

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2014**

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
City of Kimberly  
Kimberly, Idaho 83341

December 1, 2014

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Kimberly as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kimberly, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 14 to the financial statements, in 2013, the City early implemented GASB Statement No. 65 Items Previously Reported as Assets and Liabilities (GASB 65) for the fiscal year ending September 30, 2013. Because of the early implementation, there are no required adjustments as would be expected had the early implementation not occurred. My opinion is not modified with respect to these matters.

**Other Matters**

*Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kimberly's basic financial statements. The combining business-type activity financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated December 1, 2014, on our consideration of the City of Kimberly's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kimberly's internal control over financial reporting and compliance

Sincerely,

*R. Michael Burr*

R. Michael Burr  
Certified Public Accountant

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

		<u>Governmental Activities</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and Cash Equivalents	\$ 229,544	
Investments	674,864	
Inventory	8,856	
Prepaid Expenses	21,944	
Net Receivables	<u>85,782</u>	
 <b><u>TOTAL CURRENT ASSETS</u></b>		 <b>\$ 1,020,990</b>
<b><u>NONCURRENT ASSETS</u></b>		
Long-Term Receivables	\$ 41,694	
Restricted Assets	25,000	
Capital Assets (non-depreciated)	507,321	
Capital Assets (net)	<u>6,370,088</u>	
 <b><u>TOTAL NONCURRENT ASSETS</u></b>		 <b><u>6,944,103</u></b>
<b><u>TOTAL ASSETS</u></b>		<b><u>7,965,093</u></b>
 <b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts Payable	\$ 3,633	
Payroll Benefits Payable	1,968	
Deposits Payable	5,832	
Accrued Interest Payable	1,493	
Current Portion of Long-term Debt	<u>42,356</u>	
 <b><u>TOTAL CURRENT LIABILITIES</u></b>		 <b>55,282</b>
<b><u>NONCURRENT LIABILITIES</u></b>		
Compensated Absences	\$ 46,375	
Capital Lease Payable (net of current portion)	90,769	
Bond Payable (net of current portion)	<u>          </u>	
 <b><u>TOTAL NONCURRENT LIABILITIES</u></b>		 <b><u>137,144</u></b>
<b><u>TOTAL LIABILITIES</u></b>		<b><u>192,426</u></b>
 <b><u>NET POSITION</u></b>		
Invested in Capital Assets, net of related debt	\$ 6,742,791	
Restricted for:		
Library	33,740	
Sewer Capacity		
Unrestricted	<u>996,136</u>	
 <b><u>TOTAL NET POSITION</u></b>		 <b><u>\$ 7,772,667</u></b>

See accompanying notes to the basic financial statements

<u>Business-type Activities</u>		<u>Total</u>
\$ 724,927		\$ 954,471
1,388,819		2,063,683
		8,856
		21,944
<u>138,617</u>		<u>224,399</u>
	\$ 2,252,363	\$ 3,273,353
\$		\$ 41,694
67,934		25,000
<u>11,720,711</u>		<u>575,255</u>
		<u>18,090,799</u>
	11,788,645	18,732,748
	<u>14,041,008</u>	<u>22,006,101</u>
\$ 29,823		\$ 33,456
		1,968
18,185		24,017
2,190		3,683
<u>245,081</u>		<u>287,437</u>
	295,279	350,561
\$ 203,921		46,375
<u>5,124,425</u>		<u>294,690</u>
	5,328,346	5,124,425
	<u>5,623,625</u>	<u>5,465,490</u>
\$ 6,215,218		\$ 12,958,009
		33,740
18,600		18,600
<u>2,183,565</u>		<u>3,179,701</u>
	\$ 8,417,383	\$ 16,190,050

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Primary Government Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Governmental Activities:</u>				
Administration and General Gov't.	\$ 297,657	\$ 11,267		
Planning and Zoning	68,406	6,865		
Building Inspection	22,136	51,255		
Police Department	532,409	77,377	\$ 3,766	
Community Service	66,772			
Street Department	235,733		110,851	\$ 456,236
Sanitation Department	167,783	172,229		
Park Department	58,279			11,510
Library Services	65,291			
Debt Service - Interest on Debt	3,945			
	<u>1,518,411</u>	<u>318,993</u>	<u>114,617</u>	<u>467,746</u>
 <u>Business-Type Activities</u>				
Water Fund	693,658	820,615		
Sewer Fund	708,101	789,421		
	<u>1,401,759</u>	<u>1,610,036</u>	<u>0</u>	<u>0</u>
<u>Total Business-Type Activities</u>	<u>1,401,759</u>	<u>1,610,036</u>	<u>0</u>	<u>0</u>
<u>Total Primary Government</u>	<u>\$ 2,920,170</u>	<u>\$ 1,929,029</u>	<u>\$ 114,617</u>	<u>\$ 467,746</u>

General Revenue  
Property Taxes  
Other Tax Revenue  
Franchise Revenue  
State Programs/Revenue  
Court Fines/Settlements  
Other Revenue  
Investment Earnings

Total General Revenue

Changes in Net Position

Net Position - Beginning

Net Position - Ending

See accompanying notes to the basic financial statements

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (286,390)		\$ (286,390)
(61,541)		(61,541)
29,119		29,119
(451,266)		(451,266)
(66,772)		(66,772)
331,354		331,354
4,446		4,446
(46,769)		(46,769)
(65,291)		(65,291)
(3,945)		(3,945)
<u>(617,055)</u>		<u>(617,055)</u>
	\$ 126,957	126,957
	81,320	81,320
<u>0</u>	<u>208,277</u>	<u>208,277</u>
<u>(617,055)</u>	<u>208,277</u>	<u>(408,778)</u>
866,372		866,372
112,974		112,974
56,696		56,696
151,200		151,200
27,622	96,188	123,810
48,092		48,092
5,444	3,912	9,356
<u>1,268,400</u>	<u>100,100</u>	<u>1,368,500</u>
651,345	308,377	959,722
<u>7,121,322</u>	<u>8,109,005</u>	<u>15,230,327</u>
<u>\$ 7,772,667</u>	<u>\$ 8,417,382</u>	<u>\$ 16,190,049</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 229,544		\$ 229,544
Investments	636,100	\$ 38,764	674,864
Property Taxes Receivable	48,642	1,742	50,384
Accounts Receivable	10,903		10,903
Due From Other Governments	66,189		66,189
Prepaid Expenses	21,944		21,944
Reserved Investments	25,000		25,000
	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,038,322</u></b>	<b><u>\$ 40,506</u></b>	<b><u>\$ 1,078,828</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 3,396	\$ 237	\$ 3,633
Payroll Benefits Payable	1,968		1,968
Interfund Payable	(32,499)	32,499	0
Deposits Payable	5,832		5,832
	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>(21,303)</u></b>	<b><u>32,736</u></b>	<b><u>11,433</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows from Property Taxes	40,306	1,388	41,694
	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b><u>TOTAL DEFERRED INFLOWS OF RESOURCES</u></b>	<b><u>40,306</u></b>	<b><u>1,388</u></b>	<b><u>41,694</u></b>
<b><u>FUND BALANCES</u></b>			
Restricted - Library	25,000	6,382	31,382
Assigned - Capital Projects	859,122		859,122
Unassigned	135,197		135,197
	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b><u>TOTAL FUND BALANCES</u></b>	<b><u>1,019,319</u></b>	<b><u>6,382</u></b>	<b><u>1,025,701</u></b>
	<u>                  </u>	<u>                  </u>	<u>                  </u>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 1,038,322</u></b>	<b><u>\$ 40,506</u></b>	<b><u>\$ 1,078,828</u></b>

