# CITY OF KIMBERLY
# KIMBERLY, IDAHO
# ANNUAL FINANCIAL REPORT
# SEPTEMBER 30, 2008

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**ANNUAL FINANCIAL REPORT**
**SEPTEMBER 30, 2008**

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## INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Kimberly
Kimberly, Idaho 83341

December 1, 2008

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of 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, 2008, 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 1, 2008, 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 34, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kimberly's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

R. Michael Burr

R. Michael Burr
Certified Public Accountant

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**STATEMENT OF NET ASSETS**
**SEPTEMBER 30, 2008**

| | Governmental Activities | |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | $ 99,813 | |
| Investments | 169,932 | |
| Net Receivables | 66,641 | |
| TOTAL CURRENT ASSETS | | $ 336,386 |
| NONCURRENT ASSETS | | |
| Long-Term Receivables | $ 13,494 | |
| Restricted Assets | 617,831 | |
| Capital Assets (non-depreciated) | 549,321 | |
| Capital Assets (net) | 2,751,075 | |
| TOTAL NONCURRENT ASSETS | | 3,931,721 |
| TOTAL ASSETS | | 4,268,107 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | $ 20,460 | |
| Unearned Revenue | 26,297 | |
| Deposits Payable | 7,767 | |
| Accrued Interest Payable | 90 | |
| Interfund Payable | 7,674 | |
| Current Portion of Long-term Debt | 28,552 | |
| TOTAL CURRENT LIABILITIES | | 90,840 |
| NONCURRENT LIABILITIES | | |
| Capital Lease Payable (net of current portion) | $ 29,916 | |
| Note Payable (net of current portion) | | |
| Bond Payable (net of current portion) | | |
| TOTAL NONCURRENT LIABILITIES | | 29,916 |
| TOTAL LIABILITIES | | 120,756 |
| NET ASSETS | | |
| Invested in Capital Assets, net of related debt | $ 3,241,838 | |
| Restricted for: | | |
| Mayor's Youth Council | 758 | |
| Building | 617,073 | |
| Debt Service | | |
| Sewer Capacity | | |
| Unrestricted | 287,682 | |
| TOTAL NET ASSETS | | $ 4,147,351 |

See accompanying notes to the basic financial statements

| Business-type Activities | | Total | |
|---|---|---|---|
| $ 165,760 | | $ 265,573 | |
| 418,952 | | 588,884 | |
| 58,187 | | 124,828 | |
| | $ 642,899 | | $ 979,285 |
| | | $ 13,494 | |
| $ 291,427 | | 909,258 | |
| 32,850 | | 582,171 | |
| 6,097,121 | | 8,848,196 | |
| | 6,421,398 | | 10,353,119 |
| | 7,064,297 | | 11,332,404 |
| $ 8,478 | | $ 28,938 | |
| | | 26,297 | |
| 35,538 | | 43,305 | |
| 15,267 | | 15,357 | |
| (7,674) | | 0 | |
| 94,424 | | 122,976 | |
| | 146,033 | | 236,873 |
| | | $ 29,916 | |
| $ 717,495 | | 717,495 | |
| 430,000 | | 430,000 | |
| | 1,147,495 | | 1,177,411 |
| | 1,293,528 | | 1,414,284 |
| $ 4,949,626 | | $ 8,191,464 | |
| | | 758 | |
| | | 617,073 | |
| 249,267 | | 249,267 | |
| 42,160 | | 42,160 | |
| 529,716 | | 817,398 | |
| | $ 5,770,769 | | $ 9,918,120 |

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| Primary Government Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Administration and General Gov't. | $ 265,328 | $ 1,671 | | |
| Planning and Zoning | 47,572 | 6,977 | | |
| Police Department | 381,129 | 64,293 | | |
| Fire Department | 28,855 | | | |
| Building Inspection | 48,004 | 77,895 | | |
| Animal Control | 26,511 | | | |
| Street Department | 282,837 | | $ 104,441 | |
| Sanitation Department | 113,957 | 111,390 | | |
| Park Department | 25,116 | 745 | | |
| Library Services | 39,417 | | | |
| Total Governmental Activities | 1,258,726 | 262,971 | 104,441 | $ 0 |
| Business-Type Activities | | | | |
| Water Fund | 351,946 | 467,673 | | |
| Sewer Fund | 346,666 | 379,234 | | |
| Total Business-Type Activities | 698,612 | 846,907 | 0 | 0 |
| Total Primary Government | $ 1,957,338 | $ 1,109,878 | $ 104,441 | $ 0 |

