

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2005

CITY OF KIMBERLY  
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R. MICHAEL BURR

Certified Public Accountant

P.O. Box 2229

Twin Falls, ID 83303-2229

(208) 736-8747

**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Kimberly  
Kimberly, Idaho 83341

December 20, 2005

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Kimberly, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Kimberly's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kimberly, as of September 30, 2005, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented the "Management's Discussions and Analysis" that the Governmental Accounting Standards Board has determined is necessary to supplement, although no required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2005, on our consideration of the City of Kimberly internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information on pages 31 through 38, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sincerely,



R. Michael Burr  
Certified Public Accountant

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2005

	General Fund	Gem Community Fund
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 22,489	\$ 1,500
Investments	304,491	
Property Taxes Receivable	33,521	
Accounts Receivable	12,059	
Due From Other Governments	51,583	
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 424,143</u>	<u>\$ 1,500</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 37,737	
Interfund Payables	(18,327)	
Deferred Revenue	31,376	
	<hr/>	<hr/>
<u>TOTAL LIABILITIES</u>	<u>50,786</u>	<u>\$ 0</u>
<u>FUND BALANCES</u>		
Unreserved:		
Undesignated - General Fund	373,357	
Designated - Library		
Designated - Gem Community Fund		1,500
	<hr/>	<hr/>
<u>TOTAL FUND BALANCES</u>	<u>373,357</u>	<u>1,500</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 424,143</u>	<u>\$ 1,500</u>

See accompanying notes to the basic financial statements

Library Fund	Total Governmental Funds
\$ 10,986	\$ 34,975
1,625	304,491
<hr/>	35,146
<hr/>	12,059
<hr/>	51,583
<u>\$ 12,611</u>	<u>\$ 438,254</u>
	\$ 37,737
\$ 1,521	(18,327)
<hr/>	32,897
1,521	<hr/>
<hr/>	52,307
11,090	373,357
<hr/>	11,090
<hr/>	1,500
11,090	<hr/>
<hr/>	385,947
<u>\$ 12,611</u>	<u>\$ 438,254</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>General Fund</u>	<u>Gem Community Fund</u>
<u>REVENUES</u>		
Property Taxes	\$ 393,624	
Other Tax Revenue	59,417	
Franchise Revenue	20,781	
Fees, License and Permits	42,926	
State Revenue	203,323	
Zoning Revenue	7,355	
Sanitation Revenue	96,815	
Court Fines	20,527	
Contracts	48,014	
Other Revenue	33,705	
Investment Revenue	8,715	
	<hr/>	<hr/>
<u>TOTAL REVENUES</u>	<u>935,202</u>	<u>\$ 0</u>
<u>EXPENDITURES</u>		
Administration and General Government	229,670	
Planning and Zoning	8,005	
Police Department	342,286	
Fire Department	19,050	
Building Inspection	17,433	
Animal Control	31,206	
Street Department	177,184	
Sanitation Department	95,946	
Park Department	18,371	
Library Services	15,313	
	<hr/>	<hr/>
<u>TOTAL EXPENDITURES</u>	<u>954,464</u>	<u>0</u>
<u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(19,262)</u>	<u>0</u>
<u>OTHER FINANCING SOURCES (USES)</u>		
Interfund Transfers In (Out)	(1,923)	
	<hr/>	<hr/>
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>(1,923)</u>	<u>0</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(21,185)</u>	<u>0</u>
<u>FUND BALANCE - BEGINNING</u>	<u>394,542</u>	<u>1,500</u>
<u>FUND BALANCE - ENDING</u>	<u>\$ 373,357</u>	<u>\$ 1,500</u>

See accompanying notes to the basic financial statements

<u>Library Fund</u>	<u>Total Governmental Funds</u>
\$ 18,333	\$ 411,957
3,323	62,740
	20,781
	42,926
	203,323
	7,355
	96,815
	20,527
	48,014
	33,705
<u>19</u>	<u>8,734</u>
<u>21,675</u>	<u>956,877</u>
	229,670
	8,005
	342,286
	19,050
	17,433
	31,206
	177,184
	95,946
	18,371
<u>23,748</u>	<u>39,061</u>
<u>23,748</u>	<u>978,212</u>
<u>(2,073)</u>	<u>(21,335)</u>
<u>1,923</u>	<u>0</u>
<u>1,923</u>	<u>0</u>
(150)	(21,335)
<u>11,240</u>	<u>407,282</u>
<u>\$ 11,090</u>	<u>\$ 385,947</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005

		<u>Governmental Activities</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 34,975	
Investments	304,491	
Net Receivables	<u>65,891</u>	
<u>TOTAL CURRENT ASSETS</u>		\$ 405,357
 <u>NONCURRENT ASSETS</u>		
Long-Term Receivables	\$ 32,897	
Restricted Assets		
Capital Assets (non-depreciated)		
Capital Assets (net)	<u>459,299</u>	
<u>TOTAL NONCURRENT ASSETS</u>		<u>492,196</u>
<u>TOTAL ASSETS</u>		<u>897,553</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 37,737	
Interfund Payable	(18,327)	
Deposits Payable		
Accrued Interest Payable		
Current Portion of Long-term Debt	<u>30,021</u>	
<u>TOTAL CURRENT LIABILITIES</u>		49,431
 <u>NONCURRENT LIABILITIES</u>		
Capital Lease Payable (net of current portion)	\$ 99,411	
Note Payable (net of current portion)		
Bond Payable (net of current portion)		
<u>TOTAL NONCURRENT LIABILITIES</u>		<u>99,411</u>
<u>TOTAL LIABILITIES</u>		148,842
 <u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 329,867	
Restricted for:		
Gem Community Projects	1,500	
Debt Service		
Library	12,611	
Unrestricted	<u>44,733</u>	
<u>TOTAL NET ASSETS</u>		<u>\$ 748,711</u>

