



Financial Statements
September 30, 2023
City of Meridian, Idaho

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

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Meridian, Idaho (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Meridian, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Notes 1 and 5 to the financial statements, the City has adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. There was no change to beginning net position as a result of the implementation of this Standard. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Boise, Idaho
March 5, 2024

This section of the City of Meridian's (City's) annual financial report presents management's discussion and analysis of the City's financial performance during the year ended September 30, 2023. Please use this information in conjunction with the information furnished in the City's financial statements.

Financial Highlights

- The total assets and deferred outflows of the City exceeded its liabilities and deferred inflows at September 30, 2023 by \$704,983,854 as compared to \$658,719,397 at September 30, 2022.
- Net position of the Governmental activities finished the fiscal year 2023 at \$219,614,655.
- Net position of Business-type activities finished fiscal year 2023 at \$485,369,199.
- Total unrestricted fund balance of governmental funds at September 30, 2023 was \$57,592,323 as compared to a total unrestricted governmental fund balance at September 30, 2022 of \$69,615,987.
- Total unrestricted fund balance of business-type funds at September 30, 2023 was \$104,834,465 as compared to a total unrestricted business-type fund balance at September 30, 2022 of \$92,299,400.
- The City's total outstanding long-term debt at September 30, 2023 is \$0.00.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements have four components – *government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.*

Government-Wide Financial Statements

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

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

Statement of Net Position – Reports the City's assets (what the City owns) and liabilities (what the City owes) with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

Statement of Net Position

At September 30, 2023 the City's combined assets and deferred outflows exceeded liabilities and deferred inflows by \$704,983,854 as compared to the net position as of September 30, 2022 of \$658,719,397.

Government-wide total assets and deferred outflows of resources increased from last fiscal year to finish fiscal year 2023 at \$830,609,217.

Government-wide total liabilities and deferred inflows of resources increased from last fiscal year to finish fiscal year 2023 at \$125,625,363.

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

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

	Primary Government					
	Governmental		Business - Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 169,705,362	\$ 178,216,655	\$ 117,767,469	\$ 104,390,673	\$ 287,472,831	\$ 282,607,328
Capital Assets	143,649,874	117,761,901	380,799,128	357,328,702	524,449,002	475,090,603
Deferred Outflows of Resources	15,510,528	17,925,158	3,176,856	3,934,793	18,687,384	21,859,951
TOTAL Assets and Deferred						
Outflows of Resources	328,865,764	313,903,714	501,743,453	465,654,168	830,609,217	779,557,882
Current Liabilities	12,742,896	10,955,082	8,212,016	8,222,742	20,954,912	19,177,824
Long-term Liabilities	51,008,357	48,079,430	8,162,238	8,080,944	59,170,595	56,160,374
Deferred Inflows of Resources	45,499,856	45,468,911	-	31,376	45,499,856	45,500,287
TOTAL Liabilities and Deferred						
Inflows of Resources	109,251,109	104,503,423	16,374,254	16,335,062	125,625,363	120,838,485
Net Investment in Capital Assets						
Restricted	142,199,505	117,761,901	380,534,734	357,019,706	522,734,239	474,781,607
Unrestricted	19,822,827	22,022,403	-	-	19,822,827	22,022,403
TOTAL Net Position	\$ 219,614,655	\$ 209,400,291	\$ 485,369,199	\$ 449,319,106	\$ 704,983,854	\$ 658,719,397

Statement of Activities

During the 2023 fiscal year the City's financial position improved by \$46,264,457. The following condensed financial information was derived from the government-wide Statement of Activities and shows how the City's net position changed during the year.

Government-wide total revenues increased from last fiscal year to finish fiscal year 2023 at \$175,317,385.

Government-wide total expenses increased from last fiscal year to finish fiscal year 2023 at \$129,052,928.

	Primary Government				Total Primary Government	
	Governmental Activities		Business-Type Activities			
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Charges for services	\$ 18,786,450	\$ 19,622,112	\$ 33,046,132	\$ 32,319,110	\$ 51,832,582	\$ 51,941,222
Operating grants and contributions	1,619,149	954,571	20,658,840	19,164,055	22,277,989	20,118,626
Capital Grants and Contributions	9,789,358	4,808,001	19,164,075	-	28,953,433	4,808,001
General Revenue:						
Property taxes	46,096,236	42,976,972	-	-	46,096,236	42,976,972
Franchise fees	2,447,941	1,953,305	-	-	2,447,941	1,953,305
Sales tax and other governmental	15,088,288	14,433,359	-	-	15,088,288	14,433,359
Investment Earnings	3,981,810	974,294	3,857,400	983,326	7,839,210	1,957,620
Other Revenue	503,945	(2,732,849)	277,761	(3,520,726)	781,706	(6,253,575)
Total Revenues	98,313,177	82,989,765	77,004,208	48,945,765	175,317,385	131,935,530
Expenses						
General Government						
Administration	14,917,157	11,880,036	-	-	14,917,157	11,880,036
Law Enforcement	33,293,428	28,736,771	-	-	33,293,428	28,736,771
Fire Department	22,480,889	17,708,780	-	-	22,480,889	17,708,780
Parks and Recreation	13,251,188	12,269,684	-	-	13,251,188	12,269,684
Community Planning and Devlp	7,525,483	8,678,052	-	-	7,525,483	8,678,052
Enterprise - sewer and water	-	-	37,584,783	38,760,169	37,584,783	38,760,169
Total Expenses	91,468,145	79,273,323	37,584,783	38,760,169	129,052,928	118,033,492
Excess (deficiency) of revenues over expenditures before transfers	6,845,032	3,716,442	39,419,425	10,185,596	46,264,457	13,902,038
Transfers - internal activities	3,369,332	2,974,273	(3,369,332)	(2,974,273)	-	-
Change in net position	10,214,364	6,690,715	36,050,093	7,211,323	46,264,457	13,902,038
Net Position, Beginning of Year	209,400,291	202,709,576	449,319,106	442,107,783	658,719,397	644,817,359
Net Position, Ending of Year	\$ 219,614,655	\$ 209,400,291	\$ 485,369,199	\$ 449,319,106	\$ 704,983,854	\$ 658,719,397

Fund Financial Statements

The fund financial statements provide information about the City's major *funds*, not the City as a whole. The City uses a method of accounting, called fund accounting, to separate specific sources of funds and corresponding expenditures. Funds may be required by law or may be established by the City Council. At the end of a fiscal year the unreserved fund balance serves as a useful measure of a government's net resources.

The City has the following funds:

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

The City has two governmental funds:

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

The City has one proprietary fund:

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

The City has one fiduciary fund:

The City established the "City of Meridian Employee Benefits Plan Trust" (the Trust) in January 2020. All health claims are paid from this Trust and all plan contributions are deposited into the Trust. The Trust uses a calendar year basis as its fiscal year and the most recent audited financial statements are presented as part of this financial statement (fiscal year ended December 31, 2022).

FUND FINANCIAL STATEMENTS ANALYSIS

Governmental Funds

The General Fund had an ending fund balance of \$87,218,652 for fiscal year 2023, a decrease from the ending fund balance at the end of fiscal year 2022, which was \$90,556,566. This decrease was primarily caused by a decrease in the prepaid items balance of approximately \$3.7 million, which related to prepayments that were made in fiscal year 2022 for new fire trucks.

The Capital Project Fund ending fund balance decreased from fiscal year 2022 to fiscal year 2023, to finish the year at \$13,011,622. The decrease was seen primarily in the cash and cash equivalents balance which decreased by approximately \$3.8 million, as the City utilized its financial resources to continue providing improvements to local area infrastructure, including the continued development of Discovery Park.

General Fund revenues increased significantly by approximately \$9.8 million to finish the year at \$97,015,962. The increase was primarily attributable to an increase in property taxes (increase of \$3 million), an increase in interest earnings (increase of \$2.4 million), and an increase in the impact fee revenue amounts (increase of \$3.2 million).

Capital Project Fund revenue amounts increase from fiscal year 2022 by \$567,323, which was due to strong market performance of the State's Local Government Investment Pool.

Expenditures for the General Fund increased by \$18 million, which was attributable to increases in almost all governmental functions (general, public safety, and parks & recreation). Capital outlay amounts for the General Fund increased from fiscal year 2022 by \$7.1 million to finish the year at \$22,039,404. The increase in capital outlay represents the City's investment in the continued development of the City's infrastructure.

For the Capital Project Fund, expenditures increased by \$7.8 million, to finish the year at \$9,669,383, which again demonstrates the City's investment in providing and maintaining the City's building and infrastructure assets, as well as continued planned projects for citizens, including Discovery Park.

Enterprise Fund (Business-Type Activities)

Ending Net Position for the Business-Type activities increased significantly from fiscal year 2022, to finish the year at \$485,369,199. There were numerous contributing factors that led to the increase including an increase in the cash and cash equivalents balance (increase of \$12 million), increase in the investments balance (increase of \$1.2 million), and an increase in the capital asset amounts (increase of \$23.5 million).