See accompanying notes to the basic financial statements

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>REVENUES</u>	General Fund	Library Fund	Total Governmental Funds
Property Taxes	\$ 843,759	\$ 31,586	\$ 875,345
Other Tax Revenue	112,974		112,974
Franchise Revenue	56,696		56,696
Fees, License and Permits	62,522		62,522
State Revenue	262,051		262,051
Zoning Revenue	6,865		6,865
Sanitation Revenue	172,229		172,229
Court Fines	27,622		27,622
Contracts	77,377		77,377
State Grants	149,318		149,318
Federal Grants	322,194		322,194
Lease Revenue	24,726		24,726
Other Revenue	21,353	2,013	23,366
<u>TOTAL REVENUES</u>	<u>2,139,686</u>	<u>33,599</u>	<u>2,173,285</u>
 <u>EXPENDITURES</u>			
Administration and General Government	247,276		247,276
Planning and Zoning	68,406		68,406
Building Inspection	22,136		22,136
Police Department	598,279		598,279
Community Service	57,208		57,208
Street Department	430,345		430,345
Sanitation Department	167,783		167,783
Park Department	58,279		58,279
Capital Projects - Grants	1,174,980		1,174,980
Library Services		65,291	65,291
<u>TOTAL EXPENDITURES</u>	<u>2,824,692</u>	<u>65,291</u>	<u>2,889,983</u>
 <u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>	 <u>(685,006)</u>	 <u>(31,692)</u>	 <u>(716,698)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Investment Revenue	5,403	41	5,444
Interfund Transfers	(74,714)	74,714	
Proceeds From Capital Leases	86,289		86,289
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>16,978</u>	<u>74,755</u>	<u>91,733</u>
 <u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	 <u>(668,028)</u>	 <u>43,063</u>	 <u>(624,965)</u>
 <u>FUND BALANCE - BEGINNING</u>	 <u>1,687,347</u>	 <u>(36,681)</u>	 <u>1,650,666</u>
 <u>FUND BALANCE - ENDING</u>	 <u>\$ 1,019,319</u>	 <u>\$ 6,382</u>	 <u>\$ 1,025,701</u>

See accompanying notes to the basic financial statements

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**SEPTEMBER 30, 2014**

<u>Total Governmental Fund Balances</u>	\$ 1,025,701
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Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balances, \$595,639 non-dpreciated assets and \$7,629,108 net of accumulated depreciation of \$1,347,338.

\$ 6,877,409

Supplies purchased are reported as expenditures for fund reporting but are expensed as used for government-wide statements.

8,856

Interest is recorded when paid for funds but is reported when payable in the current period for government wide statements.

(1,493)

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

41,694

Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated Absences

(46,375)

Capital Leases

(133,125)

Net Changes

6,746,966

Net Position of Governmental Activities

\$ 7,772,667

See accompanying notes to the basic financial statements

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net Change in Fund Balances - Governmental Fund Balances \$ (624,965)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

- Depreciation	(206,972)
- Capital Outlay	1,544,381

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(8,973)
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Supplies are expended in fund accounting when purchased but are expensed in the Statement of Activities when actually used.

In the Statement of Activities, interest is accrued on outstand bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,400)
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In the fund financial statements, compensated absences are reported when paid, while in the Statement of Activities, compensated absences are reported when earned.	(11,613)
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Capital leasing activitives are reported as lease payments and other financing sources in fund accounting but the government-wide statements report it as an increase/decrease to long-term debt on the Statement of Net Position.	
- Principal Payment	47,176
- Lease Proceeds	(86,289)

<u>Net Changes</u>	<u>1,276,310</u>
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<u>Change in Net Position of Governmental Activities</u>	<u>\$ 651,345</u>
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See accompanying notes to the basic financial statements

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2014**

		<u>Enterprise Fund</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and Cash Equivalents	\$ 724,927	
Investments	1,388,819	
Net Receivables	<u>138,617</u>	
 <b><u>TOTAL CURRENT ASSETS</u></b>		 <b>\$ 2,252,363</b>
<b><u>NONCURRENT ASSETS</u></b>		
Capital Assets (non-depreciated)	\$ 67,934	
Capital Assets (net)	<u>11,720,711</u>	
 <b><u>TOTAL NONCURRENT ASSETS</u></b>		 <b><u>11,788,645</u></b>
 <b><u>TOTAL ASSETS</u></b>		 <b><u>\$ 14,041,008</u></b>
 <b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts Payable	\$ 29,823	
Accrued Interest Payable	2,190	
Deposits Payable	18,185	
Current Portion of Long-term Debt	<u>245,081</u>	
 <b><u>TOTAL CURRENT LIABILITIES</u></b>		 <b>\$ 295,279</b>
<b><u>NONCURRENT LIABILITIES</u></b>		
Capital Lease Payable (net of current portion)	\$ 203,921	
Bond Payable (net of current portion)	<u>5,124,425</u>	
 <b><u>TOTAL NONCURRENT LIABILITIES</u></b>		 <b><u>5,328,346</u></b>
 <b><u>TOTAL LIABILITIES</u></b>		 <b>5,623,625</b>
 <b><u>NET POSITION</u></b>		
Invested in Capital Assets, net of related debt	\$ 6,215,218	
Restricted for:		
Sewer Capacity	18,600	
Unrestricted	<u>2,183,565</u>	
 <b><u>TOTAL NET POSITION</u></b>		 <b><u>8,417,383</u></b>
 <b><u>TOTAL LIABILITIES AND NET POSITION</u></b>		 <b><u>\$ 14,041,008</u></b>