General Revenue
- Property Taxes
- Other Tax Revenue
- Franchise Revenue
- State Programs/Revenue
- Court Fines
- Other Revenue
- Contributed Capital Assets
- 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 |
| $ (263,657) | | $ (263,657) |
| (40,595) | | (40,595) |
| (316,836) | | (316,836) |
| (28,855) | | (28,855) |
| 29,891 | | 29,891 |
| (26,511) | | (26,511) |
| (178,396) | | (178,396) |
| (2,567) | | (2,567) |
| (24,371) | | (24,371) |
| (39,417) | | (39,417) |
| (891,314) | | (891,314) |
| | $ 115,727 | 115,727 |
| | 32,568 | 32,568 |
| 0 | 148,295 | 148,295 |
| (891,314) | 148,295 | (743,019) |
| 553,953 | | 553,953 |
| 94,432 | | 94,432 |
| 42,698 | | 42,698 |
| 109,793 | | 109,793 |
| 28,520 | | 28,520 |
| 18,934 | | 18,934 |
| 1,269,888 | 1,717,780 | 2,987,668 |
| 25,626 | 43,382 | 69,008 |
| 2,143,844 | 1,761,162 | 3,905,006 |
| 1,252,530 | 1,909,457 | 3,161,987 |
| 2,894,821 | 3,861,312 | 6,756,133 |
| $ 4,147,351 | $ 5,770,769 | $ 9,918,120 |

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**SEPTEMBER 30, 2008**

| | General Fund |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 87,208 |
| Investments | 169,932 |
| Property Taxes Receivable | 14,435 |
| Accounts Receivable | 10,465 |
| Due From Other Governments | 54,516 |
| Reserved Investments | 617,831 |
| TOTAL ASSETS | $ 954,387 |
| LIABILITIES | |
| Accounts Payable | $ 20,460 |
| Unearned Revenue | 26,297 |
| Deposits Payable | 7,767 |
| Interfund Payable | (8,164) |
| Deferred Revenue | 12,854 |
| TOTAL LIABILITIES | 59,214 |
| FUND BALANCES | |
| Reserved: | |
| Mayor's Youth Advisory | 758 |
| Building Reserve | 617,073 |
| Unreserved: | |
| Undesignated - General Fund | 277,342 |
| Designated - Library | |
| TOTAL FUND BALANCES | 895,173 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 954,387 |

See accompanying notes to the basic financial statements

| Library Fund | Total Governmental Funds |
|---|---|
| $ 12,605 | $ 99,813 |
| | 169,932 |
| 719 | 15,154 |
| | 10,465 |
| | 54,516 |
| | 617,831 |
| $ 13,324 | $ 967,711 |
| | $ 20,460 |
| | 26,297 |
| | 7,767 |
| 15,838 | 7,674 |
| $ 640 | 13,494 |
| 16,478 | 75,692 |
| | 758 |
| | 617,073 |
| | 277,342 |
| (3,154) | (3,154) |
| (3,154) | 892,019 |
| $ 13,324 | $ 967,711 |

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | General Fund |
|---|---|
| REVENUES | |
| Property Taxes | $ 544,087 |
| Other Tax Revenue | 94,432 |
| Franchise Revenue | 42,698 |
| Fees, License and Permits | 91,366 |
| State Revenue | 214,234 |
| Zoning Revenue | 6,977 |
| Sanitation Revenue | 111,390 |
| Court Fines | 28,520 |
| Contracts | 64,293 |
| Other Revenue | 6,244 |
| Investment Revenue | 25,597 |
| TOTAL REVENUES | 1,229,838 |
| EXPENDITURES | |
| Administration and General Government | 263,025 |
| Planning and Zoning | 47,572 |
| Police Department | 423,106 |
| Fire Department | 22,299 |
| Building Inspection | 48,004 |
| Animal Control | 26,511 |
| Street Department | 248,665 |
| Sanitation Department | 113,957 |
| Park Department | 35,432 |
| Library Services | |
| TOTAL EXPENDITURES | 1,228,571 |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | 1,267 |
| OTHER FINANCING SOURCES (USES) | |
| Proceeds From Capital Leases | 25,134 |
| Interfund Transfers In (Out) | (16,094) |
| TOTAL OTHER FINANCING SOURCES (USES) | 9,040 |
| EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES | 10,307 |
| FUND BALANCE - BEGINNING | 884,866 |
| FUND BALANCE - ENDING | $ 895,173 |

See accompanying notes to the basic financial statements

| Library Fund | Total Governmental Funds |
|---|---|
| $ 9,866 | $ 553,953 |
| | 94,432 |
| | 42,698 |
| | 91,366 |
| | 214,234 |
| | 6,977 |
| | 111,390 |
| | 28,520 |
| | 64,293 |
| 1,635 | 7,879 |
| 29 | 25,626 |
| 11,530 | 1,241,368 |
| | 263,025 |
| | 47,572 |
| | 423,106 |
| | 22,299 |
| | 48,004 |
| | 26,511 |
| | 248,665 |
| | 113,957 |
| | 35,432 |
| 40,301 | 40,301 |
| 40,301 | 1,268,872 |
| (28,771) | (27,504) |
| | 25,134 |
| 16,094 | 0 |
| 16,094 | 25,134 |
| (12,677) | (2,370) |
| 9,523 | 894,389 |
| $ (3,154) | $ 892,019 |

