

CITY OF KIMBERLY
KIMBERLY, IDAHO
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2007

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ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Kimberly
Kimberly, Idaho 83341

December 21, 2007

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, 2007, 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, 2007, 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.

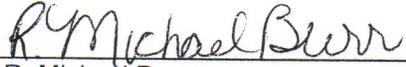
In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2007, on our consideration of the City of Kimberly internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That 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,

Handwritten signature of R. Michael Burr in cursive script.

R. Michael Burr
Certified Public Accountant

CITY OF KIMBERLY
KIMBERLY, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 167,488
Investments	80,561
Property Taxes Receivable	14,435
Accounts Receivable	11,796
Due From Other Governments	54,516
Reserved Investments	594,582
	594,582
<u>TOTAL ASSETS</u>	<u>\$ 923,378</u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 18,094
Payroll Taxes Payable	7,564
Deferred Revenue	12,854
	12,854
<u>TOTAL LIABILITIES</u>	<u>38,512</u>
 <u>FUND BALANCES</u>	
Reserved:	
Building Reserve	594,582
Unreserved:	
Undesignated - General Fund	290,284
Designated - Library	
	290,284
<u>TOTAL FUND BALANCES</u>	<u>884,866</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 923,378</u>

See accompanying notes to the basic financial statements

Library Fund	Total Governmental Funds
\$ 9,444	\$ 176,932
719	80,561
	15,154
	11,796
	54,516
	<u>594,582</u>
<u>\$ 10,163</u>	<u>\$ 933,541</u>
	\$ 18,094
\$ 640	7,564
	<u>13,494</u>
<u>640</u>	<u>39,152</u>
	594,582
9,523	290,284
	<u>9,523</u>
<u>9,523</u>	<u>894,389</u>
<u>\$ 10,163</u>	<u>\$ 933,541</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>General Fund</u>	<u>Gem Community Fund</u>
<u>REVENUES</u>		
Property Taxes	\$ 458,655	
Other Tax Revenue	115,267	
Franchise Revenue	39,573	
Fees, License and Permits	10,439	
State Revenue	150,595	
Zoning Revenue	66,504	
Sanitation Revenue	104,400	
Court Fines	56,493	
Contracts	56,848	
Other Revenue	26,443	
Investment Revenue	85,839	
	<hr/>	<hr/>
<u>TOTAL REVENUES</u>	<u>1,171,056</u>	<u>\$ 0</u>
 <u>EXPENDITURES</u>		
Administration and General Government	309,909	
Planning and Zoning	27,507	
Police Department	375,895	
Fire Department	21,836	
Building Inspection	32,410	
Animal Control	39,839	
Street Department	207,252	
Sanitation Department	85,092	
Park Department	8,406	
Library Services	8,749	
	<hr/>	<hr/>
<u>TOTAL EXPENDITURES</u>	<u>1,116,895</u>	<u>0</u>
 <u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>	 <u>54,161</u>	 <u>0</u>
 <u>OTHER FINANCING SOURCES (USES)</u>		
Interfund Transfers In (Out)	69,127	(1,500)
	<hr/>	<hr/>
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>69,127</u>	<u>(1,500)</u>
 <u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	 <u>123,288</u>	 <u>(1,500)</u>
 PRIOR PERIOD ADJUSTMENT	 22,157	
<u>FUND BALANCE - BEGINNING</u>	<u>739,421</u>	<u>1,500</u>
 <u>FUND BALANCE - ENDING</u>	 <u>\$ 884,866</u>	 <u>\$ 0</u>

150K Profit

See accompanying notes to the basic financial statements

<u>Library Fund</u>	<u>Total Governmental Funds</u>
\$ 21,373	\$ 480,028
	115,267
	39,573
	10,439
	150,595
	66,504
	104,400
	56,493
	56,848
4,133	30,576
<u>31</u>	<u>85,870</u>
<u>25,537</u>	<u>1,196,593</u>
	309,909
	27,507
	375,895
	21,836
	32,410
	39,839
	207,252
	85,092
	8,406
<u>31,380</u>	<u>40,129</u>
<u>31,380</u>	<u>1,148,275</u>
<u>(5,843)</u>	<u>48,318</u>
<u>2,901</u>	<u>70,528</u>
<u>2,901</u>	<u>70,528</u>
(2,942) ✓	118,846
<u>12,465</u>	22,157
<u>12,465</u>	<u>753,386</u>
<u>\$ 9,523</u> ✓	<u>\$ 894,389</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