See accompanying notes to the basic financial statements

<u>Business-type Activities</u>		<u>Total</u>	
\$ 192,568		\$ 227,543	
166,991		471,482	
<u>63,691</u>		<u>129,582</u>	
	\$ 423,250		\$ 828,607
\$ 269,267		\$ 32,897	
32,850		269,267	
<u>3,146,005</u>		<u>32,850</u>	
		<u>3,605,304</u>	
	<u>3,448,122</u>		<u>3,940,318</u>
	<u>3,871,372</u>		<u>4,768,925</u>
\$ 14,426		\$ 52,163	
18,327		0	
28,215		28,215	
15,843		15,843	
<u>80,008</u>		<u>110,029</u>	
	156,819		206,250
\$ 831,424		\$ 99,411	
<u>585,000</u>		<u>831,424</u>	
	<u>1,416,424</u>		<u>1,515,835</u>
	1,573,243		1,722,085
\$ 1,729,581		\$ 2,059,448	
		1,500	
269,267		269,267	
<u>299,281</u>		<u>12,611</u>	
		<u>344,014</u>	
	<u>\$ 2,298,129</u>		<u>\$ 3,046,840</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Primary Government Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Administration and General Gov't.	\$ 231,973			
Planning and Zoning	8,005	\$ 7,355		
Police Department	341,449	34,445		
Fire Department	25,606			
Building Inspection	17,433	34,570		
Animal Control	31,206	5,811		
Street Department	198,518		\$ 103,318	
Sanitation Department	95,946	96,815		
Park Department	18,371	85		
Library Services	63,970	14,141		
	<u>1,032,477</u>	<u>193,222</u>	<u>103,318</u>	<u>\$ 0</u>
 <u>Business-Type Activities</u>				
Water Fund	356,378	342,523		
Sewer Fund	239,651	298,862		
	<u>239,651</u>	<u>298,862</u>	<u>0</u>	<u>0</u>
<u>Total Business-Type Activities</u>	<u>239,651</u>	<u>298,862</u>	<u>0</u>	<u>0</u>
<u>Total Primary Government</u>	<u>\$ 1,272,128</u>	<u>\$ 492,084</u>	<u>\$ 103,318</u>	<u>\$ 0</u>

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

Total General Revenue

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

See accompanying notes to the basic financial statements

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (231,973)		\$ (231,973)
(650)		(650)
(307,004)		(307,004)
(25,606)		(25,606)
17,137		17,137
(25,395)		(25,395)
(95,200)		(95,200)
869		869
(18,286)		(18,286)
(49,829)		(49,829)
<u>(735,937)</u>		<u>(735,937)</u>
	\$ (13,855)	(13,855)
	59,211	59,211
<u>0</u>	<u>45,356</u>	<u>45,356</u>
<u>(735,937)</u>	<u>45,356</u>	<u>(690,581)</u>
419,023		419,023
62,740		62,740
20,781		20,781
100,005		100,005
20,527		20,527
35,593		35,593
8,734	10,551	19,285
<u>667,403</u>	<u>10,551</u>	<u>677,954</u>
(68,534)	55,907	(12,627)
<u>817,245</u>	<u>2,242,222</u>	<u>3,059,467</u>
<u>\$ 748,711</u>	<u>\$ 2,298,129</u>	<u>\$ 3,046,840</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
SEPTEMBER 30, 2005

<u>Total Governmental Fund Balances</u>		\$ 385,947
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balances, net of accumulated depreciation of \$453,769.	\$ 459,299	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	32,897	
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:		
Capital Leases	<u>(129,432)</u>	
<u>Net Changes</u>		<u>362,764</u>
<u>Net Assets of Governmental Activities</u>		<u>\$ 748,711</u>

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, 2005

Net Change in Fund Balances - Governmental Fund Balances \$ (21,335)

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.

- Capital Expenditures	\$ 8,301
- Depreciation	(78,987)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

7,066

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets.

16,421

Net Changes

(47,199)

Change in Net Assets of Governmental Activities

\$ (68,534)

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
BALANCE SHEET  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2005