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
**SEPTEMBER 30, 2008**

| | | |
|---|---|---|
| Total Governmental Fund Balances | | $ 892,019 |
| 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, $3,959,646 net of accumulated depreciation of $659,250. | $ 3,300,396 | |
| Interest is recorded when paid for funds but is reported when payable in the current period for government wide statements. | (90) | |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 13,494 | |
| 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 | (58,468) | |
| Net Changes | | 3,255,332 |
| Net Assets of Governmental Activities | | $ 4,147,351 |

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, 2008**

| | | |
|---|---|---|
| Net Change in Fund Balances - Governmental Fund Balances | | $ (2,370) |
| 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 | $ 46,963 | |
| - Depreciation | (80,430) | |
| Contribution of capital assets are not included as revenue in the Government fund reports. | 1,269,888 | |
| Proceeds from capital leases are not included as revenue on the Statement of Activities. | (25,134) | |
| Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets. | 43,613 | |
| Net Changes | | 1,254,900 |
| Change in Net Assets of Governmental Activities | | $ 1,252,530 |

See accompanying notes to the basic financial statements

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**BALANCE SHEET**
**PROPRIETARY FUNDS**
**SEPTEMBER 30, 2008**

| | Enterprise Fund | |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | $ 165,760 | |
| Investments | 418,952 | |
| Interfund Receivable | 7,674 | |
| Net Receivables | 58,187 | |
| TOTAL CURRENT ASSETS | | $ 650,573 |
| NONCURRENT ASSETS | | |
| Restricted Assets | $ 291,427 | |
| Capital Assets (non-depreciated) | 32,850 | |
| Capital Assets (net) | 6,097,121 | |
| TOTAL NONCURRENT ASSETS | | 6,421,398 |
| TOTAL ASSETS | | $ 7,071,971 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | $ 8,478 | |
| Accrued Interest Payable | 15,267 | |
| Deposits Payable | 35,538 | |
| Current Portion of Long-term Debt | 94,424 | |
| TOTAL CURRENT LIABILITIES | | $ 153,707 |
| NONCURRENT LIABILITIES | | |
| Note Payable (net of current portion) | $ 717,495 | |
| Bond Payable (net of current portion) | 430,000 | |
| TOTAL NONCURRENT LIABILITIES | | 1,147,495 |
| TOTAL LIABILITIES | | 1,301,202 |
| NET ASSETS | | |
| Invested in Capital Assets, net of related debt | $ 4,949,626 | |
| Restricted for: | | |
| Debt Service | 249,267 | |
| Sewer Capacity | 42,160 | |
| Unrestricted | 529,716 | |
| TOTAL NET ASSETS | | 5,770,769 |
| TOTAL LIABILITIES AND NET ASSETS | | $ 7,071,971 |

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, 2008**

| | Enterprise Fund | |
|---|---|---|
| OPERATING REVENUES | | |
| Service Fees | $ 609,137 | |
| Service Hookups | 155,303 | |
| Late Fees and Fines | 16,939 | |
| Canal Company Shares | 12,851 | |
| Sewer Capacity Revenue | 42,160 | |
| Other Revenue | 10,517 | |
| TOTAL OPERATING REVENUES | | $ 846,907 |
| OPERATING EXPENSES | | |
| Salaries and Benefits | $ 222,464 | |
| Supplies | 40,424 | |
| Travel and Training | 3,127 | |
| Professional Fees | 5,641 | |
| Interceptor | 97,426 | |
| Office Supplies/Expenses | 6,537 | |
| Utilities | 68,965 | |
| Fuel | 5,868 | |
| Repairs and Maintenance | 14,641 | |
| Water Testing and Assessments | 3,785 | |
| Depreciation | 178,154 | |
| TOTAL OPERATING EXPENSES | | 647,032 |
| OPERATING INCOME (LOSS) | | 199,875 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment Earnings | $ 43,382 | |
| Interest Expense | (51,580) | |
| Contributed Capital Assets | 1,717,780 | |
| TOTAL NONOPERATING REVENUE (EXPENSES) | | 1,709,582 |
| CHANGE IN NET ASSETS | | 1,909,457 |
| TOTAL NET ASSETS - BEGINNING | | 3,861,312 |
| TOTAL NET ASSETS - ENDING | | $ 5,770,769 |

