

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

CITY OF CALDWELL, IDAHO

CITY OF CALDWELL

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CITY OF CALDWELL, IDAHO

CITY OFFICIALS

September 30, 2008

MAYOR

Garret L. Nancolas

COUNCIL

Jim Blacker, President

Robert Hopper

Rob Oates

Jim Dakan

Robert Sobba

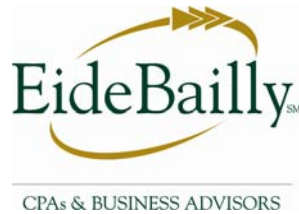
Dennis Callsen

CITY CLERK

Debbie Geyer

CITY TREASURER / FINANCE DIRECTOR

ElJay Waite



INDEPENDENT AUDITORS' REPORT

Members of City Council
City of Caldwell, Idaho
Caldwell, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Caldwell, Idaho (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Caldwell, Idaho's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Caldwell, Idaho, as of September 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2009 on our consideration of the City of Caldwell, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis and budgetary comparison information listed in the table are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Caldwell, Idaho's basic financial statements. The combining and individual nonmajor fund financial statements 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Caldwell, Idaho. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Boise, Idaho
January 19, 2009

**CITY OF CALDWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Management of the City of Caldwell, (the City) offers readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the City of Caldwell exceeded its liabilities at September 30, 2008 by \$180,481,570. This is an increase of \$23,179,713 over the September 30, 2007 balance of \$157,301,857. Of this amount, unrestricted net assets of \$36,295,951 may be used to meet the government's ongoing obligations to citizens and creditors compared to \$32,318,546 on September 30, 2007.
- As of September 30, 2008, the City of Caldwell's governmental funds reported combined ending fund balances of \$17,834,605. This is a decrease of \$1,170,518 over the September 30, 2007 balance of \$19,005,123. Of this amount, \$14,250,713 is unreserved and available for spending compared to \$15,930,905 on September 30, 2007 and \$3,583,892 is reserved for specific future purposes compared to \$3,074,218 last year.
- At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$7,135,589 compared to \$7,511,375 last year. These amounts are respectively 37.7% and 50.6% of total general fund expenditures.
- The City of Caldwell's total debt obligation was \$17,083,793 compared to \$18,461,010 last year.

An explanation of the events and activities giving rise to the increases or decreases between years is provided in the main body of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These financial statements are comprised of three components:

- 1) government-wide financial statements
- 2) fund financial statements
- 3) other supplementary information

Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental

CITY OF CALDWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

activities of the City include general government, public safety, parks and recreation, community services, community development, streets and other charges. The major business-type activities of the City include water, wastewater treatment, solid waste disposal, golf, street lighting, and irrigation. The government-wide financial statements include the City of Caldwell (known as the primary government) and the Caldwell East Urban Renewal Agency (known as the component unit).

Fund financial statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Caldwell can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of available resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the two.

The City maintains ten governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and street fund, which are considered major funds. Data from the other eight funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City maintains two different types of proprietary funds, namely enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains six individual enterprise funds. Information is presented separately in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the Water, Sewer and Sanitation funds, which are considered major funds. Data from the other three funds are combined into a single, aggregated presentation. Nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report.

Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employee section 125-benefit plan and to maintain and administer wellness initiatives, employee life insurance plans and cash reserves to protect against catastrophic medical costs and uninsured events. Data from these funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the report.

**CITY OF CALDWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. Required supplementary information includes the budget to actual for the general and street funds. The combining statements referred to earlier in connection with nonmajor funds and internal service funds are presented immediately after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets may serve as a useful indicator of a government's financial position. At September 30, 2008, the City's assets exceeded liabilities by \$180,481,570, an increase of \$23,179,713 over the September 30, 2007 balance of \$157,301,857. Other assets, capital assets and liabilities totaled \$56,093,081, \$157,861,826 and \$33,473,337, respectively. As compared to 2007 balances, other assets increased \$4,482,532, capital assets increased \$17,523,143 and liabilities decreased \$1,174,038.

In governmental activities, unrestricted cash and cash equivalents decreased \$1,205,754 and property taxes receivable increased \$1,212,144 due to an increase in full cash value of \$200,843,050 and a levy rate decrease of 7.9%. Restricted net assets for capital projects increased \$583,276 impacted mostly by increases in park impact fees. Unrestricted cash balances in business-type activities increased \$842,483 because of urban renewal contributions to the sewer fund for the construction of capital projects that serve the urban renewal area.

Capital assets, less any related outstanding debt used to acquire those assets, totaling \$141,443,033 represent by far the largest portion of the City's net assets (78.4%). Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Capital assets, net of accumulated depreciation, increased \$9,038,917 for governmental activities while business-type activities increased \$8,484,226. Major asset additions are scheduled on page 9.

Total liabilities in governmental activities increased \$213,083 caused by increases in property tax deferred revenue of \$1,011,331. Decreases occurred in vouchers payable of \$189,749, claims payable of \$214,340, capital lease of \$73,504 and bonds payable of \$307,246. Total liabilities in business-type activities decreased \$1,387,121 caused by increases in consumer deposits of \$38,231, and notes payable of \$87,949. Decreases occurred in vouchers payable of \$439,554, current portion of long-term liabilities of \$103,518, bonds payable of \$908,369 (see schedule on page 10).

CITY OF CALDWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

City of Caldwell's Net Assets (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Other Assets	\$ 34,230	\$ 34,181	\$ 21,863	\$ 17,429	\$ 56,093	\$ 51,610
Capital Assets	77,859	68,820	80,003	71,519	157,862	140,339
Total Assets	<u>112,089</u>	<u>103,001</u>	<u>101,866</u>	<u>88,948</u>	<u>213,955</u>	<u>191,949</u>
Short-Term Liabilities	15,139	14,525	2,638	3,149	17,777	17,674
Long-Term Liabilities	3,963	4,364	11,733	12,609	15,696	16,973
Total Liabilities	<u>19,102</u>	<u>18,889</u>	<u>14,371</u>	<u>15,758</u>	<u>33,473</u>	<u>34,647</u>
Invested in Capital Assets (net of related debt)	74,037	64,636	67,406	57,942	141,443	122,578
Restricted for:						
Capital Projects	2,146	1,563	-	-	2,146	1,563
Debt Service	597	843	-	-	597	843
Unrestricted	16,207	17,070	20,089	15,248	36,296	32,318
Total Net Assets	<u>\$ 92,987</u>	<u>\$ 84,112</u>	<u>\$ 87,495</u>	<u>\$ 73,190</u>	<u>\$ 180,482</u>	<u>\$ 157,302</u>

At the end of the current fiscal year the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

City of Caldwell's Statement of Activities (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Revenues:</u>						
Program revenues:						
Charges for services	\$ 6,122	\$ 7,007	\$ 14,493	\$ 15,035	\$ 20,615	\$ 22,042
Operating grants and contributions	5,080	5,292	-	-	5,080	5,292
Capital grants and contributions	6,279	11,507	12,379	14,218	18,658	25,725

CITY OF CALDWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

City of Caldwell's Statement of Activities (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General revenues:						
Property taxes-general purpose	9,408	8,014	-	-	9,408	8,014
Property taxes-debt service	461	363	-	-	461	363
Franchise fees	681	642	-	-	681	642
Saltes tax and other government	1,905	1,978	-	-	1,905	1,978
Special assessments for debt service of LIDs	126	248	-	-	126	248
Unrestricted investment earnings	764	896	579	719	1,343	1,615
Unrestricted unrealized gain (loss) on investments	(81)	38	(63)	20	(144)	58
Miscellaneous	434	233	65	31	499	264
Internal transfers	284	105	(284)	(105)	-	-
Total revenues	<u>31,463</u>	<u>36,323</u>	<u>27,169</u>	<u>29,918</u>	<u>58,632</u>	<u>66,241</u>
Expenses:						
General government	3,593	2,857	12,864	11,752	16,457	14,609
Public safety	12,176	10,911	-	-	12,176	10,911
Parks and recreation	1,488	1,401	-	-	1,488	1,401
Community services and development	1,631	1,459	-	-	1,631	1,459
Streets	3,381	3,097	-	-	3,381	3,097
Interest on long-term debt	319	222	-	-	319	222
Total expenses	<u>22,588</u>	<u>19,947</u>	<u>12,864</u>	<u>11,752</u>	<u>35,452</u>	<u>31,699</u>
Net Revenue	<u>\$ 8,875</u>	<u>\$ 16,376</u>	<u>\$ 14,305</u>	<u>\$ 18,166</u>	<u>\$ 23,180</u>	<u>\$ 34,542</u>

Governmental activities. Governmental activities increased the City's net assets by \$8,874,920 accounting for 38.3% of the total growth in the net assets. Under program revenues, contributions from developers for streets in new subdivisions added \$5,469,127. Under general revenues, safety services consume the largest portion of property taxes resulting in a negligible increase to net assets. Franchise fees, intergovernmental revenues and investment earnings, account for the majority of the remaining \$3,405,793 increase in net assets.

Business-type activities. Business-type activities increased the City's net assets by \$14,304,793 accounting for 61.7% of the total growth in the City's net assets. Under program revenues, contributions from developers for water lines, sewer lines, streetlights and irrigation systems in new subdivisions added \$5,175,706. Contributions from the urban renewal agency provided \$7,091,622 for capital construction projects. Hook-on fees and charges for services contributed the majority of the remaining \$2,037,465 in net assets.

**CITY OF CALDWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Caldwell uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The purpose of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of cash and near cash resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2008, the City's governmental funds reported combined ending fund balances of \$17,834,605. Of this amount, \$13,781,944 (77.3%) is unreserved undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed; 1) insurance reserve \$468,769, 2) to pay debt service \$596,609, 3) to meet library requirements \$668,843, 4) reserved for capital park projects \$2,145,977, 5) for a variety of other purposes \$172,463.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7,135,589, which is \$375,786 lower than last year. Within this unreserved fund balance, the City maintains \$6,183,000 to pay vouchers payable at September 30, 2008, and personnel, operations and capital expenses from October 1st until property tax revenues are received in late January. Total fund balance amounted to \$9,750,335, which is \$231,555 greater than last year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures of \$18,928,436. Unreserved fund balance represents 37.7% and total fund balance represents 51.5% of total general fund expenditures.

Major components affecting the general fund's total fund balance are cash and cash equivalents of \$7,103,510 required to maintain operational needs as authorized by city council, restricted cash reserves for new parks and safety services capital expenditures of \$2,145,977 generated from impact fees. Receivables for property taxes due within one year amount to \$10,650,608

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water, sewer, and sanitation funds (the major funds) were, respectively, \$3,237,853, \$14,873,871, and \$661,224 at year-end. Changes in unrestricted net assets in the Water, Sewer, and Sanitation funds were, respectively, (\$460,923), \$5,225,358, and \$(17,378). The total changes in net assets for these funds were \$1,791,195, \$12,013,761, and \$(17,378), respectively. The increase in unrestricted net assets in the sewer fund came from \$7,091,622 urban renewal capital project contributions and \$3,717,823 from developer contributions for infrastructure. Transfers from sanitation assets to governmental funds were \$30,061 to fund park projects and \$283,751 to fund the airport terminal project.

BUDGETARY HIGHLIGHTS

An amendment to the 2008 Budget added \$227,961 to expenditures and \$159,779 to revenues. Amendments to the fire budget added \$110,000 to expenditures and \$156,779 to revenues to pay for and reimburse department participation in the Southern California Wildfires of 2007. An expenditure amendment of \$117,961 was required to complete payment on a new fire engine.

**CITY OF CALDWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Budget to Actual Revenues. General fund revenues fell short of budget by \$2,771,218. Impact fee revenue for capital improvements in parks, police and fire fell short of budget projections by \$1,419,929 due to poor economic conditions and the direct impact on building permits for residential and commercial construction. This reduction did not impact operations or the need for capital acquisitions because growth triggers the demand for these capital acquisitions. These economic conditions also impacted the collection of property taxes by \$68,122 as the numbers of delinquent property tax accounts increased over previous years. Franchise fees, building permits, federal grants and charges for services were also under budget projections by \$1,309,138 because of the economy. New construction values declined 55% over prior year providing only \$89 million in new taxable value to the City.