See accompanying notes to the basic financial statements

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

		Enterprise Fund
<b><u>OPERATING REVENUES</u></b>		
Service Fees	\$ 1,423,865	
Service Hookups	131,730	
Late Fees and Fines	20,979	
Canal Company Shares	18,000	
Other Revenue	15,462	
<b><u>TOTAL OPERATING REVENUES</u></b>		\$ 1,610,036
 <b><u>OPERATING EXPENSES</u></b>		
Salaries and Benefits	\$ 413,124	
Supplies	47,400	
Travel and Training	3,749	
Professional Fees	51,245	
Interceptor	229,442	
Administrative Supplies/Expenses	10,559	
Insurance	37,430	
Utilities	84,236	
Fuel	9,151	
Repairs and Maintenance	69,566	
Water/Sewer Testing and Assessments	16,853	
Depreciation	370,293	
<b><u>TOTAL OPERATING EXPENSES</u></b>		1,343,048
<b><u>OPERATING INCOME (LOSS)</u></b>		266,988
 <b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
Investment Earnings	\$ 3,912	
Court/Legal Settlement	96,188	
Interest Expense	(58,711)	
<b><u>TOTAL NONOPERATING REVENUE (EXPENSES)</u></b>		41,389
<b><u>CHANGE IN NET POSITION</u></b>		308,377
<b><u>TOTAL NET POSITION - BEGINNING</u></b>		8,109,005
<b><u>TOTAL NET POSITION - ENDING</u></b>		\$ 8,417,382

See accompanying notes to the basic financial statements

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

		<u>Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts Form Customers	\$ 1,621,246	
Payments to Suppliers	(599,223)	
Payments to Employees	(413,124)	
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		\$ 608,899
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal Paid on Capital Debt	\$ (853,522)	
Proceeds from Borrowing Capital Debt	131,639	
Proceeds From Court/Legal Settlements	96,188	
Interest Paid on Capital Debt	(58,711)	
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>		(684,406)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of Capital Assets	\$ (138,464)	
Interest	3,912	
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		<u>(134,552)</u>
 <u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		(210,059)
 <u>BALANCES - BEGINNING OF THE YEAR</u>		<u>2,323,805</u>
 <u>BALANCES - END OF THE YEAR</u>		<u>\$ 2,113,746</u>
 <u>BALANCE DISPLAYED AS:</u>		
Cash		\$ 724,927
Investments		<u>1,388,819</u>
		<u>\$ 2,113,746</u>

(Continued)

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Enterprise Fund
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>	
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 266,988
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	370,293
(Increase) Decrease in Accounts Receivable	(18,790)
Increase (Decrease) in Accounts Payable	20,503
Increase (Decrease) in Accrued Interest Payable	(31,386)
Increase (Decrease) in Deposits Payable	1,291
Net Cash Provided (Used) by Operating Activities	\$ 608,899
 <u>NON- CASH TRANSACTIONS</u>	
None	\$ 0

See accompanying notes to the basic financial statements

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. INTRODUCTION**

The City of Kimberly, Idaho, operates under a Council-Mayor form of government. The City's major operations include park, public works and general administrative services. In addition, the City owns and operates a water and sewer system.

The accounting and reporting framework and the more significant accounting principles and practices of City of Kimberly are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the year ended September 30, 2014.

The City is governed by an elected City Council which possesses final decision making authority and is held primarily accountable for those decisions. The Council is responsible for approving the budget, establishing spending limitations, funding any deficits, and borrowing funds and/or issuing bonds to finance municipal system operations and construction. All operations controlled by the Council are included within these financial statements.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

**B - REPORTING ENTITY**

These financial statements present the City (the primary government) and any component units of the City. As defined by GASB No. 14, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City. Based on this definition, the City has no component units.

The City was incorporated on August 8, 1967, under the requirements of Idaho Code 50-101 and in the manner under Idaho Code 50-102. Title 50 of Idaho statutes, Municipal Corporations, dictates the laws that the City must operate under. The City is governed by an elected council and mayor that serve a four year term.

**C - BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's federal grants, state grants, debt service, capital projects, plant facilities, and general administrative services are classified as governmental activities. The City has two services classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (local revenue, education foundation support, grants, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (instruction, support, administrative, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs. All interfund activity has been eliminated.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

**D - BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City can electively add funds, as major funds, which had a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**GOVERNMENTAL FUNDS**

General Fund - The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Special Revenue Funds - Special revenue funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects

Capital Project Funds - The Capital Project Fund is used to account for resources restricted, committed or assigned for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Debt Service Fund - The Debt Service Fund accounts for all financial resources restricted, committed or assigned for the payment of interest and principle on the general long-term debt of the City. Ad valorem taxes are used for the payment of principal and interest on the City's judgment.

**PROPRIETARY FUNDS**

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

**FIDUCIARY FUNDS (Not included in government-wide statements)**

Agency Funds - Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The City has no agency funds.

**E - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item 2. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
  
3. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.
  
1. Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

**F - ASSETS, LIABILITIES, AND EQUITY**

**Cash and Investments**

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits of the City.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods/services type transactions are classified as "due to/from other funds." Short-term interfund loans are reported as "interfund receivable/payable ." Long-term interfund loans (noncurrent portion) are reported as "advances to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 11 for details of interfund transactions, including receivables and payables at year-end. All interfund activity has been eliminated in the government-wide statement of activity.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectable accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, grants, and State foundation funding. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Allowances for uncollectable accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

In the government-wide statements, materials, supplies and food commodities are carried in an inventory account at the lower of cost or market and are subsequently charged to expenditures when consumed. Inventories also include plant maintenance, operating, and instructional supplies. In the fund financial statements, inventory items are recorded as expenditures when purchased.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to bond proceeds to be used for a capital construction project of the City and to state and federal grants. For expenditures that apply to both restricted and unrestricted resources, the City uses restricted funds first.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts and can represent a reservation of fund balances in the governmental fund financial statements. The City does not use encumbrance accounting. Therefore, there is no reservation of fund balance.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Outflows of Resources

Deferred outflows of resources are decreases in net assets that relate to future periods and are reported in a separate section of its government-wide and governmental funds financial statements. No deferred outflows of resources affect the government-wide or governmental funds financial statements in the current year.

