (fiscal year ended December 31, 2021).

## **Fund Financial Statements Analysis**

### **Governmental Funds**

Governmental Activities ending net position for fiscal year 2022 was \$209,400,291 as compared to \$202,709,576 for fiscal year 2021.

Governmental Activities total assets and deferred outflows of resources increased from last fiscal year to finish FY2022 at \$313,903,714.

Governmental Activities total liabilities and deferred inflows of resources increased from last fiscal year to finish FY2022 at \$104,503,423.

The largest portion of the Governmental Activities net position is invested in current and other assets. Current and other assets include cash, investments, property taxes, deposits, and receivables.

During the 2022 fiscal year the Governmental Activities financial position improved by \$6,690,715. The following condensed financial information was derived from the government-wide Statement of Activities and shows how the Governmental activities net position changed during the year.

Governmental Activities total revenues increased from last fiscal year to finish FY2022 at \$82,989,765. The primary revenue source of governmental revenue is property tax which increased from last year to finish the fiscal year at \$42,976,972.

Governmental Activities total expenses increased from last fiscal year to finish FY2022 at \$79,273,323. The largest expenditure source of governmental expenses is law enforcement which increased from last year to finish the fiscal year at \$28,736,771.

#### **Enterprise Fund (Business-Type Activities)**

Business-Type Activities ending net position for fiscal year 2022 was \$449,319,106 as compared to \$442,107,783 for fiscal year 2021.

Business-Type Activities total assets and deferred outflows of resources increased from last fiscal year to finish FY2022 at \$465,654,168.

Business-Type Activities total liabilities and deferred inflows of resources increased from last fiscal year to finish FY2022 at \$16,335,062.

The largest portion of the Business-Type Activities net position is invested in capital assets. Capital assets include land, building, equipment and machinery, and sewer and water utility infrastructure.

During the 2022 fiscal year the Business-Type Activities financial position improved by \$7,211,323. The following condensed financial information was derived from the government-wide Statement of Activities and shows how the Business-Type Activities net position changed during the year.

Business-Type Activities total revenues decreased from last fiscal year to finish FY2022 at \$44,803,078. The primary revenue source of Business-Type Activities revenue is charges for service which increased from last year to finish the fiscal year at \$32,319,110. The increase in charges for services is impacted by the continual growth of water and sewer customers (new properties) within the City.

Business-Type Activities total expenses increased from last fiscal year to finish FY2022 at \$34,617,482. The increase in expenses is associated to the costs of inflation for goods and services along with adjusting personal costs to current market/economic conditions.

### **Fiduciary-Type Activities**

The Trust uses a calendar year basis as its fiscal year and the most recent audited financial statements are presented as part of this financial statement (fiscal year ended December 31, 2021).

Total assets ended the year at \$1,706,115. Amounts represented cash on hand, receivables to the Trust and prepaid expense.

Total Liabilities ended the year at \$408,140. Amounts represent the claims incurred but not reported and claims payable as of December 31, 2021.

During the year ended December 31, 2021, additions to the Trust totaled \$7,400,718. Amounts reported as additions represent contributions to the Trust through employee and employer contributions, as well as interest income and prescription rebates.

During the year ended December 31, 2021, deductions from the Trust totaled \$7,356,660. Deductions from the Trust are primarily comprised of health claim benefits paid, which totaled \$6,405,753.

### **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 and the City's schedule of expenditures of federal awards.

### **General Fund Budgetary Highlights**

Budget to Actual comparisons are found following the Notes to the Financial Statements within the Supplemental section of this Audit Report. Below is a discussion regarding the General Fund Budget to Actual comparison.

The final FY2022 overall expenditure budget was \$111,768,335 as compared to the actual expenditures of \$83,076,158.

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.

The total actual personnel expense for FY2022 was \$48,716,759 as compared to the final budget of \$52,192,631. 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.

The total actual operating expense was \$19,338,179 as compared to the final budget of \$18,206,571. The largest budget to actual variance for the operating expenses is due to the Community Development Department outsourcing document review activities to a third-party vendor given the staffing and hiring difficulties experienced during FY2022.

The total General Fund FY2022 capital expense was \$15,021,220 as compared to the final budget of \$41,369,133. The largest budget to actual variance for capital expenses is related to construction in progress projects associated to our Public Safety building construction.

FY2022 General Fund actual revenue of \$86,896,464 exceeded the final budget of \$75,747,418.

The largest percentage of General Fund revenue resides in property tax and finished FY2022 at \$42,908,333. Intergovernmental revenue sharing is the second largest revenue stream in FY2022 and finished the fiscal year lower than FY2021 at \$16,542,921. The third largest source of General Fund revenue in FY2022 was licenses and permits, namely building permit sales. At the end of FY2022, the licenses and permits revenue finished the year at \$11,634,604.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At the end of FY2022 the City had \$474,781,607 invested in capital assets (net of accumulated depreciation).

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 changes in the General Government Funds in FY2022 included:

- \$(3,594,115) in Buildings and Improvements
- \$14,114,281 in Capital projects still in construction
- \$174,629 in new Equipment
- \$(249,000) in new Land

Major capital asset changes in the Business-type Funds in FY2022 included:

- \$(9,512,653) in Buildings and Improvements
- \$11,782,898 in Capital projects still in construction
- \$(4,917,200) in Equipment
- \$6,070,795 in new Sewer and Water Lines
- \$0 in Land

**Capital Assets as of September 30, 2022  
(net of depreciation)**

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	\$ 30,305,124	\$ 30,554,124	\$ 6,249,313	\$ 6,249,313	\$ 36,554,437	\$ 36,803,437
Easements	749,317	2,375,099	10,087,701	19,600,354	10,837,018	21,975,453
Buildings and improvements						
other than buildings	63,952,236	67,546,351	97,800,375	103,718,754	161,752,611	171,265,105
Sewer and water lines	-	-	200,875,483	194,804,688	200,875,483	194,804,688
Equipment	6,690,839	6,516,210	21,843,345	26,760,545	28,534,184	33,276,755
Construction in progress	16,064,385	1,950,104	20,163,489	8,380,591	36,227,874	10,330,695
	<u>\$ 117,761,901</u>	<u>\$ 108,941,888</u>	<u>\$ 357,019,706</u>	<u>\$ 359,514,245</u>	<u>\$ 474,781,607</u>	<u>\$ 468,456,133</u>

The City recorded \$6,210,287 in depreciation expense for Governmental City functions and \$14,296,958 for Business-type activities. (See Note 5 to the financial statements).

**Debt Administration**

The City has no outstanding debt for the year ended September 30, 2022.

**FY2023 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 FY2023 budget anticipated a level of economic activity commiserate with the prior year. Since the spring of 2012, construction and development continues to be active and steady. The following considerations by the City Council were taken when it adopted the FY2023 Budget:

- The City provided for a compensation increases for general employees.
- The City considered the current FY2022 economic conditions and trends while working on the FY2023 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 3.0% which is allowable by State code.
- The City continued to the practice of taking on no debt.
- The City's sewer and water customer utility accounts continue to see growth of about 4.0% annually (based on last 10-year average).
- The City continues to see population growth year over year with a 10-year annual average of about 5.5%.