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, 2008**

| | Enterprise Fund | |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts Form Customers | $ 808,637 | |
| Payments to Suppliers | (205,651) | |
| Payments to Employees | (222,464) | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | $ 380,522 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal Paid on Capital Debt | $ (87,888) | |
| Acquisition of Capital Assets | (9,890) | |
| Interfund Borrowing Activity | (7,674) | |
| Interest Paid on Capital Debt | (51,580) | |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | | (157,032) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest | $ 43,382 | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | 43,382 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 266,872 |
| BALANCES - BEGINNING OF THE YEAR | | 609,267 |
| BALANCES - END OF THE YEAR | | $ 876,139 |
| BALANCE DISPLAYED AS: | | |
| Cash | | $ 165,760 |
| Investments | | 418,952 |
| Restricted Assets | | 291,427 |
| | | $ 876,139 |

(Continued)

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | Enterprise Fund |
|---|---|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | |
| Operating Income (Loss) | $ 199,875 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | 178,154 |
| (Increase) Decrease in Accounts Receivable | 3,890 |
| Increase (Decrease) in Accounts Payable | (1,115) |
| Increase (Decrease) in Accrued Interest Payable | (3,598) |
| Increase (Decrease) in Deposits Payable | 3,316 |
| Net Cash Provided (Used) by Operating Activities | $ 380,522 |
| NON- CASH TRANSACTIONS | |
| Capital Assets Contributed to City | $ 1,717,780 |

See accompanying notes to the basic financial statements

# NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**NOTES TO FINANCIAL STATEMENTS**
**SEPTEMBER 30, 2008**

## 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, 2008.

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

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards 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.

## 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.

## 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.

## 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.

## 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.

## 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:

| Description | Life | Capitalization Amount |
|---|---|---|
| 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 of 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:

## 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 City, at its own discretion, may invest funds in time deposits and certificates of deposits provided by the depository bank at interest rates approximating United States treasury bill rates.

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

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

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

## 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, 2008, the City had a carrying value of cash deposits of $1,318,585 and a bank balance of $1,679,770. Based on the above definitions, the City is subject to $1,448,348 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 $447,131 (Idaho State Local Government Investment Pool) which approximates market value. The Idaho State Local Government Investment Pool has a credit rating of AAAf from Standard & Poor's.

Investments by the City in the State Treasury Pool are specifically excluded from reporting for custodial credit risk and concentration of credit risk by GASB 40.

## NOTE 3 - TAXES RECEIVABLE AND DEFERRED TAX REVENUES

The City's property tax is levied each October on the value listed as of the prior January 1 for all property located in the City. A revaluation of all property is required to be completed no less than every five years. The market value for the list of January 1, 2007, upon which the 2007 levy was based was $84,631,003.

The tax rates assessed, per $100 of valuation, for the year ended September 30, 2008, and maximum levy rates limited by Idaho Code Section 33-802 are as follows:

| Type | Rate | Maximum Rate |
|---|---|---|
| General | 0.6207 | 0.9000 |
| Library | 0.0110 | 0.1000 |
| Tort | 0.0000 | No Limit |

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

At September 30, 2008, the components of taxes receivable are as follows:

| Year | General Fund | Library Fund | Total |
|---|---|---|---|
| 2007 | $ 11,076 | $ 551 | $ 11,627 |
| 2006 | 2,921 | 155 | 3,076 |
| 2005 | 438 | 13 | 451 |
| Total | $ 14,435 | $ 719 | $ 15,154 |

For fund financial statements, the recognition of revenue on taxes receivable shall not exceed 60 days collection after the September 30, 2008, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2008, are deferred revenue. The components of deferred revenue are as follows:

| Fund | Amount |
|---|---|
| General Fund | $ 12,854 |
| Library Fund | 640 |
| Total | $ 13,494 |

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, 2008, are as follows:

| Description - Source | General Fund |
|---|---|
| Highway User - State | $ 25,717 |
| Liquor Apportionment - State | 4,024 |
| Revenue Share - State | 24,775 |
| Total | $ 54,516 |

## 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 | $ 3,000,000 |
| Boiler and Machinery | 100,000,000 |
| Auto | 3,000,000 |
| Criminal Acts | 500,000 |
| Errors and Omissions | 3,000,000 |
| Real and Personal Property | Replacement Value |
| Chemical Spraying | 500,000 |

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 | $ 2,303 |
| Police | 8,085 |
| Fire | 6,556 |
| Street | 53,803 |
| Park | 3,123 |
| Library | 6,560 |
| Total | $ 80,430 |