Deferred Inflows of Resources

Deferred inflows of resources reflects an increase in net assets that applies to a future period(s) and is because the City will not recognize the related revenues until a future event occurs. The City's governmental funds report a separate section for deferred inflows of resources and has only one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, deferred property taxes and grants are reported in the governmental funds balance sheet. The only deferred outflow of resources reported in its government-wide financial statements is a deferred amount arising from the bond premium arising from when the bond was issued. This deferred premium amount is being amortized over the remaining life of the bond as part of investment income.

Capital Assets

The accounting treatment over capital assets (property, plant, and equipment) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. For fund financial statements, the City has maintained a \$500 limit before an item is recorded as a capital expenditure. The limits for the government-wide statements vary and are shown below.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets are not required to be valued and reported on the City's financial statements and the City has not elected to report them. Therefore, the value of any infrastructure assets purchased prior to July 1, 2003, are not included in these statements.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation based on its capitalization amount. The range of estimated useful lives and capitalization limits by type of asset are as follows:

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<u>Description</u>	<u>Life</u>	<u>Capitalization Amount</u>
Aggregate Cost of Library Books	3	\$5,000
Automobiles	5 - 10	\$5,000
Office and Light-weight Equipment	5	\$5,000
Heavy Equipment	7 - 20	\$10,000
Buildings and Improvements	40	\$15,000
Infrastructure	50	\$50,000

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Liability for Compensated Absences

Employees are allowed to accrue 5 days personal leave each year. At the end of the year, the employees are paid for all unused personal days. The days are paid at the rate paid to substitutes and is included in their June pay check. Therefore, no liability for compensated absences has been incurred or recorded at year end.

Vacation and sick days are not allowed to be carried over at the City level. Therefore, there is no liability associated with vacation or sick leave days.

Long-Term Debt

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight line method. Bond premiums are reported in the deferred inflows of resources section in the statement of net position. Bonds payable are reported net of the applicable bond premium of discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Budget

The Board of Trustees adopts a budget on a basis consistent with the GAAP with minor changes for most funds. The City is required to present the adopted and final amended budget of the general fund and all other funds shown as major funds in the fund financial statements. These items are presented in the required supplementary information section following the notes to the financial statements.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following procedures are followed in establishing the budget for the City:

1. 1) At least 28 days prior to its annual meeting, the city council shall have prepared a budget in a form prescribed by the state statute, and shall have notified the public of the budget hearing.
2. 2) At the public hearing or a special meeting held no later than 14 days after the public hearing, the city council shall adopt a budget for the ensuing year.
3. 3) The city council shall publish a summary statement of the budget in the local newspaper.
4. 4) The City may amend the budget any time during the year but the above procedures must be followed each time a budget amendment is made.

Equity Classifications (Net Position and Fund Balance)

Government-wide Financial Statements

When the City incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position include the following:

Investment in Capital Assets, Net of Related Debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted net position—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position—All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Committed Fund Balance - Includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision making authority, the Board of Trustees.

Assigned Fund Balance - Includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned Fund Balance - Includes the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principals 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**2 - CASH AND INVESTMENTS**

The City's funds are required to be deposited and invested under the terms of Idaho Code Sections 50-1013 and 67-1210. Under Idaho Code, the City, at its own discretion, may invest funds in time deposits and certificates of deposits provided by the depository bank at interest rates approximating United States treasury bill rates.

The classifications of risk associated with cash and investments are concentration of credit risk, interest rate risk, credit risk, and custodial credit risk. These are defined as:

Concentration of Credit Risk - The risk of loss attributed to the magnitude of a government's investment in a single issuer.

Interest Rate Risk - The exposure to an unfavorable change in interest rates.

Credit Risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial Credit Risk - The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**2 - CASH AND INVESTMENTS (Continued)**

The City does not have formal investment policies to limit the concentration of credit risk or the interest rate risk.

At September 30, 2014, the City had a carrying value of cash deposits of \$1,405,040 and a bank balance of \$1,850,932. Based on the above definitions, the City is subject to \$445,891 of concentration of credit risk.

Idaho Code authorizes the City to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The carrying value of investments owned at year end was \$1,462,355, (717,933 Idaho State Local Government Investment Pool and \$744,422 of Federal Home Loan Mortgage Corporation Notes and the Federal Home Loan Bank Notes), which approximates market value.

The Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of AA+ by Standard and Poor's. The City has no investment policy dealing with investment credit risk beyond the requirements in state statutes. The Idaho State Local Government Investment Pool is not rated by any national credit rating agency as to risk.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Notes and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name. Investments by the City in the State Treasury Pool are specifically excluded from reporting for custodial credit risk and concentration of credit risk by GASB 40.

**NOTE 3 - TAXES RECEIVABLE AND DEFERRED TAX REVENUES**

The City's property tax is levied each October on the value listed as of the prior January 1 for all property located in the City. A revaluation of all property is required to be completed no less than every five years. The market value for the list of January 1, 2013, upon which the 2013 levy was based was \$100,605,539.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2014, and maximum levy rates limited by Idaho Code Section 33-802 are as follows:

<u>Type</u>	<u>Rate</u>	<u>Maximum Rate</u>
General	0.8150	0.9000
Library	0.0313	0.1000

At September 30, 2014, the components of taxes receivable are as follows:

<u>Year</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
2013	\$ 24,975	\$ 958	\$ 25,933
2012	13,370	443	13,813
2011	9,867	327	10,194
2010	430	14	444
<u>Total</u>	<u>\$ 48,642</u>	<u>\$ 1,742</u>	<u>\$ 50,384</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 3 - TAXES RECEIVABLE AND DEFERRED TAX REVENUES (Continued)**

For fund financial statements, the recognition of revenue on taxes receivable shall not exceed 60 days collection after the September 30, 2014, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2014, are deferred inflows of resources. The components of deferred inflows of resources for property taxes are as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 40,306
Library Fund	1,388
<u>Total</u>	<u>\$ 41,694</u>

For government-wide statements, an allowance for uncollectable taxes is calculated. However, historical information shows that the uncollectable amount is immaterial to these statements and no allowance will be recorded until it becomes a material amount. Also, the above deferred amounts are not included in the government-wide statements.