Operating revenues for the Business-Type activities increase was due to an overall increase in water and sewer sales, which combined accounted for an increase of approximately \$1.5 million. This increase was offset slightly by a decrease in the other service revenue, engineering fees and sale of meter amounts. Total increase from fiscal year 2022 operating revenues was \$721,304.

Expenditures for the Business-Type activities also increased from fiscal year 2022 by \$3 million, to finish the year at \$37.6 million. The largest increase was in personnel services, which represents the City's investment in its people.

Fiduciary-Type Activities

The Trust uses a calendar year basis as its fiscal year and the most recent audited financial statements are presented as part of this financial statement (fiscal year ended December 31, 2022).

Total assets ended the year at \$2,394,373. Amounts represented cash on hand, receivables to the Trust and prepaid expense.

Total Liabilities ended the year at \$398,015. Amounts represent the claims incurred but not reported and claims payable as of December 31, 2022.

During the year ended December 31, 2022, additions to the Trust totaled \$7,961,082. Amounts reported as additions represent contributions to the Trust through employee and employer contributions, as well as interest income and prescription rebates.

During the year ended December 31, 2022, deductions from the Trust totaled \$7,262,699. Deductions from the Trust are primarily comprised of health claim benefits paid, which totaled \$6,270,790.

Notes to the Financial Statements

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

Required Supplementary Information

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The final fiscal year 2023 overall expenditure budget was \$127,029,059 as compared to the actual expenditures of \$100,732,500.

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

The total actual personnel expense for the 2023 fiscal year was \$56,954,388 as compared to the final budget of \$59,220,851. The primary reason for the variance between actual and budget is related to the amount of vacancy positions that were not filled during the fiscal year.

The total actual operating expense was \$21,738,708 as compared to the final budget of \$38,240,241. The largest budget to actual variance for the operating expenses is due to City receiving a Federal Grant that was not expensed during the fiscal year. Federal Grant dollars will be spent during fiscal year 2024.

The total General Fund 2023 capital expense was \$22,039,404 as compared to the final budget of \$29,567,967. The largest budget to actual variance for capital expenses is related to construction in progress projects associated to our Public Safety building construction.

2023 General Fund actual revenue of \$97,015,962 fell short of the final budget of \$101,249,434.

The largest percentage of General Fund revenue resides in property tax and finished fiscal year 2023 at \$45,983,863. Intergovernmental revenue sharing is the second largest revenue stream in 2023 and finished the fiscal year higher than fiscal year 2022 at \$18,456,373. The third largest source of General Fund revenue in fiscal year 2023 was licenses and permits, namely building permit sales. At the end of 2023, the licenses and permits revenue finished the year at \$11,038,830.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the City had \$524,184,608 invested in capital assets (net of accumulated depreciation).

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

Major capital asset changes in the General Government Funds in 2023 included:

- \$11,540,118 in Buildings and Improvements
- \$11,540,118 in Capital projects still in construction
- \$2,405,360 in new Equipment
- \$0 in new Land

Major capital asset changes in the Business-type Funds in 2023 included:

- \$(6,810,039) in Buildings and Improvements
- \$8,180,794 in Capital projects still in construction
- \$3,806,015 in Equipment
- \$8,299,383 in new Sewer and Water Lines
- \$0 in Land

	Capital Assets as of September 30, 2023 (net of depreciation)					
	Governmental Activities		Business - Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 30,305,124	\$ 30,305,124	\$ 6,249,313	\$ 6,249,313	\$ 36,554,437	\$ 36,554,437
Easements	832,164	749,317	20,126,576	10,087,701	20,958,740	10,837,018
Buildings and improvements other than buildings	75,492,354	63,952,236	90,990,336	97,800,375	166,482,690	161,752,611
Sewer and water lines	-	-	209,174,866	200,875,483	209,174,866	200,875,483
Equipment	9,096,199	6,690,839	25,649,360	21,843,345	34,745,559	28,534,184
Construction in progress	27,549,911	16,064,385	28,344,283	20,163,489	55,894,194	36,227,874
Right to use subscriptions	374,122	-	-	-	374,122	-
	<u>\$ 143,649,874</u>	<u>\$ 117,761,901</u>	<u>\$ 380,534,734</u>	<u>\$ 357,019,706</u>	<u>\$ 524,184,608</u>	<u>\$ 474,781,607</u>

The City recorded \$6,339,407 in depreciation expense for Governmental City functions and \$14,412,618 for Business-type activities. (See Note 5 to the financial statements).

Debt Administration

The only outstanding obligations the City had as of September 30, 2023, related to the outstanding IT subscriptions (See Note 5 to the financial statements).

Fiscal Year 2024 Economic Factors and Budgetary Considerations

The City of Meridian prepares an economic forecast as a component in the process of developing the annual budget. Following local and national indicators currently affecting the City of Meridian, the City's approved FY2024 budget anticipated a level of economic activity commiserate with the prior year. Since the spring of 2012, construction and development continues to be active and steady. The following considerations by the City Council were taken when it adopted the FY2024 Budget:

- The City provided compensation increases for general employees.
- The City considered the current FY2023 economic conditions and trends while working on the FY2024 budget.
- The City maintained that a conservative approach to revenue projections was in the best interest of the City.
- The City Council elected to increase the annual property taxes by 1.6% which is allowable by State code.
- The City continued to the practice of taking on no debt.
- The City's sewer and water customer utility accounts project to see a decline in sales by 13% year over year as growth slows down as compared to years past.
- The City continues to see population growth year over year with a 10-year annual average of about 5.5%

Requests for Information

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

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

Phone: (208) 888-4433

City of Meridian, Idaho
Statement of Net Position
Year Ended September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 70,756,364	\$ 70,886,032	\$ 141,642,396	\$ 8,181,092
Restricted cash and cash equivalents	18,045,809	-	18,045,809	-
Investments	25,045,309	41,684,217	66,729,526	-
Restricted investments	2,191,997	-	2,191,997	-
Receivables				
Accounts (net of \$30,000 allowance for enterprise fund uncollectibles)	1,941,393	4,647,847	6,589,240	9,365
Current portion of note receivable	-	36,816	36,816	-
Property taxes	46,290,689	-	46,290,689	4,497,644
Due from other governmental units	4,873,743	-	4,873,743	-
Interest	422,886	398,523	821,409	-
Deposits and prepaid expenses	43,403	114,034	157,437	4,473
Lakeview inventory	93,769	-	93,769	-
Total Current Assets	<u>169,705,362</u>	<u>117,767,469</u>	<u>287,472,831</u>	<u>12,692,574</u>
Noncurrent Assets				
Long-term note receivable	-	264,394	264,394	-
Capital Assets				
Land, easements, and other assets not depreciated	58,687,199	54,720,172	113,407,371	672,384
Buildings, improvements and equipment, net of depreciation	84,588,553	325,814,562	410,403,115	-
Right to use subscription IT assets, net of accumulated amortization	374,122	-	374,122	-
Total Noncurrent Assets	<u>143,649,874</u>	<u>380,799,128</u>	<u>524,449,002</u>	<u>672,384</u>
Deferred Outflows of Resources				
Pension obligations	15,510,528	3,176,856	18,687,384	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$ 328,865,764</u></u>	<u><u>\$ 501,743,453</u></u>	<u><u>\$ 830,609,217</u></u>	<u><u>\$ 13,364,958</u></u>

City of Meridian, Idaho
Statement of Net Position
Year Ended September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 5,673,317	\$ 6,261,794	\$ 11,935,111	\$ 26,161
Accrued payroll and taxes	2,349,046	461,667	2,810,713	-
Customer deposits	3,914,093	1,185,061	5,099,154	-
Interest payable	16,095	-	16,095	-
Due within one year				
Accrued vacation, current portion	477,559	63,494	541,053	-
Settlement payable	-	240,000	240,000	-
Right to use IT subscription liability	312,786	-	312,786	-
Total Current Liabilities	<u>12,742,896</u>	<u>8,212,016</u>	<u>20,954,912</u>	<u>26,161</u>
Noncurrent Liabilities				
Accrued vacation - less current portion	3,343,043	571,450	3,914,493	-
Due to developers	-	-	-	2,438,100
Net pension liability	35,533,645	7,277,975	42,811,620	-
Advanced revenue - ARPA obligations	12,023,638	-	12,023,638	-
Advanced revenue - other	108,031	312,813	420,844	-
Total Noncurrent Liabilities	<u>51,008,357</u>	<u>8,162,238</u>	<u>59,170,595</u>	<u>2,438,100</u>
Deferred Inflows of Resources				
Unavailable revenues - Opioid Settlement	178,535	-	178,535	-
Unavailable revenues - property taxes	45,321,321	-	45,321,321	4,413,113
Total Deferred Inflows of Resources	<u>45,499,856</u>	<u>-</u>	<u>45,499,856</u>	<u>4,413,113</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>109,251,109</u>	<u>16,374,254</u>	<u>125,625,363</u>	<u>6,877,374</u>
NET POSITION				
Net investment in capital assets	142,199,505	380,534,734	522,734,239	672,384
Restricted	-	-	-	5,815,200
Impact funds	19,821,540	-	19,821,540	-
Grant funds	1,287	-	1,287	-
Unrestricted				
Capital improvements	17,155,749	-	17,155,749	-
General funds	40,436,574	104,834,465	145,271,039	-
TOTAL NET POSITION	<u>219,614,655</u>	<u>485,369,199</u>	<u>704,983,854</u>	<u>6,487,584</u>
Total Liabilities and Net Position	<u>\$ 328,865,764</u>	<u>\$ 501,743,453</u>	<u>\$ 830,609,217</u>	<u>\$ 13,364,958</u>