## NOTE 7 - CAPITAL ASSET ACTIVITY (Continued)

Capital asset activity for the City's governmental functions for the year ended September 30, 2008, was as follows (beginning amounts restated to reflect GASB 34):

| | Primary Government - Governmental Activities | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Not being depreciated: | | | | |
| Land | $ 507,840 | $ 41,481 | | $ 549,321 |
| Subtotal | 507,840 | 41,481 | $ 0 | 549,321 |
| Other capital assets: | | | | |
| Buildings and Improvements | 212,198 | | | 212,198 |
| Infrastructure | 1,324,661 | 1,228,407 | | 2,553,068 |
| Equipment | 261,939 | 13,439 | | 275,378 |
| Library | 191,341 | 7,444 | | 198,785 |
| Automobiles | 129,301 | 41,595 | | 170,896 |
| Subtotal | 2,119,440 | 1,290,885 | 0 | 3,410,325 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (75,492) | (4,888) | | (80,380) |
| Infrastructure | (34,253) | (51,062) | | (85,315) |
| Equipment | (158,084) | (14,522) | | (172,606) |
| Library | (185,254) | (6,560) | | (191,814) |
| Automobiles | (114,830) | (14,305) | | (129,135) |
| Subtotal | (567,913) | (91,337) | 0 | (659,250) |
| Net Depreciated Assets | 1,551,527 | 1,199,548 | 0 | 2,751,075 |
| Net Capital Assets | $ 2,059,367 | $ 1,241,029 | $ 0 | $ 3,300,396 |

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

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| Land | $ 32,850 | | $ 32,850 |
| Buildings | 85,318 | $ 5,721 | 91,039 |
| Equipment | 125,286 | 28,147 | 153,433 |
| Systems | 4,387,778 | 3,377,135 | 7,764,913 |
| | 4,631,232 | 3,411,003 | 8,042,235 |
| Less: Accumulated Depreciation | (1,090,463) | (821,801) | (1,912,264) |
| Net Capital Assets | $ 3,540,769 | $ 2,589,202 | $ 6,129,971 |

## NOTE 8 - RETIREMENT PLAN

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

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

The actuarially determined contribution requirements of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2008, the required contribution rate as a percentage of covered payrolls 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's employer contributions required and paid were $64,587, $58,637, and $49,973 for the three years ended September 30, 2008, 2007, and 2006, respectively.

## NOTE 9 - INTERFUND TRANSACTIONS

Interfund transfers and due to/from for the City for the year ended September 30, 2008, are summarized below:

| | Receiving Fund | Paying Fund | Amount |
|---|---|---|---|
| Interfund Transfers: | | | |
| Pay current year's expenditures | Library | General | $ 16,094 |
| Due To/From: | | | |
| Fund borrowing | General | Water | 7,180 |
| Fund borrowing | General | Sewer | 494 |

## NOTE 10 - RESTRICTED ASSETS

Amounts reported as restricted assets in the Water and Sewer Fund are restricted for debt service. The restricted amounts are $100,000 in the water fund and $149,267 in the sewer fund. Both amounts are invested in certificates of deposit at Magic Valley Bank. $617,073 was reserved in the General Fund for the purchase/construction of a new city hall and $758 was reserved for the Mayor's Youth Council. The city hall reserve is held in a savings account and a certificate of deposit at First Federal Savings Bank and the Mayor's Youth Council is held in a checking account at Magic Valley Bank. See Note 2 for credit risk explanations.

Legislation passed by the City placing restrictions on assets is referred to as enabling legislation. These restrictions are legally enforceable which allows external parties to force the City to follow their own restrictions. None of the City's restricted assets meet this criteria.

## NOTE 11 - DEBT

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2008:

| | Beginning Outstanding | Issued | Retired | Ending Outstanding |
|---|---|---|---|---|
| Patrol Car Lease | $ 0 | $ 40,649 | $ 23,982 | $ 16,667 |
| Street Sweeper Lease | 61,432 | | 19,631 | 41,801 |
| Water Revenue Bonds | 535,000 | | 50,000 | 485,000 |
| Sewer Notes - D.E.Q. | 794,807 | | 37,888 | 756,919 |
| | $ 1,391,239 | $ 40,649 | $ 131,501 | $ 1,300,387 |

The annual requirements to amortize the City's debt as of September 30, 2008, is as follows:

| Patrol Car Lease: | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $ 8,209 | $ 525 | $ 8,734 |
| 2010 | 8,458 | 276 | 8,734 |
| | $ 16,667 | $ 801 | $ 17,468 |

| Street Sweeper Lease: | Principal | Interest | Total |
|---|---|---|---|
| 2009 | $ 20,343 | $ 1,210 | $ 21,553 |
| 2010 | 21,458 | 95 | 21,553 |
| | $ 41,801 | $ 1,305 | $ 43,106 |

| | Bond | Note | Interest | Total |
|---|---|---|---|---|
| 2009 | $ 55,000 | $ 39,424 | $ 61,092 | $ 155,516 |
| 2010 | 60,000 | 41,017 | 56,006 | 157,023 |
| 2011 | 60,000 | 42,674 | 50,705 | 153,379 |
| 2012 | 65,000 | 44,398 | 46,282 | 155,680 |
| 2013 | 70,000 | 46,192 | 45,636 | 161,828 |
| 2014 - 2018 | 175,000 | 260,507 | 142,361 | 577,868 |
| 2019 - 2024 | 0 | 282,707 | 23,378 | 306,085 |
| | $ 485,000 | $ 756,919 | $ 425,460 | $ 1,667,379 |