		<u>Enterprise Fund</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 192,568	
Investments	166,991	
Net Receivables	<u>63,691</u>	
 <u>TOTAL CURRENT ASSETS</u>		 \$ 423,250
 <u>NONCURRENT ASSETS</u>		
Restricted Assets	\$ 269,267	
Capital Assets (non-depreciated)	32,850	
Capital Assets (net)	<u>3,146,005</u>	
 <u>TOTAL NONCURRENT ASSETS</u>		 <u>3,448,122</u>
 <u>TOTAL ASSETS</u>		 <u>\$ 3,871,372</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 14,426	
Interfund Payable	18,327	
Accrued Interest Payable	15,843	
Deposits Payable	28,215	
Current Portion of Long-term Debt	<u>80,008</u>	
 <u>TOTAL CURRENT LIABILITIES</u>		 \$ 156,819
 <u>NONCURRENT LIABILITIES</u>		
Note Payable (net of current portion)	\$ 831,424	
Bond Payable (net of current portion)	<u>585,000</u>	
 <u>TOTAL NONCURRENT LIABILITIES</u>		 <u>1,416,424</u>
 <u>TOTAL LIABILITIES</u>		 1,573,243
 <u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 1,729,581	
Restricted for:		
Debt Service	269,267	
Unrestricted	<u>299,281</u>	
 <u>TOTAL NET ASSETS</u>		 <u>2,298,129</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>		 <u>\$ 3,871,372</u>

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, 2005

		Enterprise Fund
<u>OPERATING REVENUES</u>		
Service Fees	\$ 527,356	
Service Hookups	32,400	
Late Fees	15,346	
Canal Company Shares	14,790	
Other Revenue	51,493	
<u>TOTAL OPERATING REVENUES</u>		\$ 641,385
 <u>OPERATING EXPENSES</u>		
Salaries and Benefits	\$ 165,444	
Supplies	39,545	
Travel and Training	2,183	
Professional Fees	15,219	
Interceptor	82,372	
Office Supplies/Expenses	7,077	
Utilities	55,845	
Fuel	10,159	
Repairs and Maintenance	17,461	
Water Testing and Assessments	8,948	
Depreciation	113,213	
<u>TOTAL OPERATING EXPENSES</u>		517,466
<u>OPERATING INCOME (LOSS)</u>		123,919
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Investment Earnings	\$ 10,551	
Interest Expense	(78,563)	
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>		(68,012)
<u>CHANGE IN NET ASSETS</u>		55,907
<u>TOTAL NET ASSETS - BEGINNING</u>		2,242,222
<u>TOTAL NET ASSETS - ENDING</u>		\$ 2,298,129

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, 2005

		<u>Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts Form Customers	\$ 640,092	
Payments to Suppliers	(233,728)	
Payments to Employees	(165,444)	
		<hr/>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		\$ 240,920
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal Paid on Capital Debt	\$ (78,648)	
Acquisition of Capital Assets	(16,325)	
Interfund Borrowing Activity	18,327	
Interest Paid on Capital Debt	(78,563)	
		<hr/>
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>		(155,209)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest	\$ 10,551	
		<hr/>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		10,551
 <u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		96,262
 <u>BALANCES - BEGINNING OF THE YEAR</u>		532,564
 <u>BALANCES - END OF THE YEAR</u>		<u>\$ 628,826</u>
 <u>BALANCE DISPLAYED AS:</u>		
Cash		\$ 192,568
Investments		166,991
Restricted Assets		269,267
		<hr/>
		<u>\$ 628,826</u>

(Continued)

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Enterprise Fund

RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$	123,919
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		113,213
(Increase) Decrease in Accounts Receivable		(1,293)
Increase (Decrease) in Accounts Payable		6,057
Increase (Decrease) in Deposits Payable		<u>(976)</u>
Net Cash Provided (Used) by Operating Activities	\$	<u>240,920</u>

See accompanying notes to the basic financial statements

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2005

ASSETS

Cash and Cash Equivalents

\$ 363

TOTAL ASSETS

\$ 363

LIABILITIES

Payments Collected Payable

\$ 363

TOTAL LIABILITIES

\$ 363

See accompanying notes to the basic financial statements

**NOTES TO BASIC  
FINANCIAL STATEMENTS**

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

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, 2005.

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 school 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 Council (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Council (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. 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.

C - BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the City as a whole. They include all funds of the City except for fiduciary funds with governmental interfund activities removed. Governmental activities generally are financed through taxes, State funds, grants, and other intergovernmental revenues. The City has two business-type activities that primarily rely on fees and charges for support. They are the water fund and the sewer fund.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect costs are all allocated to the administrative function.

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D - BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. 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.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Project Funds - The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes no Capital Project Funds.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of financial resources 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. The reporting entity has no Debt Service Funds.

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. The City has two enterprise funds which are the water fund and the sewer fund.

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

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

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 one agency fund.

**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 Assets 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.
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 assets (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 assets.
3. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**BASIS OF ACCOUNTING**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

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

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

Cash and Investments

For the purpose of the Statement of Net Assets, "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.

Interfund Receivables and Payables

During the course of operations, numerous transactions may 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 Assets. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

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 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, property 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 of year-end 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.

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

In the government-wide statements, materials and supplies 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 road 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 reserves to be used for a debt payments of the City. 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.

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 September 30, 2003.

Prior to October 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 October 1, 2003, are not included in these statements.

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Assets. 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:

<u>Description</u>	<u>Life</u>	<u>Capitalization Amount</u>
Aggregate Cost of Library Books	6	\$5,000
Automobiles	5	\$5,000
Office and Light-weight Equipment	5	\$5,000
Heavy Equipment	7	\$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 not allowed to accrue vacation or PTO time. Therefore, there is no accrual for compensated absences.

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

In the fund financial statements, governmental fund types recognize 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.