Park impact fee revenues fell short of budget projections by \$625,601 or 63.2%. Police and fire impact fee revenues also fell short of budget projections by \$80,007 or 63.8% and \$714,321 or 74.8% respectively. The economic downturn in the economy is the largest single factor contributing to these reductions. Residential growth has been impacted by mortgage lending practices. Building permit revenue also fell short of budget projections by \$361,586 or 43.5% for the same economic reasons. Sales tax and related intergovernmental revenues in street and other governmental funds met budget projections. In general fund, these revenues exceeded budget by \$26,363 or 1.9%.

Budget to Actual Expenditures. Under general government, budgeted items that were not spent included contingency funds \$503,000, for land acquisitions deferred to future years. The remaining expenditure savings were distributed throughout all governmental funds in amounts normally less than \$10,000. The general fund advanced another \$100,000 to the golf fund to cover debt service payments bringing the total amount advanced to \$604,300. Golf fund land holdings of 160 acres serve as security for this loan. This loan is recorded in due to due from balances in Note 6 and is accruing interest at 5%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities at September 30, 2008, amounts to \$157,861,826 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings including water and sewer service lines and streetlights, automobiles and equipment, infrastructure including streets, roads and bridges, and construction in progress. The City added \$23,218,210 in capital assets during the year. Depreciation expense for the year was \$5,597,472.

Major capital asset additions during the current fiscal year included the following:

• Contributed capital (streets)	\$	5,410,378
• WWTP Aeration Basin #3	\$	3,519,381
• Contributed capital (water, sewer & street lights)	\$	5,175,706
• Roads, bridges & signals	\$	1,692,422
• General government vehicles and equipment	\$	1,224,206
• Airport land & infrastructure	\$	1,019,965
• Waterlines & meter installations	\$	877,380
• Linden sewer service extension	\$	635,284
• Well Replacements (water)	\$	523,641
• Land & buildings (government)	\$	355,028

CITY OF CALDWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

City of Caldwell's Assets 2008
(net of depreciation)
(000's)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 6,632	\$ 5,613	\$ 876	\$ 876	\$ 7,508	\$ 6,489
Buildings	6,613	6,783	2,860	3,078	9,473	9,861
Improvements other than buildings	15,429	12,071	65,142	61,457	80,571	73,528
Machinery, equipment and licensed vehicles	4,326	3,739	5,367	5,242	9,693	8,981
Infrastructure	40,507	36,114	-	-	40,507	36,114
Construction in progress	4,352	4,500	5,758	865	10,110	5,365
Total	\$ 77,859	\$ 68,820	\$ 80,003	\$ 71,518	\$ 157,862	\$ 140,338

Additional information on the City's capital assets can be found in Note 5.

Long-term debt. At the end of the current fiscal year, the City had \$17,083,793 in outstanding debt consisting of revenue bonds, special assessment bonds, certificates of participation, capital leases, and installment loans. Specific revenue sources or the associated equipment secured all of the debt.

City of Caldwell's Outstanding Debt
(000's)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue bonds	\$ 3,671	\$ 3,964	\$ 8,186	\$ 8,899	\$ 11,857	\$ 12,863
Special assessment bonds	665	700	-	-	665	700
Certificates of participation	-	-	3,760	4,020	3,760	4,020
Capital leases	150	220	213	344	363	564
Installment loan	-	-	438	313	438	313
Total	\$ 4,486	\$ 4,884	\$ 12,597	\$ 13,576	\$ 17,083	\$ 18,460

The City's total debt decreased \$1,377,217 during the current fiscal year. New debt issued for revenue notes and bonds totaled \$330,000 and debt retired totaled \$1,707,144. Interest cost incurred in 2008 totaled \$1,039,448. Additional information on the City's long-term debt can be found in Note 9.

ECONOMIC FACTORS AND NEXT YEAR'S PLANS

Enterprise fund utility rates. The FY 2008 budget rate increase averaged 5% for monthly services for water, sewer, sanitation and streetlights. Connection and development fees in water and sewer increased 2.5% - 4.9% to reflect increased replacement costs for those facilities. These rates are set by council resolution each year including a public hearing for fee increases in excess of 5% of the fee previously charged.

CITY OF CALDWELL
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Pending conditions of significant importance.

The economic crisis and financial down turn will have minimal impact on the City. The majority of funding for safety services comes from property taxes. Manpower, operations and capital funding in these departments can be adequately funded within this tax structure. Minimal, if any, downsizing will be necessary. Decreases in building permit revenue can be offset by redistributing work assignments from part-time temporary staff to full-time positions. Consulting work can be assigned to engineering staff. Demand for residential building permits is expected to remain low for at least one year. Commercial building activity was strong in 2008 but should slow in the coming year. New construction and annexations added \$95 million in 2006, \$180 million in 2007 and \$101 million in 2008 to the assessed property values of the City.

Requests for Information. This financial report is designed to provide a general overview of the City of Caldwell's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Caldwell, P.O. Box 621 Cleveland Blvd., Caldwell, Idaho 83606.

CITY OF CALDWELL
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 17,294,904	\$ 16,222,686	\$ 33,517,590	\$ 2,231,469
Receivables				
Interest	184,061	42,262	226,323	-
Taxes	13,190,846	-	13,190,846	6,488,280
Intergovernmental	666,658	-	666,658	-
Accounts	274,675	1,641,417	1,916,092	4,876
Special assessments	533,088	-	533,088	-
Grants	266,171	-	266,171	-
Notes	60,759	-	60,759	154,604
Prepays	16,637	-	16,637	-
Internal balances	650,797	(650,797)	-	-
Inventory	-	136,737	136,737	-
Total current assets	<u>33,138,596</u>	<u>17,392,305</u>	<u>50,530,901</u>	<u>8,879,229</u>
NONCURRENT ASSETS				
Deferred charges	74,235	260,021	334,256	474,910
Restricted cash and cash equivalents	246,910	4,210,735	4,457,645	2,989,653
Restricted investments	770,279	-	770,279	-
Capital assets				
Land and other assets not depreciated	10,984,169	6,634,031	17,618,200	1,460,468
Buildings, improvements, equipment, and infrastructure, net of depreciation	<u>66,874,774</u>	<u>73,368,852</u>	<u>140,243,626</u>	<u>-</u>
	<u>\$ 112,088,963</u>	<u>\$ 101,865,944</u>	<u>\$ 213,954,907</u>	<u>\$ 13,804,260</u>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Vouchers and payroll payable	\$ 1,201,966	\$ 953,322	\$ 2,155,288	\$ 2,745
Compensated absences payable	385,209	53,747	438,956	-
Deferred revenue	13,003,614	-	13,003,614	6,093,698
Customer deposits	-	660,187	660,187	-
Interest payable	24,727	106,772	131,499	252,926
Current portion of long-term liabilities	523,431	863,826	1,387,257	1,463,668
Total current liabilities	15,138,947	2,637,854	17,776,801	7,813,037
NONCURRENT LIABILITIES				
Capital lease obligations	76,546	156,382	232,928	-
Special assessment debt				
with government commitment	510,000	-	510,000	-
Bonds payable	3,376,439	11,236,088	14,612,527	20,030,649
Notes payable	-	341,081	341,081	-
Total liabilities	19,101,932	14,371,405	33,473,337	27,843,686
NET ASSETS				
Invested in capital assets, net of related debt	74,037,527	67,405,506	141,443,033	1,460,468
Restricted for				
Capital projects	2,145,977	-	2,145,977	-
Debt service	596,609	-	596,609	2,989,653
Unrestricted	16,206,918	20,089,033	36,295,951	(18,489,547)
Total net assets	92,987,031	87,494,539	180,481,570	(14,039,426)
	<u>\$ 112,088,963</u>	<u>\$ 101,865,944</u>	<u>\$ 213,954,907</u>	<u>\$ 13,804,260</u>

CITY OF CALDWELL
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General government					
Executive and legislative	\$ 104,871	\$ -	\$ -	\$ -	\$ (104,871)
Administrative	367,045	-	-	-	(367,045)
Legal	338,220	-	-	-	(338,220)
City clerk	96,847	31,295	-	-	(65,552)
Accounting	419,791	-	-	-	(419,791)
Tort insurance	232,541	210,621	-	-	(21,920)
Other general government	1,484,436	735,948	669,794	810,342	731,648
Government buildings	548,821	1,275,972	-	-	727,151
Public safety					
Law enforcement	6,371,666	443,310	162,338	-	(5,766,018)
Fire department	4,682,066	1,281,687	-	-	(3,400,379)
Engineering	1,122,132	1,125,555	-	-	3,423
Parks and recreation					
Parks	1,234,167	593,783	247,940	-	(392,444)
Forestry	18,267	-	-	-	(18,267)
Recreation	236,020	132,808	-	-	(103,212)
Community services					
Community services	1,291,305	291,219	799,921	-	(200,165)
Community development	293,031	-	-	-	(293,031)
Senior citizens	46,829	-	-	-	(46,829)
Streets	3,381,461	-	3,199,561	5,469,127	5,287,227
Interest on long-term debt	318,946	-	-	-	(318,946)
Total governmental activities	22,588,462	6,122,198	5,079,554	6,279,469	(5,107,241)
BUSINESS-TYPE ACTIVITIES					
Water	3,047,706	3,320,894	-	1,253,409	1,526,597
Sewer	5,204,313	6,052,815	-	10,921,745	11,770,247
Sanitation	2,846,644	3,132,339	-	-	285,695
Golf	909,627	654,486	-	-	(255,141)
Street lighting	359,599	363,966	-	204,474	208,841
Irrigation	496,011	968,296	-	-	472,285
Total business-type activities	12,863,900	14,492,796	-	12,379,628	14,008,524
TOTAL PRIMARY GOVERNMENT	\$ 35,452,362	\$ 20,614,994	\$ 5,079,554	\$ 18,659,097	\$ 8,901,283
COMPONENT UNIT					
Urban renewal agency	\$ 11,273,064	\$ -	\$ -	\$ -	\$ (11,273,064)

CITY OF CALDWELL
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (5,107,241)	\$ 14,008,524	\$ 8,901,283	\$ (11,273,064)
General revenues				
Shared revenues				
Property taxes, levied for general purposes	9,408,085	-	9,408,085	5,492,378
Property taxes, levied for debt service	461,264	-	461,264	-
Franchise fees	680,579	-	680,579	-
Sales tax and other governmental	1,904,946	-	1,904,946	-
Special assessments for debt service of Local Improvement Districts	126,566	-	126,566	-
Unrestricted investment earnings	763,581	578,724	1,342,305	200,752
Unrestricted unrealized loss on investments	(80,913)	(63,187)	(144,100)	(11,338)
Miscellaneous	433,869	64,916	498,785	60,519
Transfers	284,184	(284,184)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	13,982,161	296,269	14,278,430	5,742,311
CHANGE IN NET ASSETS	8,874,920	14,304,793	23,179,713	(5,530,753)
NET ASSETS - BEGINNING	84,112,111	73,189,746	157,301,857	(8,508,673)
NET ASSETS - ENDING	\$ 92,987,031	\$ 87,494,539	\$ 180,481,570	\$ (14,039,426)

CITY OF CALDWELL
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 9,249,487	\$ 4,278,988	\$ 2,927,435	\$ 16,455,910
Receivables				
Interest	29,592	19,414	133,164	182,170
Taxes	10,650,608	1,192,560	1,347,678	13,190,846
Intergovernmental	546,010	66,079	54,569	666,658
Accounts	209,158	-	65,517	274,675
Special assessments	-	-	533,088	533,088
Grants	229,832	-	36,339	266,171
Notes	-	-	60,759	60,759
Prepaid expenses	-	-	16,637	16,637
Internal balances	973,965	208,514	70,208	1,252,687
Restricted cash	46,187	-	200,723	246,910
Restricted investments	-	-	770,279	770,279
	<u>\$ 21,934,839</u>	<u>\$ 5,765,555</u>	<u>\$ 6,216,396</u>	<u>\$ 33,916,790</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Vouchers and payroll payable	\$ 837,218	\$ 241,262	\$ 117,253	\$ 1,195,733
Compensated absences payable	338,929	28,384	17,896	385,209
Deferred and unearned revenue	10,728,070	1,185,321	1,995,856	13,909,247
Internal balances	280,287	-	311,709	591,996
Total liabilities	<u>12,184,504</u>	<u>1,454,967</u>	<u>2,442,714</u>	<u>16,082,185</u>
Fund balances				
Reserved for housing rehabilitation	-	-	172,463	172,463
Reserved for library	-	-	668,843	668,843
Reserved for debt service	-	-	596,609	596,609
Reserved for capital outlay	2,145,977	-	-	2,145,977
Unreserved				
Designated for insurance	468,769	-	-	468,769
Undesignated, reported in				
General fund	7,135,589	4,310,588	-	11,446,177
Special revenue funds	-	-	2,335,767	2,335,767
Total fund balances	<u>9,750,335</u>	<u>4,310,588</u>	<u>3,773,682</u>	<u>17,834,605</u>
	<u>\$ 21,934,839</u>	<u>\$ 5,765,555</u>	<u>\$ 6,216,396</u>	<u>\$ 33,916,790</u>