### **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, please visit the City's Finance Department webpage or 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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 73,820,793	\$ 58,940,597	\$ 132,761,390	\$ 6,684,734
Restricted cash and cash equivalents	20,989,004	-	20,989,004	-
Investments	24,299,784	40,443,401	64,743,185	-
Restricted investments	2,126,748	-	2,126,748	-
Receivables				
Accounts (net of \$35,000 allowance for enterprise fund uncollectibles)	1,303,270	4,480,212	5,783,482	7,041
Current portion of note receivable	-	40,248	40,248	-
Property taxes	46,178,319	-	46,178,319	3,395,642
Due from other governmental units	4,776,545	-	4,776,545	-
Interest	189,393	166,547	355,940	-
Deposits and prepaid expenses	4,464,938	319,668	4,784,606	3,661
Lakeview inventory	67,861	-	67,861	-
Total Current Assets	<u>178,216,655</u>	<u>104,390,673</u>	<u>282,607,328</u>	<u>10,091,078</u>
Noncurrent Assets				
Long-term note receivable	-	308,996	308,996	-
Capital Assets				
Land, easements, and other assets not depreciated	47,118,826	36,500,503	83,619,329	672,384
Buildings, improvements and equipment, net of depreciation	<u>70,643,075</u>	<u>320,519,203</u>	<u>391,162,278</u>	<u>-</u>
Total Noncurrent Assets	<u>117,761,901</u>	<u>357,328,702</u>	<u>475,090,603</u>	<u>672,384</u>
Deferred Outflows of Resources				
Pension liability	<u>17,925,158</u>	<u>3,934,793</u>	<u>21,859,951</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u><u>\$ 313,903,714</u></u>	<u><u>\$ 465,654,168</u></u>	<u><u>\$ 779,557,882</u></u>	<u><u>\$ 10,763,462</u></u>

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 5,720,987	\$ 5,590,638	\$ 11,311,625	\$ 23,020
Accrued payroll and taxes	2,080,761	436,766	2,517,527	-
Customer deposits	2,750,605	2,139,970	4,890,575	-
Due within one year				
Accrued vacation, current portion	402,729	55,368	458,097	-
Total Current Liabilities	<u>10,955,082</u>	<u>8,222,742</u>	<u>19,177,824</u>	<u>23,020</u>
Noncurrent Liabilities				
Accrued vacation - less current portion	3,049,641	498,315	3,547,956	-
Due to Developers	-	-	-	3,640,382
Settlement payable	-	240,000	240,000	-
Net pension liability	32,024,712	7,029,816	39,054,528	-
Advanced revenue - ARPA obligations	12,845,509	-	12,845,509	-
Advanced revenue - Lakeview Golf Course	159,568	-	159,568	-
Advanced revenue - other	-	312,813	312,813	-
Total Noncurrent Liabilities	<u>48,079,430</u>	<u>8,080,944</u>	<u>56,160,374</u>	<u>3,640,382</u>
Deferred Inflows of Resources				
Pension liability	142,937	31,376	174,313	-
Unavailable revenues - property taxes	45,325,974	-	45,325,974	3,330,790
Total Deferred Inflows of Resources	<u>45,468,911</u>	<u>31,376</u>	<u>45,500,287</u>	<u>3,330,790</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>104,503,423</u>	<u>16,335,062</u>	<u>120,838,485</u>	<u>6,994,192</u>
NET POSITION				
Investment in capital assets	117,761,901	357,019,706	474,781,607	672,384
Restricted				3,096,886
Impact funds	22,021,114	-	22,021,114	-
Grant funds	1,289	-	1,289	-
Unrestricted				
Use for capital improvements	21,260,503	-	21,260,503	-
Unrestricted - General	48,355,484	92,299,400	140,654,884	-
TOTAL NET POSITION	<u>209,400,291</u>	<u>449,319,106</u>	<u>658,719,397</u>	<u>3,769,270</u>
Total Liabilities and Net Position	<u>\$ 313,903,714</u>	<u>\$ 465,654,168</u>	<u>\$ 779,557,882</u>	<u>\$ 10,763,462</u>



City of Meridian, Idaho  
Statement of Activities  
Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Government Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government								
Administration	\$ 11,880,036	\$ 295,283	\$ 464,928	\$ 450,045	\$ (10,669,780)	\$ -	\$ (10,669,780)	\$ -
Public safety								
Law enforcement	28,736,771	1,365,481	108,320	2,181,152	(25,081,818)	-	(25,081,818)	-
Fire department	17,708,780	1,329,183	3,740	2,176,804	(14,199,053)	-	(14,199,053)	-
Parks and recreation	12,269,684	4,664,864	314,958	-	(7,289,862)	-	(7,289,862)	-
Community development	8,678,052	11,967,301	62,625	-	3,351,874	-	3,351,874	-
Total governmental activities	79,273,323	19,622,112	954,571	4,808,001	(53,888,639)	-	(53,888,639)	-
Business-Type Activities								
Water and wastewater	38,760,169	32,319,110	19,164,055	-	-	12,722,996	12,722,996	-
Total Primary Government	\$ 118,033,492	\$ 51,941,222	\$ 20,118,626	\$ 4,808,001	\$ (53,888,639)	\$ 12,722,996	\$ (41,165,643)	\$ -
Component Unit								
Downtown development	\$ 1,830,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,830,067)
General revenues								
Shared revenues								
Property taxes, levied for general purposes					\$ 42,976,972	\$ -	\$ 42,976,972	\$ 3,049,018
Franchise fees					1,953,305	-	1,953,305	-
Sales tax and other governmental					14,433,359	-	14,433,359	-
Investment earnings					974,294	983,326	1,957,620	8,946
Net increase (decrease) in fair value of investments					(2,552,381)	(3,520,389)	(6,072,770)	-
Miscellaneous					55,290	11,041	66,331	6,411
Gain (loss) on sale of fixed assets					(235,758)	(11,378)	(247,136)	-
Transfers - internal activities					2,974,273	(2,974,273)	-	-
Total General Revenues and Transfers					60,579,354	(5,511,673)	55,067,681	3,064,375
Change in Net Position					6,690,715	7,211,323	13,902,038	1,234,308
Net Position, Beginning of Year					202,709,576	442,107,783	644,817,359	2,534,962
Net Position, Ending of Year					\$ 209,400,291	\$ 449,319,106	\$ 658,719,397	\$ 3,769,270

City of Meridian, Idaho  
Balance Sheet – Governmental Funds  
September 30, 2022

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 55,903,297	\$ 17,917,496	\$ 73,820,793
Investments	24,299,784	-	24,299,784
Receivables			
Accounts	1,303,270	-	1,303,270
Property taxes	46,178,319	-	46,178,319
Due from other governmental units	4,776,545	-	4,776,545
Interest	159,079	30,314	189,393
Prepaid items	3,778,390	686,548	4,464,938
Lakeview inventory	67,861	-	67,861
Restricted assets			
Cash and cash equivalents	20,989,004	-	20,989,004
Investments	2,126,748	-	2,126,748
Total Assets	\$ 159,582,297	\$ 18,634,358	\$ 178,216,655
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 5,045,333	\$ 358,845	\$ 5,404,178
Accrued payroll and taxes	2,080,761	-	2,080,761
Customer deposits - Lakeview Golf Course	159,567	-	159,567
Advanced revenue - ARPA obligations	12,845,509	-	12,845,509
Customer deposits	2,750,605	-	2,750,605
Total Current Liabilities	22,881,775	358,845	23,240,620
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	46,143,956	-	46,143,956
Total Liabilities and Deferred Inflows	69,025,731	358,845	69,384,576

City of Meridian, Idaho  
Balance Sheet – Governmental Funds  
September 30, 2022

