

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2006

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Library Fund	Total Governmental Funds
\$ 12,401	\$ 21,557
	196,176
1,178	23,402
	13,279
	54,516
	510,129
<u>13,579</u>	<u>819,059</u>
	\$ 48,654
	(5,108)
<u>1,114</u>	<u>22,127</u>
<u>1,114</u>	<u>65,673</u>
	510,129
	229,292
12,465	12,465
	1,500
<u>12,465</u>	<u>753,386</u>
<u>\$ 13,579</u>	<u>\$ 819,059</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>General Fund</u>	<u>Gem Community Fund</u>
<b><u>REVENUES</u></b>		
Property Taxes	\$ 426,440	
Other Tax Revenue	55,424	
Franchise Revenue	35,259	
Fees, License and Permits	89,053	
State Revenue	209,152	
Zoning Revenue	9,077	
Sanitation Revenue	98,075	
Court Fines	19,483	
Contracts	49,735	
Other Revenue	21,199	
Investment Revenue	15,806	
	<hr/>	<hr/>
<b><u>TOTAL REVENUES</u></b>	<b>1,028,703</b>	<b>\$ 0</b>
	<hr/>	<hr/>
<b><u>EXPENDITURES</u></b>		
Administration and General Government	262,965	
Planning and Zoning	41,156	
Police Department	339,179	
Fire Department	25,571	
Building Inspection	44,546	
Animal Control	43,994	
Street Department	251,954	
Sanitation Department	96,920	
Park Department	35,934	
Library Services	539	
	<hr/>	<hr/>
<b><u>TOTAL EXPENDITURES</u></b>	<b>1,142,758</b>	<b>0</b>
	<hr/>	<hr/>
<b><u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u></b>	<b>(114,055)</b>	<b>0</b>
	<hr/>	<hr/>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Proceeds fro Sale of Capital Assets	413,340	
Interfund Transfers In (Out)	66,779	
	<hr/>	<hr/>
<b><u>TOTAL OTHER FINANCING SOURCES (USES)</u></b>	<b>480,119</b>	<b>0</b>
	<hr/>	<hr/>
<b><u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u></b>	<b>366,064</b>	<b>0</b>
	<hr/>	<hr/>
<b><u>FUND BALANCE - BEGINNING</u></b>	<b>373,357</b>	<b>1,500</b>
	<hr/>	<hr/>
<b><u>FUND BALANCE - ENDING</u></b>	<b>\$ 739,421</b>	<b>\$ 1,500</b>
	<hr/>	<hr/>

See accompanying notes to the basic financial statements

<u>Library Fund</u>	<u>Total Governmental Funds</u>
\$ 21,189	\$ 447,629
	55,424
	35,259
	89,053
	209,152
	9,077
	98,075
	19,483
	49,735
3,097	24,296
27	15,833
<u>24,313</u>	<u>1,053,016</u>
	262,965
	41,156
	339,179
	25,571
	44,546
	43,994
	251,954
	96,920
	35,934
<u>24,909</u>	<u>25,448</u>
<u>24,909</u>	<u>1,167,667</u>
<u>(596)</u>	<u>(114,651)</u>
	413,340
<u>1,971</u>	<u>68,750</u>
<u>1,971</u>	<u>482,090</u>
1,375	367,439
<u>11,090</u>	<u>385,947</u>
<u>\$ 12,465</u>	<u>\$ 753,386</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2006