CITY OF CALDWELL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Fund balance - total governmental funds \$ 17,834,605

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The costs of the assets is \$94,207,845 and the accumulated depreciation is \$16,348,902. 77,858,943

Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds. 782,199

Penalties and interest assessed on the delinquent special assessments is not available to pay for current-period expenditures and therefore are deferred in the funds. 123,434

Long-term debt is not due and payable in the current period and therefore is not reported in the funds. (4,486,416)

Interest on long-term debt is not due and payable in the current period and therefore is not reported in the funds. (24,727)

Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of net assets. 74,235

Internal service funds are used by management to charge the costs of certain employee benefits to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets. 824,758

Net assets of governmental activities \$ 92,987,031

CITY OF CALDWELL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	General	Street	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 8,981,732	\$ 1,175,967	\$ 1,282,361	\$ 11,440,060
Franchise fees	680,579	-	-	680,579
Interest	332,137	201,931	197,638	731,706
Licenses and permits	1,020,695	-	-	1,020,695
Park impact fees	650,971	-	-	650,971
Intergovernmental	1,904,946	1,858,338	231,166	3,994,450
Fines and forfeitures	171,950	-	25,202	197,152
Federal grants	681,469	79,383	122,895	883,747
Other grants	-	85,873	23,367	109,240
Charges for services	3,861,281	-	603,980	4,465,261
Assessments	-	-	105,765	105,765
Unrealized loss on investments	(42,140)	(23,100)	(12,880)	(78,120)
Miscellaneous	131,621	70,869	19,499	221,989
Total revenues	<u>18,375,241</u>	<u>3,449,261</u>	<u>2,598,993</u>	<u>24,423,495</u>
EXPENDITURES				
Current				
General government	3,189,782	-	205,056	3,394,838
Public safety	11,746,372	-	-	11,746,372
Parks and recreation	999,373	-	422,206	1,421,579
Community services	346,833	-	1,033,404	1,380,237
Streets	-	2,080,963	-	2,080,963
Debt service				
Principal	21,133	-	509,311	530,444
Interest and other	2,804	-	327,494	330,298
Bond issuance costs	-	-	12,246	12,246
Capital outlay	2,622,139	2,317,540	1,055,633	5,995,312
Total expenditures	<u>18,928,436</u>	<u>4,398,503</u>	<u>3,565,350</u>	<u>26,892,289</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(553,195)	(949,242)	(966,357)	(2,468,794)
OTHER FINANCING SOURCES				
Contributions from other governments	810,342	58,750	-	660,474
Operating transfers in	30,061	178,990	339,404	209,051
Operating transfers out	(55,653)	-	(208,618)	(55,653)
Bonds issued	-	-	145,000	145,000
TOTAL OTHER FINANCING SOURCES	<u>784,750</u>	<u>237,740</u>	<u>275,786</u>	<u>958,872</u>
NET CHANGE IN FUND BALANCES	231,555	(711,502)	(690,571)	(1,170,518)
FUND BALANCE, BEGINNING OF YEAR	<u>9,518,780</u>	<u>5,022,090</u>	<u>4,464,253</u>	<u>19,005,123</u>
FUND BALANCE, END OF YEAR	<u>\$ 9,750,335</u>	<u>\$ 4,310,588</u>	<u>\$ 3,773,682</u>	<u>\$ 17,834,605</u>

CITY OF CALDWELL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - total governmental funds \$ (1,170,518)

Amounts reported for *governmental activities* in the statement of activities 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 (\$6,067,236) exceeded depreciation expense (\$2,356,896) in the current period.	3,710,340
Contributions from developers are not recorded in the governmental funds because they are not a source of financial resources. However, in the statement of activities, these contributions are recorded as a non operating revenue.	5,410,377
In the statement of activities, the gain (loss) on the sale of equipment is reported, whereas in the governmental funds, the proceeds from sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the equipment sold.	(81,798)
Some property tax revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	426,352
Penalties and interest assessed on delinquent special assessments in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	20,798
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. Also, governmental funds report the effect of premiums when the debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This is the amount by which repayments and amortization of premium (\$4,154,639) exceeded proceeds and premiums (\$3,749,910).	
Interest expense accrued but not paid reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	6,149
Bond issuance costs are reported in the governmental funds as expenditures. In the statement of activities, these costs are capitalized and amortized over the life of the bonds.	5,127
Internal service funds are used by management to charge the costs of certain employee benefits to individual funds. The net revenue (expense) of certain internal service funds are included in governmental activities in the statement of activities.	<u>150,330</u>
Change in net assets	<u>\$ 8,874,920</u>

CITY OF CALDWELL
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	Enterprise Funds				Total	Governmental
	Water	Sewer	Sanitation	Other Enterprise Funds		Internal Service Funds
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 3,418,313	\$10,493,478	\$ 487,942	\$ 1,822,953	\$ 16,222,686	\$ 838,994
Receivables						
Interest	11,839	26,324	473	3,626	42,262	1,891
Accounts	330,634	669,349	406,909	234,525	1,641,417	-
Inventory	136,737	-	-	-	136,737	-
Total current assets	3,897,523	11,189,151	895,324	2,061,104	18,043,102	840,885
NONCURRENT ASSETS						
Deferred charges net of \$15,710 and \$88,315 amortization, respectively	51,961	208,060	-	-	260,021	-
Restricted cash and cash equivalents	225,263	3,975,688	-	9,784	4,210,735	-
Capital assets						
Land	175,269	14,424	-	686,655	876,348	-
Construction in progress	975,657	4,748,914	-	33,112	5,757,683	-
Buildings	319,765	6,210,427	-	984,059	7,514,251	-
Improvements other than buildings	24,798,434	57,158,925	-	2,909,869	84,867,228	-
Equipment	3,290,276	4,503,100	-	1,542,663	9,336,039	-
Less accumulated depreciation	(7,442,208)	(18,550,653)	-	(2,355,805)	(28,348,666)	-
	<u>\$26,291,940</u>	<u>\$69,458,036</u>	<u>\$ 895,324</u>	<u>\$5,871,441</u>	<u>\$ 102,516,741</u>	<u>\$ 840,885</u>

	Enterprise Funds					Governmental
	Water	Sewer	Sanitation	Other	Total	Activities
				Enterprise		Internal
			Funds		Service	Funds
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Vouchers and payroll payable	\$ 199,497	\$ 432,468	\$ 234,000	\$ 87,357	\$ 953,322	\$ 6,233
Compensated absences payable	44,626	-	-	9,121	53,747	-
Customer deposits	660,087	-	100	-	660,187	-
Internal balances	-	-	-	650,797	650,797	9,894
Interest payable	32,684	66,560	-	7,528	106,772	-
Current portion of long-term liabilities	177,941	580,000	-	105,885	863,826	-
Total current liabilities	1,114,835	1,079,028	234,100	860,688	3,288,651	16,127
NONCURRENT LIABILITIES						
Bonds payable	1,665,000	9,571,088	-	-	11,236,088	-
Notes payable	50,071	-	-	291,010	341,081	-
Capital lease obligation	-	-	-	156,382	156,382	-
	2,829,906	10,650,116	234,100	1,308,080	15,022,202	16,127
NET ASSETS						
Invested in capital assets, net of related debt	20,224,181	43,934,049	-	2,596,479	66,754,709	-
Unrestricted	3,237,853	14,873,871	661,224	1,966,882	20,739,830	824,758
Total net assets	23,462,034	58,807,920	661,224	4,563,361	87,494,539	824,758
	<u>\$ 26,291,940</u>	<u>\$ 69,458,036</u>	<u>\$ 895,324</u>	<u>\$ 5,871,441</u>	<u>\$ 102,516,741</u>	<u>\$ 840,885</u>

CITY OF CALDWELL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	Enterprise Funds					Governmental
	Water	Sewer	Sanitation	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 3,200,226	\$ 4,925,090	\$3,132,339	\$ 1,986,748	\$ 13,244,403	\$ 250,469
Other	32,617	132	-	32,167	64,916	-
Total operating revenues	3,232,843	4,925,222	3,132,339	2,018,915	13,309,319	250,469
OPERATING EXPENSES						
Personnel services	993,083	-	-	573,889	1,566,972	-
Contractual services	541,725	2,187,096	2,837,593	181,818	5,748,232	129,221
Materials and supplies	101,444	-	-	192,327	293,771	-
Utilities	154,236	11,956	-	284,860	451,052	-
Repairs and maintenance	181,391	184,716	-	202,428	568,535	-
Other expenses	116,091	120,081	9,051	20,400	265,623	-
Depreciation and amortization	863,061	2,161,546	-	224,606	3,249,213	-
Total operating expenses	2,951,031	4,665,395	2,846,644	1,680,328	12,143,398	129,221
OPERATING INCOME	281,812	259,827	285,695	338,587	1,165,921	121,248
NONOPERATING REVENUES (EXPENSES)						
Hook-on fees	120,668	1,127,725	-	-	1,248,393	-
Interest expense	(96,675)	(538,918)	-	(84,909)	(720,502)	-
Interest income	128,353	390,897	11,437	48,037	578,724	31,875
Unrealized loss on investments	(16,004)	(39,511)	(698)	(6,974)	(63,187)	(2,793)
NONOPERATING REVENUES	136,342	940,193	10,739	(43,846)	1,043,428	29,082
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	418,154	1,200,020	296,434	294,741	2,209,349	150,330
Contributions from developers	1,253,409	3,717,823	-	204,474	5,175,706	-
Contributions from other governments	112,300	7,091,622	-	-	7,203,922	-
Operating transfers in	7,332	22,296	-	-	29,628	-
Operating transfers out	-	-	(313,812)	-	(313,812)	-
CHANGE IN NET ASSETS	1,791,195	12,031,761	(17,378)	499,215	14,304,793	150,330
NET ASSETS, BEGINNING OF YEAR	21,670,839	46,776,159	678,602	4,064,146	73,189,746	674,428
NET ASSETS, END OF YEAR	<u>\$ 23,462,034</u>	<u>\$58,807,920</u>	<u>\$ 661,224</u>	<u>\$ 4,563,361</u>	<u>\$87,494,539</u>	<u>\$ 824,758</u>

CITY OF CALDWELL
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	Enterprise Funds		
	Water	Sewer	Sanitation
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from user charges	\$ 3,242,468	\$ 5,010,513	\$ 3,104,686
Payments to employees for services	(989,563)	-	-
Payments to suppliers for goods and services	(846,009)	(3,249,258)	(2,825,397)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,406,896	1,761,255	279,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	7,332	22,296	(313,812)
Contributions from component unit	112,300	7,091,622	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	119,632	7,113,918	(313,812)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(1,686,033)	(4,589,318)	-
Hook-on fees	120,668	1,127,725	-
Proceeds from notes payable	-	-	-
Principal payments on bonds payable	(125,000)	(565,000)	-
Principal payments on notes payable	(45,903)	-	-
Principal payments on capital leases	-	(78,636)	-
Interest paid	(94,823)	(545,018)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,831,091)	(4,650,247)	-
CASH FLOWS FROM CAPITAL AND RELATED INVESTING ACTIVITIES			
Interest received on investments	120,617	372,586	11,123
Net (increase) decrease in investments	195,862	197,740	(698)
NET CASH PROVIDED BY CAPITAL AND INVESTING ACTIVITIES	316,479	570,326	10,425
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,916	4,795,252	(24,098)
CASH AND CASH EQUIVALENTS, OCTOBER 1, 2007	3,631,660	9,673,914	512,040
CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2008	\$ 3,643,576	\$ 14,469,166	\$ 487,942
SUPPLEMENTAL INFORMATION			
Contributed property, plant and equipment	\$ 1,253,409	\$ 3,717,823	\$ -