# REQUIRED SUPPLEMENTAL INFORMATION SECTION

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) (See Note 1) | Variance With Final Budget - Favorable (Unfavorable) |
|---|---|---|---|---|
| | Original | Final | | |
| Budgetary Fund Balance - Beginning | $ 0 | $ 0 | $ 884,866 | $ 884,866 |
| | | | | 0 |
| Resources (Inflows) | | | | |
| Property Taxes | 563,162 | 563,162 | 544,087 | (19,075) |
| Other Tax Revenue | 94,464 | 94,464 | 94,432 | (32) |
| Franchise Revenue | 36,000 | 36,000 | 42,698 | 6,698 |
| Fees, License and Permits | 48,895 | 48,895 | 91,366 | 42,471 |
| State Revenue | 212,018 | 212,018 | 214,234 | 2,216 |
| Zoning Revenue / Building Inspection | 12,000 | 12,000 | 6,977 | (5,023) |
| Sanitation Revenue | 161,000 | 161,000 | 111,390 | (49,610) |
| Court Fines | 16,000 | 16,000 | 28,520 | 12,520 |
| Contracts | 63,393 | 63,393 | 64,293 | 900 |
| Other Revenue | 79,524 | 79,524 | 6,244 | (73,280) |
| Proceeds from Capital Leases | | | 25,134 | 25,134 |
| Investment Revenue | 29,000 | 29,000 | 25,597 | (3,403) |
| Total Revenue | 1,315,456 | 1,315,456 | 1,254,972 | (60,484) |
| Amount Available for Appropriations | 1,315,456 | 1,315,456 | 2,139,838 | 824,382 |
| Charges to Appropriations (Outflows) | | | | |
| Administration and General Government | 289,187 | 289,187 | 263,025 | 26,162 |
| Planning and Zoning | 57,441 | 57,441 | 47,572 | 9,869 |
| Police Department | 432,782 | 432,782 | 423,106 | 9,676 |
| Fire Department | 30,331 | 30,331 | 22,299 | 8,032 |
| Building Inspection | 27,000 | 27,000 | 48,004 | (21,004) |
| Animal Control | 42,539 | 42,539 | 26,511 | 16,028 |
| Street Department | 245,915 | 245,915 | 248,665 | (2,750) |
| Sanitation Department | 115,800 | 115,800 | 113,957 | 1,843 |
| Park Department | 38,525 | 38,525 | 35,432 | 3,093 |
| Interfund Transfers | | | 16,094 | (16,094) |
| Total Charges to Appropriations | 1,279,520 | 1,279,520 | 1,244,665 | 34,855 |
| Ending Budgetary Fund Balance | $ 35,936 | $ 35,936 | $ 895,173 | $ 789,527 |

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
**SEPTEMBER 30, 2007**

## 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:

| | General Fund |
|---|---|
| Sources/Inflows of Resources | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | $ 2,139,838 |
| Differences - Budget to GAAP | |
| Proceeds from debt issuance are inflows of budgetary resources but are not revenues for financial reporting purposes. | (25,134) |
| The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes | (884,866) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | $ 1,229,838 |
| Uses/Outflows of Resources | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | $ 1,244,665 |
| Interfund transfers are not included in fund expenditures but are shown as "other financing uses." | (16,094) |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | $ 1,228,571 |

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
**SEPTEMBER 30, 2007**

## 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, 2008**

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | $ 130,397 | $ 35,363 | $ 165,760 |
| Investments | 268,214 | 150,738 | 418,952 |
| Interfund Receivable | 7,180 | 494 | 7,674 |
| Net Receivables | 33,662 | 24,525 | 58,187 |
| TOTAL CURRENT ASSETS | 439,453 | 211,120 | 650,573 |
| NONCURRENT ASSETS | | | |
| Restricted Assets | 100,000 | 191,427 | 291,427 |
| Capital Assets (non-depreciated) | 32,850 | | 32,850 |
| Capital Assets (net) | 3,507,919 | 2,589,202 | 6,097,121 |
| TOTAL NONCURRENT ASSETS | 3,640,769 | 2,780,629 | 6,421,398 |
| TOTAL ASSETS | $ 4,080,222 | $ 2,991,749 | $ 7,071,971 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | $ 3,265 | $ 5,213 | $ 8,478 |
| Accrued Interest Payable | 5,147 | 10,120 | 15,267 |
| Deposits Payable | 35,538 | | 35,538 |
| Current Portion of Long-term Debt | 55,000 | 39,424 | 94,424 |
| TOTAL CURRENT LIABILITIES | 98,950 | 54,757 | 153,707 |
| NONCURRENT LIABILITIES | | | |
| Note Payable (net of current portion) | | 717,495 | 717,495 |
| Bond Payable (net of current portion) | 430,000 | | 430,000 |
| TOTAL NONCURRENT LIABILITIES | 430,000 | 717,495 | 1,147,495 |
| TOTAL LIABILITIES | 528,950 | 772,252 | 1,301,202 |
| NET ASSETS | | | |
| Invested in Capital Assets, net of related debt | 3,077,919 | 1,871,707 | 4,949,626 |
| Restricted for: | | | |
| Debt Service | 100,000 | 149,267 | 249,267 |
| Sewer Capacity | | 42,160 | 42,160 |
| Unrestricted | 373,353 | 156,363 | 529,716 |
| TOTAL NET ASSETS | 3,551,272 | 2,219,497 | 5,770,769 |
| TOTAL LIABILITIES AND NET ASSETS | $ 4,080,222 | $ 2,991,749 | $ 7,071,971 |