Equity Classifications (Net Assets and Fund Balance)

Government-wide Financial Statements

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

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

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

Investment in Capital Assets, Net of Related Debt - The component of net assets 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 assets—Consists of net assets 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 assets—All other net assets 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 reserved and unreserved, with unreserved further split between designated and undesignated.

Reserved Fund Balance - That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved Fund Balance - Composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of the fund balance that is available for budgeting in future periods. Designated fund balances represents tentative plans for future use of financial resources.

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 33-701 and 67-1210. Under Idaho Code, the District, 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.

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

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

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.

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

At September 30, 2005, the City had a carrying value of cash deposits of \$227,543 and a bank balance of \$260,675. Based on the above definitions, the City is subject to \$149,690 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 \$504,332 (\$155,249 Idaho State Local Government Investment Pool and \$349,083 Magic Valley Bank certificates of deposit) which approximates market value. The Idaho State Local Government Investment Pool has no credit rating.

Investments by the City in the State Treasury Pool are considered unclassified as to credit risk because they are not evidence by securities that exists in physical or book entry form. Of the amount invested in the certificates of deposit, \$249,083 is subject to concentration of credit risk.

**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, 2004, upon which the 2004 levy was based was \$54,893,336.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2005, 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	0.6406	0.9000
Library	0.0337	0.1000
Tort	0.0547	No Limit

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

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

At September 30, 2005, the components of taxes receivable are as follows:

<u>Year</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
2004	\$ 15,736	\$ 763	\$ 16,499
2003	10,839	546	11,385
2002	6,937	316	7,253
2001	9	0	9
<u>Total</u>	<u>\$ 33,521</u>	<u>\$ 1,625</u>	<u>\$ 35,146</u>

For fund financial statements, the recognition of revenue on taxes receivable shall not exceed 60 days collection after the September 30, 2005, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2005, are deferred revenue. The components of deferred revenue are as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 31,376
Library Fund	1,521
<u>Total</u>	<u>\$ 32,897</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, 2005, are as follows:

<u>Description - Source</u>	<u>General Fund</u>
Highway User - State	\$ 24,702
Liquor Apportionment - State	4,024
Revenue Share - State	22,857
<u>Total</u>	<u>\$ 51,583</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**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 is listed below:

Workers Compensation Insurance	Limited by State Law
General Liability	\$ 2,000,000
Boiler and Machinery	1,000,000
Auto	2,000,000
Criminal Acts	500,000
Errors and Omissions	2,000,000
Real and Personal Property	50,000,000

The City believes that the above coverage is proper to protect the City from any losses.

**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. Since this amount is not capable of being measured at year end, no accrual has been recorded. The reports on internal accounting controls and compliance elements are contained on page 44 to 45. This audit found no elements of non-compliance with the terms and conditions of the individual programs audited.

**NOTE 7 - CAPITAL ASSET ACTIVITY**

Depreciation expense was charged to governmental functions as follows:

General Expense	\$ 2,303
Police	15,584
Fire	6,556
Street	23,705
Library	<u>30,839</u>
Total	<u>\$ 78,987</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**

**NOTE 7 - CAPITAL ASSET ACTIVITY (Continued)**

Capital asset activity for the City's governmental functions for the year ended September 30, 2005, was as follows (beginning amounts restated to reflect GASB 34):

	Primary Government - Governmental Activities			
	Beginning Balance	Additions	Retirements	Ending Balance
Not being depreciated:				
Land	\$ 68,896			\$ 68,896
Subtotal	68,896	\$ 0	\$ 0	68,896
Other capital assets:				
Buildings and Improvements	212,198			212,198
Infrastructure	91,948			91,948
Equipment	121,529	116,344		237,873
Library	173,172	5,930		179,102
Automobiles	99,373	23,678		123,051
Subtotal	698,220	145,952	0	844,172
Less accumulated depreciation for:				
Buildings and Improvements	(60,828)	(4,888)		(65,716)
Infrastructure	(1,839)	(1,839)		(3,678)
Equipment	(87,050)	(22,697)		(109,747)
Library	(144,310)	(30,839)		(175,149)
Automobiles	(80,755)	(18,724)		(99,479)
Subtotal	(374,782)	(78,987)	0	(453,769)
Net Depreciated Assets	323,438	66,965	0	390,403
Net Capital Assets	\$ 392,334	\$ 66,965	\$ 0	\$ 459,299

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

	Water Fund	Sewer Fund	Total
Land	\$ 32,850		\$ 32,850
Buildings	85,317	\$ 5,720	91,037
Equipment	109,290	28,147	137,437
Systems	2,064,593	2,322,383	4,386,976
	2,292,050	2,356,250	4,648,300
Less: Accumulated Depreciation	(842,124)	(627,321)	(1,469,445)
<u>Net Capital Assets</u>	<u>\$ 1,449,926</u>	<u>\$ 1,728,929</u>	<u>\$ 3,178,855</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

**NOTE 8 - RETIREMENT PLAN**

The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring 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. Financial reports for the plan are available from PERSI upon request.

After five 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 effective September 30, 2000. The annual service retirement allowance for each month of credit service is 2.0% (2.3% police and firefighter) of the average monthly salary for the highest consecutive 42 months.

The 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, 2005, the required contribution rate as a percentage of covered payroll for members was 5.86% for general members and 7.21% for police/firefighters. The employer rate as a percentage of covered payroll was 9.77% for general members and 10.11% for police/firefighter members. The City contributions required and paid were \$42,001, \$46,335, and \$42,162 for the three years ended September 30, 2005, 2004, and 2003, respectively.