Other Enterprise Funds	Total	Internal Service Funds
\$ 1,923,420	\$ 13,281,087	\$ 250,469
(574,047)	(1,563,610)	-
(758,173)	(7,678,837)	(351,379)
591,200	4,038,640	(100,910)
-	(284,184)	-
-	7,203,922	-
-	6,919,738	-
(272,502)	(6,547,853)	-
-	1,248,393	-
185,000	185,000	-
(270,000)	(960,000)	-
(14,135)	(60,038)	-
(53,654)	(132,290)	-
(88,779)	(728,620)	-
(514,070)	(6,995,408)	-
44,997	549,323	30,622
(6,974)	385,930	(2,793)
38,023	935,253	27,829
115,153	4,898,223	(73,081)
1,717,584	15,535,198	912,075
\$ 1,832,737	\$ 20,433,421	\$ 838,994
\$ 204,474	\$ 5,175,706	\$ -

CITY OF CALDWELL
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	Enterprise Funds		
	Water	Sewer	Sanitation
Reconciliation of operating income			
to net cash provided by operating activities:			
Operating income	\$ 281,812	\$ 259,827	\$ 285,695
Adjustments to reconcile operating income			
to net cash provided by operating activities			
Depreciation	858,227	2,157,743	-
Amortization	4,834	3,804	-
Changes in assets and liabilities			
Accounts receivable	(28,606)	85,290	(27,653)
Internal balances	192,264	(246,040)	8,972
Inventory	(17,345)	-	-
Vouchers payable	75,547	(499,369)	12,275
Compensated absences	1,932	-	-
Customer deposits	38,231	-	-
Claims payable	-	-	-
NET CASH PROVIDED BY			
OPERATING ACTIVITIES	<u>\$ 1,406,896</u>	<u>\$ 1,761,255</u>	<u>\$ 279,289</u>

<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 338,587	\$ 1,165,921	\$ 121,248
224,606	3,240,576	-
-	8,638	-
(95,495)	(66,464)	-
151,667	106,863	-
-	(17,345)	-
(28,007)	(439,554)	(7,818)
(158)	1,774	-
-	38,231	-
-	-	(214,340)
<u>\$ 591,200</u>	<u>\$ 4,038,640</u>	<u>\$ (100,910)</u>

CITY OF CALDWELL
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
SEPTEMBER 30, 2008

	<u>Agency Fund</u>
ASSETS	
Restricted cash	<u>\$ 98,955</u>
	<u><u>\$ 98,955</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Vouchers payable	<u>\$ 98,955</u>
TOTAL LIABILITIES	98,955
 NET ASSETS	<u>-</u>
	<u><u>\$ 98,955</u></u>

CITY OF CALDWELL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Caldwell, Idaho (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), parks and recreation, community services, streets, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

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. Generally accepted accounting principles for local governments include those principles prescribed by the GASB, the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Financial Reporting Entity

For financial reporting purposes, in conformity with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the financial statements for the City include all organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City's Mayor is responsible for appointing members of the Caldwell Housing Authority Board, but the City's accountability for this organization does not extend beyond making the appointments. Therefore, Caldwell Housing Authority is not included in the City's financial statements.

The Component Unit column in the Government-wide financial statements is the financial data of the City's single component unit, the Urban Renewal Agency (URA). The URA is a separate and distinct legal entity created by state statute. The Board for URA are appointed by the Mayor. URA provides urban renewal services for the citizens of the City. Complete financial statements can be obtained from the offices of the Finance Director at the City.

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

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, 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.

NOTES TO FINANCIAL STATEMENTS

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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, even though the latter are excluded from the government-wide financial statements. 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 and fiduciary 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 30 to 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

Street Fund - The Street Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The City reports the following major proprietary funds:

Water Fund - The Water Fund is used to account for the operations of the water.

NOTES TO FINANCIAL STATEMENTS

Sewer Fund – The Sewer Fund is used to account for the operations of the sewer system. Operation and maintenance of the sewer system is contracted out to an independent firm.

Sanitation Fund – The Sanitation Fund is used to account for the billings and receipts for the City trash service. The trash collection is contracted out to an independent firm.

These funds are used to account for operations that are financed and operated in a manner similar to private business when the intent of the governing body is that the 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 or when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the City reports the following fund types:

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary Funds - Fiduciary Funds are custodial (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of interfund 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 distinguished operating revenues and expenses from nonoperating 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 sales and services. The Water and Sewer Funds also recognize as operating revenue the portion of hook-on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments, including restricted cash, with a maturity of one year or less when purchased to be cash equivalents. The investment purchases and sales information is not available for individual funds and management believes that due to the nature of pooled investments this information is not significant for purposes of understanding the statement of cash flows. Accordingly, the net change method is used to report cash flows from investments in these statements.

NOTES TO FINANCIAL STATEMENTS

Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, commercial paper, corporate bonds, repurchase agreements, City coupon and local improvement district bonds.

Investments are stated at fair value as determined by quoted market prices, except for the certificates of deposit which are non-participating contracts, and are therefore carried at amortized costs. The City pools its investible funds to maximize interest income. The City allocates interest income on investments to the various funds based on the average balance of the net contribution of the respective fund.

Property Taxes Receivable and Deferred Revenue

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. If one-half of the amount is paid on December 20, the remaining balance is due 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 revenue at the City's year-end and recognized as revenue in the following fiscal year. Canyon 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 sewer, water, trash services and street lighting provided by the City.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The costs of inventory items are recognized as expenditures in governmental funds when consumed (consumption method) and as expenses in proprietary funds when used.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair value on the date donated. Public domain infrastructure consisting of roads and sidewalks are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

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	10 - 40
Improvements other than buildings	10 - 40
Sewer and water service lines	30 - 50
Public domain infrastructure	30 - 50
Office furniture and equipment	3 - 30
Vehicles	5 - 10
Machinery and equipment	3 - 20

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. There were no interest costs included as part of the costs of capital assets under construction in the current year.

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 insurance. The City's exposure to loss from its participation in ICRMP is limited only to the extent of their deductible.

The City provides self-insurance on certain vehicles, buildings and contents. The City also self-insures against potential unemployment claims. Expenses and funding for these risks are provided for in the General Fund.

The City also partially self-insures health and accident insurance. The City established the "Employee Health Care Trust Fund" in 2008. All health claims are paid from this Trust and all plan contributions are deposited into it. The City's Human Resource Director and Treasurer serve as trustees. The Trust is audited each year and a copy of the audit is submitted to the Idaho Department of Insurance. The City also maintains an internal service fund to account for employee life insurance premiums, wellness costs, miscellaneous insurance costs not paid by the Trust, and build reserves to protect against catastrophic losses and uninsured risks.

All funds of the City participate in the self-insurance programs. A liability for claims is established in the Trust fund if information indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimate for claims incurred but not reported (IBNR) on health and accident coverage is determined by the actual claims paid through the first few months of the following year. Claims paid in excess of the estimate, if any, are not expected to be material. No amounts were accrued in the City internal service fund in the current year.

Bonded Indebtedness

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and

NOTES TO FINANCIAL STATEMENTS

amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Special assessment bonds are issued to provide funding for the construction of various local improvement districts. Collections from property owner assessments are the primary source of debt service funds to retire maturing bonds. The City is under no legal obligation to use general resources to subsidize debt payments even though the debt is recorded in the financial statements of the City.

Revenue bonds issued in 1995 provided funding for construction of the sprinkler system at the golf course. This bond was paid in full in 2008 through the issuance of a Revenue Note through Wells Fargo Bank. Revenues collected by the golf course are the primary source of monies to retire the notes.

General obligation bonds series 2000 were issued to provide funding for land acquisition, site improvements and construction of a new police facility and demolition of the existing police station. These bonds were authorized at election on February 1, 2000 and are direct general obligations of the City payable from the proceeds of ad valorem taxes to be levied on all taxable property in the City. On November 30, 2006, the City issued general obligation bond, series 2006 in the amount of \$3,675,000 for the purpose of advance refunding a portion of the series 2000 bonds. The series 2000 bonds reserve the right for the City to redeem the bonds maturing on and after May 15, 2011, or to defease the bonds prior to maturity in the manner provided by City Ordinance No. 2322.

Parity lien sewer revenue refunding bonds, series 2001 were issued to retire a \$10,000,000 state revolving loan plus accrued interest. Principal and interest on the bonds are payable solely from and secured by net revenues of the water treatment system. These bonds are not general obligations of the City.

Water revenue certificates of participation series 2004 were issued to construct a new potable water reservoir facility including a 2 million gallon reservoir, well house, pumps, backup power generator, connecting piping and such other ancillary equipment and controls to operate the same. Principal and interest on the bonds are payable solely from and secured by net revenues of the water treatment facility. These revenue certificates are not general obligations of the City.

Sewer revenue certificates of participation series 2004 were issued to construct a new headworks facility and a new anaerobic digester including a 55 foot diameter digester, control building, maintenance building, connecting piping, equipment and controls to operate the same. Principal and interest on the bonds are payable solely from and secured by net revenues of the sewer treatment facility. These revenue certificates are not general obligations of the City.

NOTES TO FINANCIAL STATEMENTS

Compensated Absences Payable

The City provides personal leave to its full-time employees. It is paid to employees when taken and will also be paid to employees or their beneficiaries upon the employee's termination, retirement or death. The amount of unpaid leave accumulated by City employees is accrued as an expense when incurred in the government-wide and proprietary fund financial statements, which use the accrual basis of accounting. In the governmental funds, the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The City does not pay earned sick pay upon the employees' termination, retirement or death. Accordingly, sick pay is not accrued since the amount is not a liability to the City.

Fund Equity

In the fund financial statements, reserved fund balance indicates that portion of fund equity that has been legally segregated for specific purposes or is not appropriable for expenditure. Undesignated fund balance indicates that portion of fund equity that is available for budgeting in future periods.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles 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, expenditures and expenses during the reported period. The actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

At September 30, 2008, cash and cash equivalents were invested as follows:

	<u>Cost</u>	<u>Fair Value</u>
Cash - unrestricted	\$ 7,400,503	\$ 7,400,503
External investment pools	22,743,096	22,591,757
	<u>\$ 30,143,599</u>	<u>\$ 29,992,260</u>
Cash - restricted	<u>\$ 4,457,645</u>	<u>\$ 4,457,645</u>
	<u>Cost</u>	<u>Fair Value</u>
Investments - restricted:		
Investments carried at fair value		
Money Market Funds	\$ 3,525,330	\$ 3,525,330
Bonds	526,162	612,466
	<u>4,051,492</u>	<u>4,137,796</u>
Investments carried at amortized cost		
Certificates of deposit	<u>157,000</u>	<u>157,813</u>
Total investments - restricted	<u>\$ 4,208,492</u>	<u>\$ 4,295,609</u>

NOTES TO FINANCIAL STATEMENTS

Investments Authorized by the State of Idaho and the City's Investment Policy

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

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

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. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of long and short-term investments. The City keeps funds needed for operations in short-term liquid investments while maintaining a stable longer-term investment portfolio with duration matched to expected completion of capital projects. When selecting longer-term maturities, the City's policy requires investments which provide for the stability of income and reasonable liquidity.

Investments and maturity rates at September 30, 2008 were as follows:

Investment Type	Fair Value	Less than 1	Investment Maturities in Years		
			1-5	6-10	More than 10
Local Government Investment Pool	\$ 13,784,432	\$ 13,784,432	\$ -	\$ -	\$ -
Idaho State Treasurer's Bond Fund	8,807,325	8,807,325	-	-	-
Certificates of Deposit	157,813	40,160	117,653	-	-
US Government Agency Obligation	612,466	-	-	186,307	426,159
	<u>\$ 23,362,036</u>	<u>\$ 22,631,917</u>	<u>\$ 117,653</u>	<u>\$ 186,307</u>	<u>\$ 426,159</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 requires a rating of A or better by Standard & Poor's or other nationally recognized rating agency. The investments are in compliance with policy.