City of Meridian, Idaho
Statement of Activities
Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Government Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government								
Administration	\$ 14,917,157	\$ 240,609	\$ 1,371,983	\$ 960	\$ (13,303,605)	\$ -	\$ (13,303,605)	\$ -
Public safety								
Law enforcement	33,293,428	1,553,203	118,815	760,655	(30,860,755)	-	(30,860,755)	-
Fire department	22,480,889	1,968,551	16,250	2,515,658	(17,980,430)	-	(17,980,430)	-
Parks and recreation	13,251,188	3,888,194	72,106	6,509,876	(2,781,012)	-	(2,781,012)	-
Community development	7,525,483	11,135,893	39,995	2,209	3,652,614	-	3,652,614	-
Total governmental activities	91,468,145	18,786,450	1,619,149	9,789,358	(61,273,188)	-	(61,273,188)	-
Business-Type Activities								
Water and wastewater	37,584,783	33,046,132	20,658,840	19,164,075	-	35,284,264	35,284,264	-
Total Primary Government	\$ 129,052,928	\$ 51,832,582	\$ 22,277,989	\$ 28,953,433	\$ (61,273,188)	\$ 35,284,264	\$ (25,988,924)	\$ -
Component Unit								
Downtown development	\$ 743,098	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (743,098)
General revenues								
Shared revenues								
Property taxes, levied for general purposes					\$ 46,096,236	\$ -	\$ 46,096,236	\$ 3,351,496
Franchise fees					2,447,941	-	2,447,941	-
Sales tax and other governmental					15,088,288	-	15,088,288	-
Investment earnings					3,981,810	3,857,400	7,839,210	100,551
Net increase in fair value of investments					375,282	311,632	686,914	-
Miscellaneous					89,608	5,323	94,931	9,365
Gain (loss) on sale of fixed assets					39,055	(39,194)	(139)	-
Transfers - internal activities					3,369,332	(3,369,332)	-	-
Total General Revenues and Transfers					71,487,552	765,829	72,253,381	3,461,412
Change in Net Position					10,214,364	36,050,093	46,264,457	2,718,314
Net Position, Beginning of Year					209,400,291	449,319,106	658,719,397	3,769,270
Net Position, Ending of Year					\$ 219,614,655	\$ 485,369,199	\$ 704,983,854	\$ 6,487,584

City of Meridian, Idaho
Balance Sheet – Governmental Funds
Year Ended September 30, 2023

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 56,667,098	\$ 14,089,266	\$ 70,756,364
Investments	25,045,309	-	25,045,309
Receivables			
Accounts	1,926,280	15,113	1,941,393
Property taxes	46,290,689	-	46,290,689
Due from other governmental units	4,873,743	-	4,873,743
Interest	359,602	63,284	422,886
Prepaid items	43,403	-	43,403
Lakeview inventory	93,769	-	93,769
Restricted assets			
Cash and cash equivalents	18,045,809	-	18,045,809
Investments	2,191,997	-	2,191,997
	<u>\$ 155,537,699</u>	<u>\$ 14,167,663</u>	<u>\$ 169,705,362</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts payable	\$ 3,494,028	\$ 1,156,041	\$ 4,650,069
Accrued payroll and taxes	2,349,046	-	2,349,046
Customer deposits - Lakeview Golf Course	108,031	-	108,031
Advanced revenue - ARPA obligations	12,023,638	-	12,023,638
Customer deposits	3,914,093	-	3,914,093
	<u>21,888,836</u>	<u>1,156,041</u>	<u>23,044,877</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	46,430,211	-	46,430,211
	<u>68,319,047</u>	<u>1,156,041</u>	<u>69,475,088</u>

City of Meridian, Idaho
Balance Sheet – Governmental Funds
Year Ended September 30, 2023

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Fund Balances			
Nonspendable			
Prepays	43,403	-	43,403
Inventory for Lakeview Golf Course	93,769	-	93,769
Restricted			
Impact Fund	16,678,933	-	16,678,933
Impact Fund Balance Budget of Carryforward	3,147,194	-	3,147,194
Grant Fund	1,287	-	1,287
Committed			
Capital Projects Fund	-	10,496,036	10,496,036
Fund Balance Budget of Carryforward	-	2,515,586	2,515,586
Public Safety Fund	6,030,469	-	6,030,469
Assigned			
Fund Balance Budget of Carryforward	9,101,518	-	9,101,518
Capital Improvement Plan	20,000,000	-	20,000,000
Comm. Dev. Excess Revenue Transfer	4,144,126	-	4,144,126
Operating Reserve	19,386,112	-	19,386,112
Emergency Reserve	6,227,872	-	6,227,872
Unassigned	2,363,969	-	2,363,969
Total Fund Balances	<u>87,218,652</u>	<u>13,011,622</u>	<u>100,230,274</u>
Total Liabilities and Fund Balances	<u>\$ 155,537,699</u>	<u>\$ 14,167,663</u>	<u>\$ 169,705,362</u>

City of Meridian, Idaho
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 Year Ended September 30, 2023

Fund balance - total governmental funds	\$ 100,230,274
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
Capital assets, including right to use subscription IT assets, used in governmental activities are not financial resources and therefore are not reported in the funds.	143,649,874
Retainage that are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,023,248)
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	930,355
Long-term obligation is not due and payable in the current period and therefore is not reported in the funds.	
Net pension liability	(35,533,645)
Deferred outflows of resources related to pension obligations.	15,510,528
Right of use IT subscription and liabilities are expensed at the fund level but reported as a liability due within one year on the Statement of Net Position.	(312,786)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(16,095)
Accrued vacation is not due and payable in the current period and therefore is not reported in the funds.	<u>(3,820,602)</u>
Net Position of governmental activities	<u><u>\$ 219,614,655</u></u>

City of Meridian, Idaho
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended September 30, 2023

	General	Capital Projects	Total Governmental Funds
Revenues			
Taxes	\$ 45,983,863	\$ -	\$ 45,983,863
Licenses and permits	11,038,830	-	11,038,830
Intergovernmental	18,456,373	-	18,456,373
Franchise fees	2,447,941	-	2,447,941
Fines and forfeitures	637,304	-	637,304
Charges for services	5,326,777	-	5,326,777
Interest	3,294,149	687,661	3,981,810
Miscellaneous	89,608	-	89,608
Donations	107,775	-	107,775
Impact revenues	9,633,342	-	9,633,342
Total revenues	97,015,962	687,661	97,703,623
Expenditures			
General government	12,725,228	-	12,725,228
Public safety	49,177,787	-	49,177,787
Parks and recreation	9,901,818	-	9,901,818
Community development services	6,888,263	-	6,888,263
Capital outlay	22,039,404	9,669,383	31,708,787
Debt service	332,030	-	332,030
Total expenditures	101,064,530	9,669,383	110,733,913
Excess of Revenues Over (Under) Expenditures	(4,048,568)	(8,981,722)	(13,030,290)
Other Financing Sources (Uses)			
Operating transfer in	3,369,332	3,647,538	7,016,870
Operating transfer out	(3,647,538)	-	(3,647,538)
Subscriptions	644,816	-	644,816
Unrealized gain (loss) on investments	304,989	70,293	375,282
Proceeds from sale of capital assets	39,055	-	39,055
Total other financing sources (uses)	710,654	3,717,831	4,428,485
Net Change in Fund Balances	(3,337,914)	(5,263,891)	(8,601,805)
Fund Balance, Beginning of Year	90,556,566	18,275,513	108,832,079
Fund Balance, End of Year	\$ 87,218,652	\$ 13,011,622	\$ 100,230,274

City of Meridian, Idaho

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended September 30, 2023

Change in fund balance - total governmental funds \$ (8,601,805)

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

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

New capital	31,708,787	
Depreciation	(6,339,407)	
SBITA amortization	<u>(270,694)</u>	
Total		25,098,686

Capital assets contributed by citizens or developers are not a source of financial resources and thus, are not recognized in the governmental funds. 82,847

Some property tax revenue in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds. 112,373

Expenditures (revenues) related to the net pension liability that do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (5,780,625)

Expenditures related to the long-term portion of accrued vacation do not require the use of current financial resources and therefore are not reported as expenditures governmental funds. (368,232)

Debt Service Payments for principal payment are reported as expenditures in the governmental funds, but are not reported as expenses in the statement of activities.