**NOTE 9 - INTERFUND TRANSACTIONS**

Interfund transfers and due to/from for the City for the year ended September 30, 2005, are summarized below:

	<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Interfund Transfers:			
Pay current year's expenditures	Library	General	\$ 1,923
Due To/From:			
Prior year's transactions	Water Fund	General Fund	\$ 8,026
Prior year's transactions	Sewer Fund	General Fund	10,301

**NOTE 10 - RESTRICTED ASSETS**

Amounts reported as restricted assets in the Water and Sewer Fund are restricted for debt service. The restricted amounts are \$172,711 in the water fund and \$96,556 in the sewer fund. Both amounts are invested in certificates of deposit at Magic Valley Bank. See Note 2 for credit risk explanations.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**

**NOTE 11 - DEBT**

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2005:

	Outstanding 10-1-04	Issued	Retired	Outstanding 9-30-05
Patrol Car Lease	\$ 8,202	\$ 23,678	\$ 16,420	\$ 15,460
Street Sweeper Lease	113,972			113,972
Water Revenue Bonds	675,000		45,000	630,000
Sewer Notes - D.E.Q.	900,080		33,648	866,432
	<u>\$ 1,583,282</u>	<u>\$ 23,678</u>	<u>\$ 95,068</u>	<u>\$ 1,625,864</u>

The annual requirements to amortize the City's debt as of September 30, 2005, is as follows:

Patrol Car Lease:	Principal	Interest	Total
2006	\$ 8,218	\$ 693	\$ 8,911
2007	7,242	324	7,566
	<u>\$ 15,460</u>	<u>\$ 1,017</u>	<u>\$ 16,477</u>

Street Sweeper Lease:	Principal	Interest	Total
2006	\$ 16,609	\$ 6,097	\$ 22,706
2007	17,497	5,209	22,706
2008	18,434	4,273	22,707
2009	19,420	3,287	22,707
2010	20,459	2,248	22,707
2011	21,553	1,153	22,706
	<u>\$ 113,972</u>	<u>\$ 22,267</u>	<u>\$ 136,239</u>

	Bond	Note	Interest	Total
2006	\$ 45,000	\$ 35,008	\$ 74,503	\$ 154,511
2007	50,000	36,422	70,344	156,766
2008	50,000	37,893	65,772	153,665
2009	55,000	39,424	61,092	155,516
2010	60,000	41,017	56,006	157,023
2011 - 2015	315,000	232,322	155,115	702,437
2016 - 2020	55,000	281,980	73,531	410,511
2021 - 2023	0	162,366	9,931	172,297
	<u>\$ 630,000</u>	<u>\$ 866,432</u>	<u>\$ 566,294</u>	<u>\$ 2,062,726</u>

REQUIRED SUPPLEMENTAL  
INFORMATION SECTION

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
<u>Budgetary Fund Balance - Beginning</u>	\$ 78,049	\$ 78,049	\$ 394,542	\$ 316,493
<u>Taxes</u>				
Property Taxes	397,656	397,656	393,624	(4,032)
50% Highway Tax			18,089	18,089
Inventory Phaseout Tax	46,685	46,685	26,443	(20,242)
Occupancy Tax			13,146	13,146
Property Tax Replacement			1,739	1,739
<u>Total Taxes</u>	<u>444,341</u>	<u>444,341</u>	<u>453,041</u>	<u>8,700</u>
<u>Franchise Revenue</u>				
Natural Gas Franchise	11,000	11,000	15,376	4,376
Cablevision Franchise	4,300	4,300	4,696	396
Idaho Power Franchise			709	709
<u>Total Franchise Revenue</u>	<u>15,300</u>	<u>15,300</u>	<u>20,781</u>	<u>5,481</u>
<u>Fees, License and Permits</u>				
Beer and Wine License			700	700
Liquor License	2,000	2,000	1,125	(875)
Building Permits	94,650	94,650	19,918	(74,732)
Special Permits			15,372	15,372
Animal License and Fees	6,000	6,000	4,003	(1,997)
Impounding			1,808	1,808
<u>Total Fees, License and Permits</u>	<u>102,650</u>	<u>102,650</u>	<u>42,926</u>	<u>(59,724)</u>
<u>State Revenue</u>				
State Liquor Apportionment	12,608	12,608	18,429	5,821
State Highway User Tax	101,516	101,516	103,318	1,802
State Revenue Sharing	76,677	76,677	81,576	4,899
<u>Total State Revenue</u>	<u>190,801</u>	<u>190,801</u>	<u>203,323</u>	<u>12,522</u>
<u>Zoning Permits</u>				
Special Use Application			300	300
Zone Change Application			1,000	1,000
Annexation Application			200	200
PUD Application			5,855	5,855
	<u>0</u>	<u>0</u>	<u>7,355</u>	<u>7,355</u>