Investment Type	U.S. Government Agency Obligations	Local Government Investment Pool	Idaho State Treasurer's Bond Fund	U.S. Treasury Obligations	Total
	Aaa	\$ 612,466	\$ 13,784,432	\$ 8,807,325	\$ -
	<u>\$ 612,466</u>	<u>\$ 13,784,432</u>	<u>\$ 8,807,325</u>	<u>\$ -</u>	<u>\$ 23,204,223</u>

NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities 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. At September 30, 2008, no one issuer (other than State investment pools) represents 5% or more of total City investments.

Issuer	Investment Type	Reported Amount	Percentage
Zions Bank	Money market	\$ 2,406,837	6.21%

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. The City does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

The bank ledger balance for cash deposits at September 30, 2008, is \$8,807,245. This ledger balance includes \$151,911 of deposits insured by FDIC insurance, and \$8,655,334 of deposits that have been invested in a cash management automatic investment account. The deposits in the cash management automatic investment account are pooled with other bank depositor balances and are invested in U.S. Government issuances of U.S. Government guaranteed securities. The market value of securities underlying these deposits at September 30, 2008, is \$10,882,090.

The City minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to City of Caldwell ownership and be held in the City’s name. All commercial paper, agency bonds and money market funds are held in custody by Wells Fargo, Edward Jones or Citigroup Global Markets, Inc. in the City’s name.

Investment in State Investment Pools

The City is a voluntary participant in the State of Idaho Local Government Investment Pool (LGIP) and the State of Idaho Diversified Bond Fund (DBF). Both the LGIP and the DBF are regulated by State of Idaho code under the oversight of the Treasurer of the State of Idaho. The fair value of the City’s investment in the pools is reported in the accompanying financial statements at amounts based on the City’s pro-rata share of the fair market value provided by the fund for the entire portfolio. Both the LGIP and the DBF are Aaa rated by a nationally recognized statistical rating organization.

NOTES TO FINANCIAL STATEMENTS

The LGIP and DBF are managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank. Interest income earned on pooled investments is allocated to the various funds of the City in proportion to each fund's respective investment balances.

NOTE 3 - RESTRICTED ASSETS

Restricted assets are required to be segregated as to use and are therefore identified as restricted assets. Restricted assets in the general fund and fiduciary funds are restricted pursuant to donor specifications relating to various activities. Additional restricted assets in the general fund are restricted pursuant to the bonds issued to construct the police building.

Assets restricted in the nonmajor special revenue funds are primarily for current and future library operational funding. Assets restricted in the enterprise funds are restricted pursuant to donor specification and repayment of debt service for revenue bonds relating to the golf course and sewer plant and wastewater treatment plant construction.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 4 – INTERGOVERNMENTAL AND GRANT RECEIVABLES

The following summarizes the intergovernmental receivables at September 30, 2008:

State of Idaho	
Revenue sharing	\$ 347,221
Sales tax	241,483
Liquor apportionment	51,397
Canyon County	
Road and bridge tax	812
Court revenue	25,745
	<u>\$ 666,658</u>

Grants owed to the City at September 30, 2008, by source are:

Federal	<u>\$ 266,171</u>
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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that were raised for the subsequent fiscal year.

NOTES TO FINANCIAL STATEMENTS

At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes (general fund)	\$ 782,217	\$ 9,742,184
Property taxes (debt service fund)	-	460,625
Property taxes (street fund)	-	1,185,321
Special assessments not yet due (debt service fund)	656,525	-
Property taxes (other governmental funds)	-	878,707
Deferred grant revenue (general fund)	-	42,695
Deferred interest on golf note (general fund)	-	46,497
Deferred revenue from other governmental entity (general fund)	-	114,476
	<u>\$ 1,438,742</u>	<u>\$ 12,470,505</u>

NOTE 5 – CAPITAL ASSETS

	<u>Balance Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions / Transfers</u>	<u>Balance Sept. 30, 2008</u>
Governmental activities				
Capital assets, not depreciated:				
Land	\$ 5,612,608	\$ 1,019,408	\$ -	\$ 6,632,016
Construction in progress	4,500,542	2,422,508	(2,570,897)	4,352,153
Total capital assets, not depreciated	10,113,150	3,441,916	(2,570,897)	10,984,169
Capital assets, depreciated:				
Buildings	10,323,616	25,690	68,838	10,418,144
Improvements other than buildings	15,375,972	1,345,204	2,428,702	19,149,878
Equipment	7,811,022	1,254,423	(121,973)	8,943,472
Infrastructure	39,301,804	5,410,378	-	44,712,182
Total capital assets, depreciated	72,812,414	8,035,695	2,375,567	83,223,676

NOTES TO FINANCIAL STATEMENTS

	Balance Oct. 1, 2007	Additions	Deletions / Transfers	Balance Sept. 30, 2008
Less accumulated depreciation for:				
Buildings	(3,540,584)	(264,746)	-	(3,805,330)
Improvements other than buildings	(3,305,444)	(415,832)	-	(3,721,276)
Equipment	(4,071,938)	(658,334)	113,532	(4,616,740)
Infrastructure	(3,187,572)	(1,017,984)	-	(4,205,556)
Total accumulated depreciation	<u>(14,105,538)</u>	<u>(2,356,896)</u>	<u>113,532</u>	<u>(16,348,902)</u>
Total net capital assets, depreciated	<u>58,706,876</u>	<u>5,678,799</u>	<u>2,489,099</u>	<u>66,874,774</u>
Governmental activities capital assets, net	<u>\$ 68,820,026</u>	<u>\$ 9,120,715</u>	<u>\$ (81,798)</u>	<u>\$ 77,858,943</u>
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 876,348	\$ -	\$ -	\$ 876,348
Construction in progress	865,350	4,916,027	(23,694)	5,757,683
Total capital assets, not depreciated	<u>1,741,698</u>	<u>4,916,027</u>	<u>(23,694)</u>	<u>6,634,031</u>
Capital assets, depreciated:				
Buildings	7,514,251	-	-	7,514,251
Improvements other than buildings	78,606,867	6,252,464	7,897	84,867,228
Equipment	8,763,931	572,108	-	9,336,039
Total capital assets, depreciated	<u>94,885,049</u>	<u>6,824,572</u>	<u>7,897</u>	<u>101,717,518</u>
Less accumulated depreciation for:				
Buildings	(4,436,183)	(217,583)	-	(4,653,766)
Improvements other than buildings	(17,149,995)	(2,575,360)	-	(19,725,355)
Equipment	(3,521,912)	(447,633)	-	(3,969,545)
Total accumulated depreciation	<u>(25,108,090)</u>	<u>(3,240,576)</u>	<u>-</u>	<u>(28,348,666)</u>
Total net capital assets, depreciated	<u>69,776,959</u>	<u>3,583,996</u>	<u>7,897</u>	<u>73,368,852</u>
Business-type activities capital assets, net	<u>\$ 71,518,657</u>	<u>\$ 8,500,023</u>	<u>\$ (15,797)</u>	<u>\$ 80,002,883</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

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

Governmental activities:		
General government		\$ 186,517
Public safety		442,308
Parks and recreation		132,680
Community services		287,609
Streets		1,307,782
Total depreciation expense - governmental activities		<u>\$ 2,356,896</u>

NOTE 6 – INTERFUND BALANCES AND TRANSFERS

Incoming receipts and outgoing disbursements are sometimes deposited to/disbursed from one fund on behalf of another fund. At that time, a corresponding receivable/payable and operating transfer is recorded between the funds. The composition of interfund balances as of September 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
General	Other governmental	Loan for land purchases	\$ 200,000
General	Other governmental	Operating loan refunded with grant proceeds	86,000
General	Internal service	Operating loan	9,893
General	Other governmental	Library lighting and heating conservation improvements	24,983
General	Other enterprise	Operating loan to golf fund	366,497
General	Other enterprise	Operating loan to golf fund	265,000
General	Other enterprise	Machen property purchase to be reimbursed	19,300
Street	General	Tax revenue allocation to Street	208,514
Other governmental	General	Tax revenue allocation to Library	41,610
Other enterprise	General	Tax revenue allocation	12,034
Other governmental	General	Recreation equipment reimbursement	726
Other governmental	General	Tax revenue allocation	6,230
Other governmental	General	Tax revenue allocation	11,900
			<u>\$ 1,252,687</u>

NOTES TO FINANCIAL STATEMENTS

	Operating transfers out:		
	General	Sanitation	Other Governmental
Operating transfers in:			
General	\$ -	\$ 30,061	\$ -
Street	-	-	178,990
Other Governmental	55,653	283,751	-
Water	-	-	7,332
Sewer	-	-	22,296
	<u>\$ 55,653</u>	<u>\$ 313,812</u>	<u>\$ 208,618</u>

Operating transfers from the Sanitation Fund to the General Fund were for parks projects that were capitalized. Transfers from the Other Governmental Funds to the Other Governmental Funds, the Water Fund, and the Sewer Fund were to reimburse these funds for projects costs covered by the LID #10 bond proceeds. Transfers to the Other Governmental Funds from the Sanitation Fund were to help fund the airport terminal project. Transfers from the General Fund to the Other Governmental Funds were for current year lease payments.

NOTE 7 – LEASE COMMITMENTS

The City leases vehicles and equipment under various noncancellable capital leases. The cost and accumulated depreciation by activity are as follows at September 30, 2008:

	Cost	Accumulated Depreciation
Governmental activities	\$ 304,736	\$ 162,202
Business-type activities	636,664	217,878
	<u>\$ 941,400</u>	<u>\$ 380,080</u>

NOTE 8 – LONG-TERM DEBT

Long-term debt consisted of the following as of September 30, 2008:

Governmental activities

 Special assessment bonds:

 \$2,318,996 local improvement bonds due in annual installments through 2015 of \$10,000 to \$40,000; interest from 3.05% to 6.0%.

\$ 665,000

NOTES TO FINANCIAL STATEMENTS

General obligation bonds:

\$5,695,000 general obligation bonds, final installment due 2010 in the amount of \$270,000; interest from 5.125% to 6.00%. Defeased in substance with general obligation bond, series 2006, in the amount of \$3,605,000 issued for the purpose of advance refunding of the bonds maturing on and after May 15, 2011. \$ 270,000

\$3,605,000 general obligation bond, series 2006, issued for the purpose of advance refunding of the 2001 general obligation bonds maturing on and after May 15, 2011. Due in annual installments through 2018 of \$40,000 to \$420,000; interest from 4.0% to 5.0% including unamortized bond premium of \$121,439. 3,401,439

Total general obligation bonds \$ 3,671,439

Capital lease obligations:

\$288,000 capital lease of computer equipment and vehicles due in annual installments of \$79,790 (including interest at 4.24%) through 2009 secured by computer equipment and vehicles. \$ 149,977

Business-type activities:

Notes payable:

\$275,229 note payable issued for purchase of land due in annual installments through 2016 of \$25,982 (including interest at 7%), secured by land. \$ 155,136

\$188,000 note payable issued for the construction of a water well due in annual installments of \$52,293 (including interest at 4.44%). 98,012

\$185,000 revenue note payable issued for the early payoff of the 1995 golf course irrigation bond due in annual installments of \$41,848 (including interest at 4.25%). 185,000

Total notes payable \$ 438,148

Capital lease obligations:

\$211,200 capital lease for John Deere equipment due in monthly installments of \$4,059 (including interest at 5.75%) through 2012, secured by equipment. \$ 155,313

\$81,448 capital lease for equipment due in monthly installments of \$1,546 (including interest at 4.8%) through 2012, secured by equipment. 57,828

Total capital lease obligations \$ 213,141

NOTES TO FINANCIAL STATEMENTS

Revenue bonds:

\$9,995,000 parity lien sewer revenue refunding bonds due in annual installments through September 2021 of \$445,000 to \$830,000; interest from 4.15% to 5.130% due semi-annually, including unamortized bond premium of \$171,088. Bonds maturing on or after September 1, 2014, are subject to redemption by lot, at the option of the City, in whole or in part on any date, on or after September 1, 2011 at the price of par plus accrued interest to the date of redemption. If not previously redeemed under the provisions of the optional redemption described in the bond document, term bonds due on September 1, 2014, September 1, 2018 and September 1, 2021 will be called for mandatory redemption at a price of par, plus accrued interest on the date of redemption as outlined in the bond document.