**NOTE 4 - DUE FROM OTHER GOVERNMENTS**

The City can participate in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the City receives support from the State of Idaho. Amounts due from federal and state governments at September 30, 2014, are as follows:

<u>Description - Source</u>	<u>General Fund</u>
Highway User - State	\$ 28,569
Liquor Apportionment - State	7,635
Revenue Share - State	29,985
<u>Total</u>	<u>\$ 66,189</u>

**NOTE 5 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The City controls risk of loss by having adequate insurance coverage. The type and coverage amount, which the City believes is proper to protect the City from any losses, is listed below:

Workers Compensation Insurance	Limited by State Law
General Liability	\$ 3,000,000
Boiler and Machinery	100,000,000
Auto	3,000,000
Criminal Acts	500,000
Errors and Omissions	3,000,000
Real and Personal Property	Replacement Value
Chemical Spraying	500,000

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 6 - CONTINGENCIES**

The City is not aware of any pending or threatened litigation which would adversely affect the City. The City has received several federal/state grants for specific purposes that were subject to review and audit of compliance conditions of the programs. The reports on internal accounting controls and compliance elements are contained on page 44 to 47. This audit found no elements of non-compliance with the terms and conditions of the individual programs audited.

**NOTE 7 - RETIREMENT PLAN**

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The City's employer contributions required and paid were \$74,178, \$74,544, and \$74,148 for the three years ended September 30, 2014, 2013, and 2012, respectively.

**NOTE 8 - CAPITAL ASSET ACTIVITY**

Depreciation expense was charged to governmental functions as follows:

General Expense	\$ 26,718
Police	29,840
Community Service	31,215
Street	<u>119,199</u>
Total	<u>\$ 206,972</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 8 - CAPITAL ASSET ACTIVITY (Continued)**

Capital asset activity for the City's governmental functions for the year ended September 30, 2014, was as follows (beginning amounts restated to reflect GASB 34):

	Primary Government - Governmental Activities			Ending Balance
	Beginning Balance	Additions	Retirements	
Not being depreciated:				
Construction-in-process	\$ 88,318		\$ 88,318	\$ 0
Land	507,321			507,321
Subtotal	595,639	\$ 0	\$ 88,318	507,321
Other capital assets:				
Buildings and Improvements	1,735,789			1,735,789
Infrastructure	3,520,296	1,546,410		5,066,706
Equipment	419,601			419,601
Library	205,064			205,064
Automobiles	258,754	86,289	54,777	290,266
Subtotal	6,139,504	1,632,699	54,777	7,717,426
Less accumulated depreciation for:				
Buildings and Improvements	(164,915)	(42,977)		(207,892)
Infrastructure	(359,969)	(101,334)		(461,303)
Equipment	(252,585)	(29,542)		(282,127)
Library	(205,064)			(205,064)
Automobiles	(212,610)	(33,119)	(54,777)	(190,952)
Subtotal	(1,195,143)	(206,972)	(54,777)	(1,347,338)
Net Depreciated Assets	4,944,361	1,425,727	0	6,370,088
Net Capital Assets	<u>\$ 5,540,000</u>	<u>\$ 1,425,727</u>	<u>\$ 88,318</u>	<u>\$ 6,877,409</u>

A summary of property and equipment of proprietary funds is presented below:

	Water Fund	Sewer Fund	Total
Land	\$ 67,934		\$ 67,934
Buildings	85,318	\$ 5,721	91,039
Equipment	217,486	429,326	646,812
Systems	10,944,608	3,377,135	14,321,743
	11,315,346	3,812,182	15,127,528
Less: Accumulated Depreciation	(1,983,460)	(1,355,423)	(3,338,883)
Net Capital Assets	<u>\$ 9,331,886</u>	<u>\$ 2,456,759</u>	<u>\$ 11,788,645</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 9 - INTERFUND TRANSACTIONS**

Interfund transfers and due to/from for the City for the year ended September 30, 2014, are summarized below:

	<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Interfund Transfers:			
None	Library	General	\$ 74,318
Due To/From:			
Pay current year's expenditures	Library	General	\$ 32,499
Pay current year's expenditures	Sewer	Water	\$ 9,541

**NOTE 10 - RESTRICTED ASSETS**

The following lists restricted assets:

<u>Fund / Purpose</u>	<u>Location</u>	<u>Type</u>	<u>Amount</u>
General / Library	Local Govt. Inv. Pool	Investment	\$ 25,000

**NOTE 11 - DEBT**

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2014:

	<u>Beginning Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Outstanding</u>
4.00% Sewer Notes - D.E.Q.	\$ 542,636		\$ 542,636	\$ 0
1.00% Water Bond - D.E.Q. DW1011	1,236,359		103,602	1,132,757
1.00% Water Bond - D.E.Q. DW1012	4,283,291		128,251	4,155,040
2.85% Police Car Lease - 2013 Taurus	24,165		7,850	16,315
2.64% Vactor 2100 Jetter Lease	303,680		73,068	230,612
2.98% Ford Fusion Lease - D.L. Evans Bank		\$ 17,165	4,473	12,692
2.98% Police Car Equip. Lease - D. L. Evans		13,424	3,505	9,919
2.98% 2014 Ford Taurus - D. L Evans Bank		27,850	7,272	20,578
2.98% 2014 Ford Taurus - D. L Evans Bank		27,850	7,272	20,578
2.98% Envirosight Rover - D.L. Evans Bank		131,639	23,581	108,058
	<u>\$ 6,390,131</u>	<u>\$ 217,928</u>	<u>\$ 901,510</u>	<u>\$ 5,706,549</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 11 - DEBT (Continued)**

The annual requirements to amortize the City's debt as of September 30, 2014, is as follows:

2.85% Police Car Lease - 2013 Taurus			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 8,073	\$ 465	\$ 8,538
2016	8,242	297	8,539
	<u>\$ 16,315</u>	<u>\$ 762</u>	<u>\$ 17,077</u>
2.64% Vactor 2100 Jetter Lease			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 74,996	\$ 6,089	\$ 81,085
2016	76,976	4,109	81,085
2017	78,640	2,445	81,085
	<u>\$ 230,612</u>	<u>\$ 12,643</u>	<u>\$ 243,255</u>
2.98% Ford Fusion - D.L. Evans Bank			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,107	\$ 378	\$ 4,485
2016	4,229	256	4,485
2017	4,356	129	4,485
	<u>\$ 12,692</u>	<u>\$ 763</u>	<u>\$ 13,455</u>
2.98% Police Car Equipment - D.L. Evans Bank			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,210	\$ 295	\$ 3,505
2016	3,305	200	3,505
2017	3,404	101	3,505
	<u>\$ 9,919</u>	<u>\$ 596</u>	<u>\$ 10,515</u>
2.98% 2014 Ford Taurus Police Car - D.L. Evans Bank			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,658	\$ 614	\$ 7,272
2016	6,857	415	7,272
2017	7,063	209	7,272
	<u>\$ 20,578</u>	<u>\$ 1,238</u>	<u>\$ 21,816</u>
2.98% 2014 Ford Taurus Police Car - D.L. Evans Bank			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,658	\$ 614	\$ 7,272
2016	6,857	415	7,272
2017	7,063	209	7,272
	<u>\$ 20,578</u>	<u>\$ 1,238</u>	<u>\$ 21,816</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 11 - DEBT (Continued)**