		<u>Governmental Activities</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 21,557	
Investments	196,176	
Net Receivables	<u>69,070</u>	
<u>TOTAL CURRENT ASSETS</u>		\$ 286,803
<u>NONCURRENT ASSETS</u>		
Long-Term Receivables	\$ 22,127	
Restricted Assets	510,129	
Capital Assets (non-depreciated)		
Capital Assets (net)	<u>551,969</u>	
<u>TOTAL NONCURRENT ASSETS</u>		<u>1,084,225</u>
<u>TOTAL ASSETS</u>		<u>1,371,028</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 48,654	
Interfund Payable	(5,108)	
Deposits Payable		
Accrued Interest Payable		
Current Portion of Long-term Debt		
<u>TOTAL CURRENT LIABILITIES</u>		43,546
<u>NONCURRENT LIABILITIES</u>		
Capital Lease Payable (net of current portion)	\$ 79,866	
Note Payable (net of current portion)		
Bond Payable (net of current portion)		
<u>TOTAL NONCURRENT LIABILITIES</u>		<u>79,866</u>
<u>TOTAL LIABILITIES</u>		123,412
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 472,103	
Restricted for:		
Gem Community Projects	1,500	
Building	510,129	
Debt Service		
Library	12,465	
Unrestricted	<u>251,419</u>	
<u>TOTAL NET ASSETS</u>		<u>\$ 1,247,616</u>

See accompanying notes to the basic financial statements

<u>Business-type Activities</u>		<u>Total</u>	
\$ 160,078		\$ 181,635	
186,210		382,386	
<u>65,981</u>		<u>135,051</u>	
	\$ 412,269		\$ 699,072
\$ 306,289		\$ 22,127	
140,610		816,418	
<u>3,033,443</u>		<u>140,610</u>	
	3,480,342	<u>3,585,412</u>	4,564,567
	<u>3,892,611</u>		<u>5,263,639</u>
\$ 8,603		\$ 57,257	
5,108		0	
36,279		36,279	
16,213		16,213	
<u>86,422</u>		<u>86,422</u>	
	152,625		196,171
\$ 795,002		\$ 79,866	
<u>535,000</u>		<u>795,002</u>	
	1,330,002	<u>535,000</u>	1,409,868
	<u>1,482,627</u>		<u>1,606,039</u>
\$ 1,703,441		\$ 2,175,544	
		1,500	
		510,129	
306,289		306,289	
		12,465	
<u>400,254</u>		<u>651,673</u>	
	<u>\$ 2,409,984</u>		<u>\$ 3,657,600</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Primary Government Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Administration and General Gov't.	\$ 265,269			
Planning and Zoning	41,156	\$ 9,077		
Police Department	349,763	49,735		
Fire Department	32,127			
Building Inspection	44,546	81,870		
Animal Control	43,994	3,277		
Street Department	113,070		\$ 103,471	
Sanitation Department	96,920	98,075		
Park Department	15,306	560		
Library Services	23,280			
<u>Total Governmental Activities</u>	<u>1,025,431</u>	<u>242,594</u>	<u>103,471</u>	<u>\$ 0</u>
<u>Business-Type Activities</u>				
Water Fund	381,767	461,427		
Sewer Fund	353,385	437,706		
<u>Total Business-Type Activities</u>	<u>353,385</u>	<u>437,706</u>	<u>0</u>	<u>0</u>
<u>Total Primary Government</u>	<u>\$ 1,378,816</u>	<u>\$ 680,300</u>	<u>\$ 103,471</u>	<u>\$ 0</u>

General Revenue  
Property Taxes  
Other Tax Revenue  
Franchise Revenue  
State Programs/Revenue  
Court Fines  
Other Revenue  
Gain on Sale of Capital Assets  
Interfund Transfers  
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
\$ (265,269)		\$ (265,269)
(32,079)		(32,079)
(300,028)		(300,028)
(32,127)		(32,127)
37,324		37,324
(40,717)		(40,717)
(9,599)		(9,599)
1,155		1,155
(14,746)		(14,746)
(23,280)		(23,280)
<u>(679,366)</u>		<u>(679,366)</u>
	\$ 79,660	79,660
	84,321	84,321
<u>0</u>	<u>163,981</u>	<u>163,981</u>
<u>(679,366)</u>	<u>163,981</u>	<u>(515,385)</u>
436,859		436,859
55,424		55,424
35,259		35,259
105,681		105,681
19,483		19,483
27,642		27,642
413,340		413,340
68,750	(68,750)	0
15,833	16,624	32,457
<u>1,178,271</u>	<u>(52,126)</u>	<u>1,126,145</u>
498,905	111,855	610,760
<u>748,711</u>	<u>2,298,129</u>	<u>3,046,840</u>
<u>\$ 1,247,616</u>	<u>\$ 2,409,984</u>	<u>\$ 3,657,600</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
SEPTEMBER 30, 2006