		<u>Governmental Activities</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 176,932	
Investments	80,561	
Net Receivables	67,972	
		<hr/>
<u>TOTAL CURRENT ASSETS</u>		\$ 325,465
 <u>NONCURRENT ASSETS</u>		
Long-Term Receivables	\$ 13,494	
Restricted Assets	594,582	
Capital Assets (non-depreciated)	507,840	
Capital Assets (net)	1,540,620	
		<hr/>
<u>TOTAL NONCURRENT ASSETS</u>		<u>2,656,536</u>
<u>TOTAL ASSETS</u>		<u>2,982,001</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 25,658	
Deposits Payable		
Accrued Interest Payable	90	
Current Portion of Long-term Debt	19,420	
		<hr/>
<u>TOTAL CURRENT LIABILITIES</u>		45,168
 <u>NONCURRENT LIABILITIES</u>		
Capital Lease Payable (net of current portion)	\$ 42,012	
Note Payable (net of current portion)		
Bond Payable (net of current portion)		
		<hr/>
<u>TOTAL NONCURRENT LIABILITIES</u>		<u>42,012</u>
<u>TOTAL LIABILITIES</u>		87,180
 <u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 1,986,938	
Restricted for:		
Building	594,582	
Debt Service		
Library	10,163	
Unrestricted	303,138	
		<hr/>
<u>TOTAL NET ASSETS</u>		<u>\$ 2,894,821</u>

See accompanying notes to the basic financial statements

<u>Business-type Activities</u>		<u>Total</u>
\$ 70,764		\$ 247,696
338,548		419,109
<u>62,077</u>		<u>130,049</u>
	\$ 471,389	\$ 796,854
\$ 199,955		\$ 13,494
32,850		794,537
<u>4,547,605</u>		540,690
		<u>6,088,225</u>
	<u>4,780,410</u>	<u>7,436,946</u>
	<u>5,251,799</u>	<u>8,233,800</u>
\$ 9,593		\$ 35,251
32,222		32,222
18,865		18,955
<u>87,893</u>		<u>107,313</u>
	148,573	193,741
\$ 756,914		\$ 42,012
<u>485,000</u>		756,914
	<u>1,241,914</u>	<u>485,000</u>
	1,390,487	1,283,926
		1,477,667
\$ 3,305,691		\$ 5,292,629
		594,582
199,955		199,955
<u>355,666</u>		10,163
		<u>658,804</u>
	<u>\$ 3,861,312</u>	<u>\$ 6,756,133</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Primary Government Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Governmental Activities:</u>				
Administration and General Gov't.	\$ 312,212	\$ 3,029		
Planning and Zoning	27,507	9,587		
Police Department	381,881	56,848		
Fire Department	28,392			
Building Inspection	32,410	61,542		
Animal Control	39,839	2,783		
Street Department	211,475		\$ 105,987	
Sanitation Department	85,092	104,400		
Park Department	11,844			
Library Services	40,163	351	4,819	
<u>Total Governmental Activities</u>	<u>1,170,815</u>	<u>238,540</u>	<u>110,806</u>	<u>\$ 0</u>
 <u>Business-Type Activities</u>				
Water Fund	424,668	439,063		
Sewer Fund	383,892	317,512		
<u>Total Business-Type Activities</u>	<u>383,892</u>	<u>317,512</u>	<u>0</u>	<u>0</u>
<u>Total Primary Government</u>	<u>\$ 1,554,707</u>	<u>\$ 556,052</u>	<u>\$ 110,806</u>	<u>\$ 0</u>

General Revenue

Property Taxes
Other Tax Revenue
Franchise Revenue
State Programs/Revenue
Court Fines
Other Revenue
Contributed 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
\$ (309,183)		\$ (309,183)
(17,920)		(17,920)
(325,033)		(325,033)
(28,392)		(28,392)
29,132		29,132
(37,056)		(37,056)
(105,488)		(105,488)
19,308		19,308
(11,844)		(11,844)
(34,993)		(34,993)
<u>(821,469)</u>		<u>(821,469)</u>
	\$ 14,395	14,395
	(66,380)	(66,380)
<u>0</u>	<u>(51,985)</u>	<u>(51,985)</u>
<u>(821,469)</u>	<u>(51,985)</u>	<u>(873,454)</u>
471,395		471,395
115,267		115,267
39,573		39,573
44,608		44,608
56,493		56,493
25,408		25,408
1,559,532	1,545,266	3,104,798
70,528	(70,528)	0
85,870	28,575	114,445
<u>2,468,674</u>	<u>1,503,313</u>	<u>3,971,987</u>
1,647,205	1,451,328	3,098,533
<u>1,247,616</u>	<u>2,409,984</u>	<u>3,657,600</u>
<u>\$ 2,894,821</u>	<u>\$ 3,861,312</u>	<u>\$ 6,756,133</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2007