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| OPERATING REVENUES | | | |
| Service Fees | $ 331,749 | $ 277,388 | $ 609,137 |
| Service Hookups | 99,500 | 55,803 | 155,303 |
| Late Fees and Fines | 16,939 | | 16,939 |
| Canal Water Shares Leased | 12,851 | | 12,851 |
| Sewer Capacity Revenue | | 42,160 | 42,160 |
| Other Revenue | 6,634 | 3,883 | 10,517 |
| TOTAL OPERATING REVENUES | 467,673 | 379,234 | 846,907 |
| OPERATING EXPENSES | | | |
| Salaries and Benefits | 101,519 | 120,945 | 222,464 |
| Supplies | 26,698 | 13,726 | 40,424 |
| Travel and Training | 2,598 | 529 | 3,127 |
| Professional Fees | 2,883 | 2,758 | 5,641 |
| Interceptor | | 97,426 | 97,426 |
| Office Supplies/Expenses | 4,792 | 1,745 | 6,537 |
| Utilities | 68,205 | 760 | 68,965 |
| Fuel | 4,846 | 1,022 | 5,868 |
| Repairs and Maintenance | 13,042 | 1,599 | 14,641 |
| Water Testing and Assessments | 3,785 | | 3,785 |
| Depreciation Expense | 102,921 | 75,233 | 178,154 |
| TOTAL OPERATING EXPENSES | 331,289 | 315,743 | 647,032 |
| OPERATING INCOME (LOSS) | 136,384 | 63,491 | 199,875 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment Earnings | 21,499 | 21,883 | 43,382 |
| Interest Expense | (20,657) | (30,923) | (51,580) |
| Contributed Capital Assets | 1,172,764 | 545,016 | 1,717,780 |
| TOTAL NONOPERATING REVENUE (EXPENSES) | 1,173,606 | 535,976 | 1,709,582 |
| CHANGE IN NET ASSETS | 1,309,990 | 599,467 | 1,909,457 |
| TOTAL NET ASSETS - BEGINNING | 2,241,282 | 1,620,030 | 3,861,312 |
| TOTAL NET ASSETS - ENDING | $ 3,551,272 | $ 2,219,497 | $ 5,770,769 |

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**COMBINING SCHEDULE OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts Form Customers | $ 469,952 | $ 338,685 | $ 808,637 |
| Payments to Suppliers | (126,195) | (79,456) | (205,651) |
| Payments to Employees | (101,519) | (120,945) | (222,464) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 242,238 | 138,284 | 380,522 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Principal Paid on Capital Debt | (50,000) | (37,888) | (87,888) |
| Acquisition of Capital Assets | (9,890) | | (9,890) |
| Interfund Borrowing Activity | (7,180) | (494) | (7,674) |
| Interest Paid on Capital Debt | (20,657) | (30,923) | (51,580) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | (87,727) | (69,305) | (157,032) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest | 21,499 | 21,883 | 43,382 |
| CASH FLOWS FROM INVESTING ACTIVITIES | 21,499 | 21,883 | 43,382 |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | 176,010 | 90,862 | 266,872 |
| BALANCES - BEGINNING OF THE YEAR | 322,601 | 286,666 | 609,267 |
| BALANCES - END OF THE YEAR | $ 498,611 | $ 377,528 | $ 876,139 |
| BALANCE DISPLAYED AS: | | | |
| Cash | $ 130,397 | $ 35,363 | $ 165,760 |
| Investments | 268,214 | 150,738 | 418,952 |
| Restricted Assets | 100,000 | 191,427 | 291,427 |
| | $ 498,611 | $ 377,528 | $ 876,139 |

(Continued)