2.98% Envirosight Rover - D.L. Evans Bank	Principal	Interest	Total
2015	\$ 20,362	\$ 3,219	\$ 23,581
2016	20,968	2,613	23,581
2017	21,593	1,988	23,581
2018	22,236	1,345	23,581
2019	22,899	682	23,581
	<u>\$ 108,058</u>	<u>\$ 9,847</u>	<u>\$ 117,905</u>

Fiscal Year Ended September 30,	1.00% Water Bond - D.E.Q. DW1011	1.00% Water Bond - D.E.Q. DW1012	Interest	Total
2015	\$ 36,594	\$ 126,779	\$ 53,172	\$ 216,545
2016	36,930	127,940	51,675	216,545
2017	37,331	129,332	49,882	216,545
2018	37,705	130,628	48,212	216,545
2019	38,083	131,938	46,524	216,545
2020	38,438	133,167	44,940	216,545
2021	38,851	134,595	43,099	216,545
2022	39,240	135,945	41,360	216,545
2023	39,633	137,308	39,604	216,545
2024	40,008	138,605	37,932	216,545
2025	40,432	140,074	36,039	216,545
2026	40,837	141,478	34,230	216,545
2027	41,247	142,897	32,401	216,545
2028	41,642	144,265	30,638	216,545
2029	42,078	145,775	28,692	216,545
2030	42,499	147,236	26,810	216,545
2031	42,926	148,712	24,907	216,545
2032	43,342	150,156	23,047	216,545
2033	43,790	151,709	21,046	216,545
2034	44,230	153,230	19,085	216,545
2035	44,672	154,766	17,107	216,545
2036	45,111	156,286	15,148	216,545
2037	45,573	157,884	13,088	216,545
2038	46,030	159,467	11,048	216,545
2039	46,491	161,065	8,989	216,545
2040	46,953	162,667	6,925	216,545
2041	47,428	164,310	4,807	216,545
2042	4,663	165,958	2,165	172,786
2043		80,868	809	81,677
	<u>\$ 1,132,757</u>	<u>\$ 4,155,040</u>	<u>\$ 813,381</u>	<u>\$ 6,101,178</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**NOTE 12 - LONG-TERM LIABILITIES (COMPENSATED ABSENCES)**

At September 30, 2014, the City had \$46,375 of compensated absences payable. The amount payable for the prior year was \$34,762 with \$8,348 being paid and \$19,961 being accrued.

**NOTE 13 - RESTRICTED ASSETS ENABLING LEGISLATION**

Legislation passed by the City placing restrictions on assets is referred to as enabling legislation. These restrictions are legally enforceable which allows external parties to force the City to follow their own restrictions. \$25,000 of the City's restricted assets meet this criteria.

**NOTE 14 – RESTATEMENT OF PRIOR YEAR NET POSITION**

The City early implemented GASB Statement No. 65 Items Previously Reported as Assets and Liabilities (GASB 65) in the fiscal year ending September 30, 2013. As a result of early implementing GASB 65, any restatement of beginning balances was made and reported for the fiscal year ended September 30, 2013. Therefore, no restatements were required for the fiscal year ending September 30, 2014

**REQUIRED SUPPLEMENTAL  
INFORMATION SECTION**

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - Beginning</u>	<u>\$ 473,000</u>	<u>\$ 350,489</u>	<u>\$ 1,687,347</u>	<u>\$ 1,336,858</u>
<u>Resources (Inflows)</u>				0
Property Taxes	825,785	825,785	843,759	17,974
Other Tax Revenue	98,853	98,853	112,974	14,121
Franchise Revenue	55,000	55,000	56,696	1,696
Fees, License and Permits	57,743	73,688	62,522	(11,166)
State Revenue	306,509	243,362	262,051	18,689
Zoning Revenue / Building Inspection	100,904	6,250	6,865	615
Sanitation Revenue	183,059	172,321	172,229	(92)
Court Fines	25,000	25,000	27,622	2,622
Contracts	77,377	77,377	77,377	0
State Grants	1,200,520	743,356	149,318	(594,038)
Federal Grants	330,800	330,800	322,194	(8,606)
Proceeds From Borrowing Activities			86,289	86,289
Other Revenue	6,385	4,545	21,353	16,808
Lease Revenue	25,512	25,512	24,726	(786)
Investment Revenue	4,000	4,000	5,403	1,403
<u>Total Revenue</u>	<u>3,297,447</u>	<u>2,685,849</u>	<u>2,231,378</u>	<u>(454,471)</u>
<u>Amount Available for Appropriations</u>	<u>3,770,447</u>	<u>3,036,338</u>	<u>3,918,725</u>	<u>882,387</u>
<u>Charges to Appropriations (Outflows)</u>				
Administration and General Government	269,173	270,013	247,276	22,737
Planning and Zoning	141,325	125,325	68,406	56,919
Building Inspection	40,000	24,000	22,136	1,864
Police Department	570,849	584,549	598,279	(13,730)
Community Service	102,500	52,769	57,208	(4,439)
Street Department	693,861	486,817	430,345	56,472
Sanitation Department	173,738	167,600	167,783	(183)
Park Department	139,462	128,462	58,279	70,183
Capital Projects	1,651,317	1,071,578	1,174,980	(103,402)
Interfund Transfers		74,714	74,714	0
<u>Total Charges to Appropriations</u>	<u>3,782,225</u>	<u>2,985,827</u>	<u>2,899,406</u>	<u>86,421</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ (11,778)</u>	<u>\$ 50,511</u>	<u>\$ 1,019,319</u>	<u>\$ 968,808</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**LIBRARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - Beginning</u>	\$ 0	\$ 0	\$ (36,681)	\$ (36,681)
<u>Resources (Inflows)</u>				0
Property Taxes	31,408	31,408	31,586	178
Other Revenue	2,000	2,000	2,013	13
Donations	38,000	38,000		
Interfund Transfers	36,529	74,714	74,714	0
Investment Revenue			41	41
	<u>107,937</u>	<u>146,122</u>	<u>108,354</u>	<u>232</u>
<u>Amount Available for Appropriations</u>	<u>107,937</u>	<u>146,122</u>	<u>71,673</u>	<u>(36,449)</u>
<u>Charges to Appropriations (Outflows)</u>				
Salaries & Benefits	50,257	50,257	51,862	(1,605)
Supplies	1,191	1,790	1,145	645
Books	7,590	7,590	6,399	1,191
Postage	200	200	164	36
Travel	300	300	124	176
Utilities	5,000	5,000	4,693	307
Repairs	1,899	1,300	904	396
Capital Outlay	39,500	38,000		38,000
	<u>105,937</u>	<u>104,437</u>	<u>65,291</u>	<u>39,146</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 2,000</u>	<u>\$ 41,685</u>	<u>\$ 6,382</u>	<u>\$ (35,303)</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2014**