	General	Capital Projects	Total Governmental Funds
<b>FUND BALANCES</b>			
Nonspendable			
Prepays	3,778,390	686,548	4,464,938
Inventory for Lakeview Golf Course	67,861	-	67,861
Restricted			
Impact Fund	6,656,787	-	6,656,787
Fund Balance Budget of Carryforward	15,364,327	-	15,364,327
Grant Fund	1,289	-	1,289
Committed			
Capital Projects Fund	-	4,396,639	4,396,639
Fund Balance Budget of Carryforward	-	13,192,326	13,192,326
Public Safety Fund	3,786,381	-	3,786,381
Fund Balance Budget of Carryforward	734,164	-	734,164
Assigned			
Fund Balance Budget of Carryforward	13,317,267	-	13,317,267
Capital Improvement Plan	16,000,000	-	16,000,000
Comm. Dev. Excess Revenue Transfer	3,671,538	-	3,671,538
Operating Reserve	20,986,188	-	20,986,188
Emergency Reserve	4,840,878	-	4,840,878
Unassigned	1,351,496	-	1,351,496
Total Fund Balances	<u>90,556,566</u>	<u>18,275,513</u>	<u>108,832,079</u>
Total Liabilities and Fund Balances	<u>\$ 159,582,297</u>	<u>\$ 18,634,358</u>	<u>\$ 178,216,655</u>

City of Meridian, Idaho  
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
 September 30, 2022

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Fund balance - total governmental funds	\$ 108,832,079
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	117,761,901
Retainage that are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(316,810)
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	817,982
Long-term obligation is not due and payable in the current period and therefore is not reported in the funds.	
Net pension liability	(32,024,712)
Deferred outflows of resources related to pension obligations.	17,925,158
Deferred inflows of resources related to pensions.	(142,937)
Accrued vacation is not due and payable in the current period and therefore is not reported in the funds.	<u>(3,452,370)</u>
Net Position of governmental activities	<u><u>\$ 209,400,291</u></u>

City of Meridian, Idaho  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended September 30, 2022

	General	Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 42,908,333	\$ -	\$ 42,908,333
Licenses and permits	11,634,604	-	11,634,604
Intergovernmental	16,542,921	-	16,542,921
Franchise fees	1,953,305	-	1,953,305
Fines and forfeitures	562,053	-	562,053
Charges for services	6,229,481	-	6,229,481
Interest	853,956	120,338	974,294
Miscellaneous	55,290	-	55,290
Donations	41,123	-	41,123
Impact revenues	6,433,643	-	6,433,643
<b>Total revenues</b>	<b>87,214,709</b>	<b>120,338</b>	<b>87,335,047</b>
<b>Expenditures</b>			
General government	10,002,600	-	10,002,600
Public safety	40,806,614	-	40,806,614
Parks and recreation	9,000,558	-	9,000,558
Community development services	8,245,165	-	8,245,165
Capital outlay	15,021,220	1,847,996	16,869,216
<b>Total expenditures</b>	<b>83,076,157</b>	<b>1,847,996</b>	<b>84,924,153</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,138,552</b>	<b>(1,727,658)</b>	<b>2,410,894</b>
<b>Other Financing Sources (Uses)</b>			
Operating transfer in	2,974,272	3,265,311	6,239,583
Operating transfer out	(3,265,311)	-	(3,265,311)
Unrealized gain (loss) on investments	(2,460,511)	(91,870)	(2,552,381)
Proceeds from sale of capital assets	152,563	-	152,563
<b>Total other financing sources (uses)</b>	<b>(2,598,987)</b>	<b>3,173,441</b>	<b>574,454</b>
<b>Net Change in Fund Balances</b>	<b>1,539,565</b>	<b>1,445,783</b>	<b>2,985,348</b>
<b>Fund Balance, Beginning of Year</b>	<b>89,017,001</b>	<b>16,829,730</b>	<b>105,846,731</b>
<b>Fund Balance, End of Year</b>	<b>\$ 90,556,566</b>	<b>\$ 18,275,513</b>	<b>\$ 108,832,079</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, 2022

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Change in fund balance - total governmental funds \$ 2,985,348

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	16,869,216	
Depreciation	(6,210,287)	
Gain (loss) on capital assets	<u>(388,321)</u>	
Total		10,270,608

Donated capital assets from citizens or developers were written off. These donations are not financial resources and thus, were not recognized in the governmental funds. (1,625,782)

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. 68,640

Expenditures (expense offset) related to the net pension liability (asset) that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (4,592,484)

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. (415,615)

Change in net position of governmental activities \$ 6,690,715

City of Meridian, Idaho  
Statement of Net Position – Proprietary Fund  
September 30, 2022

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	<u>Enterprise Fund Water and Sewer</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 58,940,597
Investments	40,443,401
Receivables	
Accounts (net of \$30,000 allowance for uncollectibles)	4,480,212
Current portion of long-term receivable	40,248
Interest	166,547
Prepays	<u>319,668</u>
Total current assets	<u>104,390,673</u>
Noncurrent Assets	
Long-term notes receivable	308,996
Capital assets	
Land	6,249,313
Easements	10,087,700
Construction in progress	20,163,490
Buildings and improvements other than buildings	152,053,561
Sewer and water lines	265,371,587
Machinery and equipment	55,367,506
Less accumulated depreciation	<u>(152,273,451)</u>
Total noncurrent assets	<u>357,328,702</u>
Deferred Outflow of Resources	
Pension	<u>3,934,793</u>
Total Assets	<u><u>\$ 465,654,168</u></u>

City of Meridian, Idaho  
Statement of Net Position – Proprietary Fund  
September 30, 2022

	Enterprise Fund Water and Sewer
Liabilities and Net Position	
Current Liabilities	
Accounts payable	\$ 5,590,638
Accrued payroll and taxes	436,766
Accrued vacation - current portion	55,368
Customer deposits	2,139,970
Total current liabilities	8,222,742
Noncurrent Liabilities	
Accrued vacation - less current portion	498,315
Settlement payable	240,000
Pension liability	7,029,816
Advanced revenue	312,813
Total noncurrent liabilities	8,080,944
Deferred Inflow of Resources	
Pension	31,376
Total Deferred Inflow of Resources	31,376
Net Position	
Invested in capital assets	357,019,706
Unrestricted	92,299,400
Total net position	449,319,106
Total Liabilities and Net Position	\$ 465,654,168



City of Meridian, Idaho  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
Year Ended September 30, 2022

	Enterprise Fund Water and Sewer
Operating Revenues	
Charges for services	
Water sales	\$ 10,175,674
Sewer sales	18,518,385
Other service revenues	978,507
Sale of meters	742,141
Trash billing service	1,227,816
Engineering fees	676,587
Miscellaneous	11,041
Total operating revenues	32,330,151
Operating Expenses	
Personnel services	11,748,016
Other services and charges	3,634,050
Depreciation	14,296,958
Supplies	3,226,706
Heat, lights and power	1,711,753
Total operating expenses	34,617,483
Operating Loss	(2,287,332)
Nonoperating Revenues (Expenses)	
Interest revenue	983,326
Connection assessment fees and donations	19,308,273
Loss on sale of fixed assets	(11,378)
Write off of donated waterlines and sewerlines	(4,286,904)
Net decrease in fair value of investments	(3,520,389)
Total nonoperating revenues (expenses)	12,472,928
Expenses before contributions and transfers	10,185,596
Operating transfers out	(2,974,273)
Change in Net Position	7,211,323
Net Position, Beginning of Year	442,107,783
Net Position, End of Year	\$ 449,319,106

City of Meridian, Idaho  
Statement of Cash Flows – Proprietary Fund  
Year Ended September 30, 2022