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**COMBINING SCHEDULE OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

| | Water Fund | Sewer Fund | Total |
|---|---|---|---|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | $ 136,384 | $ 63,491 | $ 199,875 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation | 102,921 | 75,233 | 178,154 |
| (Increase) Decrease in Accounts Receivable | 2,279 | 1,611 | 3,890 |
| Increase (Decrease) in Accounts Payable | 1,610 | (2,725) | (1,115) |
| Increase (Decrease) in Accrued Interest Payable | (4,272) | 674 | (3,598) |
| Increase (Decrease) in Deposits Payable | 3,316 | | 3,316 |
| Net Cash Provided (Used) by Operating Activities | $ 242,238 | $ 138,284 | $ 380,522 |
| NON-CASH TRANSACTIONS | | | |
| Capital Assets Contributed to City | $ 1,172,764 | $ 545,016 | $ 1,717,780 |

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 1, 2008

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Kimberly, as of and for the year ended September 30, 2008, which collectively comprise the City of Kimberly's basic financial statements and have issued our report thereon dated December 1, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Kimberly's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kimberly's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Kimberly's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Kimberly's financial statements that is more than inconsequential will not be prevented or detected by the City of Kimberly's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described on the schedule findings and responses, we consider item 08-1 to be material weaknesses.

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.

We also noted certain additional matters that we reported to management of City of Kimberly, in a separate letter dated December 1, 2008.

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

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

R. Michael Burr
Certified Public Accountant

**CITY OF KIMBERLY**
**KIMBERLY, IDAHO**
**SCHEDULE OF FINDINGS AND RESPONSES**
**SEPTEMBER 30, 2008**

## FINDING 08-1: Lack of Segregation of Duties

### Description of Condition

Most accounting functions are performed by only one person. These functions include, but are not limited to, check writing, posting, reconciling and report preparation.

### Effect of Condition

This condition could result in inaccurate financial reporting, undetected errors, and misappropriation of funds.

### Recommendation

We recommend that additional personnel be hired or reassigned to assist in the accounting functions so that one person does not have complete control over the financial information.

### District's Response

We have the majority of our duties segregated on a normal daily basis; however our limited staffing prohibits us from seperating and maintaining the seperation in every situation. City revenue does not provide for additional staffing; therefore the achieve complete segregation of duties is unattainable. Based on current circumstances, we will continue to operate in the manner we currently have established.

## FINDING 08-2: Lack of a Formal Accounting Policy Manual

### Description of Condition

The City does not have a complete accounting policy and procedure manual.

### Effect of Condition

This could result in a lack of continuity of job procedures with personnel turnover and no written control procedures to follow in order to safeguard assets.

### Recommendation

We recommend that the City either prepare or purchase an accounting policy and procedure manual and evaluate internal controls to be included in the manual.

### District's Response

We currently have a manual that outlines many of our accounting functions and controls. We plan to continue to add to/update this manual as part of our normal course of business as opportunities present themselves for improvement or reconsideration of tasks/assignments.

Continued

## FINDING 08-3: Lack of Review of Bank and Investment Reconciliations

### Description of Condition

There is no evidence that reconciliations are being reviewed with corrective action on errors being taken.

### Effect of Condition

This condition has allowed for errors to be made and not detected and/or corrected. It is also a control that is not being utilized in a manner that would make it effective. The only person reviewing the reconcilations is the person preparing it which provides no assurances against misappropriation of funds.

### Recommendation

We recommend that the accounts be reconciled monthly with a second person reviewing the reconciliations and signing off as to the review process on the actual reconciliation.

### District's Response

The Deputy Clerk will review the bank and cash reconciliations on a monthly basis.

## FINDING 08-4: City Personnel does not Possess Education to Write Annual Report

### Description of Condition

The City does not have employees who possess the knowledge to write the annual audit report.

### Effect of Condition

This could result in a report not containing all the required statements and disclosures.

### Recommendation

We recommend that the City pursue education for those involved in the accounting functions to enable them to write the annual audit report.

### District's Response

We acknowledge that no personnel possess the education to write the report but we can fully understand the report and disclosures. We currently contract with the auditor to write the report in accordance with all required statements and disclosures. It is also not economically feasible for us to hire or provide personnel with the required education needed to fulfill this function.

Continued

## FINDING 08-5: Personal Use of Assets not Reported as Wages

### Description of Condition

The City has not reported the commuting miles of "on-call" personnel for use of automobiles as wages on employees salary summaries as required by the Internal Revenue Code.

### Effect of Condition

This could result in an under reporting of salaries which could result in additional payroll taxes, penalties and interest being charged to the District.

### Recommendation

We recommend that the City include the fair market value of rent for the use of the equipment in the employees' wages with all applicable taxes being withheld and paid.

### District's Response

The City personnel manual has been amended to include the IRS requirement for commuting. All non-exempt commuting will be subjected to the IRS regulations.

Management's estimate of the useful life of assets is based on industry standards and experience. I evaluated the key factors and assumptions used to develop the depreciation policy in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated December 1, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the mayor, council and management of City of Kimberly and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

R. Michael Burr

R. Michael Burr, CPA