Total Governmental Fund Balances \$ 894,389

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, \$2,627,280 net of accumulated depreciation of \$578,820. \$ 2,048,460

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 (61,432)

Net Changes 2,000,432

Net Assets of Governmental Activities \$ 2,894,821

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, 2007

Net Change in Fund Balances - Governmental Fund Balances \$ 118,846

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	\$ 6,022
- Depreciation	(69,063)

Contribution of capital assets are not included as revenue in the Government fund reports.	1,559,532
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(8,633)
--	---------

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>40,501</u>
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<u>Net Changes</u>	<u>1,528,359</u>
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<u>Change in Net Assets of Governmental Activities</u>	<u>\$ 1,647,205</u>
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CITY OF KIMBERLY
KIMBERLY, IDAHO
BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 2007

		Enterprise Fund
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 70,764	
Investments	338,548	
Net Receivables	62,077	
		\$ 471,389
 <u>TOTAL CURRENT ASSETS</u>		
 <u>NONCURRENT ASSETS</u>		
Restricted Assets	\$ 199,955	
Capital Assets (non-depreciated)	32,850	
Capital Assets (net)	4,547,605	
		4,780,410
 <u>TOTAL NONCURRENT ASSETS</u>		
 <u>TOTAL ASSETS</u>		
		\$ 5,251,799
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 9,593	
Accrued Interest Payable	18,865	
Deposits Payable	32,222	
Current Portion of Long-term Debt	87,893	
		\$ 148,573
 <u>TOTAL CURRENT LIABILITIES</u>		
 <u>NONCURRENT LIABILITIES</u>		
Note Payable (net of current portion)	\$ 756,914	
Bond Payable (net of current portion)	485,000	
		1,241,914
 <u>TOTAL NONCURRENT LIABILITIES</u>		
 <u>TOTAL LIABILITIES</u>		
		1,390,487
 <u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 3,305,691	
Restricted for:		
Debt Service	199,955	
Unrestricted	355,666	
		3,861,312
 <u>TOTAL NET ASSETS</u>		
 <u>TOTAL LIABILITIES AND NET ASSETS</u>		
		\$ 5,251,799

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, 2007

*Revenue not
keeping up
w/ year*

		Enterprise Fund
<u>OPERATING REVENUES</u>		
Service Fees	\$ 585,825	
Service Hookups	128,900	
Late Fees and Fines	16,296	
Canal Company Shares	12,851	
Other Revenue	12,703	
		756,575
<u>TOTAL OPERATING REVENUES</u>		\$ 756,575
 <u>OPERATING EXPENSES</u>		
Salaries and Benefits	\$ 216,934	
Supplies	22,977	
Travel and Training	2,098	
Professional Fees	5,065	
Interceptor	131,086	
Office Supplies/Expenses	94,134	
Utilities	59,950	
Fuel	4,200	
Repairs and Maintenance	30,950	
Water Testing and Assessments	9,496	
Depreciation	152,102	
		728,992
<u>TOTAL OPERATING EXPENSES</u>		728,992
<u>OPERATING INCOME (LOSS)</u>		27,583
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Investment Earnings	\$ 28,575	
Interest Expense	(79,568)	
Contributed Capital Assets	1,545,266	
Interfund Transfers In (Out)	(70,528)	
		1,423,745
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>		1,423,745
<u>CHANGE IN NET ASSETS</u>		1,451,328
<u>TOTAL NET ASSETS - BEGINNING</u>		2,409,984
<u>TOTAL NET ASSETS - ENDING</u>		\$ 3,861,312

*Subdivision -
Contributions of
Sewer pipe, etc.
Show as asset &
the depreciate out.*