	<u>Enterprise Fund Water and Sewer</u>
Operating Activities	
Receipts from customers and users	\$ 32,330,151
Receipts from customers deposits	403,787
Payments to suppliers	(8,453,116)
Payments to employees	<u>(10,627,336)</u>
Net Cash from Operating Activities	<u>13,653,486</u>
Noncapital Financing Activities	
Operating transfer to general fund	<u>(2,974,273)</u>
Net Cash used for Noncapital Financing Activities	<u>(2,974,273)</u>
Capital and Related Financing Activities	
Connection assessment fees	19,308,273
Proceeds from sale of capital assets	11,378
Payments from note receivable	82,584
Acquisition of capital assets	<u>(16,098,304)</u>
Net Cash from Capital and Related Financing Activities	<u>3,303,931</u>
Investing Activities	
Net investment activity	(838,033)
Interest received	<u>878,917</u>
Net Cash from Investing Activities	<u>40,884</u>
Net Change in Cash and Cash Equivalents	14,024,028
Cash and Cash Equivalents, Beginning of Year	<u>44,916,569</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 58,940,597</u></u>

City of Meridian, Idaho  
Statement of Cash Flows – Proprietary Fund  
Year Ended September 30, 2022

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Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (2,287,332)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	14,296,958
Adjustment for GASB 68	1,008,104
Changes in assets and liabilities	
Accounts receivable	(319,819)
Prepaid items	(114,758)
Accounts payable	553,970
Accrued payroll and taxes	112,576
Customer deposits	<u>403,787</u>
Net Cash from Operating Activities	<u>\$ 13,653,486</u>
Supplemental Disclosure of Cash Flow Information	
Write off of developer and customer contributed sewer and water lines	\$ (4,286,904)

City of Meridian, Idaho  
Statement of Fiduciary Net Position  
December 31, 2021

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	<u>Employee Benefit Plan Trust</u>
Assets	
Cash	\$ 1,569,650
Rebates receivables	72,430
Prepaid expense	<u>64,035</u>
Total current assets	<u>1,706,115</u>
Liabilities	
Claims payable	6,618
Health claims incurred but not reported	<u>401,522</u>
Total liabilities	<u>408,140</u>
Fiduciary Net Position	<u><u>\$ 1,297,975</u></u>

City of Meridian, Idaho  
Statement of Changes in Fiduciary Net Position  
Year Ended December 31, 2021

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	Employee Benefit Plan Trust
Additions	
Contributions	
Employer	\$ 6,387,087
Plan member	718,894
COBRA	<u>53,165</u>
Total contributions	<u>7,159,146</u>
Prescription rebates	237,312
Interest income	<u>4,260</u>
Total additions	<u>7,400,718</u>
Deductions	
Health claim benefits	6,405,753
Change in health claims incurred but not paid	3,214
Stop loss premiums	467,901
Administrative expenses	<u>479,792</u>
Total deductions	<u>7,356,660</u>
Change in Fiduciary Net Position	44,058
Fiduciary Net Position, Beginning of Year	<u>1,253,917</u>
Fiduciary Net Position, End of Year	<u><u>\$ 1,297,975</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 of Meridian Employee Benefit Plan Trust (the Trust) is reported as a Fiduciary Activity of the City. The Trust reports under GASB standards in the same manner as the City. The Trust uses a calendar year basis as its fiscal year and the most recent audited financial statements are presented as part of this financial statement (fiscal year ended December 31, 2021).

### **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, proprietary funds and fiduciary 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. 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, sewer, and trash 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.

The City reports the following other fund types;

*Fiduciary Fund* – The Employee Benefit Plan Trust is used to account for the City’s self-insured health insurance. Plan assets are dedicated to providing health benefits to current employees.

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 \$30,000 as of September 30, 2022.

### **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 \$50,000 and over for machinery and equipment, \$100,000 for intangibles, \$250,000 and over for buildings, land improvements, 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:

	<u>Estimated Useful 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	25

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.

As of September 30, 2022, no capital assets were considered to be impaired and no impairment loss was recognized for the year ended September 30, 2022.

#### **Vacation 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 one item that qualify for reporting in the category: the deferred pension obligation. The employer deferred pension obligation 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.

### **Advanced Revenue**

The City reports advanced revenues on its Statement of Net Position and Fund Balance Sheet. Advanced revenues arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the City has a legal claim to the resources, the liability for advanced revenue is removed from the balance sheet and the revenue is recognized.

### **Pensions**

For purposes of measuring the net pension asset and pension expense offset, 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.

### **Net Position**

For government-wide reporting as well as in the proprietary fund, the difference between assets and deferred outflows of resources less liabilities and deferred inflows or resources is called net position. Net position is comprised of three components: investment in capital assets, restricted and unrestricted.

*Investment in capital assets* – consists of capital assets, net of accumulated depreciation.

*Restricted net position* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, if applicable. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislature.

*Unrestricted net position* – consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

The City may fund outlays for a particular purpose from both restricted and unrestricted sources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, as flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

## **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:

*Non-spendable* - when the resources cannot be spent because they are either legally or contractually required to be maintained intact, or are in a non-spendable 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 non-spendable 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.

## **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.

**Note 2 - Cash and Investments**

Cash and investments as of September 30, 2022 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 132,761,390
Cash and cash equivalents - restricted	<u>20,989,004</u>
Total cash and cash equivalents	<u><u>\$ 153,750,394</u></u>
Investments	\$ 64,743,185
Investments - restricted	<u>2,126,748</u>
Total investments	<u><u>\$ 66,869,933</u></u>
Cash - fiduciary activities	<u>\$ 1,569,650</u>
Total cash - fiduciary activities	<u><u>\$ 1,569,650</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 at September 30, 2022 are valued using the net assets value (NAV) per share, as noted below. Investments valued using the NAV 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.

Investments measured at the net asset value (NAV)

State of Idaho Diversified Bond Fund (DBF)	\$ 66,869,933
Total investments at NAV	\$ 66,869,933

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:

	Investments Measured at the NAV			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
State of Idaho Diversified Bond Fund (DBF)	\$ 66,869,933	None	Monthly	5-25 days

**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.

Investment Type	Fair Value	Rating	Duration
Idaho Diversified Bond Fund (DBF)	\$ 66,869,933	not rated	3.02 years
Idaho Local Government Investment Pool (LGIP)	134,137,120	not rated	0.31 years
Money market funds	1,655,412	not rated	
Other cash amounts	<u>17,957,862</u>		
 Total cash and investments	 <u><u>\$ 220,620,327</u></u>		

**Credit Risk**

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

Other than State Investment Pools, no single issuer exceeded 5% or more of the City’s total investments.