**NOTE 1 - RECONCILIATION OF BUDGET TO GAAP**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with accounting principles generally accepted in the United States of America follows:

	<u>General Fund</u>	<u>Library Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,918,725	\$ 71,673
<u>Differences - Budget to GAAP</u>		
Interfund transfers are not included in fund revenue but are shown as "other financing sources."	0	(74,714)
For the fund revenue, investment earnings are not included as revenue, but, as "other financing sources".	(5,403)	(41)
For the fund revenue, proceeds from capital leases/borrowing activity are not included as revenue, but, as "other financing sources".	(86,289)	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(1,687,347)</u>	<u>36,681</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,139,686</u>	<u>\$ 33,599</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,899,406	\$ 65,291
Interfund transfers are not included in fund expenditures but are shown as "other financing uses."	<u>(74,714)</u>	<u>0</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,824,692</u>	<u>\$ 65,291</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2014**

**NOTE 2 - BUDGET PROCESS**

The city council adopts a budget on a basis consistent with the GAAP. The City is required to present the adopted and final amended budget of the general fund and all other funds shown as major funds in the fund financial statements. These items are presented in the required supplementary information section following the notes to the financial statements.

The following procedures are followed in establishing the budget for the City:

- 1) At least 28 days prior to its annual meeting, the city council shall have prepared a budget in a form prescribed by the state statute, and shall have notified the public of the budget hearing.
- 2) At the public hearing or a special meeting held no later than 14 days after the public hearing, the city council shall adopt a budget for the ensuing year.
- 3) The city council shall publish a summary statement of the budget in the local newspaper.
- 4) The City may amend the budget any time during the year but the above procedures must be followed each time a budget amendment is made.
- 5) The legal budget is adopted at the item level.

**NOTE 3 - REQUIRED FUND DISCLOSURE**

Only funds reported as major funds with a legally adopted budget are required to be reported in the budget comparison statement. The only funds that meets the criteria are the general fund and the library fund.

The following funds had excess actual expenditures over budget expenditures:

<u>Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Overage</u>
None	\$	\$	\$ 0

**SUPPLEMENTAL  
INFORMATION SECTION**

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2014**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and Cash Equivalents	\$ 724,927		\$ 724,927
Investments	973,995	\$ 414,824	1,388,819
Net Receivables	65,032	73,585	138,617
	<u>1,763,954</u>	<u>488,409</u>	<u>2,252,363</u>
<b><u>TOTAL CURRENT ASSETS</u></b>			
<b><u>NONCURRENT ASSETS</u></b>			
Capital Assets (non-depreciated)	67,934		67,934
Capital Assets (net)	9,263,952	2,456,759	11,720,711
	<u>9,331,886</u>	<u>2,456,759</u>	<u>11,788,645</u>
<b><u>TOTAL NONCURRENT ASSETS</u></b>			
<b><u>TOTAL ASSETS</u></b>			
	<u>\$ 11,095,840</u>	<u>\$ 2,945,168</u>	<u>\$ 14,041,008</u>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Accounts Payable	\$ 408	\$ 29,415	\$ 29,823
Interfund Payable	(9,541)	9,541	0
Accrued Interest Payable	1,928	262	2,190
Deposits Payable	18,185		18,185
Current Portion of Long-term Debt	180,472	64,609	245,081
	<u>191,452</u>	<u>103,827</u>	<u>295,279</u>
<b><u>TOTAL CURRENT LIABILITIES</u></b>			
<b><u>NONCURRENT LIABILITIES</u></b>			
Lease Payable (net of current portion)	24,411	179,510	203,921
Bond Payable (net of current portion)	5,124,425		5,124,425
	<u>5,148,836</u>	<u>179,510</u>	<u>5,328,346</u>
<b><u>TOTAL NONCURRENT LIABILITIES</u></b>			
<b><u>TOTAL LIABILITIES</u></b>			
	<u>5,340,288</u>	<u>283,337</u>	<u>5,623,625</u>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, net of related debt	4,002,578	2,212,640	6,215,218
Restricted for:			
Sewer Capacity		18,600	18,600
Unrestricted	1,752,974	430,591	2,183,565
	<u>5,755,551</u>	<u>2,661,831</u>	<u>8,417,382</u>
<b><u>TOTAL NET POSTION</u></b>			
<b><u>TOTAL LIABILITIES AND NET POSITION</u></b>			
	<u>\$ 11,095,840</u>	<u>\$ 2,945,168</u>	<u>\$ 14,041,008</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>OPERATING REVENUES</u></b>			
Service Fees	\$ 691,165	\$ 732,700	\$ 1,423,865
Service Hookups	78,400	53,330	131,730
Late Fees and Fines	20,979		20,979
Canal Water Shares Leased	18,000		18,000
Other Revenue	12,071	3,391	15,462
	<u>820,615</u>	<u>789,421</u>	<u>1,610,036</u>
<b><u>TOTAL OPERATING REVENUES</u></b>			
<b><u>OPERATING EXPENSES</u></b>			
Salaries and Benefits	170,907	242,217	413,124
Supplies	37,959	9,441	47,400
Travel and Training	2,598	1,151	3,749
Professional Fees	9,448	41,797	51,245
Interceptor		229,442	229,442
Administrative Supplies/Expenses	5,318	5,241	10,559
Insurance	24,105	13,325	37,430
Utilities	79,781	4,455	84,236
Fuel	4,931	4,220	9,151
Repairs and Maintenance	63,836	5,730	69,566
Water/Sewer Testing and Assessments	16,853		16,853
Depreciation Expense	244,986	125,307	370,293
	<u>660,722</u>	<u>682,326</u>	<u>1,343,048</u>
<b><u>TOTAL OPERATING EXPENSES</u></b>			
<b><u>OPERATING INCOME (LOSS)</u></b>			
	<u>159,893</u>	<u>107,095</u>	<u>266,988</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Investment Earnings	2,105	1,807	3,912
Court/Legal Settlement		96,188	96,188
Interest Expense	(32,936)	(25,775)	(58,711)
	<u>(30,831)</u>	<u>72,220</u>	<u>41,389</u>
<b><u>TOTAL NONOPERATING REVENUE (EXPENSES)</u></b>			
<b><u>CHANGE IN NET POSITION</u></b>			
	129,062	179,315	308,377
<b><u>TOTAL NET POSITION - BEGINNING</u></b>			
	<u>5,626,489</u>	<u>2,482,516</u>	<u>8,109,005</u>
<b><u>TOTAL NET POSITION - ENDING</u></b>			
	<u>\$ 5,755,551</u>	<u>\$ 2,661,831</u>	<u>\$ 8,417,382</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts Form Customers	\$ 798,208	\$ 823,038	\$ 1,621,246
Payments to Suppliers	(274,483)	(324,740)	(599,223)
Payments to Employees	(170,907)	(242,217)	(413,124)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>352,818</u>	<u>256,081</u>	<u>608,899</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal Paid on Capital Debt	(245,005)	(608,517)	(853,522)
Proceeds from Borrowing Capital Debt		131,639	131,639
Proceeds from Court Settlements		96,188	96,188
Interfund Borrowing Activity	(9,541)	9,541	0
Interest Paid on Capital Debt	(32,936)	(25,775)	(58,711)
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>(287,482)</u>	<u>(396,924)</u>	<u>(684,406)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of Capital Assets	(3,412)	(135,052)	(138,464)
Interest	2,105	1,807	3,912
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	<u>(1,307)</u>	<u>(133,245)</u>	<u>(134,552)</u>
<u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>64,029</u>	<u>(274,088)</u>	<u>(210,059)</u>
<u>BALANCES - BEGINNING OF THE YEAR</u>	<u>1,634,893</u>	<u>688,912</u>	<u>2,323,805</u>
<u>BALANCES - END OF THE YEAR</u>	<u>\$ 1,698,922</u>	<u>\$ 414,824</u>	<u>\$ 2,113,746</u>
<u>BALANCE DISPLAYED AS:</u>			
Cash	\$ 724,927	\$ 0	\$ 724,927
Investments	973,995	414,824	1,388,819
	<u>\$ 1,698,922</u>	<u>\$ 414,824</u>	<u>\$ 2,113,746</u>