Continued

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<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>Other Revenue</u>				
Court Fines	\$ 16,000	\$ 16,000	\$ 20,527	\$ 4,527
Interest Revenue	19,250	19,250	8,715	(10,535)
Power Fund	1,116	1,116		(1,116)
Other Revenue	13,200	13,200	447	(12,753)
Copies, City Maps and Sales Tax			319	319
School Resource Officer	22,861	22,861	27,813	4,952
Tower Rent	6,800	6,800	4,366	(2,434)
Hansen Police Contract	34,443	34,443	34,445	2
Other Reimbursements	61,000	61,000	10,995	(50,005)
Sale of Capital Assets	160,000	160,000		(160,000)
Donations			3,334	3,334
<u>Total Other Revenue</u>	<u>334,670</u>	<u>334,670</u>	<u>110,961</u>	<u>(223,709)</u>
<u>Sanitation Revenue</u>				
Garbage Collections	88,800	88,800	63,964	(24,836)
Landfill Fee			32,851	32,851
<u>Total Garbage Revenue</u>	<u>88,800</u>	<u>88,800</u>	<u>96,815</u>	<u>8,015</u>
<u>Total Revenue</u>	<u>1,176,562</u>	<u>1,176,562</u>	<u>935,202</u>	<u>(241,360)</u>
<u>Amount Available for Appropriations</u>	<u>1,254,611</u>	<u>1,254,611</u>	<u>1,329,744</u>	<u>75,133</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>Administrative and General Government</u>				
Salaries and Benefits	75,760	75,760	74,968	792
Bank Service Charges			45	(45)
Supplies	1,500	1,500	5,520	(4,020)
Postage	1,000	1,000		1,000
Janitorial	3,600	3,600	2,400	1,200
Drug Testing	700	700	589	111
Service Contract	4,500	4,500	4,798	(298)
Engineering	7,000	7,000	17,004	(10,004)
Library Fund				0
Professional Fees	45,250	45,250	33,079	12,171
Advertising and Publishing	3,700	3,700	3,951	(251)
Insurance	30,400	30,400	65,434	(35,034)
Training and Travel	3,500	3,500	3,052	448
Community Assistance			6,000	(6,000)
Utilities	9,000	9,000	7,461	1,539

Continued

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Office Equipment/Rentals	\$	\$	\$ 1,749	\$ (1,749)
Community Center	11,500	11,500	2,875	8,625
Repairs and Maintenance - Buildings	140,000	140,000	543	139,457
Miscellaneous Services	400	400	202	198
Refunds	200	200		200
Capital Expenditures	3,000	3,000		3,000
<u>Total Administrative and General Government</u>	<u>341,010</u>	<u>341,010</u>	<u>229,670</u>	<u>111,340</u>
<u>Planning and Zoning</u>				
Salaries and Benefits	8,850	8,850	8,005	845
Insurance	80	80		80
<u>Total Planning and Zoning</u>	<u>8,930</u>	<u>8,930</u>	<u>8,005</u>	<u>925</u>
<u>Police Department</u>				
Salaries and Benefits	305,597	305,597	283,168	22,429
Supplies	4,500	4,500	5,974	(1,474)
Drug Testing	70	70	40	30
Printing	500	500	369	131
Dues	1,000	1,000	1,080	(80)
Evidence	250	250	5	245
Uniforms and Ammunition	2,000	2,000	1,082	918
Training	5,500	5,500	2,242	3,258
Community Assistance	500	500	500	0
Communications	800	800	312	488
Utilities	4,650	4,650	5,991	(1,341)
Capital Expenditures	5,950	5,950		5,950
Insurance	6,000	6,000		6,000
Fuel	9,000	9,000	7,755	1,245
Vehicle Maintenance	11,000	11,000	8,392	2,608
Miscellaneous Services	250	250	155	95
Lease - Principal	47,000	47,000	24,410	22,590
Lease - Interest			811	(811)
<u>Total Police Department</u>	<u>404,567</u>	<u>404,567</u>	<u>342,286</u>	<u>62,281</u>

Continued

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
<b><u>Fire Department</u></b>				
Salaries and Benefits	\$ 19,670	\$ 19,670	\$ 17,408	\$ 2,262
Supplies	1,600	1,600	807	793
Training				0
Communications	800	800		800
Utilities			439	(439)
Fuel	400	400	193	207
Fire Truck Maintenance	1,500	1,500	203	1,297
Miscellaneous Services	50	50		50
Capital Expenditures	3,000	3,000		3,000
	<u>27,020</u>	<u>27,020</u>	<u>19,050</u>	<u>7,970</u>
<b><u>Total Fire Department</u></b>				
<b><u>Building Inspection</u></b>				
Building Inspector	40,000	40,000	17,433	22,567
Insurance	80	80		80
	<u>40,080</u>	<u>40,080</u>	<u>17,433</u>	<u>22,647</u>
<b><u>Total Building Inspection</u></b>				
<b><u>Animal Control</u></b>				
Salaries and Benefits	35,778	35,778	27,893	7,885
Supplies	1,000	1,000	1,865	(865)
Postage	420	420		420
Uniforms	300	300		300
Utilities	45	45	43	2
Equipment Maintenance	600	600		600
Fuel	900	900	574	326
Dog Control	1,000	1,000	575	425
Pound Maintenance	300	300	256	44
Capital Expenditures	6,250	6,250		6,250
	<u>46,593</u>	<u>46,593</u>	<u>31,206</u>	<u>15,387</u>
<b><u>Total Animal Control</u></b>				
<b><u>Street Department</u></b>				
Salaries and Benefits	53,105	53,105	49,743	3,362
Supplies			50	(50)
Paved Street Maintenance	15,000	15,000	102,695	(87,695)
Unpaved Street Maintenance	1,500	1,500		1,500
Signage	3,000	3,000	1,251	1,749
Drug Testing	35	35		35
Dues	100	100		100
Insurance	1,100	1,100		1,100