**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 \$154,033,369 and the bank balance was \$154,024,119. Of the bank balance \$250,000 was covered by federal depository insurance, \$1,655,412 was collateralized with securities held at the Federal Home Bank of Seattle for First Interstate Bank and pledged to the City of Meridian, \$134,137,120 was held by the State of Idaho Local Group Investment Pool, and the remainder of the City’s deposits of \$17,981,587 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. 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, 2022:

State of Idaho		
State Liquor Dispensary	\$	391,552
State Tax Commission		3,705,365
Idaho Transportation Department		21,505
Idaho Attorney General		15,970
Idaho State Historical Society		4,615
Federal agencies		389,137
Other Governmental Agencies		
Meridian Development Corp		2,500
Meridian Rural Fire District		211,469
Ada County		34,432
		\$ 4,776,545
Total Due from Other Governmental Units		

**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 (MHWS), which was dissolved in December 2014 upon approval from the District Court. All assets and liabilities of MHWS were transferred to the City at that time, including MHWS’s debt of \$1,280,294, which is being repaid to the City by the former members of MHWS over a period of 20 years at an interest rate of 3.5% as follows:

	Beginning Balance as of Oct 1, 2021	Interest and Adjustments	Payments	Ending Balance as of Sep 30, 2022
Long-term note receivable	\$ 417,687	\$ 14,141	\$ (82,584)	\$ 349,244



Minimum payments expected to be received are as follows:

<u>Fiscal Year</u>	<u>Annual Payment</u>
2023	\$ 40,248
2024	40,248
2025	40,248
2026	40,248
2027	40,248
2028-2031	<u>148,004</u>
Total	<u>\$ 349,244</u>

### Note 5 - Capital Assets

Changes to capital assets are as follows:

<b>Governmental Activities</b>	Balance Oct. 1, 2021	Additions	Deletions	Transfers	Balance Sept. 30, 2022
Capital assets, not depreciated					
Land	\$ 30,554,124	\$ -	\$ (249,000)	\$ -	\$ 30,305,124
Easements	2,375,099	-	(1,625,782)	-	749,317
Construction in progress	1,950,104	14,729,233	-	(614,952)	16,064,385
Total capital assets, not depreciated	<u>34,879,327</u>	<u>14,729,233</u>	<u>(1,874,782)</u>	<u>(614,952)</u>	<u>47,118,826</u>
Capital assets, depreciated					
Buildings	53,137,385	179,199	(79,387)	79,386	53,316,583
Improvements other than buildings	53,173,522	286,171	(1,500)	305,180	53,763,373
Internally developed software	514,166	-	-	-	514,166
Equipment	19,658,211	1,849,800	(527,415)	230,386	21,210,982
Total capital assets, depreciated	<u>126,483,284</u>	<u>2,315,170</u>	<u>(608,302)</u>	<u>614,952</u>	<u>128,805,104</u>
Less accumulated depreciation for					
Buildings	17,087,479	1,825,219	-	-	18,912,698
Improvements other than buildings	21,677,077	2,537,945	-	-	24,215,022
Internally developed software	237,364	93,428	-	-	330,792
Equipment	13,418,803	1,753,695	(468,981)	-	14,703,517
Total accumulated depreciation	<u>52,420,723</u>	<u>6,210,287</u>	<u>(468,981)</u>	<u>-</u>	<u>58,162,029</u>
Total net capital assets, depreciated	<u>74,062,561</u>	<u>(3,895,117)</u>	<u>(139,321)</u>	<u>-</u>	<u>70,643,075</u>
Governmental activities capital assets, net	<u>\$ 108,941,888</u>	<u>\$ 10,834,116</u>	<u>\$ (2,014,103)</u>	<u>\$ -</u>	<u>\$ 117,761,901</u>

City of Meridian, Idaho  
Notes to Financial Statements  
September 30, 2022

<b>Business-Type Activities</b>	Balance Oct. 1, 2021	Additions	Deletions	Transfers	Balance Sept. 30, 2022
Capital assets, not depreciated					
Land	\$ 6,249,313	\$ -	\$ -	\$ -	\$ 6,249,313
Easements	19,600,354	-	(9,512,653)	-	10,087,701
Construction in progress	8,380,591	14,758,433	-	(2,975,535)	20,163,489
Total capital assets, not depreciated	<u>34,230,258</u>	<u>14,758,433</u>	<u>(9,512,653)</u>	<u>(2,975,535)</u>	<u>36,500,503</u>
Capital assets, depreciated					
Buildings and improvements other than buildings	151,176,790	399,325	-	477,446	152,053,561
Sewer and water lines	257,041,543	6,111,014	-	2,219,030	265,371,587
Machinery and equipment	55,106,769	55,282	(73,604)	279,059	55,367,506
Total capital assets, depreciated	<u>463,325,102</u>	<u>6,565,621</u>	<u>(73,604)</u>	<u>2,975,535</u>	<u>472,792,654</u>
Less accumulated depreciation for					
Buildings and improvements other than buildings	47,458,036	6,795,150	-	-	54,253,186
Sewer and water lines	62,236,855	2,259,249	-	-	64,496,104
Machinery and equipment	28,346,224	5,242,559	(64,622)	-	33,524,161
Total accumulated depreciation	<u>138,041,115</u>	<u>14,296,958</u>	<u>(64,622)</u>	<u>-</u>	<u>152,273,451</u>
Total net capital assets, depreciated	<u>325,283,987</u>	<u>(7,731,337)</u>	<u>(8,982)</u>	<u>2,975,535</u>	<u>320,519,203</u>
Business-type activities capital assets, net	<u>\$ 359,514,245</u>	<u>\$ 7,027,096</u>	<u>\$ (9,521,635)</u>	<u>\$ -</u>	<u>\$ 357,019,706</u>

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

Governmental activities	
General government	\$ 1,408,257
Public safety	1,971,518
Parks and recreation	<u>2,830,511</u>
Total depreciation expense - governmental activities	<u>\$ 6,210,286</u>
Business-type activities	
Water and Sewer	<u>\$ 14,296,958</u>
Total depreciation expense - business-type activities	<u>\$ 14,296,958</u>

**Note 6 - Interfund Balances and Transfers**

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

	Transfer In		Total
	General Fund	Capital Projects Fund	
Transfer out			
General fund	\$ -	\$ 3,265,311	\$ 3,265,311
Enterprise fund	2,974,273	-	2,974,273
<b>Total transfers</b>	<b>\$ 2,974,273</b>	<b>\$ 3,265,311</b>	<b>\$ 6,239,584</b>

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 FY2022. The transfer from the general fund to the capital projects fund includes \$3,265,311 from the excess of building permit revenues from prior year.

**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, 2022:

	Balance Oct.1, 2021	Obligation Issued	Obligation Retired	Balance Sept. 30, 2022	Due Within One Year
Governmental Activities					
Accrued vacation	\$ 3,036,754	\$ 3,644,316	\$ 3,228,700	\$ 3,452,370	\$ 402,729
Business-Type Activities					
Accrued vacation	\$ 496,330	\$ 538,016	\$ 480,663	\$ 553,683	\$ 55,368
Settlement payable	240,000	-	-	240,000	-
	<b>\$ 736,300</b>	<b>\$ 538,016</b>	<b>\$ 480,663</b>	<b>\$ 793,683</b>	<b>\$ 55,368</b>

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

	Balance Oct. 1, 2021	Net Change	Balance Sept. 30, 2022
Fund Balances			
Nonspendable			
Prepays	\$ 1,909,934	\$ 2,555,004	\$ 4,464,938
Inventory for Lakeview Golf Course	74,005	(6,144)	67,861
Restricted			
Impact fund	23,836,116	(17,179,329)	6,656,787
Impact fund budget carryforward	2,313,749	13,050,578	15,364,327
Grant fund	172	1,117	1,289
Committed			
Capital projects fund	13,663,448	(9,266,809)	4,396,639
Capital projects budget carryforward	3,166,282	10,026,044	13,192,326
Public safety fund	3,467,009	319,372	3,786,381
Public safety budget carryforward	63,833	670,331	734,164
Assigned			
General fund budget carryforward	2,965,979	10,351,288	13,317,267
Capital Improvement Plan	-	16,000,000	16,000,000
Comm. Dev. excess revenue transfer	3,265,311	406,227	3,671,538
Operating reserve	14,114,850	6,871,338	20,986,188
Emergency reserve	4,840,878	-	4,840,878
Unassigned	32,165,165	(30,813,669)	1,351,496
Total fund balances	<u>\$ 105,846,731</u>	<u>\$ 2,985,348</u>	<u>\$ 108,832,079</u>

**Note 9 - 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).

**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% (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, 2022 it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. The City's contributions were \$4,668,658 for the year ended September 30, 2022.