<u>Total Governmental Fund Balances</u>		\$ 753,386
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, \$1,061,726 net of accumulated depreciation of \$509,757.	\$ 551,969	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	22,127	
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>(79,866)</u>	
<u>Net Changes</u>		<u>494,230</u>
<u>Net Assets of Governmental Activities</u>		<u>\$ 1,247,616</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, 2006

Net Change in Fund Balances - Governmental Fund Balances \$ 367,439

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	\$ 148,658
- Depreciation	(55,988)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(10,770)
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Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets.	<u>49,566</u>
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<u>Net Changes</u>	<u>131,466</u>
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<u>Change in Net Assets of Governmental Activities</u>	<u>\$ 498,905</u>
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CITY OF KIMBERLY  
KIMBERLY, IDAHO  
BALANCE SHEET  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2006

		<u>Enterprise Fund</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 160,078	
Investments	186,210	
Net Receivables	<u>65,981</u>	
<u>TOTAL CURRENT ASSETS</u>		\$ 412,269
<u>NONCURRENT ASSETS</u>		
Restricted Assets	\$ 306,289	
Capital Assets (non-depreciated)	140,610	
Capital Assets (net)	<u>3,033,443</u>	
<u>TOTAL NONCURRENT ASSETS</u>		<u>3,480,342</u>
<u>TOTAL ASSETS</u>		<u>\$ 3,892,611</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 8,603	
Interfund Payable	5,108	
Accrued Interest Payable	16,213	
Deposits Payable	36,279	
Current Portion of Long-term Debt	<u>86,422</u>	
<u>TOTAL CURRENT LIABILITIES</u>		\$ 152,625
<u>NONCURRENT LIABILITIES</u>		
Note Payable (net of current portion)	\$ 795,002	
Bond Payable (net of current portion)	<u>535,000</u>	
<u>TOTAL NONCURRENT LIABILITIES</u>		<u>1,330,002</u>
<u>TOTAL LIABILITIES</u>		1,482,627
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 1,703,441	
Restricted for:		
Debt Service	306,289	
Unrestricted	<u>400,254</u>	
<u>TOTAL NET ASSETS</u>		<u>2,409,984</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>		<u>\$ 3,892,611</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, 2006

		Enterprise Fund
<u>OPERATING REVENUES</u>		
Service Fees	\$ 548,703	
Service Hookups	242,198	
Late Fees and Fines	86,225	
Canal Company Shares	12,851	
Other Revenue	9,156	
<u>TOTAL OPERATING REVENUES</u>		\$ 899,133
 <u>OPERATING EXPENSES</u>		
Salaries and Benefits	\$ 191,638	
Supplies	40,439	
Travel and Training	3,649	
Professional Fees	5,325	
Interceptor	185,055	
Office Supplies/Expenses	4,598	
Utilities	61,811	
Fuel	18,581	
Repairs and Maintenance	29,312	
Water Testing and Assessments	7,678	
Depreciation	112,562	
<u>TOTAL OPERATING EXPENSES</u>		660,648
<u>OPERATING INCOME (LOSS)</u>		238,485
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Investment Earnings	\$ 16,624	
Interest Expense	(74,504)	
Interfund Transfers In (Out)	(68,750)	
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>		(126,630)
<u>CHANGE IN NET ASSETS</u>		111,855
<u>TOTAL NET ASSETS - BEGINNING</u>		2,298,129
<u>TOTAL NET ASSETS - ENDING</u>		\$ 2,409,984