*\$1.5mm between
Kimberly rights & Ballantyne*

*Loss
1/2,5217*

*Basically
Broke
down*

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

		<u>Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts Form Customers	\$ 760,479	
Payments to Suppliers	(360,371)	
Payments to Employees	(216,934)	
		<hr/>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		\$ 183,174
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal Paid on Capital Debt	\$ (86,617)	
Acquisition of Capital Assets	(13,238)	
Interfund Borrowing Activity	(75,636)	
Interest Paid on Capital Debt	(79,568)	
		<hr/>
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>		(255,059)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest	\$ 28,575	
		<hr/>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		28,575
 <u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		(43,310)
 <u>BALANCES - BEGINNING OF THE YEAR</u>		<hr/> 652,577
 <u>BALANCES - END OF THE YEAR</u>		\$ <hr/> <hr/> 609,267
 <u>BALANCE DISPLAYED AS:</u>		
Cash		\$ 70,764
Investments		338,548
Restricted Assets		<hr/> 199,955
		<hr/> <hr/> \$ 609,267

(Continued)

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Enterprise Fund
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>	
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 27,583
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	152,102
(Increase) Decrease in Accounts Receivable	3,904
Increase (Decrease) in Accounts Payable	990
Increase (Decrease) in Accrued Interest Payable	2,652
Increase (Decrease) in Deposits Payable	(4,057)
Net Cash Provided (Used) by Operating Activities	\$ 183,174
 <u>NON- CASH TRANSACTIONS</u>	
Capital Assets Contributed to City	\$ 1,545,266

See accompanying notes to the basic financial statements

NOTES TO BASIC
FINANCIAL STATEMENTS

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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, 2007.

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.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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, 2007

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, 2007

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, 2007

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, 2007

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, 2007

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.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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, 2007, the City had a carrying value of cash deposits of \$1,214,675 and a bank balance of \$1,675,306. Based on the above definitions, the City is subject to \$1,457,607 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 \$175,905 (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, 2006, upon which the 2006 levy was based was \$59,501,793.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2007, 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	0.6601	0.9000
Library	0.0358	0.1000
Tort	0.0588	No Limit

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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

At September 30, 2007, the components of taxes receivable are as follows:

<u>Year</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
2006	\$ 11,076	\$ 551	\$ 11,627
2005	2,921	155	3,076
2004	438	13	451
<u>Total</u>	<u>\$ 14,435</u>	<u>\$ 719</u>	<u>\$ 15,154</u>

For fund financial statements, the recognition of revenue on taxes receivable shall not exceed 60 days collection after the September 30, 2007, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2007, are deferred revenue. The components of deferred revenue are as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 12,854
Library Fund	640
<u>Total</u>	<u>\$ 13,494</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, 2007, 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, 2007

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
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	5,986
Fire	6,556
Street	44,724
Park	3,438
Library	6,056
	<hr/>
Total	\$ 69,063

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 7 - CAPITAL ASSET ACTIVITY (Continued)

Capital asset activity for the City's governmental functions for the year ended September 30, 2007, was as follows (beginning amounts restated to reflect GASB 34):

	Primary Government - Governmental Activities			
	Beginning Balance	Additions	Retirements	Ending Balance
Not being depreciated:				
Land	\$ 68,896	\$ 438,944		\$ 507,840
Subtotal	68,896	438,944	\$ 0	507,840
Other capital assets:				
Buildings and Improvements	212,198			212,198
Infrastructure	204,073	1,120,588		1,324,661
Equipment	268,189			268,189
Library	185,319	6,022		191,341
Automobiles	123,051			123,051
Subtotal	992,830	1,126,610	0	2,119,440
Less accumulated depreciation for:				
Buildings and Improvements	(70,604)	(4,888)		(75,492)
Infrastructure	(7,760)	(26,493)		(34,253)
Equipment	(135,882)	(25,640)		(161,522)
Library	(179,198)	(6,056)		(185,254)
Automobiles	(116,313)	(5,986)		(122,299)
Subtotal	(509,757)	(69,063)	0	(578,820)
Net Depreciated Assets	483,073	1,057,547	0	1,540,620
Net Capital Assets	\$ 551,969	\$ 1,496,491	\$ 0	\$ 2,048,460

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

	Water Fund	Sewer Fund	Total
Land	\$ 32,850		\$ 32,850
Buildings	85,317	\$ 28,147	113,464
Equipment	115,397	5,721	121,118
Systems	3,215,014	2,832,119	6,047,133
	3,448,578	2,865,987	6,314,565
Less: Accumulated Depreciation	(987,542)	(746,568)	(1,734,110)
Net Capital Assets	\$ 2,461,036	\$ 2,119,419	\$ 4,580,455

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

NOTE 8 - RETIREMENT PLAN

The Public Employee Retirement System of Idaho (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. Financial reports for the plan are available on the PERSI web site or in print 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, 2007, 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 \$58,637, \$49,973, and \$42,162 for the three years ended September 30, 2007, 2006, and 2005, respectively.