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

At September 30, 2022, the City reported a liability for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) 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, 2022, the City's proportion was 0.99154416 percent compared to 0.99528992 percent at June 30, 2021.

For the year ended September 30, 2022, the City recognized pension expense of \$10,451,664. At September 30, 2022, 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	\$ 4,294,572	\$ 174,313
Changes in assumptions or other inputs	6,367,059	-
Net difference between projected and actual earnings on pension plan	8,985,984	-
Changes in the employer's proportion and differences between the employer's City contributions subsequent to the measurement date	803,310 1,409,026	- -
	<u>\$ 21,859,951</u>	<u>\$ 174,313</u>
Total	<u>\$ 21,859,951</u>	<u>\$ 174,313</u>

The City reported \$1,409,026 as deferred outflows of resources related to the pension resulting from Employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset in the year ending September 30, 2023.

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

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

Years Ended September 30,			
2023			\$ 5,074,330
2024			5,318,811
2025			2,455,272
2026			7,428,199
			<u>\$ 20,276,612</u>

*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 (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 %
Salary increases	3.05 %
Salary inflation	3.05%
Investment rate of return	6.35 %, net of pension plan investment expenses
Cost-of-living (COLA) adjustments	1.00 %

**Contributing Members, Service Retirement Members, and Beneficiaries**

- General Employees and All Beneficiaries - Males Pub-2010 General Tables, increased 11%.
- General Employees and All Beneficiaries - Females Pub-2010 General Tables, increased 21%.
- Teachers - Males Pub-2010 Teacher Tables, increased 12%.
- Teachers - Females Pub-2010 Teacher Tables, increased 21%.
- Fire & Police - Males Pub-2010 Safety Tables, increased 21%.
- Fire & Police - Females Pub-2010 Safety Tables, increased 26%.
- Disabled Members - Males Pub-2010 Disabled Tables, increased 38%.
- Disabled Members - Females Pub-2010 Disabled Tables, increased 36%.

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The total pension liability (asset) as of June 30, 2021 is based on the results of an actuarial valuation date July 1, 2021.

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:

**Capital Market Assumptions 2022**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0.00%	0.00%
Large Cap	18.00%	4.50%
Small/Mid Cap	11.00%	4.70%
International Equity	15.00%	4.50%
Emerging Markets Equity	10.00%	4.90%
Domestic Fixed	20.00%	-0.25%
TIPS	10.00%	-0.30%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

*Discount Rate*

The discount rate used to measure the total pension liability (asset) was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset). 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 (Asset) To Changes In The Discount Rate.*

The following presents the Employer's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.35 percent, as well as what the Employer's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35 percent) or 1-percentage-point higher (7.35 percent) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	\$ 68,927,413	\$ 39,054,528	\$ 14,604,340



*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, 2022, the City reported payables to the defined benefit pension plan of \$423,496 for legally required employer contributions and \$288,117 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**Note 10 - Other Commitments**

The City had the following commitments at September 30, 2022:

Commitments	Amount
Buildings & Structures	\$ 21,499,662
Parks/Pathways Construction & Improvements	12,021,682
Wastewater Improvements	17,125,284
Water/Sewer Line Improvements	5,370,245
Well Improvements	4,894,434
Total Commitments	\$ 60,911,307

**Note 11 - 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 wastewater 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 \$240,000 was recorded and is reflected in the Statement of Net Position for our Proprietary Fund.

#### **Note 12 - Related Party**

The City partners with Meridian Development Corporation (MDC) for various downtown improvements. During the year ended September 30, 2022, the City reimbursed MDC \$49,051 for reimbursement of expenses for the Linder Project and MDC agreed to contribute \$11,957 for Concerts of Broadway, traffic box wrap and postage.

#### **Note 13 - Component Unit**

The Meridian Development Corporation (MDC) is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate legal entity. In July 2016, the City approved the establishment of MDC's second district, known as the Ten Mile District. A third district was established in June 2020, known as Union Block District.

#### **MDC – Cash and Cash Equivalents**

As of September 30, 2022, the account balance of the checking account was \$73,498. As of September 30, 2022, the account balance of the money market account was \$6,615,656. \$6,439,154 was uninsured and uncollateralized as of September 30, 2022. Cash is held in the custody of Washington Trust Bank in MDC's name.

**MDC – Capital Assets**

Changes to capital assets are as follows:

	<u>Balance Oct. 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance Sept. 30, 2022</u>
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 672,384	\$ -	\$ -	\$ -	\$ 672,384
Total capital assets, not depreciated	<u>672,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>672,384</u>
Capital assets, depreciated					
Intangibles	180,160	-	(39,613)	-	140,547
Total capital assets, depreciated	<u>180,160</u>	<u>-</u>	<u>(39,613)</u>	<u>-</u>	<u>140,547</u>
Less accumulated depreciation for Intangibles	<u>(180,160)</u>	<u>-</u>	<u>39,613</u>	<u>-</u>	<u>(140,547)</u>
Total accumulated depreciation	<u>(180,160)</u>	<u>-</u>	<u>39,613</u>	<u>-</u>	<u>(140,547)</u>
Total net capital assets, depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 672,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,384</u>

**MDC – Changes in Long-Term Debt**

MDC had a promissory note for \$1,274,000 that matured 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, 2022.

	<u>October 1, 2021</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>September 30, 2022</u>
Governmental Activities				
Note payable - building	\$ 50,744	\$ -	\$ (50,744)	\$ -
Current Portion of Note Payable				<u>\$ -</u>

**MDC – Line of Credit**

Washington Trust Bank extended a revolving line of credit to MDC that provides for available borrowings up to \$100,000. The agreement matured on June 30, 2022 and is unsecured. The line was not renewed beyond June 30, 2022. Borrowings under the line of credit bear variable interest rates at 5.5% per annum. There were no amounts outstanding on the line as of September 30, 2022. Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness and dividend payments.

### **MDC – Commitments and Contingencies**

On January 26, 2022, MDC entered into a Development Agreement with East Broadway Investment Company, LLC (the Union Developers) to carry out the approved urban renewal plan. This agreement contemplates that the Union Developers will develop the property by constructing private improvements. Eligible public improvements are to be constructed in phases and reimbursed from future tax increment revenues. As of September 30, 2022, the Developers have incurred life-to-date eligible expenses and requested reimbursements totaling \$750,000. Of this amount, no amount was paid by MDC in fiscal year 2022. The remaining amount of \$750,000 is to be paid, contingent upon the future receipt of tax increment.

On October 10, 2018, amended on April 28, 2021, MDC entered into a Development Agreement with Novembrewhiskey Properties, LLC, Pacific West Communities, Inc., and Pacific West Builders, Inc. (the Old City Hall Developers) to carry out the approved urban renewal plan. This agreement contemplates that the Old City Hall Developers will develop the property by constructing private improvements. Eligible public improvements are to be constructed in phases and reimbursed from future tax increment revenues. As of September 30, 2022, the Developers have incurred life-to-date eligible expenses and requested reimbursements totaling \$678,000. Of this amount, \$23,673 was paid by MDC in fiscal year 2022. The remaining amount of \$654,327 is to be paid, contingent upon the future receipt of tax increment.

### **Note 14 - Subsequent Events**

Subsequent to year end, the City began full management and operations of Lakeview Golf Course.

Also subsequent to year end, the City verbally committed to funding \$2.5 million towards the Linder Road Overpass Project.