Subscription principal payments	332,030
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The issuance of long-term debt provides current financial resources to governmental funds, but are not reported as revenues in the statement of activities resources of governmental funds.

Subscription proceeds	(644,816)
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Interest expense accrued but not paid reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. (16,094)

Change in net position of governmental activities \$ 10,214,364

City of Meridian, Idaho
Statement of Net Position – Proprietary Fund
September 30, 2023

	<u>Enterprise Fund Water and Sewer</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 70,886,032
Investments	41,684,217
Receivables	
Accounts (net of \$30,000 allowance for uncollectibles)	4,647,847
Current portion of long-term receivable	36,816
Interest	398,523
Prepays	<u>114,034</u>
Total Current Assets	<u>117,767,469</u>
Noncurrent Assets	
Long-term notes receivable	264,394
Capital assets	
Land	6,249,313
Easements	20,126,576
Construction in progress	28,344,283
Buildings and improvements other than buildings	152,053,561
Sewer and water lines	279,166,333
Machinery and equipment	61,267,525
Less accumulated depreciation	<u>(166,672,857)</u>
Total Noncurrent Assets	<u>380,799,128</u>
Deferred outflow of resources	
Pension	<u>3,176,856</u>
Total Assets	<u>\$ 501,743,453</u>

City of Meridian, Idaho
Statement of Net Position – Proprietary Fund
September 30, 2023

	<u>Enterprise Fund Water and Sewer</u>
Liabilities and Net Position	
Current Liabilities	
Accounts payable	\$ 6,261,794
Accrued payroll and taxes	461,667
Accrued vacation - current portion	63,494
Customer deposits	<u>1,185,061</u>
Total Current Liabilities	<u>7,972,016</u>
Noncurrent Liabilities	
Accrued vacation - less current portion	571,450
Settlement payable	240,000
Pension payable	7,277,975
Advanced revenue	<u>312,813</u>
Total Noncurrent Liabilities	<u>8,402,238</u>
Deferred Inflow of Resources	
Pension	<u>-</u>
Total Deferred Inflow of Resources	<u>-</u>
Net Position	
Invested in capital assets	380,534,734
Unrestricted	<u>104,834,465</u>
Total Net Position	<u>485,369,199</u>
Total Liabilities and Net Position	<u><u>\$ 501,743,453</u></u>

City of Meridian, Idaho
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
Year Ended September 30, 2023

	<u>Enterprise Fund Water and Sewer</u>
Operating Revenues	
Charges for services	
Water sales	\$ 10,675,905
Sewer sales	19,479,698
Other service revenues	610,457
Sale of meters	626,592
Trash billing service	1,356,780
Engineering fees	296,700
Miscellaneous	<u>5,323</u>
Total Operating Revenues	<u>33,051,455</u>
Operating Expenses	
Personnel services	13,266,885
Other services and charges	4,122,332
Depreciation	14,412,618
Supplies	3,860,849
Heat, lights and power	<u>1,922,099</u>
Total Operating Expenses	<u>37,584,783</u>
Operating Loss	<u>(4,533,328)</u>
Nonoperating Revenues (Expenses)	
Interest revenue	3,857,400
Connection assessment fees and donations	20,990,845
Loss on sale of fixed assets	(39,194)
Net gain in fair value of investments	<u>311,632</u>
Total Nonoperating Revenues (Expenses)	<u>25,120,683</u>
Income before contributions and transfers	20,587,355
Donated waterlines and sewerlines	18,832,070
Operating transfers out	<u>(3,369,332)</u>
Change in Net Position	36,050,093
Net Position, Beginning of Year	<u>449,319,106</u>
Net Position, End of Year	<u><u>\$ 485,369,199</u></u>

City of Meridian, Idaho
Statement of Cash Flows – Proprietary Fund
Year Ended September 30, 2023

	<u>Enterprise Fund Water and Sewer</u>
Operating Activities	
Receipts from customers and users	\$ 33,051,455
Receipts from customers deposits	(954,910)
Payments to suppliers	(9,196,125)
Payments to employees	<u>(12,186,001)</u>
Net Cash from Operating Activities	<u>10,714,419</u>
Noncapital Financing Activities	
Non-cash unrealized gains	311,632
Operating transfer to general fund	<u>(3,369,332)</u>
Net Cash used for Noncapital Financing Activities	<u>(3,057,700)</u>
Capital and Related Financing Activities	
Connection assessment fees	20,990,845
Receipts from note receivable	48,034
Net activity for the acquisition and disposal of capital assets	<u>(19,134,770)</u>
Net Cash from Capital and Related Financing Activities	<u>1,904,109</u>
Investing Activities	
Sales of investments	(1,240,817)
Interest received	<u>3,625,424</u>
Net Change from Investing Activities	<u>2,384,607</u>
Net Change in Cash and Cash Equivalents	11,945,435
Cash and Cash Equivalents, Beginning of Year	<u>58,940,597</u>
	<u><u>\$ 70,886,032</u></u>

City of Meridian, Idaho
Statement of Cash Flows – Proprietary Fund
Year Ended September 30, 2023

Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (4,533,328)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	14,412,618
Pension expense	1,055,981
Changes in assets and liabilities	
Accounts receivable	(167,635)
Prepaid items	205,634
Accounts payable	671,156
Accrued payroll and taxes	24,901
Customer deposits	<u>(954,908)</u>
Net Cash from Operating Activities	<u><u>\$ 10,714,419</u></u>
Supplemental Disclosure of Cash Flow Information	
Developer and customer contributed sewer and water lines	\$ 18,832,070

City of Meridian, Idaho
Statement of Fiduciary Net Position
December 31, 2022

	Employee Benefit Plan Trust
Assets	
Cash	\$ 2,252,601
Rebates receivables	66,540
Prepaid expense	75,232
	<hr/>
Total current assets	2,394,373
	<hr/>
Liabilities	
Health claims incurred but not reported	398,015
	<hr/>
Total liabilities	398,015
	<hr/>
Fiduciary Net Position	<u>\$ 1,996,358</u>

City of Meridian, Idaho
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2022

	Employee Benefit Plan Trust
Additions	
Contributions	
Employer	\$ 6,839,934
Plan member	744,458
COBRA	70,101
Total contributions	7,654,493
Prescription rebates	301,861
Interest income	4,728
Total additions	7,961,082
Deductions	
Health claim benefits	6,270,790
Change in health claims incurred but not paid	3,507
Stop loss premiums	509,937
Administrative expenses	478,465
Total deductions	7,262,699
Change in Fiduciary Net Position	698,383
Fiduciary Net Position, Beginning of Year	1,297,975
Fiduciary Net Position, End of Year	\$ 1,996,358

Note 1 - Summary of Significant Accounting Policies

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

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

Financial Reporting Entity

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

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

The City of Meridian Employee Benefit Plan Trust (the Trust) is reported as a Fiduciary Activity of the City. The Trust reports under GASB standards in the same manner as the City. The Trust uses a calendar year basis as its fiscal year and the most recent audited financial statements are presented as part of this financial statement (fiscal year ended December 31, 2022).

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds;

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

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

The City reports the following major proprietary fund;

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

The City reports the following other fund types;

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

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

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

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

Cash and Cash Equivalents

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

Property Taxes Receivable

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

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

Customer Services Receivable

Amounts owed to the City for customer services are due from area residents and businesses and relate to water, sewer and trash services provided by the City. The receivable is reported net of an allowance for uncollectible accounts. An allowance is reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts was \$30,000 as of September 30, 2023.

Deposits and Prepaid Expenses

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

Capital Assets

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

Capital assets are defined by the government as assets with an initial individual cost of \$50,000 and over for machinery and equipment, \$100,000 for intangibles, \$250,000 and over for buildings, land improvements, and infrastructure, and an estimated useful life in excess of three years. Land acquisitions regardless of cost are recorded as capital assets. All material fixed assets are valued at cost. Donated fixed assets are valued at their acquisition value on the date donated.

GASB requires the City capitalize and report intangible assets which includes the City's easement amounts. To value easements, the City uses the summation method, which closely looks at the impact of an easement on the total property value. The percentages agreed to are 26% for sewage and 10% for subsurface, resulting in an average easement assessment percentage of 18%.

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

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

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

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

As of September 30, 2023, no capital assets were considered to be impaired, and no impairment loss was recognized for the year ended September 30, 2023.

Subscription Based Information Technology Arrangements (SBITA)

Right to use subscription IT assets are recognized at the subscription commencement date and represent the City's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured in the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization periods range from 3-5 years.