\$ 8,186,088

Certificates of participation:

\$2,290,000 water revenue certificates of participation series 2004 due in annual installments through June 2019 of \$130,000 to \$205,000; interest from 3.9% to 5.20% due semi-annually. Certificates maturing on or after June 1, 2015, are subject to redemption by the City in amounts and maturities selected by the City at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

\$ 1,795,000

\$2,470,000 sewer revenue certificates of participation series 2004 due in annual installments through June 2019 of \$135,000 to \$230,000; interest from 4.0% to 5.0% due semi-annually. Certificates maturing on or after June 1, 2015, are subject to redemption by the City in amounts and maturities selected by the City at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

1,965,000

Total certificates of participation

\$ 3,760,000

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all debt outstanding at September 30, 2008, are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 523,431	\$ 203,211	\$ 863,826	\$ 637,687
2010	516,544	180,736	901,744	600,832
2011	430,000	156,229	892,788	561,382
2012	425,000	138,777	903,632	515,453
2013	395,000	121,777	925,003	469,818
2014-2018	2,196,441	304,957	5,128,053	1,574,158
2019-2023	-	-	2,982,331	263,410
	<u>\$ 4,486,416</u>	<u>\$ 1,105,687</u>	<u>\$ 12,597,377</u>	<u>\$ 4,622,740</u>

Total interest cost incurred during 2008 was \$1,039,448.

In Idaho, a municipality is allowed a debt limit, excluding enterprise fund debt, of 2% of the market valuation of the real and personal property in its taxing area. The City's legal debt limits for governmental funds for 2008, based on data available from Canyon County as of September 30, 2008, would be approximately \$29,845,394.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2008:

	Long-Term	Debt Issued	Debt Retired	Long-Term	Due Within
	Debt At Oct. 1, 2007			Debt at Sept. 30, 2008	
Governmental activities:					
Special assessment debt	\$ 700,000	\$ 145,000	\$ 180,000	\$ 665,000	\$ 155,000
G.O. bonds series 2000- police station	270,000	-	-	270,000	-
Idaho bond bank 2006B	3,560,000	-	280,000	3,280,000	295,000
Bond premium	133,685	-	12,246	121,439	-
Capital leases					
Computer equipment/ Vehicles	220,421	-	70,444	149,977	73,431
Governmental activities long-term liabilities	<u>\$ 4,884,106</u>	<u>\$ 145,000</u>	<u>\$ 542,690</u>	<u>\$ 4,486,416</u>	<u>\$ 523,431</u>

NOTES TO FINANCIAL STATEMENTS

	Long-Term Debt At Oct. 1, 2007	Debt Issued	Debt Retired	Long-Term Debt at Sept. 30, 2008	Due Within One Year
Business-type activities:					
Capital leases					
Sewer line equipment	\$ 78,636	\$ -	\$ 78,636	\$ -	\$ -
John Deere lease	192,700	-	37,387	155,313	40,911
Textron lease	72,852	-	15,024	57,828	15,848
Note payable - land	169,271	-	14,135	155,136	15,140
Note payable- well	143,915	-	45,903	98,012	47,941
Revenue note payable	-	185,000	-	185,000	33,986
Revenue bonds:					
Irrigation	270,000	-	270,000	-	-
Parity lien sewer series 2001	8,445,000	-	430,000	8,015,000	445,000
Bond premium	184,457	-	13,369	171,088	-
Certificates of participation					
Sewer, series 2004	2,100,000	-	135,000	1,965,000	135,000
Water, series 2004	1,920,000	-	125,000	1,795,000	130,000
Business-type activities long-term liabilities	<u>\$ 13,576,831</u>	<u>\$ 185,000</u>	<u>\$ 1,164,454</u>	<u>\$ 12,597,377</u>	<u>\$ 863,826</u>

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$2.29 million in water system revenue certificates of participation issued in July 2004. Proceeds from the certificates provided financing for the construction of a third pressure zone including tanks pumps and lines. The certificates are payable solely from water customer net revenues and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 52 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,361,205. Principal and interest paid for the current year and total customer net revenues were \$215,285 and \$418,154, respectively.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$9.995 million in sewer system parity lien refunding revenue bonds issued in June 2001. Proceeds from the bonds provided financing for the construction of sewer treatment plant improvements. The bonds are payable solely from sewer customer net revenues and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 73 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$11,335,761. Principal and interest paid for the current year and total customer net revenues were \$873,524 and \$1,200,020, respectively.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2.470 million in sewer system revenue certificates of participation issued in June 2004. Proceeds from the certificates provided financing for the construction of sewer treatment plant improvements including headworks, screening and an additional digester. The certificates are payable solely from sewer customer net revenues and are payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 20 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,595,475. Principal and interest paid for the current year and total customer net revenues were \$230,634 and \$1,200,020, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – DEFINED BENEFIT PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring both the member and the employer to contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the City of Caldwell and its employees are established and may be amended by the PERSI Board of Trustees. For the fiscal year ended September 30, 2008 the required contribution rate as a percentage of covered payroll was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighters.

The City of Caldwell's contributions required and paid were \$1,470,445, \$1,347,773, and \$1,195,691 for the three years ended September 30, 2008, 2007, and 2006, respectively.

NOTE 10 – CONTINGENT LIABILITIES

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 be immaterial.

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

NOTE 11 – OTHER COMMITMENTS

The City has the following commitments at September 30, 2008:

Contract with Kimley-Horn for the design of an airport taxiway. Original contract amount is \$149,445 and remains to be expended.

Contract with Pro-Tech Roofing for reconstruction of the Library roof. Original contract is \$133,671 of which \$42,048 remains to be expended.

Agreement with Professional Services Group, Inc. (PSG) now referred to as Veolia, for performance operation and maintenance services related to the wastewater treatment plant. The agreement is for a fifteen-year period with five-year renewals thereafter. Each year costs are renegotiated. The revised annual fee is \$1,576,629 effective October 1, 2008. Should the City and the contractor fail to agree on the negotiated cost, the cost is determined by reference to a formula that uses the Consumer Price Index.

NOTES TO FINANCIAL STATEMENTS

Construction contract with RSCI Inc. for construction of the WWTP Phase 4 Project. The original contract amount is \$5,316,645, of which \$692,661 remains to be expended.

Consulting & design services contract with MWH Engineers during construction of the WWTP Phase 4 Project. The original contract amount is \$753,905, of which \$365,828 remains to be expended.

Construction contract with Sommer Construction for construction of the South Interceptor Sewer Project. The original contract amount is \$947,141, of which \$947,141 remains to be expended.

Consulting and design services contract with MWH Engineers for the South Interceptor Sewer Project. The original contract amount is \$138,221, of which \$59,384 remains to be expended.

Pipe Inc. for construction of the Linden Sewer Extension Project. The original contract amount is \$588,493, of which \$28,581 remains to be expended.

NOTE 12 – OTHER INFORMATION

Accounting principles generally accepted in the United States of America require disclosure, as part of the basic financial statements, of certain information concerning individual funds. The following funds had expenditures greater than appropriations for the year ended September 30, 2008:

Expenditures/expenses exceeded appropriations:

Debt Service Funds	\$	304,427
Section 125 Benefit Plan Internal Service Fund	\$	397

NOTE 13 – URBAN RENEWAL AGENCY

Cash and Cash Equivalents

At September 30, 2008, cash and cash equivalents were invested as follows:

	Cost	Fair Value
Cash - unrestricted	\$ 1,362,222	\$ 1,362,222
Local Government Investment Pool	869,595	869,247
	\$ 2,231,817	\$ 2,231,469
Cash equivalents - restricted		
Money Market Funds	\$ 1,841,280	\$ 1,841,280
Federal Agency Notes	774,449	774,449
U. S. Treasury Notes	373,924	373,924
	\$ 2,989,653	\$ 2,989,653
Total cash equivalents - restricted		

NOTES TO FINANCIAL STATEMENTS

Capital Assets

Changes in capital assets are as follows:

	Balance Oct. 1, 2007	Additions	Deletions / Transfers	Balance Sept. 30, 2008
Governmental activities				
Capital assets, not depreciated:				
Land	\$ 1,460,468	\$ -	\$ -	\$ 1,460,468

Long-term Debt

Long-term debt consisted of the following as of September 30, 2008:

Governmental activities:

Revenue bonds:

\$3,735,000 Urban Renewal Revenue Allocation Bonds Series 2004A due in annual installments through March 2015 of \$285,000 to \$715,000; interest from 3.90% to 4.95% due semi-annually. Certificates maturing on or after March 1, 2012, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2011 or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.

\$ 2,625,000

\$8,300,000 Urban Renewal Revenue Allocation Bonds Series 2006A due in annual installments through March 2023 of \$140,000 to \$720,000; interest from 4.00% to 5.00% due semi-annually, including unamortized bond premium of \$635,150. Certificates maturing on or after March 1, 2017, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2016 or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.

8,080,150

\$8,000,000 Urban Renewal Revenue Allocation Bonds Series 2008 due in annual installments through September 2023 of \$180,000 to \$720,000; interest at 4.00% due semi-annually, including unamortized bond premium of \$34,447. Certificates maturing on or after March 1, 2017, are subject to early redemption in whole or in part (in the order of maturity selected by the Agency and by lot within a maturity in such manner as the Registrar shall determine), on March 1, 2016 or any interest payment date thereafter, at the redemption price of par, plus accrued interest to the date fixed for redemption.

7,854,447

Revenue notes:

\$2,660,000 Revenue Allocation Notes Series 2005 due in annual installments through June 2012 of \$447,778, including interest at 4.28%.

1,614,720

NOTES TO FINANCIAL STATEMENTS

\$1,600,000 Revenue Allocation Notes Series 2007 due in semi-annual installments through September 2014 of \$95,000 to \$125,000, interest at 3.214% due semi-annually. 1,320,000

\$ 21,494,317

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$2,660,000 in revenue allocation notes issued in June 2005 to finance land acquisition and improvements in connection with the Indian Creek Day-lighting project. The notes are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 100 percent of the debt service requirements over the life of the notes. Total principal and interest remaining on the notes is \$1,791,114, payable through June 2012. For the current year, principal and interest paid were: \$ 447,778

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$1,600,000 in revenue allocation notes issued in March 2007 to finance construction of the Indian Creek Day-lighting project. The notes are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 100 percent of the debt service requirements over the life of the notes. Total principal and interest remaining on the notes is \$1,508,471, payable through September 2014. For the current year, principal and interest paid were: 251,630

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$3,735,000 in revenue allocation bonds issued in July 2004 to finance improvements to the City's waste water treatment plant including a new headwork facility, screening system and digester. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$3,124,642, payable through March 2015. For the current year, principal and interest paid were: 398,523

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$8,300,000 in revenue allocation bonds and \$724,294 in re-offering premium issued in December 2006 to finance improvements to the City's waste water treatment plant including collection lines and related facilities. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$11,040,813, payable through March 2023. For the current year, principal and interest paid were: 735,125

NOTES TO FINANCIAL STATEMENTS

The Urban Renewal Agency of the City of Caldwell, Idaho has pledged a portion of future tax increment revenues to repay \$8,000,000 in revenue allocation bonds issued in February 2008 to finance improvements to the City's waste water treatment plant including a new aeration basin and related facilities. The bonds are payable solely from incremental tax revenues. Incremental tax revenues were projected to produce 125 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$10,746,298, payable through September 2023. For the current year, principal and interest paid were:

	<u>368,154</u>
Total principal and interest paid in the current year	<u>\$ 2,201,210</u>
Total incremental tax revenues collected in current year	<u>\$ 5,476,847</u>

Other Commitments

The agency will provide up to \$800,000 of funding for storm water infrastructure and rehabilitation of the abandoned portion of Indian Creek in 2009 to complete the Downtown Indian Creek Day-lighting project.

The agency will contribute \$1,000,000 to the capital construction fund for the Caldwell Family YMCA in February 2009.