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, 2006

		<u>Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts Form Customers	\$ 896,843	
Payments to Suppliers	(353,837)	
Payments to Employees	(191,638)	
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		\$ 351,368
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal Paid on Capital Debt	\$ (80,008)	
Acquisition of Capital Assets	(107,760)	
Interfund Borrowing Activity	(81,969)	
Interest Paid on Capital Debt	(74,504)	
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>		(344,241)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest	\$ 16,624	
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		16,624
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		23,751
<u>BALANCES - BEGINNING OF THE YEAR</u>		628,826
<u>BALANCES - END OF THE YEAR</u>		\$ 652,577
<u>BALANCE DISPLAYED AS:</u>		
Cash		\$ 160,078
Investments		186,210
Restricted Assets		306,289
		\$ 652,577

(Continued)

**NOTES TO BASIC**  
**FINANCIAL STATEMENTS**

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

**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, 2006.

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, 2006

**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, 2006

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, 2006

**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, 2006

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, 2006

**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, 2006**

**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, 2006

**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, 2006, the City had a carrying value of cash deposits of \$1,064,391 and a bank balance of \$1,302,902. Based on the above definitions, the City is subject to \$1,102,902 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 \$286,842 (Idaho State Local Government Investment Pool) 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.

**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, 2005, upon which the 2005 levy was based was \$62,231,309.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2006, 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	0.5752	0.9000
Library	0.0332	0.1000
Tort	0.0482	No Limit

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

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

At September 30, 2006, the components of taxes receivable are as follows:

<u>Year</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
2005	\$ 12,122	\$ 647	\$ 12,769
2004	8,156	429	8,585
2003	1,946	102	2,048
<u>Total</u>	<u>\$ 22,224</u>	<u>\$ 1,178</u>	<u>\$ 23,402</u>

For fund financial statements, the recognition of revenue on taxes receivable shall not exceed 60 days collection after the September 30, 2006, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2006, are deferred revenue. The components of deferred revenue are as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 21,013
Library Fund	1,114
<u>Total</u>	<u>\$ 22,127</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, 2006, are as follows:

<u>Description - Source</u>	<u>General Fund</u>
Highway User - State	\$ 25,717
Liquor Apportionment - State	4,024
Revenue Share - State	24,775
<u>Total</u>	<u>\$ 54,516</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

**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 40 to 41. 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	\$ 2,304
Police	16,834
Fire	6,556
Street	22,807
Park	3,438
Library	4,049
	<hr/>
Total	\$ 55,988

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

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

Capital asset activity for the City's governmental functions for the year ended September 30, 2006, was as follows (beginning amounts restated to reflect GASB 34):

	Primary Government - Governmental Activities			Ending Balance
	Beginning Balance	Additions	Retirements	
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	112,125		204,073
Equipment	237,873	30,316		268,189
Library	179,102	6,217		185,319
Automobiles	123,051			123,051
Subtotal	844,172	148,658	0	992,830
Less accumulated depreciation for:				
Buildings and Improvements	(65,716)	(4,888)		(70,604)
Infrastructure	(3,678)	(4,082)		(7,760)
Equipment	(109,747)	(26,135)		(135,882)
Library	(175,149)	(4,049)		(179,198)
Automobiles	(99,479)	(16,834)		(116,313)
Subtotal	(453,769)	(55,988)	0	(509,757)
Net Depreciated Assets	390,403	92,670	0	483,073
Net Capital Assets	\$ 459,299	\$ 92,670	\$ 0	\$ 551,969

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

	Water Fund	Sewer Fund	Total
Land	\$ 32,850		\$ 32,850
Construction-in-Progress	107,760		107,760
Buildings	85,317	\$ 5,720	91,037
Equipment	109,290	28,147	137,437
Systems	2,064,593	2,322,383	4,386,976
	2,399,810	2,356,250	4,756,060
Less: Accumulated Depreciation	(900,160)	(681,847)	(1,582,007)
Net Capital Assets	\$ 1,499,650	\$ 1,674,403	\$ 3,174,053

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

**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. 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. For each month of credit service, the annual service retirement allowance 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 of Kimberly and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2006, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The City contributions required and paid were \$49,973, \$42,001, and \$42,162 for the three years ended September 30, 2006, 2005, and 2004, respectively.