Vacation Payable

The City provides vacation and sick leave to its full-time employees. Earned vacation is paid to employees when taken or paid to employees or beneficiaries upon the employees' termination, retirement or death. The City does not pay earned sick pay upon the employees' termination, retirement or death for non-union employees. The Fire Department union members are paid ten percent of their sick leave accrual upon the employees' voluntary termination, 25% upon employees' retirement, and 100% upon employees' death. The amount of unused vacation accumulated by City employees is accrued as an expense when incurred in the Proprietary Fund, which uses the accrual basis of accounting. In the Governmental Funds, only the amount that normally

would be liquidated with expendable available financial resources is accrued as current year expenditures. Unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditures are accrued.

Subscription Based Information Technology Arrangements (SBITA)

Subscription Liabilities represent the City's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of the subscription payments are discounted on a borrowing rate determined by the City.

Deferred Outflows/Inflows of Resources

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

In addition to the liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until then. The City has two items that currently qualify for reporting in the category: the deferred pension obligation and amounts relating to the opioid settlement. The employer deferred pension obligation results from the difference between the expected and actual experience of the pension plan and the net difference between projected and actual investment earnings on the pension plan investments. Opioid settlement amounts are recognized as a deferred inflow of resources until such time an eligible expenditure is incurred.

Advanced Revenue

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

Pensions

For purposes of measuring the net pension liability and pension expense offset, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

Net investment in capital assets – consists of capital assets, net of accumulated depreciation and liability amounts relating to the subscription liabilities.

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

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

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

Fund Balances

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

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

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

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

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

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

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

Risk Management

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Implementation of GASB Statement No. 96

As of October 1, 2022, the City adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset-an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows or resources based on the payment provision of the contract. As a result of implementing this standard the City recognized a right to use a subscription asset and subscription liability of \$644,816 as of September 30, 2023. As a result of these adjustments there was no effect on beginning net position. The additional disclosures required by this standard are included in Note 5.

Note 2 - Cash and Investments

Cash and investments as of September 30, 2023 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 141,642,396
Cash and cash equivalents - restricted	<u>18,045,809</u>
Total cash and cash equivalents	<u>\$ 159,688,205</u>
Investments	\$ 66,729,526
Investments - restricted	<u>2,191,997</u>
Total Investments	<u>\$ 68,921,523</u>
Cash - fiduciary activities	<u>\$ 2,252,601</u>
Total cash - fiduciary activities	<u>\$ 2,252,601</u>

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

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

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

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

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

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

Fair Value Hierarchy

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

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

The City’s investment at September 30, 2023 are valued using the net assets value (NAV) per share, as noted below. Investments valued using the NAV generally do not have readily obtainable market values and are instead valued based on the City’s pro-rata share of the pool’s fair value of the underlying assets.

Investments measured at the net asset value (NAV)

State of Idaho Diversified Bond Fund (DBF)	\$ 68,921,523
Total investments at NAV	\$ 68,921,523

Oversight for the Diversified Bond Fund is with the Idaho State Treasurer and Idaho Code, which defines allowable investments. In general, the investment guidelines require that funds be invested in high quality securities in a manner that provides higher total return than the shorter pools given a reasonable level of risk measured over a long period.

Securities in DBF are shared positions valued at current market values. The City values these investments based on information provided by the State of Idaho Treasurer’s Office. The following table presents the unfunded commitments, redemption frequency and the redemption notice period for the City’s investments measured at the NAV:

Investments Measured at the NAV				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
State of Idaho Diversified Bond Fund (DBF)	\$ 68,921,523	None	Monthly	5-25 days

Interest Rate Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Duration</u>
Idaho Diversified Bond Fund (DBF)	\$ 68,921,523	not rated	2.86
Idaho Local Government Investment Pool (LGIP)	143,036,392	not rated	0.33 years
Money market funds	2,753,419	not rated	
Other cash amounts	<u>13,898,394</u>		
 Total cash and investments	 <u>\$ 228,609,728</u>		

Credit Risk

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

Concentration of Credit Risk

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

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

Custodial Credit Risk

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

At year end, the carrying amount of the City’s cash deposits was \$159,688,206 and the bank balance was \$160,076,622. Of the bank balance \$250,000 was covered by federal depository insurance, \$2,753,419 was collateralized with securities held at the Federal Home Bank of Seattle for First Interstate Bank and pledged to the City of Meridian, \$143,036,392 was held by the State of Idaho Local Group Investment Pool, and the remainder of the City’s deposits of \$14,224,193 with First Interstate Bank are secured in an undivided collateral pool for public agencies.

It is the City’s policy to minimize exposure to custodial credit risk with investments by requiring that to the extent possible they be identified as to City of Meridian ownership and be held in the City’s name. The City further reduces risk by confining investments to insured levels in any one institution.

Note 3 - Due from Other Governmental Units

The following summarizes the intergovernmental receivables at September 30, 2023:

State of Idaho		
State Liquor Dispensary	\$	413,105
State Tax Commission		3,677,990
Idaho Transportation Department		11,900
Idaho Attorney General		49,254
Federal agencies		209,870
Other Governmental Agencies		
West Ada School District		3,313
Meridian Rural Fire District		397,985
Ada County		110,326
Total Due from Other Governmental Units	\$	4,873,743

Note 4 - Note Receivable

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

	Beginning Balance as of Oct 1, 2022	Interest and Adjustments	Payments	Ending Balance as of Sep 30, 2023
Long-term note receivable	\$ 349,244	\$ 11,786	\$ (59,820)	\$ 301,210

The following represents future expected receipts from the note receivable amount:

<u>Fiscal Years</u>	<u>Annual Payment</u>
2024	\$ 36,816
2025	36,816
2026	36,816
2027	36,816
2028	36,816
2029 - 2031	<u>117,130</u>
Total	<u>\$ 301,210</u>

Note 5 - Capital Assets

Changes to capital assets are as follows:

Governmental Activities	Balance Oct. 1, 2022	Additions	Deletions	Transfers	Balance Sept. 30, 2023
Capital assets, not depreciated					
Land	\$ 30,305,124	\$ -	\$ -	\$ -	\$ 30,305,124
Easements	749,317	82,847	-	-	832,164
Construction in progress	16,064,385	16,148,292	-	(4,662,766)	27,549,911
Total capital assets, not depreciated	<u>47,118,826</u>	<u>16,231,139</u>	<u>-</u>	<u>(4,662,766)</u>	<u>58,687,199</u>
Capital assets, depreciated					
Buildings	53,316,583	10,528,284	-	4,114,683	67,959,550
Improvements other than buildings	53,763,373	919,179	-	367,055	55,049,607
Internally developed software	514,166	-	-	-	514,166
Equipment	21,210,982	4,174,656	181,453	181,028	25,385,213
Total capital assets, depreciated	<u>128,805,104</u>	<u>15,622,119</u>	<u>181,453</u>	<u>4,662,766</u>	<u>148,908,536</u>
Less accumulated depreciation for					
Buildings	18,912,698	1,871,504	-	-	20,784,202
Improvements other than buildings	24,215,022	2,517,579	-	-	26,732,601
Internally developed software	330,792	92,769	-	-	423,561
Equipment	14,703,517	1,857,555	181,453	-	16,379,619
Total accumulated depreciation	<u>58,162,029</u>	<u>6,339,407</u>	<u>181,453</u>	<u>-</u>	<u>64,319,983</u>
Total net capital assets, depreciated	<u>70,643,075</u>	<u>9,282,712</u>	<u>-</u>	<u>-</u>	<u>84,588,553</u>
Governmental activities capital assets, net	<u>\$ 117,761,901</u>	<u>\$ 25,513,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,275,752</u>

City of Meridian, Idaho
Notes to Financial Statements
September 30, 2023

Business-Type Activities	Balance Oct. 1, 2022	Additions	Deletions	Transfers	Balance Sept. 30, 2023
Capital assets, not depreciated					
Land	\$ 6,249,313	\$ -	\$ -	\$ -	\$ 6,249,313
Easements	10,087,701	10,038,875	-	-	20,126,576
Construction in progress	<u>20,163,489</u>	<u>15,172,988</u>	<u>-</u>	<u>(6,992,194)</u>	<u>28,344,283</u>
Total capital assets, not depreciated	<u>36,500,503</u>	<u>25,211,863</u>	<u>-</u>	<u>(6,992,194)</u>	<u>54,720,172</u>
Capital assets, depreciated					
Buildings and improvements other than buildings	152,053,561	-	-	-	152,053,561
Sewer and water lines	265,371,587	11,924,473	31,315	1,901,588	279,166,333
Machinery and equipment	<u>55,367,506</u>	<u>822,625</u>	<u>13,212</u>	<u>5,090,606</u>	<u>61,267,525</u>
Total capital assets, depreciated	<u>472,792,654</u>	<u>12,747,098</u>	<u>44,527</u>	<u>6,992,194</u>	<u>492,487,419</u>
Less accumulated depreciation for					
Buildings and improvements other than buildings	54,253,186	6,810,039	-	-	61,063,225
Sewer and water lines	64,496,104	5,495,363	-	-	69,991,467
Machinery and equipment	<u>33,524,161</u>	<u>2,107,216</u>	<u>13,212</u>	<u>-</u>	<u>35,618,165</u>
Total accumulated depreciation	<u>152,273,451</u>	<u>14,412,618</u>	<u>13,212</u>	<u>-</u>	<u>166,672,857</u>
Total net capital assets, depreciated	<u>320,519,203</u>	<u>(1,665,520)</u>	<u>31,315</u>	<u>6,992,194</u>	<u>325,814,562</u>
Business-type activities capital assets, net	<u>\$ 357,019,706</u>	<u>\$ 23,546,343</u>	<u>\$ 31,315</u>	<u>\$ -</u>	<u>\$ 380,534,734</u>