Continued

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
Uniforms	\$ 350	\$ 350	\$ 193	\$ 157
Street Lighting	18,900	18,900	14,049	4,851
Fuel	1,800	1,800	1,038	762
Vehicle Maintenance	2,500	2,500	3,120	(620)
Other Equipment Maintenance	1,000	1,000	425	575
Miscellaneous Services	250	250	39	211
Capital Expenditures	18,800	18,800	4,581	14,219
Paved Street Construction	101,517	101,517		101,517
<u>Total Street Department</u>	<u>218,957</u>	<u>218,957</u>	<u>177,184</u>	<u>41,773</u>
<u>Sanitation Department</u>				
Garbage Collection	99,000	99,000	95,118	3,882
Postage	700	700	674	26
Printing	700	700	57	643
Miscellaneous Services	50	50	97	(47)
<u>Total Sanitation Department</u>	<u>100,450</u>	<u>100,450</u>	<u>95,946</u>	<u>4,504</u>
<u>Park Department</u>				
Salaries and Benefits	4,384	4,384	2,626	1,758
Utilities	5,000	5,000	545	4,455
Fuel			149	(149)
Park Maintenance	3,950	3,950	13,004	(9,054)
Miscellaneous Services	150	150	10	140
Capital Expenditures	5,440	5,440		5,440
Tree Community	6,500	6,500	2,037	4,463
<u>Total Park Department</u>	<u>25,424</u>	<u>25,424</u>	<u>18,371</u>	<u>7,053</u>
<u>Library Services</u>				
Salaries and Benefits	41,580	41,580	15,313	26,267
<u>Total Library Services</u>	<u>41,580</u>	<u>41,580</u>	<u>15,313</u>	<u>26,267</u>
<u>Other Services</u>				
Transfers Out			1,923	(1,923)
	0	0	1,923	(1,923)
<u>Total Charges to Appropriations</u>	<u>1,254,611</u>	<u>1,254,611</u>	<u>956,387</u>	<u>298,224</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 373,357</u>	<u>\$ 373,357</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2005

**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>Sources/Inflows of Resources</u>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,329,744
 <u>Differences - Budget to GAAP</u>	
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>(394,542)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 935,202</u>
 <u>Uses/Outflows of Resources</u>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 956,387
Interfund transfers are not included in fund expenditures but are shown as "other financing uses."	<u>(1,923)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 954,464</u>

**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.

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2005

**NOTE 2 - BUDGET PROCESS (Continued)**

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 superintendent of public education, 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 board of trustees 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 fund that meets the criteria is the general fund.