**NOTE 9 - INTERFUND TRANSACTIONS**

Interfund transfers and due to/from for the City for the year ended September 30, 2006, are summarized below:

	<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Interfund Transfers:			
Pay current year's expenditures	Library	General	\$ 1,971
Reserved Building	General	Water	34,375
Reserved Building	General	Sewer	34,375
Due To/From:			
Prior year's transactions	Water Fund	General Fund	\$ 395
Prior year's transactions	Sewer Fund	General Fund	4,713

**NOTE 10 - RESTRICTED ASSETS**

Amounts reported as restricted assets in the Water and Sewer Fund are restricted for debt service. The restricted amounts are \$180,139 in the water fund and \$126,150 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, 2006**

**NOTE 11 - DEBT**

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2006:

	<u>Outstanding 10-1-05</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 9-30-06</u>
Patrol Car Lease	\$ 15,460		\$ 8,218	\$ 7,242
Street Sweeper Lease	113,972		34,106	79,866
Water Revenue Bonds	630,000		45,000	585,000
Sewer Notes - D.E.Q.	866,432		35,008	831,424
	<u>\$ 1,625,864</u>	<u>\$ 0</u>	<u>\$ 122,332</u>	<u>\$ 1,503,532</u>

The annual requirements to amortize the City's debt as of September 30, 2006, is as follows:

Patrol Car Lease:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 7,242	\$ 324	\$ 7,566
	<u>\$ 7,242</u>	<u>\$ 324</u>	<u>\$ 7,566</u>

Street Sweeper Lease:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 0	\$ 0	\$ 0
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>\$ 79,866</u>	<u>\$ 10,961</u>	<u>\$ 90,827</u>

	<u>Bond</u>	<u>Note</u>	<u>Interest</u>	<u>Total</u>
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	60,000	44,398	50,705	155,103
2012 - 2016	310,000	232,322	104,410	646,732
2017 - 2021	0	281,980	73,531	355,511
2022 - 2027	0	117,968	9,931	127,899
	<u>\$ 585,000</u>	<u>\$ 831,424</u>	<u>\$ 491,791</u>	<u>\$ 1,908,215</u>

**REQUIRED SUPPLEMENTAL  
INFORMATION SECTION**

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
<u>Budgetary Fund Balance - Beginning</u>	\$ 60,017	\$ 60,017	\$ 373,357	\$ 313,340
<u>Resources (Inflows)</u>				0
Property Taxes	421,762	421,762	426,440	4,678
Other Tax Revenue	50,727	50,727	55,424	4,697
Franchise Revenue	35,000	35,000	35,259	259
Fees, License and Permits	96,660	96,660	89,053	(7,607)
State Revenue	196,376	196,376	209,152	12,776
Zoning Revenue			9,077	9,077
Sanitation Revenue	90,000	90,000	98,075	8,075
Court Fines	16,000	16,000	19,483	3,483
Contracts	60,024	60,024	49,735	(10,289)
Other Revenue	30,559	30,559	21,199	(9,360)
Proceeds from Sale of Real Property	170,000	170,000	413,340	243,340
Interfund Transfers	100,000	100,000	68,750	(31,250)
Investment Revenue	19,250	19,250	15,806	(3,444)
<u>Total Revenue</u>	<u>1,286,358</u>	<u>1,286,358</u>	<u>1,510,793</u>	<u>224,435</u>
<u>Amount Available for Appropriations</u>	<u>1,346,375</u>	<u>1,346,375</u>	<u>1,884,150</u>	<u>537,775</u>
<u>Charges to Appropriations (Outflows)</u>				
Administration and General Government	487,631	487,631	262,965	224,666
Planning and Zoning			41,156	(41,156)
Police Department	436,928	436,928	339,179	97,749
Fire Department	27,020	27,020	25,571	1,449
Building Inspection			44,546	(44,546)
Animal Control	47,780	47,780	43,994	3,786
Street Department	221,142	221,142	251,954	(30,812)
Sanitation Department	100,450	100,450	96,920	3,530
Park Department	25,424	25,424	35,934	(10,510)
Library Services			539	(539)
Library Services			1,971	(1,971)
Interfund Transfers				
<u>Total Charges to Appropriations</u>	<u>1,346,375</u>	<u>1,346,375</u>	<u>1,144,729</u>	<u>201,646</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 739,421</u>	<u>\$ 336,129</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2006