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

Governmental activities	
General government	\$ 1,374,040
Public safety	2,157,773
Parks and recreation	<u>2,807,594</u>
Total depreciation expense - governmental activities	<u>\$ 6,339,407</u>
Business-type activities	
Water and Sewer	<u>\$ 14,412,618</u>
Total depreciation expense - business-type activities	<u>\$ 14,412,618</u>

Subscription-Based Information Technology Arrangements (SBITA's)

The City has entered into three SBITA contracts for fleet management and office software. The City is required to make principal and interest payments through September 2025. The SBITA contracts have interest rates between 5.95% and 5.99%.

	Restated Balance Oct. 1, 2022	Additions	Deletions	Transfers	Balance Sept. 30, 2023
Right to use Subscription					
IT Assets Being Amortized	\$ 644,816	\$ -	\$ -	\$ -	\$ 644,816
Less Accumulated Amortization	-	(270,694)	-	-	(270,694)
Net right to use subscription IT assets	<u>\$ 644,816</u>	<u>\$ (270,694)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374,122</u>

Amortization expense for the year ended September 30, 2023 was charged to the following functions/programs:

Administration	<u>\$ 270,694</u>
Total amortization expense	<u><u>\$ 270,694</u></u>

Note 6 - Interfund Balances and Transfers

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

	Transfer In		Total
	General Fund	Capital Projects Fund	
Transfer out			
General fund	\$ -	\$ 3,647,538	\$ 3,647,538
Enterprise fund	3,369,332	-	3,369,332
Total transfers	<u>\$ 3,369,332</u>	<u>\$ 3,647,538</u>	<u>\$ 7,016,870</u>

The transfer from the enterprise fund to the general fund was related to personnel and operating costs that were paid by the general fund during FY2023. The transfer from the general fund to the capital projects fund includes \$3,647,538 from the excess of building permit revenues from prior year.

Note 7 - Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended September 30, 2023:

	Restated Balance Oct.1, 2022	Obligation Issued	Obligation Retired	Balance Sept. 30, 2023	Due Within One Year
Governmental Activities					
Accrued vacation	\$ 3,452,370	\$ 4,187,515	\$ 3,819,283	\$ 3,820,602	\$ 477,559
Right to use subscription IT liability	644,816	-	(332,030)	312,786	312,786
	<u>\$ 4,097,186</u>	<u>\$ 4,187,515</u>	<u>\$ 3,487,253</u>	<u>\$ 4,133,388</u>	<u>\$ 790,345</u>
Business-Type Activities					
Accrued vacation	\$ 553,683	\$ 598,193	\$ 516,932	\$ 634,944	\$ 63,493
Settlement payable	240,000	-	-	240,000	240,000
	<u>\$ 793,683</u>	<u>\$ 598,193</u>	<u>\$ 516,932</u>	<u>\$ 874,944</u>	<u>\$ 303,493</u>

Note 8 - Fund Balances – Governmental Funds

	Balance Oct. 1, 2022	Net Change	Balance Sept. 30, 2023
Fund Balances			
Nonspendable			
Prepays	\$ 4,464,938	\$ (4,421,535)	\$ 43,403
Inventory for Lakeview Golf Course	67,861	25,908	93,769
Restricted			
Impact fund	6,656,787	10,022,146	16,678,933
Impact fund budget carryforward	15,364,327	(12,217,133)	3,147,194
Grant fund	1,289	(2)	1,287
Committed			
Capital projects fund	4,396,639	6,099,397	10,496,036
Capital projects budget carryforward	13,192,326	(10,676,740)	2,515,586
Public safety fund	3,786,381	2,244,088	6,030,469
Public safety budget carryforward	734,164	(734,164)	-
Assigned			
General fund budget carryforward	13,317,267	(4,215,749)	9,101,518
Capital Improvement Plan	16,000,000	4,000,000	20,000,000
Comm. Dev. excess revenue transfer	3,671,538	472,588	4,144,126
Operating reserve	20,986,188	(1,600,076)	19,386,112
Emergency reserve	4,840,878	1,386,994	6,227,872
Unassigned	1,351,496	1,012,473	2,363,969
Total fund balances	<u>\$ 108,832,079</u>	<u>\$ (8,601,805)</u>	<u>\$ 100,230,274</u>

Note 9 - Defined Benefit Pension Plan

Plan Description

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

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2023, it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% for general employees and 12.28% for police and firefighters. On July 1, 2023, the rate decreased for general employees to 6.71% and the rate for police and fire increased to 9.83%. For employer contributions, on July 1, 2023, the employer contribution rate decreased for general employees to 11.18% and increased for police and fire to 13.26%. The City's contributions were \$5,664,471 for the year ended September 30, 2023.

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

At September 30, 2023, the City reported a liability its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2023, the City's proportion was 1.07279264 percent compared to 0.99154416 percent at June 30, 2022.

For the year ended September 30, 2023, the City recognized pension expense of \$6,755,344. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,338,236	\$ -
Changes in assumptions or other inputs	4,239,252	-
Net difference between projected and actual earnings on pension plan investments	4,018,500	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate	1,625,611	-
City contributions subsequent to the measurement date	1,465,785	-
 Total	 \$ 18,687,384	 \$ -

The City reported \$1,465,785 as deferred outflows of resources related to the pension resulting from Employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension asset in the year ending September 30, 2024.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2022, the beginning of the measurement period ended June 30, 2023, is 4.4 years.

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

Years Ended September 30,	
2024	\$ 6,174,368
2025	3,088,173
2026	8,477,766
2027	(518,708)

Components of Net Pension Liability

The net pension liability is calculated using a discount rate of 6.35%, which is the expected rate of return on investments reduced by investment expenses. The net pension liability was determined by an actuarial valuation as of July 1, 2023, applied to all prior periods included in the measurement. Actuarial valuation involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the net pension asset are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Economic assumptions were studied in an experience study performed for the period 2015 through 2020. Demographic assumptions, including mortality were studied for the period 2015 through 2020.

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability (asset) in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries. These rates were adopted for the valuation dated July 1, 2021.

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries - Males	Pub-2010 General Tables, increased 11%.
General Employees and All Beneficiaries - Females	Pub-2010 General Tables, increased 21%.
Teachers - Males	Pub-2010 Teacher Tables, increased 12%.
Teachers - Females	Pub-2010 Teacher Tables, increased 21%.
Fire & Police - Males	Pub-2010 Safety Tables, increased 21%.
Fire & Police - Females	Pub-2010 Safety Tables, increased 26%.
	5% of Fire and Police active member deaths are assumed to be duty related. This assumption was adopted July 1, 2021.
Disabled Members - Males	Pub-2010 Disabled Tables, increased 38%.
Disabled Members - Females	Pub-2010 Disabled Tables, increased 36%.

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. The assumptions and the System’s formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI’s assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

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

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset). The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of The Employer's Proportionate Share of The Net Pension Liability (Asset) To Changes In The Discount Rate.

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

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	<u>\$ 76,998,461</u>	<u>\$ 42,811,620</u>	<u>\$ 14,870,288</u>

Pension Plan Fiduciary Net Position

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

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

Payables to The Pension Plan

At September 30, 2023, the City reported payables to the defined benefit pension plan of \$502,769 for legally required employer contributions and \$342,815 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 10 - Other Commitments

The City had the following commitments at September 30, 2023:

Commitments	Amount
Buildings & Structures	\$ 6,913,581
Parks/Pathways Construction & Improvements	3,372,933
Wastewater Treatment Plant Improvements	16,497,117
Water/Sewer Line Improvements	5,003,044
Well Improvements	10,111,056
Total Commitments	\$ 41,897,731

Note 11 - Contingent Liabilities

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

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

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

In 2014, the City of Meridian entered into a Settlement and Mutual Release Agreement with Bittercreek Meadows Subdivision Homeowners Association in which the City agreed to connect 24 lots to the City of Kuna's wastewater treatment plant. The cost to do this is not known since it is dependent on development of adjoining vacant land but an estimated cost of \$240,000 was recorded and is reflected in the Statement of Net Position for our Proprietary Fund.