SUPPLEMENTAL  
INFORMATION SECTION

**CITY OF KIMBERLY  
KIMBERLY, IDAHO  
COMBINING BALANCE SHEET  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and Cash Equivalents	\$ 112,475	\$ 80,093	\$ 192,568
Investments	70,446	96,545	166,991
Net Receivables	36,250	27,441	63,691
<b><u>TOTAL CURRENT ASSETS</u></b>	<b><u>219,171</u></b>	<b><u>204,079</u></b>	<b><u>423,250</u></b>
<b><u>NONCURRENT ASSETS</u></b>			
Restricted Assets	172,711	96,556	269,267
Capital Assets (non-depreciated)	32,850		32,850
Capital Assets (net)	1,417,076	1,728,929	3,146,005
<b><u>TOTAL NONCURRENT ASSETS</u></b>	<b><u>1,622,637</u></b>	<b><u>1,825,485</u></b>	<b><u>3,448,122</u></b>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,841,808</u></b>	<b><u>\$ 2,029,564</u></b>	<b><u>\$ 3,871,372</u></b>
<b>LIABILITIES</b>			
<b><u>CURRENT LIABILITIES</u></b>			
Accounts Payable	\$ 13,919	\$ 507	\$ 14,426
Interfund Payable	8,026	10,301	18,327
Accrued Interest Payable	6,768	9,075	15,843
Deposits Payable	28,215		28,215
Current Portion of Long-term Debt	45,000	35,008	80,008
<b><u>TOTAL CURRENT LIABILITIES</u></b>	<b><u>101,928</u></b>	<b><u>54,891</u></b>	<b><u>156,819</u></b>
<b><u>NONCURRENT LIABILITIES</u></b>			
Note Payable (net of current portion)		831,424	831,424
Bond Payable (net of current portion)	585,000		585,000
<b><u>TOTAL NONCURRENT LIABILITIES</u></b>	<b><u>585,000</u></b>	<b><u>831,424</u></b>	<b><u>1,416,424</u></b>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>686,928</u></b>	<b><u>886,315</u></b>	<b><u>1,573,243</u></b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, net of related debt	832,076	897,505	1,729,581
Restricted for:			
Debt Service	172,711	96,556	269,267
Unrestricted	150,093	149,188	299,281
<b><u>TOTAL NET ASSETS</u></b>	<b><u>1,154,880</u></b>	<b><u>1,143,249</u></b>	<b><u>2,298,129</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 1,841,808</u></b>	<b><u>\$ 2,029,564</u></b>	<b><u>\$ 3,871,372</u></b>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
COMBINING SCHEDULE OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Service Fees	\$ 282,588	\$ 244,768	\$ 527,356
Service Hookups	19,200	13,200	32,400
Late Fees	15,346		15,346
Canal Water Shares	14,790		14,790
Other Revenue	10,599	40,894	51,493
	<u>342,523</u>	<u>298,862</u>	<u>641,385</u>
<u>TOTAL OPERATING REVENUES</u>			
 <u>OPERATING EXPENSES</u>			
Salaries and Benefits	114,089	51,355	165,444
Supplies	36,784	2,761	39,545
Travel and Training	2,123	60	2,183
Professional Fees	12,086	3,133	15,219
Interceptor		82,372	82,372
Office Supplies/Expenses	4,760	2,317	7,077
Utilities	54,774	1,071	55,845
Fuel	9,161	998	10,159
Repairs and Maintenance	12,381	5,080	17,461
Water Testing and Assessments	8,948		8,948
Depreciation Expense	58,379	54,834	113,213
	<u>313,485</u>	<u>203,981</u>	<u>517,466</u>
<u>TOTAL OPERATING EXPENSES</u>			
 <u>OPERATING INCOME (LOSS)</u>			
	<u>29,038</u>	<u>94,881</u>	<u>123,919</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Earnings	6,695	3,856	10,551
Interest Expense	(42,893)	(35,670)	(78,563)
	<u>(36,198)</u>	<u>(31,814)</u>	<u>(68,012)</u>
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>			
 <u>CHANGE IN NET ASSETS</u>			
	(7,160)	63,067	55,907
 <u>TOTAL NET ASSETS - BEGINNING</u>			
	<u>1,162,040</u>	<u>1,080,182</u>	<u>2,242,222</u>
 <u>TOTAL NET ASSETS - ENDING</u>			
	<u>\$ 1,154,880</u>	<u>\$ 1,143,249</u>	<u>\$ 2,298,129</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Receipts Form Customers	\$ 341,557	\$ 298,535	\$ 640,092
Payments to Suppliers	(135,889)	(97,839)	(233,728)
Payments to Employees	(114,089)	(51,355)	(165,444)
	<u>91,579</u>	<u>149,341</u>	<u>240,920</u>
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>			
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Principal Paid on Capital Debt	(45,000)	(33,648)	(78,648)
Acquisition of Capital Assets	(13,952)	(2,373)	(16,325)
Interfund Borrowing Activity	8,026	10,301	18,327
Interest Paid on Capital Debt	(42,893)	(35,670)	(78,563)
	<u>(93,819)</u>	<u>(61,390)</u>	<u>(155,209)</u>
<b><u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest	6,695	3,856	10,551
	<u>6,695</u>	<u>3,856</u>	<u>10,551</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
<b><u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	4,455	91,807	96,262
<b><u>BALANCES - BEGINNING OF THE YEAR</u></b>	351,177	181,387	532,564
<b><u>BALANCES - END OF THE YEAR</u></b>	<u>\$ 355,632</u>	<u>\$ 273,194</u>	<u>\$ 628,826</u>
<b><u>BALANCE DISPLAYED AS:</u></b>			
Cash	\$ 112,475	\$ 80,093	\$ 192,568
Investments	70,446	96,545	166,991
Restricted Assets	172,711	96,556	269,267
	<u>\$ 355,632</u>	<u>\$ 273,194</u>	<u>\$ 628,826</u>

(Continued)

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
COMBINING SCHEDULE OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<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)	\$ 29,038	\$ 94,881	\$ 123,919
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation	58,379	54,834	113,213
(Increase) Decrease in Accounts Receivable	(966)	(327)	(1,293)
Increase (Decrease) in Accounts Payable	6,104	(47)	6,057
Increase (Decrease) in Deposits Payable	(976)		(976)
	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 91,579</u>	<u>\$ 149,341</u>	<u>\$ 240,920</u>

# R. MICHAEL BURR

Certified Public Accountant

P.O. Box 2229

Twin Falls, ID 83303-2229

(208) 736-8747

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and City Council  
City of Kimberly  
Kimberly, Idaho 83341

December 20, 2005

We have audited 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, 2005, which collectively comprise the City of Kimberly's basic financial statements and have issued our report thereon dated December 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Kimberly's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Kimberly's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition discovered was a lack of segregation of duties. 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.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

Compliance and Other Matters

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

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

Sincerely,



R. Michael Burr  
Certified Public Accountant

R. MICHAEL BURR

Certified Public Accountant

P.O. Box 2229

Twin Falls, ID 83303-2229

(208) 736-8747

**MANAGEMENT LETTER**

Mayor and City Council  
City of Kimberly  
Kimberly, Idaho 83341

December 20, 2005

In planning and performing our audit of the financial statements of City of Kimberly, for the year ended September 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect City of Kimberly's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

There was one reportable condition which we noted. The condition was a lack of segregation of duties. This condition was considered in determining the nature, timing, and extent of the audit tests applied in our audit of the September 30, 2005 financial statements, and this report does not affect our report on those financial statements dated December 20, 2005. We have not considered the internal control since the date of our report.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

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

Sincerely,



R. Michael Burr  
Certified Public Accountant