**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	\$ 1,884,150
 <u>Differences - Budget to GAAP</u>	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(68,750)
Sale of real property are inflows of budgetary resources but are not revenues for financial reporting purposes.	(413,340)
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>(373,357)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,028,703</u>
 <u>Uses/Outflows of Resources</u>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,144,729
Interfund transfers are not included in fund expenditures but are shown as "other financing uses."	<u>(1,971)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,142,758</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2006**

**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 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, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 55,417	\$ 104,661	\$ 160,078
Investments	73,266	112,944	186,210
Net Receivables	37,075	28,906	65,981
<b>TOTAL CURRENT ASSETS</b>	<b>165,758</b>	<b>246,511</b>	<b>412,269</b>
<b>NONCURRENT ASSETS</b>			
Restricted Assets	180,139	126,150	306,289
Capital Assets (non-depreciated)	140,610		140,610
Capital Assets (net)	1,359,040	1,674,403	3,033,443
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,679,789</b>	<b>1,800,553</b>	<b>3,480,342</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,845,547</b>	<b>\$ 2,047,064</b>	<b>\$ 3,892,611</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 7,217	\$ 1,386	\$ 8,603
Interfund Payable	395	4,713	5,108
Accrued Interest Payable	6,768	9,445	16,213
Deposits Payable	36,279		36,279
Current Portion of Long-term Debt	50,000	36,422	86,422
<b>TOTAL CURRENT LIABILITIES</b>	<b>100,659</b>	<b>51,966</b>	<b>152,625</b>
<b>NONCURRENT LIABILITIES</b>			
Note Payable (net of current portion)		795,002	795,002
Bond Payable (net of current portion)	535,000		535,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>535,000</b>	<b>795,002</b>	<b>1,330,002</b>
<b>TOTAL LIABILITIES</b>	<b>635,659</b>	<b>846,968</b>	<b>1,482,627</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	824,040	879,401	1,703,441
Restricted for:			
Debt Service	180,139	126,150	306,289
Unrestricted	205,709	194,545	400,254
<b>TOTAL NET ASSETS</b>	<b>1,209,888</b>	<b>1,200,096</b>	<b>2,409,984</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,845,547</b>	<b>\$ 2,047,064</b>	<b>\$ 3,892,611</b>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
COMBINING SCHEDULE OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Service Fees	\$ 295,845	\$ 252,858	\$ 548,703
Service Hookups	128,500	113,698	242,198
Late Fees and Fines	15,075	71,150	86,225
Canal Water Shares	12,851		12,851
Other Revenue	9,156		9,156
	<u>461,427</u>	<u>437,706</u>	<u>899,133</u>
<u>TOTAL OPERATING REVENUES</u>			
<u>OPERATING EXPENSES</u>			
Salaries and Benefits	124,008	67,630	191,638
Supplies	37,283	3,156	40,439
Travel and Training	3,094	555	3,649
Professional Fees	2,650	2,675	5,325
Interceptor		185,055	185,055
Office Supplies/Expenses	3,893	705	4,598
Utilities	59,565	2,246	61,811
Fuel	18,060	521	18,581
Repairs and Maintenance	27,307	2,005	29,312
Water Testing and Assessments	7,678		7,678
Depreciation Expense	58,036	54,526	112,562
	<u>341,574</u>	<u>319,074</u>	<u>660,648</u>
<u>TOTAL OPERATING EXPENSES</u>			
<u>OPERATING INCOME (LOSS)</u>			