Note 12 - Related Party

The City partners with Meridian Development Corporation (MDC) for various downtown improvements. During the year ended September 30, 2023, MDC agreed to contribute \$10,000 for Concerts on Broadway.

Note 13 - Component Unit

The Meridian Development Corporation (MDC) is created by and exists under the Idaho Urban Renewal Law of 1965, as amended, and is a separate legal entity. In July 2016, the City approved the establishment of MDC's second district, known as the Ten Mile District. A third district was established in June 2020, known as Union Block District. In December 2021, the City approved the establishment of a fourth district known as the Northern Gateway District and in December 2021 a fifth district was established known as the Linder District.

MDC – Cash and Cash Equivalents

As of September 30, 2023, the account balance of the checking account was \$8,192,851. \$7,931,092 was uninsured and uncollateralized as of September 30, 2023. Cash is held in the custody of Washington Trust Bank in MDC's name.

MDC – Capital Assets

Changes to capital assets are as follows:

	Balance <u>Oct. 1, 2022</u>	Additions	Deletions	Transfers	Balance <u>Sept. 30, 2023</u>
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 672,384	\$ -	\$ -	\$ -	\$ 672,384
Total capital assets, not depreciated	<u>672,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 672,384</u>
Capital assets, depreciated					
Equipment	-	-	-	-	-
Intangibles	140,547	-	-	-	140,547
Total capital assets, depreciated	<u>140,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,547</u>
Less accumulated depreciation for					
Equipment	-	-	-	-	-
Intangibles	(140,547)	-	-	-	(140,547)
Total accumulated depreciation	<u>(140,547)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(140,547)</u>
Total net capital assets, depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 672,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 672,384</u>

MDC – Commitments and Contingencies

On February 8, 2017, amended on March 13, 2017, and amended on December 15, 2021, MDC entered into a Owner Participation Agreement with Ten Mile Crossing, Inc., Brighton Corporation, SCS Brighton LLC, Brighton Investments LLC, SCS Investments LLC, and SBG Ten Mile Office No. 1, LLC (the Ten Mile Developers) to carry out the approved urban renewal plan. This agreement contemplates that the Ten Mile Developers will develop the property by constructing private improvements. Eligible public improvements are to be constructed in phases and reimbursed from future tax increment revenues. As of September 30, 2023, the Ten Mile Developers have incurred life-to-date eligible expenses and requested reimbursements totaling \$5,047,471. Of this amount, \$1,337,587 was paid by MDC in fiscal year 2023 and \$2,811,416 was paid by MDC in prior fiscal years. The remaining amount of \$898,468 is to be paid, contingent upon the future receipt of tax increment.

On January 26, 2022, MDC entered into a Development Agreement with East Broadway Investment Company, LLC (the Union Developers) to carry out the approved urban renewal plan. This agreement contemplates that the Union Developers will develop the property by constructing private improvements. Eligible public improvements are to be constructed in phases and reimbursed from future tax increment revenues. As of September 30, 2023, the Union Developers have incurred life-to-date eligible expenses and requested reimbursements totaling \$750,000. Of this amount, no amount was paid by MDC in fiscal year 2023. The remaining amount of \$750,000 is to be paid, contingent upon the future receipt of tax increment.

On October 10, 2018, amended on April 28, 2021, MDC entered into a Development Agreement with Novembrewhisky Properties, LLC, Pacific West Communities, Inc., and Pacific West Builders, Inc. (the Old City Hall Developers) to carry out the approved urban renewal plan. This agreement contemplates that the Old City Hall Developers will develop the property by constructing private improvements. Eligible public improvements are to be constructed in phases and reimbursed from future tax increment revenues. As of September 30, 2023, the Old City Hall Developers have incurred life-to-date eligible expenses and requested reimbursements totaling \$678,000. Of this amount, \$60,304 was paid by MDC in fiscal year 2023 and \$23,673 was paid by MDC in prior fiscal years. The remaining amount of \$594,023 is to be paid, contingent upon the future receipt of tax increment.

On January 8, 2020, amended on August 1, 2020, MDC entered into a Development Agreement with RWP/Meridian, LLC and MKA, LLC (the Bower Street Developers) to carry out the approved urban renewal plan. This agreement contemplates that the Bower Street Developers will develop the property by constructing private improvements. Eligible public improvements are to be constructed in phases and reimbursed from future tax increment revenues. As of September 30, 2023, the Bower Street Developers have incurred life-to-date eligible expenses and requested reimbursements totaling \$224,000. Of this amount, \$28,391 was paid by MDC in fiscal year 2023. The remaining amount of \$195,609 is to be paid, contingent upon the future receipt of tax increment.

Note 14 - Subsequent Events

Subsequent to year end, the City entered into a contract agreement for new HR, Payroll and Time Keeping software, two new City Council members were elected, and the City approved the acceptance of the federal program, the SAFER grant for approximately \$8.1 million.



Required Supplementary Information
September 30, 2023

City of Meridian, Idaho

City of Meridian, Idaho
 Schedule of Employer's Share of Net Pension Liability (Asset) and Employer Contributions
 Year Ended September 30, 2023

	Schedule of Employer's Share of Net Pension Liability (Asset)									
	PERSI - Base Plan									
	Last 10 - Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Employer's portion of net pension liability (asset)	0.0107279264	0.0099154416	(0.99528992%)	0.95173640%	0.91855720%	0.86932910%	0.83853670%	0.83279220%	0.83092250%	0.78774420%
Employer's proportionate share of the net pension liability (asset)	\$ 42,811,620	\$ 39,054,528	\$ (786,060)	\$ 22,100,578	\$ 10,485,074	\$ 12,822,757	\$ 13,180,357	\$ 16,881,978	\$ 10,941,899	\$ 5,799,030
Employer's covered payroll	45,935,142	39,201,449	37,294,313	34,691,943	31,370,306	28,067,928	26,158,967	24,506,473	23,418,704	21,670,660
Employer's proportional share of the net pension liability (asset) as a percentage of its covered payroll	93.20%	99.63%	(2.11%)	63.71%	33.42%	45.68%	50.39%	68.89%	46.72%	26.76%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.83%	83.09%	(100.36%)	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%	94.95%

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

City of Meridian, Idaho
 Schedule of Employer's Share of Net Pension Liability (Asset) and Employer Contributions
 Year Ended September 30, 2023

	Schedule of Employer's Share of Net Pension Liability (Asset)									
	PERSI - Base Plan									
	Last 10 - Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 5,571,933	\$ 4,680,653	\$ 3,929,693	\$ 3,734,052	\$ 3,514,771	\$ 3,375,966	\$ 2,827,648	\$ 2,475,578	\$ 2,717,964	\$ 2,560,496
Contributions in relation to the statutorily required contribution	5,664,471	4,851,076	4,487,967	4,134,783	3,669,576	3,228,459	3,001,437	2,796,909	2,682,620	2,461,739
Contribution (deficiency) excess	(92,538)	(170,423)	558,274	400,731	154,805	(147,507)	173,789	321,331	(35,344)	(98,758)
Employer's covered payroll	47,643,586	41,398,069	38,316,891	34,957,831	32,747,790	28,750,964	26,645,195	24,966,360	24,029,237	22,142,233
Contributions as a percentage of covered payroll	11.89%	11.72%	11.71%	11.83%	11.21%	11.23%	11.26%	11.20%	11.16%	11.12%

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

City of Meridian, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 45,556,044	\$ 45,556,044	\$ 45,983,863	\$ 427,819
Licenses and permits	9,263,994	9,263,994	11,038,830	1,774,836
Intergovernmental	17,521,587	31,594,642	18,456,373	(13,138,269)
Franchise fees	1,795,898	1,795,898	2,447,941	652,043
Fines and forfeitures	486,257	705,721	637,304	(68,417)
Charges for services	4,094,102	4,110,601	5,326,777	1,216,175
Impact revenues	6,845,351	6,845,351	9,633,342	2,787,991
Donations	900,000	920,845	107,775	(813,070)
Interest	445,102	445,102	3,294,149	2,849,047
Miscellaneous	11,236	11,236	89,608	78,372
Total revenues	86,919,571	101,249,434	97,015,962	(4,233,473)
Expenditures				
General government personnel costs	7,115,490	7,219,690	6,932,364	287,326
General government operating expense	7,761,420	21,160,957	5,792,864	15,368,093
Public safety				
Police personnel costs	25,030,256	25,038,269	24,926,889	111,380
Police operating expense	4,934,011	5,006,203	4,743,410	262,793
Fire personnel costs	16,622,414	16,862,961	16,265,754	597,207
Fire operating expense	3,184,022	3,345,759	3,241,734	104,025
Parks and recreation personnel costs	5,222,622	5,222,622	5,090,482	132,140
Parks and recreation operating expense	4,782,179	4,656,859	4,811,336	(154,477)
Community development personnel costs	4,877,309	4,877,309	3,738,899	1,138,410
Community development operating expense	4,005,999	4,070,463	3,149,364	921,099
Capital outlay				
General government	443,986	583,210	882,310	(299,100)
Public safety				
Police	6,084,781	5,124,599	2,612,736	2,511,863
Fire	11,110,934	9,384,005	9,460,860	(76,855)
Parks and recreation	20,923,737	14,476,153	9,083,498	5,392,655
Total expenditures	122,099,160	127,029,059	100,732,500	26,296,559
Excess (Deficiency) of Revenues over (Under) Expenditures	(35,179,589)	(25,779,625)	(3,716,538)	22,063,086