NOTE 9 - INTERFUND TRANSACTIONS

Interfund transfers and due to/from for the City for the year ended September 30, 2007, are summarized below:

	<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Interfund Transfers:			
Pay current year's expenditures	Library	General	\$ 2,942
Reserved Building	General	Water	34,375
Reserved Building	General	Sewer	34,375
Pay current year's expenditures	General	Gem Comm.	1,500
Pay current year's expenditures	Sewer	Water	719
Pay current year's expenditures	General	Water	1,778

Due To/From:
None

NOTE 10 - RESTRICTED ASSETS

Amounts reported as restricted assets in the Water and Sewer Fund are restricted for debt service. The restricted amounts are \$56,624 in the water fund and \$143,331 in the sewer fund. Both amounts are invested in certificates of deposit at Magic Valley Bank. \$594,582 was reserved in the General Fund for the purchase/construction of a new city hall. Amount is invested in a certificate of deposit at Magic Valley Bank. See Note 2 for credit risk explanations.

**CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 11 - DEBT

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2007:

	<u>Outstanding 10-1-05</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 9-30-06</u>
Patrol Car Lease	\$ 7,242		\$ 7,242	\$ 0
Street Sweeper Lease	79,866		18,434	61,432
Water Revenue Bonds	585,000		50,000	535,000
Sewer Notes - D.E.Q.	831,424		36,617	794,807
	<u>\$ 1,503,532</u>	<u>\$ 0</u>	<u>\$ 112,293</u>	<u>\$ 1,391,239</u>

The annual requirements to amortize the City's debt as of September 30, 2007, is as follows:

Street Sweeper Lease:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	19,420	3,287	22,707
2009	20,459	2,248	22,707
2010	21,553	1,153	22,706
	<u>\$ 61,432</u>	<u>\$ 6,688</u>	<u>\$ 68,120</u>

	<u>Bond</u>	<u>Note</u>	<u>Interest</u>	<u>Total</u>
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	42,674	50,705	153,379
2012	65,000	44,398	46,282	155,680
2013 - 2017	245,000	250,391	101,910	597,301
2018 - 2023	0	339,010	76,900	415,910
	<u>\$ 535,000</u>	<u>\$ 794,807</u>	<u>\$ 458,667</u>	<u>\$ 1,788,474</u>

NOTE 12 - PRIOR PERIOD ADJUSTMENT

Adjustment reflects corrections made to accounting program which changed the payroll transfers between funds and the related interfund payables.

REQUIRED SUPPLEMENTAL
INFORMATION SECTION

CITY OF KIMBERLY
KIMBERLY, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
<u>Budgetary Fund Balance - Beginning</u>	\$ 374,731	\$ 374,731	\$ 761,578	\$ 386,847
<u>Resources (Inflows)</u>				0
Property Taxes	449,062	449,062	458,655	9,593
Other Tax Revenue	59,189	59,189	115,267	56,078
Franchise Revenue	45,000	45,000	39,573	(5,427)
Fees, License and Permits	8,000	8,000	10,439	2,439
State Revenue	206,869	206,869	150,595	(56,274)
Zoning Revenue / Building Inspection	94,650	94,650	66,504	(28,146)
Sanitation Revenue	93,000	93,000	104,400	11,400
Court Fines	16,000	16,000	56,493	40,493
Contracts	60,088	60,088	56,848	(3,240)
Other Revenue	22,850	22,850	26,443	3,593
Proceeds from Sale of Real Property	105,000	105,000		(105,000)
Interfund Transfers	100,000	100,000	69,127	(30,873)
Investment Revenue	19,250	19,250	85,839	66,589
<u>Total Revenue</u>	<u>1,278,958</u>	<u>1,278,958</u>	<u>1,240,183</u>	<u>(38,775)</u>
<u>Amount Available for Appropriations</u>	<u>1,653,689</u>	<u>1,653,689</u>	<u>2,001,761</u>	<u>348,072</u>
<u>Charges to Appropriations (Outflows)</u>				
Administration and General Government	472,960	472,960	309,909	163,051
Planning and Zoning			27,507	(27,507)
Police Department	523,305	523,305	375,895	147,410
Fire Department	27,020	27,020	21,836	5,184
Building Inspection	70,000	70,000	32,410	37,590
Animal Control	109,200	109,200	39,839	69,361
Street Department	247,070	247,070	207,252	39,818
Sanitation Department	126,450	126,450	85,092	41,358
Park Department	38,900	38,900	8,406	30,494
Library Services	38,784	38,784	8,749	30,035
Interfund Transfers				0
<u>Total Charges to Appropriations</u>	<u>1,653,689</u>	<u>1,653,689</u>	<u>1,116,895</u>	<u>536,794</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 884,866</u>	<u>\$ (188,722)</u>