The agency will contribute up to \$60,000 in quarterly installments for economic development services provided by Caldwell Canyon Economic Development Corporation in 2009.

CITY OF CALDWELL

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CALDWELL, IDAHO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL- GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual, General	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 9,049,854	\$ 9,049,854	\$ 8,981,732	\$ (68,122)
Franchise fees	705,238	705,238	680,579	(24,659)
Interest	260,773	260,773	332,137	71,364
Licenses and permits	1,338,311	1,338,311	1,020,695	(317,616)
Park impact fees	2,070,900	2,070,900	650,971	(1,419,929)
Intergovernmental	1,802,032	1,802,032	1,904,946	102,914
Fines and forfeitures	202,640	202,640	171,950	(30,690)
Federal grants	838,000	838,000	681,469	(156,531)
Charges for services	4,626,511	4,626,511	3,861,281	(765,230)
Unrealized loss on investments	-	-	(42,140)	(42,140)
Miscellaneous	95,421	252,200	131,621	(120,579)
Total revenues	<u>20,989,680</u>	<u>21,146,459</u>	<u>18,375,241</u>	<u>(2,771,218)</u>
EXPENDITURES				
Current				
General government	3,408,805	3,408,805	3,189,782	219,023
Public safety	12,315,311	12,425,311	11,746,372	678,939
Parks and recreation	1,059,217	1,059,217	999,373	59,844
Community services	389,403	389,403	346,833	42,570
Debt service				
Principal	-	-	21,133	(21,133)
Interest	-	-	2,804	(2,804)
Capital outlay	3,357,769	3,475,730	2,622,139	853,591
Total expenditures	<u>20,530,505</u>	<u>20,758,466</u>	<u>18,928,436</u>	<u>1,830,030</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	459,175	387,993	(553,195)	(941,188)
OTHER FINANCING SOURCES (USES)				
Contributions from other government	118,694	118,694	810,342	691,648
Operating transfers in	481,187	575,000	30,061	(544,939)
Operating transfers out	(67,040)	(160,853)	(55,653)	105,200
TOTAL OTHER FINANCING SOURCES	<u>532,841</u>	<u>532,841</u>	<u>784,750</u>	<u>251,909</u>
NET CHANGE IN FUND BALANCES	<u>\$ 992,016</u>	<u>\$ 920,834</u>	231,555	<u>\$ (689,279)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>9,518,780</u>	
FUND BALANCE, END OF YEAR			<u>\$ 9,750,335</u>	

CITY OF CALDWELL, IDAHO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL- STREET FUND
YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Street	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,184,911	\$ 1,184,911	\$ 1,175,967	\$ (8,944)
Interest	131,488	131,488	201,931	70,443
Intergovernmental	1,728,802	1,728,802	1,858,338	129,536
Federal grants	-	-	79,383	79,383
Other grants	47,182	47,182	85,873	38,691
Unrealized loss on investments	-	-	(23,100)	(23,100)
Miscellaneous	8,600	8,600	70,869	62,269
Total revenues	3,100,983	3,100,983	3,449,261	348,278
EXPENDITURES				
Streets	2,239,331	2,239,331	2,080,963	158,368
Capital outlay	2,446,946	2,446,946	2,317,540	129,406
Total expenditures	4,686,277	4,686,277	4,398,503	287,774
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
	(1,585,294)	(1,585,294)	(949,242)	636,052
OTHER FINANCING SOURCES				
Contributions from other governments	373,000	373,000	58,750	(314,250)
Operating transfers in	262,500	262,500	178,990	(83,510)
TOTAL OTHER FINANCING SOURCES	635,500	635,500	237,740	(397,760)
NET CHANGE IN FUND BALANCES	\$ (949,794)	\$ (949,794)	(711,502)	\$ 238,292
FUND BALANCE, BEGINNING OF YEAR			5,022,090	
FUND BALANCE, END OF YEAR			\$ 4,310,588	

CITY OF CALDWELL, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2008

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 City Treasurer 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 appropriation ordinance.

Budgets are adopted on a basis consistent with generally accepted accounting principles for the general, debt service, and special revenue funds. All annual appropriations lapse at fiscal year-end. The Mayor is authorized to transfer budget amounts within departments and between departments within any fund. Revisions that alter the total expenditure appropriation of any fund must be approved by the City Council. The budget presented in the report has been amended. State law does not allow fund expenditures to exceed fund appropriations.

CITY OF CALDWELL

OTHER FINANCIAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, including bonds, certificates of participation and capital leases.

SPECIAL REVENUE FUNDS

To account for specific revenues that are legally restricted to expenditures for particular purposes.

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, including bonds, certificates of participation and capital leases.

Cemetery Fund

To account for the operation and maintenance of the cemetery. Property taxes and sales of cemetery plots are the principal revenue sources. City ordinances require that these revenues be used to finance cemetery operations and maintenance.

Cemetery Capital Improvement Fund

To account for the resources and expenditures of the City's cemetery capital improvement fund. Grave fees are the principal revenue sources and capital outlay is the primary expenditure.

Perpetual Care Fund

To account for the resources and expenditures of the City's perpetual care fund. Grave fees and earnings on investments are the principal source of revenues. Capital outlay is the primary expenditure.

Housing Rehabilitation Fund

To account for the collection of low interest mortgages made to low income citizens of the City and the subsequent expenditures of these funds. These loans were established under a Community Development grant.

Library Fund

To account for the operation of the public library. Financing is provided principally through property taxes which are restricted for library operations by City ordinance.

Airport Fund

To account for operation of the City airport. Financing is provided by property taxes, federal and state grants as well as state gasoline and sales tax. City ordinance requires that these revenues be restricted to financing airport operations.

Recreation Fund

To account for operation of City-owned parks and recreation programs. Financing is provided by a specific annual property tax levy to the extent miscellaneous revenues (primarily rental fees) are not sufficient to provide such financing. City ordinance restricts these property taxes to financing of parks and recreation programs.

CITY OF CALDWELL
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	<u>Debt Service</u>	<u>Cemetery</u>	<u>Cemetery Capital Improvement</u>	<u>Perpetual Care</u>
ASSETS				
Cash and cash equivalents	\$ 581,459	\$ 241,593	\$ 24,289	\$ 959,926
Receivables				
Interest	125,240	1,120	80	4,021
Taxes	463,637	74,156	-	-
Intergovernmental	-	6,802	-	-
Accounts	-	-	-	-
Special assessments	533,088	-	-	-
Grants	-	-	-	-
Notes	-	-	-	-
Internal balances	10,334	9,222	-	-
Prepaid expenses	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
	<u>\$ 1,713,758</u>	<u>\$ 332,893</u>	<u>\$ 24,369</u>	<u>\$ 963,947</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Vouchers and payroll payable	\$ -	\$ 9,925	\$ -	\$ -
Compensated absences payable	-	195	-	-
Deferred revenue	1,117,149	73,830	-	-
Internal balances	-	-	-	-
	<u>1,117,149</u>	<u>83,950</u>	<u>-</u>	<u>-</u>
Total liabilities				
	1,117,149	83,950	-	-
FUND BALANCES				
Reserved for housing rehabilitation	-	-	-	-
Reserved for library	-	-	-	-
Reserved for debt service	596,609	-	-	-
Unreserved	-	248,943	24,369	963,947
Total fund balances	<u>596,609</u>	<u>248,943</u>	<u>24,369</u>	<u>963,947</u>
	<u>\$ 1,713,758</u>	<u>\$ 332,893</u>	<u>\$ 24,369</u>	<u>\$ 963,947</u>

<u>Community Development</u>	<u>Library</u>	<u>Airport</u>	<u>Recreation</u>	<u>Totals</u>
\$ 201,201	\$ 182,533	\$ 456,656	\$ 279,778	\$ 2,927,435
541	529	774	859	133,164
-	517,782	80,643	211,460	1,347,678
-	30,937	4,785	12,045	54,569
-	-	59,591	5,926	65,517
-	-	-	-	533,088
36,339	-	-	-	36,339
60,759	-	-	-	60,759
-	41,610	2,812	6,230	70,208
-	16,637	-	-	16,637
-	200,723	-	-	200,723
-	770,279	-	-	770,279
<u>\$ 298,840</u>	<u>\$ 1,761,030</u>	<u>\$ 605,261</u>	<u>\$ 516,298</u>	<u>\$ 6,216,396</u>
\$ 40,377	\$ 21,027	\$ 28,002	\$ 17,922	\$ 117,253
-	10,501	-	7,200	17,896
-	514,568	80,150	210,159	1,995,856
86,000	24,983	200,000	726	311,709
126,377	571,079	308,152	236,007	2,442,714
172,463	-	-	-	172,463
-	668,843	-	-	668,843
-	-	-	-	596,609
-	521,108	297,109	280,291	2,335,767
<u>172,463</u>	<u>1,189,951</u>	<u>297,109</u>	<u>280,291</u>	<u>3,773,682</u>
<u>\$ 298,840</u>	<u>\$ 1,761,030</u>	<u>\$ 605,261</u>	<u>\$ 516,298</u>	<u>\$ 6,216,396</u>

CITY OF CALDWELL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	Debt Service	Cemetery	Cemetery Capital Improvement	Perpetual Care
REVENUES				
Property taxes	\$ 461,265	\$ 68,682	\$ -	\$ -
Interest	46,088	10,626	958	38,979
Intergovernmental	-	21,535	-	-
Fines and forfeitures	-	-	-	-
Federal grants	-	-	-	-
Other grants	-	-	-	-
Charges for services	-	85,323	9,046	14,210
Unrealized loss on investments	(2,430)	(1,628)	(70)	(5,948)
Assessments	105,765	-	-	-
Miscellaneous	-	5,935	-	-
Total revenues	<u>610,688</u>	<u>190,473</u>	<u>9,934</u>	<u>47,241</u>
EXPENDITURES				
Current				
General government	-	205,056	-	-
Parks and recreation	-	-	-	-
Community services	-	-	-	-
Debt service				
Principal	509,311	-	-	-
Interest and other	327,494	-	-	-
Bond issuance costs	12,246	-	-	-
Capital outlay	-	-	20,000	-
Total expenditures	<u>849,051</u>	<u>205,056</u>	<u>20,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(238,363)	(14,583)	(10,066)	47,241
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(208,618)	-	-	-
Operating transfers in	55,653	-	-	-
Bonds issued	145,000	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7,965)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES				
	(246,328)	(14,583)	(10,066)	47,241
FUND BALANCE, BEGINNING OF YEAR				
	<u>842,937</u>	<u>263,526</u>	<u>34,435</u>	<u>916,706</u>
FUND BALANCE, END OF YEAR				
	<u>\$ 596,609</u>	<u>\$ 248,943</u>	<u>\$ 24,369</u>	<u>\$ 963,947</u>

<u>Community Development</u>	<u>Library</u>	<u>Airport</u>	<u>Recreation</u>	<u>Totals</u>
\$ -	\$ 481,469	\$ 74,293	\$ 196,652	\$ 1,282,361
15,560	54,707	20,971	9,749	197,638
-	138,087	20,256	51,288	231,166
-	25,202	-	-	25,202
122,895	-	-	-	122,895
-	11,524	11,843	-	23,367
-	17,725	248,292	229,384	603,980
(802)	-	(732)	(1,270)	(12,880)
-	-	-	-	105,765
-	9,979	-	3,585	19,499
<u>137,653</u>	<u>738,693</u>	<u>374,923</u>	<u>489,388</u>	<u>2,598,993</u>
-	-	-	-	205,056
-	-	-	422,206	422,206
132,662	670,353	230,389	-	1,033,404
-	-	-	-	509,311
-	-	-	-	327,494
-	-	-	-	12,246
-	-	1,025,624	10,009	1,055,633
<u>132,662</u>	<u>670,353</u>	<u>1,256,013</u>	<u>432,215</u>	<u>3,565,350</u>
4,991	68,340	(881,090)	57,173	(966,357)
-	-	-	-	(208,618)
-	-	283,751	-	339,404
-	-	-	-	145,000
-	-	283,751	-	275,786
4,991	68,340	(597,339)	57,173	(690,571)
<u>167,472</u>	<u>1,121,611</u>	<u>894,448</u>	<u>223,118</u>	<u>4,464,253</u>
<u>\$ 172,463</u>	<u>\$ 1,189,951</u>	<u>\$ 297,109</u>	<u>\$ 280,291</u>	<u>\$ 3,773,682</u>

NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

To account for operations that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or when the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

Golf Fund

To account for the operations of the government's public golf courses (Purple Sage and Fairview).