	<u>119,853</u>	<u>118,632</u>	<u>238,485</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Earnings	9,723	6,901	16,624
Interest Expense	(40,193)	(34,311)	(74,504)
Transfers In (Out)	(34,375)	(34,375)	(68,750)
	<u>(64,845)</u>	<u>(61,785)</u>	<u>(126,630)</u>
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>			
<u>CHANGE IN NET ASSETS</u>			
	55,008	56,847	111,855
<u>TOTAL NET ASSETS - BEGINNING</u>			
	<u>1,154,880</u>	<u>1,143,249</u>	<u>2,298,129</u>
<u>TOTAL NET ASSETS - ENDING</u>			
	<u>\$ 1,209,888</u>	<u>\$ 1,200,096</u>	<u>\$ 2,409,984</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts Form Customers	\$ 460,602	\$ 436,241	\$ 896,843
Payments to Suppliers	(158,168)	(195,669)	(353,837)
Payments to Employees	(124,008)	(67,630)	(191,638)
 <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	 <u>178,426</u>	 <u>172,942</u>	 <u>351,368</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal Paid on Capital Debt	(45,000)	(35,008)	(80,008)
Acquisition of Capital Assets	(107,760)		(107,760)
Interfund Borrowing Activity	(42,006)	(39,963)	(81,969)
Interest Paid on Capital Debt	(40,193)	(34,311)	(74,504)
 <u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	 <u>(234,959)</u>	 <u>(109,282)</u>	 <u>(344,241)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest	9,723	6,901	16,624
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	 <u>9,723</u>	 <u>6,901</u>	 <u>16,624</u>
 <u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	 <u>(46,810)</u>	 <u>70,561</u>	 <u>23,751</u>
 <u>BALANCES - BEGINNING OF THE YEAR</u>	 <u>355,632</u>	 <u>273,194</u>	 <u>628,826</u>
 <u>BALANCES - END OF THE YEAR</u>	 <u>\$ 308,822</u>	 <u>\$ 343,755</u>	 <u>\$ 652,577</u>
 <u>BALANCE DISPLAYED AS:</u>			
Cash	\$ 55,417	\$ 104,661	\$ 160,078
Investments	73,266	112,944	186,210
Restricted Assets	180,139	126,150	306,289
	<u>\$ 308,822</u>	<u>\$ 343,755</u>	<u>\$ 652,577</u>

(Continued)

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>RECONCILIATION OF OPERATING INCOME</u></b>			
<b><u>(LOSS) TO NET CASH PROVIDED (USED) BY</u></b>			
<b><u>OPERATING ACTIVITIES</u></b>			
Operating Income (Loss)	\$ 119,853	\$ 118,632	\$ 238,485
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	58,036	54,526	112,562
(Increase) Decrease in Accounts Receivable	(825)	(1,465)	(2,290)
Increase (Decrease) in Accounts Payable	(6,702)	879	(5,823)
Increase (Decrease) in Accrued Interest Payable		370	370
Increase (Decrease) in Deposits Payable	8,064		8,064
	<u>8,064</u>	<u>370</u>	<u>8,064</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 178,426</u>	<u>\$ 172,942</u>	<u>\$ 351,368</u>

# R. MICHAEL BURR

Certified Public Accountant

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## 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, 2006

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, 2006, which collectively comprise the City of Kimberly's basic financial statements and have issued our report thereon dated February 14, 2007. 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

February 14, 2007

In planning and performing our audit of the financial statements of City of Kimberly, for the year ended September 30, 2006, 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, 2006 financial statements, and this report does not affect our report on those financial statements dated February 14, 2007. 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