Required Supplementary Information  
September 30, 2022

**City of Meridian, Idaho**

City of Meridian, Idaho  
 Schedule of Employer's Share of Net Pension Liability (Asset) and Employer Contributions  
 Year Ended September 30, 2022

Schedule of Employer's Share of Net Pension Liability (Asset)

PERSI - Base Plan  
 Last 10 - Fiscal Years \*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's portion of net pension liability (asset)	0.99154416%	(0.99528992%)	0.95173640%	0.91855720%	0.86932910%	0.83853670%	0.83279220%	0.83092250%	0.78774420%
Employer's proportionate share of the net pension liability (asset)	\$ 39,054,528	\$ 786,060	\$ 22,100,578	\$ 10,485,074	\$ 12,822,757	\$ 13,180,357	\$ 16,881,978	\$ 10,941,899	\$ 5,799,030
Employer's covered payroll	39,201,449	37,294,313	34,691,943	31,370,306	28,067,928	26,158,967	24,506,473	23,418,704	21,670,660
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	99.63%	(2.11%)	63.71%	33.42%	45.68%	50.39%	68.89%	46.72%	26.76%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.09%	(100.36%)	88.22%	93.79%	91.69%	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 (Asset) and Employer Contributions  
 Year Ended September 30, 2022

Schedule of Employer's Share of Contributions PERSI - Base Plan Last 10 - Fiscal Years *									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 4,680,653	\$ (3,929,693)	\$ 3,734,052	\$ 3,514,771	\$ 3,375,966	\$ 2,827,646	\$ 2,475,578	\$ 2,717,964	\$ 2,560,496
Contributions in relation to the statutorily required contribution	4,851,076	4,487,967	4,134,783	3,669,576	3,228,459	3,001,437	2,796,909	2,682,620	2,461,739
Contribution (deficiency) excess	(170,423)	8,417,661	400,731	154,805	(147,507)	173,789	321,331	(35,344)	(98,758)
Employer's covered payroll	41,398,069	38,316,891	34,957,831	32,747,790	28,750,964	26,645,195	24,966,360	24,029,237	22,142,233
Contributions as a percentage of covered payroll	11.72%	11.71%	11.83%	11.21%	11.23%	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, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 42,424,938	\$ 42,424,938	\$ 42,908,333	\$ 483,395
Licenses and permits	6,866,055	6,866,055	11,634,604	4,768,549
Intergovernmental	12,363,933	14,265,537	16,542,921	2,277,384
Franchise fees	1,569,860	1,569,860	1,953,305	383,445
Fines and forfeitures	453,487	453,487	562,053	108,566
Charges for services	2,255,461	3,783,621	6,229,481	2,445,859
Impact revenues	5,939,699	5,939,699	6,433,643	493,944
Donations	-	19,600	41,123	21,523
Interest	424,621	424,621	853,956	429,335
Miscellaneous	-	-	55,290	55,290
<b>Total revenues</b>	<b>72,298,054</b>	<b>75,747,418</b>	<b>87,214,709</b>	<b>11,467,290</b>
<b>Expenditures</b>				
General government personnel costs	6,913,332	6,774,046	6,193,236	580,810
General government operating expense	4,635,069	5,451,146	3,809,364	1,641,782
Public safety				
Police personnel costs	22,230,167	22,477,703	21,340,019	1,137,684
Police operating expense	3,584,034	3,967,069	4,059,675	(92,606)
Fire personnel costs	13,704,683	13,921,339	13,302,629	618,710
Fire operating expense	2,242,632	2,546,269	2,104,291	441,978
Parks and recreation personnel costs	4,135,350	4,243,947	4,279,767	(35,820)
Parks and recreation operating expense	2,879,033	4,107,380	4,720,791	(613,411)
Community development personnel costs	4,746,791	4,775,596	3,601,107	1,174,489
Community development operating expense	2,052,618	2,134,707	4,644,058	(2,509,351)
Capital outlay				
General government	512,194	470,614	119,415	351,199
Public safety				
Police	6,975,095	5,845,366	1,495,015	4,350,351
Fire	10,685,172	11,885,814	3,457,358	8,428,456
Parks and recreation	20,128,757	23,135,952	9,920,068	13,215,884
Community development	42,367	31,387	29,364	2,023
<b>Total expenditures</b>	<b>105,467,294</b>	<b>111,768,335</b>	<b>83,076,157</b>	<b>28,692,178</b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b>(33,169,240)</b>	<b>(36,020,917)</b>	<b>4,138,552</b>	<b>40,159,468</b>



City of Meridian, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund  
Year Ended September 30, 2022

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Other Financing Sources (Uses)				
Operating transfer in	3,579,404	3,579,404	2,974,272	(605,132)
Operating transfer out	(449,477)	(449,477)	(3,265,311)	(2,815,834)
Unrealized gain (loss) on investments	-	-	(2,460,511)	(2,460,511)
Gain on sale of capital assets	-	-	152,563	152,563
Total other financing sources (uses)	<u>3,129,927</u>	<u>3,129,927</u>	<u>(2,598,987)</u>	<u>(5,728,914)</u>
Excess (Deficiency) of Revenues				
Other Sources (Uses) over (Under)				
Expenditures	<u>(30,039,313)</u>	<u>(32,890,990)</u>	<u>1,539,565</u>	
Fund Balance, Beginning of Year	<u>89,017,001</u>	<u>89,017,001</u>	<u>89,017,001</u>	
Fund Balance, End of Year	<u>\$ 58,977,688</u>	<u>\$ 56,126,011</u>	<u>\$ 90,556,566</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.

**Note 2 - Budget Overages**

The Budget to Actual-General Fund budget identifies two departments that overspent. The Parks Department overspent budgeted operational expenses by \$649,231 as a result of preparing to take over full operational management of Lakeview Golf Course.

The Community Development department over spent budgeted operational expenses by \$1,334,862. This is a result of an increase in building inspections being performed by contracted companies which is due to an increase in building permits being issued.



Other Information  
September 30, 2022

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, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 120,338	\$ 120,338
Total revenues	-	-	120,338	120,338
Expenditures				
General government capital outlay - Police	2,661,520	5,462,980	756,916	4,706,064
General government capital outlay - Fire	7,322,334	9,551,574	1,091,080	8,460,494
Parks and recreation capital outlay	24,077	24,077	-	24,077
Total expenditures	10,007,931	15,038,631	1,847,996	13,190,635
Excess (Deficiency) of revenues over (Under) Expenditures	(10,007,931)	(15,038,631)	(1,727,658)	13,310,973
Other Financing Sources (Uses)				
Operating transfer in	196,412	196,412	3,265,311	3,068,899
Unrealized gain (loss) on investments	-	-	(91,870)	(91,870)
Total other financing sources (uses)	196,412	196,412	3,173,441	2,977,029
Excess (Deficiency) of Revenues and Other Sources (Uses) over (Under) Expenditures	(9,811,519)	(14,842,219)	1,445,783	16,288,002
Fund Balance, Beginning of Year	16,829,730	16,829,730	16,829,730	
Fund Balance, End of Year	\$ 7,018,211	\$ 1,987,511	\$ 18,275,513	