Street Lighting Fund

To account for the billings and receipts for the City street lights.

Irrigation Fund

To account for maintenance, operation and capital replacement of the City's irrigation system.

INTERNAL SERVICE FUNDS

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Employee Health Insurance Fund

To account for employee life insurance premiums, wellness costs, miscellaneous insurance costs not paid by the Employee Health Care Trust Fund, and build reserves to protect against catastrophic losses and uninsured risks.

Section 125 Benefit Plan

To account for employee cafeteria contributions and expenditures for health services.

CITY OF CALDWELL
COMBINING STATEMENT OF NET ASSETS – ENTERPRISE FUNDS
SEPTEMBER 30, 2008

	<u>Golf</u>	<u>Street Lighting</u>	<u>Irrigation</u>	<u>Totals</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 84,506	\$ 671,449	\$ 1,066,998	\$ 1,822,953
Interest receivable	18	1,895	1,713	3,626
Accounts receivable	9,535	46,916	178,074	234,525
Total current assets	<u>94,059</u>	<u>720,260</u>	<u>1,246,785</u>	<u>2,061,104</u>
NONCURRENT ASSETS				
Restricted cash and cash equivalents	9,784	-	-	9,784
Capital assets				
Land	686,655	-	-	686,655
Construction in progress	-	33,112	-	33,112
Buildings	984,059	-	-	984,059
Improvements other than buildings	1,455,953	1,453,916	-	2,909,869
Equipment	1,175,708	-	366,955	1,542,663
Less accumulated depreciation	<u>(2,084,002)</u>	<u>(239,157)</u>	<u>(32,646)</u>	<u>(2,355,805)</u>
	<u>\$ 2,322,216</u>	<u>\$ 1,968,131</u>	<u>\$ 1,581,094</u>	<u>\$ 5,871,441</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Vouchers and payroll payable	\$ 45,483	\$ 18,689	\$ 23,185	\$ 87,357
Compensated absences	9,121	-	-	9,121
Internal balances	650,797	-	-	650,797
Interest payable	7,528	-	-	7,528
Current portion of long-term liabilities	105,885	-	-	105,885
Total current liabilities	<u>818,814</u>	<u>18,689</u>	<u>23,185</u>	<u>860,688</u>
NONCURRENT LIABILITIES				
Notes payable	291,010	-	-	291,010
Capital lease obligations	<u>156,382</u>	<u>-</u>	<u>-</u>	<u>156,382</u>
Total liabilities	1,266,206	18,689	23,185	1,308,080
NET ASSETS				
Invested in capital assets, net of related debt	1,014,299	1,247,871	334,309	2,596,479
Unrestricted	<u>41,711</u>	<u>701,571</u>	<u>1,223,600</u>	<u>1,966,882</u>
Total net assets	<u>1,056,010</u>	<u>1,949,442</u>	<u>1,557,909</u>	<u>4,563,361</u>
	<u>\$ 2,322,216</u>	<u>\$ 1,968,131</u>	<u>\$ 1,581,094</u>	<u>\$ 5,871,441</u>

CITY OF CALDWELL
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS – ENTERPRISE FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>Golf</u>	<u>Street Lighting</u>	<u>Irrigation</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ 654,486	\$ 363,966	\$ 968,296	\$ 1,986,748
Other	26,443	2,807	2,917	32,167
Total operating revenues	<u>680,929</u>	<u>366,773</u>	<u>971,213</u>	<u>2,018,915</u>
OPERATING EXPENSES				
Personnel services	355,097	-	218,792	573,889
Contractual services	78,513	103,305	-	181,818
Materials and supplies	71,753	-	120,574	192,327
Utilities	79,958	204,902	-	284,860
Repairs and maintenance	72,363	-	130,065	202,428
Other expenses	20,344	56	-	20,400
Depreciation and amortization	146,690	51,336	26,580	224,606
Total operating expenses	<u>824,718</u>	<u>359,599</u>	<u>496,011</u>	<u>1,680,328</u>
OPERATING INCOME (LOSS)	(143,789)	7,174	475,202	338,587
NONOPERATING REVENUES (EXPENSES)				
Interest expense	(84,909)	-	-	(84,909)
Interest income	3,178	21,581	23,278	48,037
Unrealized loss on investments	-	(3,213)	(3,761)	(6,974)
NONOPERATING REVENUES (EXPENSES)	<u>(81,731)</u>	<u>18,368</u>	<u>19,517</u>	<u>(43,846)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(225,520)	25,542	494,719	294,741
Contributions from developers	-	204,474	-	204,474
CHANGE IN NET ASSETS	(225,520)	230,016	494,719	499,215
NET ASSETS, BEGINNING OF YEAR	<u>1,281,530</u>	<u>1,719,426</u>	<u>1,063,190</u>	<u>4,064,146</u>
NET ASSETS, END OF YEAR	<u>\$ 1,056,010</u>	<u>\$ 1,949,442</u>	<u>\$ 1,557,909</u>	<u>\$ 4,563,361</u>

CITY OF CALDWELL
COMBINING STATEMENT OF NET ASSETS- INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2008

	Employee Health Insurance	Section 125 Benefit Plan	Totals
ASSETS			
Cash and cash equivalents	\$ 819,570	\$ 19,424	\$ 838,994
Interest receivable	1,891	-	1,891
	<u>\$ 821,461</u>	<u>\$ 19,424</u>	<u>\$ 840,885</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Vouchers payable	\$ 6,233	\$ -	\$ 6,233
Internal balances	-	9,894	9,894
	<u>6,233</u>	<u>9,894</u>	<u>16,127</u>
NET ASSETS			
Unrestricted	<u>815,228</u>	<u>9,530</u>	<u>824,758</u>
	<u>815,228</u>	<u>9,530</u>	<u>824,758</u>
	<u>\$ 821,461</u>	<u>\$ 19,424</u>	<u>\$ 840,885</u>

CITY OF CALDWELL
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS-
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	Employee Health Insurance	Section 125 Benefit Plan	Totals
OPERATING REVENUES			
Charges for services	\$ 153,617	\$ 96,852	\$ 250,469
Total revenues	153,617	96,852	250,469
OPERATING EXPENSES			
Contractual services	32,824	96,397	129,221
Total operating expenses	32,824	96,397	129,221
OPERATING INCOME	120,793	455	121,248
NONOPERATING REVENUES			
Interest income	31,875	-	31,875
Unrealized gain on investments	(2,793)	-	(2,793)
Total nonoperating revenues	29,082	-	29,082
CHANGE IN NET ASSETS	149,875	455	150,330
NET ASSETS, BEGINNING OF YEAR	665,353	9,075	674,428
NET ASSETS, END OF YEAR	\$ 815,228	\$ 9,530	\$ 824,758

CITY OF CALDWELL

SINGLE AUDIT SECTION

CITY OF CALDWELL, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2008

Federal Grantor/Pass- Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through the State of Idaho Community Development Block Grant	14.228	\$ 60,108
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>\$ 60,108</u>
DEPARTMENT OF THE INTERIOR		
Passed through the State Historical Society Historic Fund Grant	15.904	\$ 3,500
		<u>\$ 3,500</u>
DEPARTMENT OF JUSTICE		
Pass through the Department of Juvenile Corrections Edward Brune Justice Assistance Grant	16.738	\$ 235,704
Direct Program Equipment grant	16.592	20,691
TOTAL DEPARTMENT OF JUSTICE		<u>\$ 256,395</u>
DEPARTMENT OF TRANSPORTATION		
Direct Program Airport Improvements	20.205	\$ 9,120
Passed through the Idaho Department of Transportation Highway Safety	20.600	53,667
TOTAL DEPARTMENT OF TRANSPORTATION		<u>\$ 62,787</u>

CITY OF CALDWELL, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2008

Federal Grantor/Pass- Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY		
Direct Program		
Brownfields Assessment Grant	66.818	\$ 158,838
Passed through Department of Environmental Quality		
Non-point Source Implementation Grant	66.460	<u>79,383</u>
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY		<u>\$ 238,221</u>
DEPARTMENT OF HOMELAND SECURITY		
Passed through Idaho Military Division		
State Domestic Preparedness Equipment Support	97.004	\$ 19,582
US Department of Homeland Security (Assistance to Firefighters-operations and safety)	97.044	222,107
Homeland Security Grant Program (Hazmat training)	97.067	<u>21,047</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY		<u>\$ 262,736</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 883,747</u>

CITY OF CALDWELL, IDAHO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City. The reporting entity is defined in Note 1 to the City’s basic financial statements.

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting as described in Note 1 to the City’s basic financial statements.

NOTE 2 – MAJOR PROGRAMS

Major programs are identified in the summary of Auditors’ Results section of the Schedule of Findings and Questioned Costs.

The following programs have been identified as major programs for the year ended September 30, 2008:

<u>Program</u>	<u>CFDA Number</u>
Assistance for Firefighters	97.044



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*

Members of the City Council
City of Caldwell
Caldwell, Idaho

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Caldwell, Idaho (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City of Caldwell, Idaho's basic financial statements and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Caldwell, Idaho's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Caldwell, Idaho's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Caldwell, Idaho's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Caldwell, Idaho's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Caldwell, Idaho's financial statements that is more than inconsequential will not be prevented or detected by the City of Caldwell, Idaho's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2008-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Caldwell, Idaho's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Caldwell, Idaho's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of City of Caldwell, Idaho in a separate letter dated January 19, 2009.

City of Caldwell, Idaho's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Caldwell, Idaho's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Boise, Idaho
January 19, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Members of the City Council
City of Caldwell
Caldwell, Idaho

Compliance

We have audited the compliance of City of Caldwell, Idaho, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. City of Caldwell, Idaho's (the "City") major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Caldwell, Idaho's management. Our responsibility is to express an opinion on City of Caldwell, Idaho's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Caldwell, Idaho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Caldwell, Idaho's compliance with those requirements.

In our opinion, City of Caldwell, Idaho, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control over Compliance

The management of City of Caldwell, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Caldwell, Idaho's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Caldwell, Idaho's internal control over compliance.

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A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned in the lower-left quadrant of the page.

Boise, Idaho
January 19, 2009

CITY OF CALDWELL, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified not considered to be material weaknesses Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified not considered to be material weaknesses None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? No

Identification of major programs:

<u>CFDA number</u>	<u>Name of Federal Program or Cluster</u>
97.044	Assistance for Firefighters

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

Criteria:

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting and the ability to convert the trial balance from modified accrual to full accrual under the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. It also includes the ability to prepare the footnote disclosures required by GASB. Management should also have an internal control system in place designed to record all year-end adjusting entries necessary to close the fiscal year and to determine that all closing entries are recorded correctly and timely.

CITY OF CALDWELL, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2008

Condition:

During 2006, Statement on Auditing Standard No. 112 Communicating Internal Control Related Matters Identified in an Audit was released which changed and expanded the definition of a material weakness and significant deficiency. Due to these expanded definitions, clients must be able to accurately prepare their own financial statements without assistance or adjustment by the auditor. The Finance Department prepares internal financial statements on a monthly basis, however, as auditors, we were requested to prepare the audited financial statements and footnotes thereby resulting in non-compliance with the auditing standard requirements and a significant deficiency. This circumstance is not unusual in an organization of this size due to time constraints of management and costs associated with compliance of the standard. In addition, several adjusting entries were proposed and posted during the audit that should have been recorded as part of the year-end closing process.

Effect:

Management must rely on the auditing firm to report financial data reliably in accordance with generally accepted accounting principles.

Cause:

The size of the City and the limited number of accounting personnel makes it difficult to implement this level of internal control.

Recommendation:

Management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response and Action Plan of Management:

The Mayor and City council were apprised of Statement on Auditing Standard No. 112 reporting requirements and accept the degree of risk associated with this condition because of time and cost considerations placed on the finance department. The City finance staff will receive training in 2009 and will begin working on relieving the audit staff of preparing the report in future years.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None