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:

	<u>General Fund</u>
 <u>Sources/Inflows of Resources</u>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,001,761
 <u>Differences - Budget to GAAP</u>	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(69,127)
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>(761,578)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,171,056</u>
 <u>Uses/Outflows of Resources</u>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,116,895
Interfund transfers are not included in fund expenditures but are shown as "other financing uses."	<u>0</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,116,895</u>

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, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$ 59,338	\$ 11,426	\$ 70,764
Investments	206,639	131,909	338,548
Net Receivables	35,941	26,136	62,077
<u>TOTAL CURRENT ASSETS</u>	<u>301,918</u>	<u>169,471</u>	<u>471,389</u>
<u>NONCURRENT ASSETS</u>			
Restricted Assets	56,624	143,331	199,955
Capital Assets (non-depreciated)	32,850		32,850
Capital Assets (net)	2,428,186	2,119,419	4,547,605
<u>TOTAL NONCURRENT ASSETS</u>	<u>2,517,660</u>	<u>2,262,750</u>	<u>4,780,410</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,819,578</u>	<u>\$ 2,432,221</u>	<u>\$ 5,251,799</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 1,655	\$ 7,938	\$ 9,593
Accrued Interest Payable	9,419	9,446	18,865
Deposits Payable	32,222		32,222
Current Portion of Long-term Debt	50,000	37,893	87,893
<u>TOTAL CURRENT LIABILITIES</u>	<u>93,296</u>	<u>55,277</u>	<u>148,573</u>
<u>NONCURRENT LIABILITIES</u>			
Note Payable (net of current portion)		756,914	756,914
Bond Payable (net of current portion)	485,000		485,000
<u>TOTAL NONCURRENT LIABILITIES</u>	<u>485,000</u>	<u>756,914</u>	<u>1,241,914</u>
<u>TOTAL LIABILITIES</u>	<u>578,296</u>	<u>812,191</u>	<u>1,390,487</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	1,943,186	1,362,505	3,305,691
Restricted for:			
Debt Service	56,624	143,331	199,955
Unrestricted	241,472	114,194	355,666
<u>TOTAL NET ASSETS</u>	<u>2,241,282</u>	<u>1,620,030</u>	<u>3,861,312</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,819,578</u>	<u>\$ 2,432,221</u>	<u>\$ 5,251,799</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Service Fees	\$ 324,144	\$ 261,681	\$ 585,825
Service Hookups	74,000	54,900	128,900
Late Fees and Fines	16,296		16,296
Canal Water Shares Leased	12,851		12,851
Other Revenue	11,772	931	12,703
<u>TOTAL OPERATING REVENUES</u>	<u>439,063</u>	<u>317,512</u>	<u>756,575</u>
<u>OPERATING EXPENSES</u>			
Salaries and Benefits	128,668	88,266	216,934
Supplies	22,071	906	22,977
Travel and Training	1,999	99	2,098
Professional Fees	2,590	2,475	5,065
Interceptor		131,086	131,086
Office Supplies/Expenses	42,509	51,625	94,134
Utilities	58,953	997	59,950
Fuel	3,426	774	4,200
Repairs and Maintenance	20,709	10,241	30,950
Water Testing and Assessments	9,496		9,496
Depreciation Expense	87,381	64,721	152,102
<u>TOTAL OPERATING EXPENSES</u>	<u>377,802</u>	<u>351,190</u>	<u>728,992</u>
<u>OPERATING INCOME (LOSS)</u>	<u>61,261</u>	<u>(33,678)</u>	<u>27,583</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Earnings	18,342	10,233	28,575
Interest Expense	(46,866)	(32,702)	(79,568)
Contributed Capital Assets	1,035,529	509,737	1,545,266
Transfers In (Out)	(36,872)	(33,656)	(70,528)
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>	<u>970,133</u>	<u>453,612</u>	<u>1,423,745</u>
<u>CHANGE IN NET ASSETS</u>	<u>1,031,394</u>	<u>419,934</u>	<u>1,451,328</u>
<u>TOTAL NET ASSETS - BEGINNING</u>	<u>1,209,888</u>	<u>1,200,096</u>	<u>2,409,984</u>
<u>TOTAL NET ASSETS - ENDING</u>	<u>\$ 2,241,282</u>	<u>\$ 1,620,030</u>	<u>\$ 3,861,312</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts Form Customers	\$ 440,197	\$ 320,282	\$ 760,479
Payments to Suppliers	(168,721)	(191,650)	(360,371)
Payments to Employees	(128,668)	(88,266)	(216,934)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>142,808</u>	<u>40,366</u>	<u>183,174</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal Paid on Capital Debt	(50,000)	(36,617)	(86,617)
Acquisition of Capital Assets	(13,238)		(13,238)
Interfund Borrowing Activity	(37,267)	(38,369)	(75,636)
Interest Paid on Capital Debt	(46,866)	(32,702)	(79,568)
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>(147,371)</u>	<u>(107,688)</u>	<u>(255,059)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest	18,342	10,233	28,575
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	<u>18,342</u>	<u>10,233</u>	<u>28,575</u>
<u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	13,779	(57,089)	(43,310)
<u>BALANCES - BEGINNING OF THE YEAR</u>	<u>308,822</u>	<u>343,755</u>	<u>652,577</u>
<u>BALANCES - END OF THE YEAR</u>	<u>\$ 322,601</u>	<u>\$ 286,666</u>	<u>\$ 609,267</u>
<u>BALANCE DISPLAYED AS:</u>			
Cash	\$ 59,338	\$ 11,426	\$ 70,764
Investments	206,639	131,909	338,548
Restricted Assets	56,624	143,331	199,955
	<u>\$ 322,601</u>	<u>\$ 286,666</u>	<u>\$ 609,267</u>