City of Meridian, Idaho

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Enterprise Fund  
Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Water sales	\$ 10,007,991	\$ 10,007,991	\$ 10,175,674	\$ 167,683
Sewer sales	18,026,085	18,026,085	18,518,385	492,300
Other service revenues	300,000	300,000	978,507	678,507
Sale of meters	603,398	603,398	742,141	138,743
Trash billing service	1,031,679	1,031,679	1,227,816	196,137
Engineering fees	480,000	480,000	676,587	196,587
Assessment revenue and cash donations	15,280,092	15,280,092	19,308,273	4,028,181
Interest	807,495	807,495	983,326	175,831
Miscellaneous	-	-	11,041	11,041
<b>Total revenues</b>	<b>46,536,740</b>	<b>46,536,740</b>	<b>52,621,750</b>	<b>6,085,010</b>
<b>Expenditures</b>				
Administration personnel costs	5,410,395	5,443,090	4,732,674	710,416
Administration operating expenses	1,764,469	1,930,095	1,511,792	418,303
Water personnel costs	2,674,812	2,695,920	2,851,012	(155,092)
Water operating expenses	4,076,235	3,989,195	3,448,332	540,863
Wastewater personnel costs	4,084,598	4,110,681	4,164,330	(53,649)
Wastewater operating expenses	4,621,040	4,050,939	3,612,385	438,554
Capital outlay	47,033,797	45,898,570	15,728,607	30,169,963
<b>Total expenditures</b>	<b>69,665,346</b>	<b>68,118,490</b>	<b>36,049,132</b>	<b>32,069,358</b>
Excess (Deficiency) of Revenues over (Under) Expenditures	(23,128,606)	(21,581,750)	16,572,618	38,154,368
<b>Other Financing Sources (Uses)</b>				
Operating transfer out	(3,326,340)	(3,326,340)	(2,974,273)	352,067
Unrealized loss on investments	-	-	(3,520,389)	(3,520,389)
Gain (loss) on sale of capital assets	(58,397)	(30,000)	(11,378)	18,622
<b>Total other financing sources (uses)</b>	<b>(3,384,737)</b>	<b>(3,356,340)</b>	<b>(6,506,040)</b>	<b>(3,149,700)</b>
Excess (Deficiency) of Revenues and Other Sources (Uses) over (Under) Expenditures	(26,513,343)	(24,938,090)	10,066,578	
Fund Balance, Beginning of Year	85,633,053	85,633,053	85,633,053	
Fund Balance, End of Year	\$ 59,119,710	\$ 60,694,963	95,699,631	
Non-cash transactions:				
			3,934,793	
			(31,376)	
			(7,029,816)	
			(240,000)	
			(553,683)	
			357,019,706	
			519,851	
<b>Net Position, GAAP Basis, End of Year</b>			<b>\$ 449,319,106</b>	



Single Audit Section  
September 30, 2022

City of Meridian, Idaho



**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 Members 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 City of Meridian, Idaho (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated April 14, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) as a basis for designing 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

## **Report on 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 financial statements. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Boise, Idaho  
April 14, 2023





## **Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

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

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

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

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

#### ***Basis for Opinion on the Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

The image shows a handwritten signature in black ink that reads "Eric Sallie LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
April 14, 2023

City of Meridian, Idaho  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Housing & Urban Development				
CDBG - Entitlement Grants Cluster				
Community Development Block Grant	14.218	N/A	\$ 678,128	\$ 168,607
COVID-19 - Community Development Block Grant	14.218	N/A	75,203	71,251
Total CDBG - Entitlement Grants Cluster			<u>753,331</u>	<u>239,858</u>
Total U.S. Department of Housing & Urban Development			<u>753,331</u>	<u>239,858</u>
U.S. National Park Service				
<i>Passed through Idaho State Historical Society</i>				
Historic Preservation Fund Grant-In-Aid to State Historic Preservation Offices	15.904	CLG-2021-08	4,615	-
Total U.S. National Park Service			<u>4,615</u>	<u>-</u>
U.S. Department of Health & Human Services				
<i>Passed through Idaho Office of Drug Policy</i>				
Strategic Prevention Framework	93.243	1H79SP080981-01	6,591	-
Central District Health Partnership for Success Mini Grant	93.243	Not Available	5,000	-
Total U.S. Department of Health & Human Services			<u>11,591</u>	<u>-</u>
U.S. Department of Transportation				
<i>Passed Through Idaho State Dept of Transportation</i>				
Highway Safety Cluster				
Traffic Enforcement Mobilization	20.600	SPT2202	43,000	-
Total U.S. Department of Transportation			<u>43,000</u>	<u>-</u>
U.S. Department of Treasury				
<i>Passed Through Idaho State Dept of Labor</i>				
COVID-19 - Coronavirus Relief Funds	21.019	Not Available	10,458	-
Total U.S. Department of Treasury			<u>10,458</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 822,995</u>	<u>\$ 239,858</u>

**Note 1 - Basis of Presentation**

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

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are reported on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Cost Rate**

The City does not draw for indirect administrative expenses, and has not elected to use the 10% de minimis cost rate.

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weakness(es)?	None Reported
Type of auditors’ report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

	Federal Financial Assistance Listing
Name of Federal Program or Cluster:	
U.S. Department of Housing & Urban Development	
CDBG - Entitlement Grants Cluster	
Community Development Block Grant	14.218
COVID-19 - Community Development Block Grant	14.218

Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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**Section II – Financial Statement Findings**

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None reported

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**Section III – Federal Award Findings and Questioned Costs**

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**2022-001**      **Federal Agency Name:** U.S. Department of Housing and Urban Development  
**Federal Financial Assistance Listing Number:** 14.218  
**Federal Program Name:** CDBG – Entitlements Grant Cluster  
**Compliance Requirement:** Reporting  
**Material Weakness in Internal Control Over Compliance**

*Criteria:* 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. 2 CFR Part 170 establishes requirements for recipients' reporting of information on subawards as required by the Federal Funding Accountability and Transparency Act of 2006 (FFATA).

*Condition:* We noted that the City did not have a process to identify that FFATA reporting was required and did not report any information on subawards as required by FFATA.

*Cause:* Due to the ongoing COVID-19 pandemic, there was redirecting of what personnel at the City was responsible for completing FFATA reporting and it got missed during the reassignment of responsibilities.

*Effect:* Ineffective controls over this area of compliance could result in reports that are inaccurate, or incomplete being submitted to the federal agency.

*Questioned Costs:* No questioned costs were identified as a result of our procedures.

*Context/Sampling:* No reports were tested.

*Repeat Finding from Prior Year(s):* No

*Recommendation:* We recommend that management strengthen their processes and procedures related to the submission of the required FFATA reports to ensure compliance with the program requirements. We also recommend that management establish documented review of the required FFATA reports by an individual other than the preparer prior to submission and retain record of the review and submission.

*Views of Responsible Officials:* Management agrees with the finding. See separate corrective action plan.



April 14, 2023

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

We have audited the financial statements of City of Meridian, Idaho (the City) as of and for the year ended September 30, 2022, and have issued our report thereon dated April 14, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated September 19, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the City complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City major federal programs. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the City's major federal program compliance, is to express an opinion on the compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the City's internal control over compliance.



We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated April 14, 2023. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated April 14, 2023.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the net pension liability and deferred inflows/outflows of resources related to the net pension liability are based on actuarial estimates provided by Milliman to PERSI and the Schedule of Employer Allocations and Collective Pension Amounts provided by PERSI. This schedule was audited by independent auditors. We evaluated the key factors and assumptions used to develop the net pension liability and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to:

The disclosure of net pension liability, in Note 9, as this footnote supports the assumptions made and inputs used to determine the employer pension assumption.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify and circumstances that affect the form and content of the auditor's report.

### **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated April 14, 2023.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

### **Other Matters**

The financial statements include the financial statements of Meridian Development Corporation (MDC), which we considered to be a significant component of the financial statements of the City. Consistent with the audit of the City's financial statements as a whole, our audit included obtaining an understanding of MDC and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of MDC and completion of further audit procedures.

This report is intended solely for the information and use of the Mayor, City Council, and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Boise, Idaho