City of Meridian, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund
Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Other Financing Sources (Uses)				
Operating transfer in	3,752,253	3,752,253	3,680,928	(71,325)
Operating transfer out	(261,653)	(261,653)	(3,959,134)	(3,697,481)
Unrealized gain (loss) on investments	-	-	304,989	304,989
IT-subscription asset/liability	-	-	312,786	312,786
Gain on sale of capital assets	-	-	39,055	39,055
Total other financing sources (uses)	<u>3,490,600</u>	<u>3,490,600</u>	<u>378,624</u>	<u>(3,111,976)</u>
Excess (Deficiency) of Revenues				
Other Sources (Uses) over (Under)				
Expenditures	<u>(31,688,989)</u>	<u>(22,289,025)</u>	<u>(3,337,914)</u>	
Fund Balance, Beginning of Year	<u>58,977,688</u>	<u>56,126,011</u>	<u>90,556,566</u>	
Fund Balance, End of Year	<u>\$ 27,288,699</u>	<u>\$ 33,836,986</u>	<u>\$ 87,218,652</u>	

Note 1 - Budgets and Budgetary Accounting

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

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

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

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

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

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

Note 2 - Budget Overages

The Budget to Actual-General Fund budget identified one department that overspent their operational expenses. The Parks Department overspent budgeted operational expenses by \$154,477 as a result of the City taking full operational management of Lakeview Golf Course.

The Budget to Actual General Fund budget identified two departments that overspent their capital budgets. The fire department overspent budgeted capital expenses by \$76,855 as a result of completing the construction of two fire stations. The General Government overspent budgeted capital expenses by \$299,100 as a result of the implementation of a new accounting standard, GASB Statement 96, *Subscription-Based Information Technology Arrangements*.



Other Information
September 30, 2023

City of Meridian, Idaho

City of Meridian, Idaho

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund
Year Ended September 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 687,661	\$ 687,661
Total revenues	-	-	687,661	687,661
Expenditures				
General government capital outlay - Police	4,773,665	4,630,214	3,398,800	1,231,414
General government capital outlay - Fire	9,551,574	8,424,497	6,270,583	2,153,914
Parks and recreation capital outlay	24,076	24,076	-	24,076
Total expenditures	14,349,315	13,078,787	9,669,383	3,409,404
Excess (Deficiency) of revenues over (Under) Expenditures	(14,349,315)	(13,078,787)	(8,981,722)	4,097,065
Other Financing Sources (Uses)				
Operating transfer in	-	-	3,647,538	3,647,538
Unrealized gain (loss) on investments	-	-	70,293	70,293
Total other financing sources (uses)	-	-	3,717,831	3,717,831
Excess (Deficiency) of Revenues and Other Sources (Uses) over (Under) Expenditures	(14,349,315)	(13,078,787)	(5,263,891)	7,814,896
Fund Balance, Beginning of Year	7,018,211	1,987,511	18,275,513	
Fund Balance, End of Year	<u>\$ (7,331,104)</u>	<u>\$ (11,091,276)</u>	<u>\$ 13,011,622</u>	

City of Meridian, Idaho

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Enterprise Fund
Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Water sales	\$ 10,441,338	\$ 10,441,338	\$ 10,675,905	\$ 234,567
Sewer sales	18,806,615	18,806,615	19,479,698	673,083
Other service revenues	300,000	300,000	610,457	310,457
Sale of meters	633,198	633,198	626,592	(6,606)
Trash billing service	1,154,078	1,154,078	1,356,780	202,702
Engineering fees	380,000	380,000	296,700	(83,300)
Assessment revenue and cash donation:	17,431,494	17,783,545	20,990,845	3,207,300
Interest	562,286	562,286	3,857,400	3,295,114
Miscellaneous	-	-	5,330	5,330
Total revenues	49,709,009	50,061,060	57,899,707	7,838,647
Expenditures				
Administration personnel costs	5,669,817	5,669,817	5,344,376	325,441
Administration operating expenses	2,412,389	2,321,702	1,764,841	556,861
Water personnel costs	2,859,583	2,859,583	2,681,301	178,282
Water operating expenses	3,079,631	4,284,631	3,615,856	668,775
Wastewater personnel costs	5,389,154	4,389,154	4,185,227	203,927
Wastewater operating expenses	5,082,941	5,073,479	4,524,535	548,944
Capital outlay	58,775,053	52,668,650	19,338,439	33,330,211
Total expenditures	83,268,568	77,267,016	41,454,575	35,812,441
Excess (Deficiency) of Revenues over (Under) Expenditures	(33,559,559)	(27,205,956)	16,445,132	43,651,088
Other Financing Sources (Uses)				
Operating transfer out	(3,490,600)	(3,490,600)	(3,369,332)	121,268
Unrealized gain on investments	-	-	311,632	311,632
Loss on sale of capital assets	(26,993)	(26,993)	(7,931)	19,062
Total other financing sources (uses)	(3,517,593)	(3,517,593)	(3,065,631)	451,962
Excess (Deficiency) of Revenues and Other Sources (Uses) over (Under) Expenditures	(37,077,152)	(30,723,549)	13,379,501	
Fund Balance, Beginning of Year	59,119,710	60,694,963	96,742,066	
Fund Balance, End of Year	\$ 22,042,558	\$ 29,971,414	\$ 110,121,567	
Reconciling items for GAAP Basis Financials				
Deferred outflows			\$ 3,176,856	
Pension liability amount			(7,277,975)	
Accrued vacation			(634,945)	
Retainage payable			(311,038)	
Net invested in capital assets			380,534,734	
Settlement payable			(240,000)	
Net Position, GAAP Basis, End of Year			\$ 485,369,199	



Single Audit Section
September 30, 2023

City of Meridian, Idaho



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Meridian, Idaho (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated March 5, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Boise, Idaho
March 5, 2024



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

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Meridian, Idaho’s (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended September 30, 2023. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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

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

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

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

Boise, Idaho
March 5, 2024

City of Meridian, Idaho
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Entity Identifying Number	Expenditures	Passed- Through to Subrecipients
U.S. Department of Housing and Urban Development				
Community Development Block Grant Entitlement Grants Cluster				
Community Development Block Grants	14.218	N/A	\$ 410,000	\$ 255,021
COVID-19 - Community Development Block Grants	14.218	N/A	320,685	320,685
Total U.S. Department of Housing & Urban Development			730,685	575,706
U.S. Department of Health and Human Services				
<i>Passed through Idaho Office of Drug Policy</i>				
Strategic Prevention Framework	93.423	1H79SP080981-01	7,758	-
Total U.S. Department of Health and Human Services			7,758	-
U.S. Department of Transportation				
<i>Passed through the Idaho State Department of Transportation</i>				
Highway Safety Cluster				
State and Community Highway Safety	20.600	SPT2306	43,000	-
Total U.S. Department of Transportation			43,000	-
U.S. Department of the Treasury				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	824,671	250,000
COVID-19 - Coronavirus Relief Funds	21.019	N/A	10,749	-
Total U.S. Department of the Treasury			835,420	250,000
Total Federal Financial Assistance			\$ 1,616,863	\$ 825,706

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Meridian, Idaho (the City) under programs of the federal government for the year ended September 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows, as applicable, of the City.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

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

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 (a):	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

**2023-001 U.S. Department of the Treasury
Federal Financial Assistance Listing 21.027
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance**

Criteria: Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200.

Condition: We noted that while the City does have a purchasing policy, elements as required by Uniform Guidance are absent from the policy. In addition, elements that are required to be included in contracts with vendors who are paid using federal monies were missing from the contracts.

Cause: The City had not had single audits performed until recently as a result of the increase in funding due to the COVID-19 pandemic. Because of this, they had not updated their purchasing policy to be compliance with Uniform Guidance.

Effect: While our testing noted no instances of noncompliance, the absence of internal controls over compliance as it relates to having a Uniform Guidance compliant policy, could lead the City to enter into covered transactions that are not compliant with federal regulations.

Questioned Costs: None reported.

Context/Sampling: Sampling was not used to test the policy.

Repeat Finding from Prior Year(s): No

Recommendation: The City should review the applicable provisions of the CFR to ensure their written procurement policy is compliant with Uniform Guidance requirements.

Views of Responsible Officials: Management agrees with the finding.