(Continued)

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>RECONCILIATION OF OPERATING INCOME</u>			
<u>(LOSS) TO NET CASH PROVIDED (USED) BY</u>			
<u>OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ 61,261	\$ (33,678)	\$ 27,583
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	87,381	64,721	152,102
(Increase) Decrease in Accounts Receivable	1,134	2,770	3,904
Increase (Decrease) in Accounts Payable	(5,562)	6,552	990
Increase (Decrease) in Accrued Interest Payable	2,651	1	2,652
Increase (Decrease) in Deposits Payable	(4,057)		(4,057)
Net Cash Provided (Used) by Operating Activities	<u>\$ 142,808</u>	<u>\$ 40,366</u>	<u>\$ 183,174</u>
 <u>NON-CASH TRANSACTIONS</u>			
Capital Assets Contributed to City	<u>\$ 1,035,529</u>	<u>\$ 509,737</u>	<u>\$ 1,545,266</u>

R. MICHAEL BURR

Certified Public Accountant

P.O. Box 2229

Twin Falls, ID 83303-2229

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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 21, 2007

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Kimberly, as of and for the year ended September 30, 2007, which collectively comprise the City of Kimberly's basic financial statements and have issued our report thereon dated December 21, 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 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. The deficiency we discovered is the lack of segregation of duties and that it is a significant deficiency 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, we believe that the significant deficiency described above is a material weakness.

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 21, 2007.

City of Kimberly response to our finding was that sufficient funds are not made available by any state or federal agency which will allow an adequate number of accounting personnel be hired which would create an appropriate environment of proper segregation of duties. Until such funds are made available they will continue to have this deficiency and realize the risk associated with it.

City of Kimberly's response to the findings identified in our audit is described above. 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, City Council, and the State of Idaho and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


R. Michael Burr
Certified Public Accountant

R. MICHAEL BURR

Certified Public Accountant

P.O. Box 2229

Twin Falls, ID 83303-2229

(208) 736-8747

MANAGEMENT LETTER

Mayor and City Council
City of Kimberly
Kimberly, Idaho 83341

December 21, 2007

In planning and performing our audit of the financial statements of City of Kimberly, for the year ended September 30, 2007, 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, 2007 financial statements, and this report does not affect our report on those financial statements dated December 21, 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

CITY OF KIMBERLY
INTERNAL CONTROL MEMO SCHEDULE
SEPTEMBER 30, 2008

1) FINDING: LACK OF SEGREGATION OF DUTIES

RESPONSE: We have the majority of our duties segregated on a normal daily basis;
however our limited staffing prohibits us from separating and maintaining the separation in every
situation. City revenue does not provide for additional staffing; therefore to achieve complete
segregation of duties is unattainable.