(Continued)

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>(LOSS) TO NET CASH PROVIDED (USED) BY</u> <u>OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ 159,893	\$ 107,095	\$ 266,988
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	244,986	125,307	370,293
(Increase) Decrease in Accounts Receivable	(22,407)	3,617	(18,790)
Increase (Decrease) in Accounts Payable	(6,560)	27,063	20,503
Increase (Decrease) in Accrued Interest Payable	(24,385)	(7,001)	(31,386)
Increase (Decrease) in Deposits Payable	1,291		1,291
Net Cash Provided (Used) by Operating Activities	<u>\$ 352,818</u>	<u>\$ 256,081</u>	<u>\$ 608,899</u>
 <u>NON-CASH TRANSACTIONS</u>			
None	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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## **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**

Mayor and City Council  
City of Kimberly, Idaho  
Kimberly, Idaho 83341

December 1, 2014

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kimberly, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Kimberly's basic financial statements and have issued my report thereon dated December 1, 2014.

### Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and responses to be material a weakness, 2014-001 and 2014-002.

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*  
Page Two

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. I consider none of the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kimberly's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* in the accompany schedule of findings and responses, number 2014-003.

City of Kimberly's Response to Findings

City of Kimberly's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. City of Kimberly's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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.

Sincerely,

*R. Michael Burr*

R. Michael Burr  
Certified Public Accountant

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

MATERIAL WEAKNESSES

2014-001 Segregation of Duties

*Condition:* Two people are employed by the City in the accounting department and turnover of personnel has not allowed for a strict segregation of duties.

*Criteria:* Segregation of duties is an internal control that should be in place to provide reasonable assurance that one person does not have complete control over the entire accounting system.

*Cause:* There are not enough personnel hired to allow for a strict segregation of duties.

*Effect:* May allow for misstatement of general purpose financial statements and misuse of assets.

*Recommendation:* Hire additional staff to provide a proper segregation of duties.

*Views of Responsible Official and Planned Corrective Actions:* We concur with the recommendation. However, due to a lack of financial resources to pay for the additional staff and other controls currently in place, no action will be taken at this point.

2014-002 Failure to Post Revenue and Reconcile Investments

*Condition:* Revenue share income from the State of Idaho was not recorded in January. This resulted in the revenue and investments being understated for the rest of the fiscal year.

*Criteria:* Investments should be reconciled on a monthly basis with any errors being investigated and corrected.

*Cause:* Revenue was directly deposited to an investment account but not recorded on the ledger and with no reconciliations being done to the investment accounts or any comprehensive review of the financial statements.

*Effect:* The effect was the understatement of investments and revenue.

*Recommendation:* Reconcile all actual investments to the ledger. If differences are discovered, review the information and determine what corrective steps need to be taken. Make correction in a timely manner.

*Views of Responsible Official and Planned Corrective Actions:* We agree with the findings and are in the process of implementing the recommendation.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

SIGNIFICANT DEFICIENCIES

None

NONCOMPLIANCE

2014-003 Failure to Maintain Water Deposits on Ledger

*Condition:* Dedicated water deposit accounts were closed with proper amounts owing water customers not being reported on the ledger.

*Criteria:* Water deposits are dedicated funds to be held by the City but do not belong to the City. These amounts are paid by water customers when their account is first established and are returned at the end of a year if the customer stays current with their billing. At the end of the year the funds must be returned to the customer or used to pay outstanding bills. Until the year has passed, these funds belong to the customer and must be maintained as a dedicated asset and recorded liability.

*Cause:* Proper review of funds, restrictions, and investments was not conducted prior to the closing of certain investment accounts.

*Effect:* The effect was that dedicated cash/investment accounts were closed resulting in the dedicated funds being combined in the overall investments and ledger.

*Recommendation:* Reconcile the deposits subsidiary ledger to the general ledger and cash/investment account to ensure that all amounts are properly recorded.

*Views of Responsible Official and Planned Corrective Actions:* We agree with the findings and are in the process of implementing the recommendation.