PLANNED ACTION: We currently operate with segregated duties and have checks and balances in
place. The cash handling duties are divided between the staff and are switched on a regular basis
to ensure the same employee is not responsible for the same duties at all times. Due to limited
funding, we are not able to hire additional staff; therefore we will continue operating in the manner
we currently have established.

2) FINDING: LACK OF ACCOUNTING MANUAL

RESPONSE: We do have a manual in place that references our checks and balances, as
well as step check lists for procedures such as: cash receiving, night drop, in-coming mail,
non-sufficient funds items, penalty day, shut-off day, new customer set-up, customer terminations,
dual control processes, accounts payable step check list and the bank reconciliation.

This manual has been established to ensure the accuracy and proficiency of deposit and record
keeping for the City of Kimberly. This policy book is designed to ensure dual control where
applicable and protect the customers, as well as the employee of the City of Kimberly.

PLANNED ACTION: We will 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.

CITY OF KIMBERLY
INTERNAL CONTROL MEMO SCHEDULE
SEPTEMBER 30, 2008

- 3) FINDING: CASH WAS RECONCILED BUT BANK REC SHOWS NO EVIDENCE AS BEING REVIEWED BY A SECOND PARTY.

RESPONSE: We currently have one employee input our accounts payable and present to the City Council for approval. (Please see her Step List below) The City Administrator reviews the A/P's for correctness and validity. The A/P clerk then prints the checks and gives them to the Mayor and City Administrator for a second verification and signature. When the bank statement arrives, the City Administrator balances the statement with the software program and verifies the ending balance with the trial balance.

Step by Step How I Prepare A.P. 's

1. I receive the mail each morning.
2. I open each bill and stamp the date I receive it.
3. I staple each invoice or purchase order to each statement.
4. Then each statement goes to the supervisor of each department, and they put the GL # they want the statement paid from.
5. I always check to make sure we have not been charged tax, and make sure the check will get to them before the due date, so there will be no late fees.
6. Then it's entered in accounts payable in Caselle
7. After all statements are in accounts payable; I add each statement up and make sure it matches up with the unpaid invoice report.
8. The next step is that I go and check the trail balances and make sure there is enough money in the fund account to cover all the accounts payable. I put a copy of this with approved payables. (Making sure I check each respective fund).
9. I put a copy of the unpaid invoice report in each of the Councils packet along with one to Polly, so they can review it before the Council meeting, and answer any questions they have on any of the statements. Then they vote to accept the accounts payable.
10. I have a payment approval report ready for the Council to sign after the meeting.
11. The following day I again check to make sure everything totals to the amount the Council has voted to accept.
12. I then print the checks, and have them ready for the Mayor (Dave Overacre) and the City Administrator (Polly Hulsey) to sign.
13. The statements along with the check are then put in an envelope and sent out.
14. The bottom of the check is then stapled to a copy of the statement and filed in the file cabinet.

CITY OF KIMBERLY
INTERNAL CONTROL MEMO SCHEDULE
SEPTEMBER 30, 2008

PLANNED ACTION: The step we have added it to have the Deputy City Clerk review and sign off
the bank statement and bank reconciliation after the reconciliation has been performed by the City
Administrator. We have been performing this additional step for the last three months.

- 4) FINDING: CLIENT HAS PERSONNEL THAT ARE CAPABLE OF UNDERSTANDING THE FINANCIAL REPORT AND NOTES BUT NONE POSSESS THE ADVANCED EDUCATION REQUIRED TO ACTUALLY PREPARE THE STATEMENTS AND NOTES.

CPA to be on staff to prepare the statements.

PLANNED ACTION: Continue operating as we currently are with the staff on board who are
capable of inputting, interpreting and understanding financials. Continuing to contract outside
CPS professionals to prepare statements.

- 5) CITY ASSETS ARE USED BY "ON-CALL" PERSONNEL WITH THE APPROVAL OF THE CITY. HOWEVER, THIS PERSONAL COMMUTING USE HAS NOT BEEN INCLUDED IN THE PAYROLL OF THE INDIVIDUALS USING THE EQUIPMENT OR AUTOMOBILE AS PER INTERNAL REVENUE CODE. THIS HAS RESULTED IN POTENTIAL UNDERPAYMENT OF PAYROLL TAXES ACCORDING TO THE INTERNAL REVENUE CODE.

PLANNED ACTION: City Personnel Manual has been amended to include IRS requirements for
commuting. Any employee (except emergency response) who commute to/from home will be
subject to the IRS regulation.
