

CITY OF KIMBERLY
KIMBERLY, IDAHO
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010

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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 1, 2010

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, 2010, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kimberly, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, 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, 2010, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 29 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

R. Michael Burr

R. Michael Burr
Certified Public Accountant

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

		<u>Governmental Activities</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 126,152	
Investments	130,732	
Inventory	3,731	
Prepaid Expenses	23,292	
Net Receivables	<u>72,813</u>	
 <u>TOTAL CURRENT ASSETS</u>		 \$ 356,720
<u>NONCURRENT ASSETS</u>		
Long-Term Receivables	\$ 32,265	
Restricted Assets	1,220,668	
Capital Assets (non-depreciated)	549,321	
Capital Assets (net)	<u>2,607,445</u>	
 <u>TOTAL NONCURRENT ASSETS</u>		 <u>4,409,699</u>
<u>TOTAL ASSETS</u>		<u>4,766,419</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 24,618	
Interfund Balances	80,926	
Unearned Revenue	25,678	
Deposits Payable	7,767	
Accrued Interest Payable	201	
Current Portion of Long-term Debt	<u>6,831</u>	
 <u>TOTAL CURRENT LIABILITIES</u>		 146,021
<u>NONCURRENT LIABILITIES</u>		
Lease Payable (net of current portion)	\$ 14,542	
Note Payable (net of current portion)		
Bond Payable (net of current portion)	<u> </u>	
 <u>TOTAL NONCURRENT LIABILITIES</u>		 <u>14,542</u>
<u>TOTAL LIABILITIES</u>		<u>160,563</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 3,135,192	
Restricted for:		
Street Projects	173,276	
Building and General Projects	1,047,392	
Debt Service		
Library	1,092	
Sewer Capacity		
Unrestricted	<u>248,904</u>	
 <u>TOTAL NET ASSETS</u>		 <u>\$ 4,605,856</u>

See accompanying notes to the basic financial statements

<u>Business-type Activities</u>		<u>Total</u>
\$ 107,593		\$ 233,745
1,087,141		1,217,873
		3,731
		23,292
<u>102,259</u>		<u>175,072</u>
	\$ 1,296,993	\$ 1,653,713
\$ 236,649		\$ 32,265
3,617,043		1,457,317
5,742,329		4,166,364
		8,349,774
	<u>9,596,021</u>	<u>14,005,720</u>
	<u>10,893,014</u>	<u>15,659,433</u>
\$ 449,969		\$ 474,587
(80,926)		0
		25,678
7,460		15,227
13,029		13,230
<u>102,674</u>		<u>109,505</u>
	492,206	638,227
\$ 633,516		14,542
3,507,418		633,516
		<u>3,507,418</u>
	<u>4,140,934</u>	<u>4,155,476</u>
	<u>4,633,140</u>	<u>4,793,703</u>
\$ 5,115,764		\$ 8,250,956
		173,276
		1,047,392
179,172		179,172
50,017		50,017
<u>914,921</u>		<u>1,163,825</u>
	<u>\$ 6,259,874</u>	<u>\$ 10,865,730</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<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.	\$ 167,377	\$ 4,240	\$ 4,500	
Planning and Zoning	38,101	2,205		
Police Department	394,529	69,351	5,402	
Fire Department	56,556			
Building Inspection	8,603	21,903		
Community Service	34,039	2,710		
Street Department	213,142		233,679	
Sanitation Department	139,506	108,625		
Park Department	63,770	578		
Library Services	48,433	703		
	<u>1,164,056</u>	<u>210,315</u>	<u>243,581</u>	<u>\$ 0</u>
 <u>Business-Type Activities</u>				
Water Fund	467,493	630,448		
Sewer Fund	466,615	544,783		
	<u>934,108</u>	<u>1,175,231</u>	<u>0</u>	<u>0</u>
	<u>\$ 2,098,164</u>	<u>\$ 1,385,546</u>	<u>\$ 243,581</u>	<u>\$ 0</u>

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

Total General Revenue

Changes in Net Assets

Net Assets - Beginning

Net Assets - Ending

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (158,637)		\$ (158,637)
(35,896)		(35,896)
(319,776)		(319,776)
(56,556)		(56,556)
13,300		13,300
(31,329)		(31,329)
20,537		20,537
(30,881)		(30,881)
(63,192)		(63,192)
(47,730)		(47,730)
(710,160)		(710,160)
	\$ 162,955	162,955
	78,168	78,168
0	241,123	241,123
(710,160)	241,123	(469,037)
689,117		689,117
89,959		89,959
50,101		50,101
109,714		109,714
29,452		29,452
6,751		6,751
11,465	8,671	20,136
986,559	8,671	995,230
276,399	249,794	526,193
4,329,457	6,010,080	10,339,537
\$ 4,605,856	\$ 6,259,874	\$ 10,865,730

CITY OF KIMBERLY
KIMBERLY, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Government al Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 111,043	\$ 15,109	\$ 126,152
Investments	130,732		130,732
Property Taxes Receivable	39,000	1,353	40,353
Accounts Receivable	10,209		10,209
Due From Other Governments	54,516		54,516
Prepaid Expenses	23,292		23,292
Reserved Investments	1,220,668		1,220,668
	<u>\$ 1,589,460</u>	<u>\$ 16,462</u>	<u>\$ 1,605,922</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 24,618		\$ 24,618
Unearned Revenue	25,678		25,678
Deposits Payable	7,767		7,767
Interfund Payable	65,556	\$ 15,370	80,926
Deferred Revenue	31,184	1,081	32,265
	<u>154,803</u>	<u>16,451</u>	<u>171,254</u>
 <u>FUND BALANCES</u>			
Reserved:			
Street Projects Reserve	173,276		173,276
General Projects Reserve	541,472		541,472
Building Reserve	505,920		505,920
Unreserved:			
Undesignated - General Fund	213,989		213,989
Designated - Library		11	11
	<u>1,434,657</u>	<u>11</u>	<u>1,434,668</u>
<u>TOTAL FUND BALANCES</u>	<u>1,434,657</u>	<u>11</u>	<u>1,434,668</u>
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	 <u>\$ 1,589,460</u>	 <u>\$ 16,462</u>	 <u>\$ 1,605,922</u>

See accompanying notes to the basic financial statements

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Library Fund	Total Governmenta l Funds
<u>REVENUES</u>			
Property Taxes	\$ 655,589	\$ 22,610	\$ 678,199
Other Tax Revenue	89,959		89,959
Franchise Revenue	50,101		50,101
Fees, License and Permits	7,022		7,022
State Revenue	215,383		215,383
Zoning Revenue	24,107		24,107
Sanitation Revenue	108,625		108,625
Court Fines	29,452		29,452
Contracts	69,351		69,351
Federal Grants	5,402		5,402
Other Revenue	137,298	3,173	140,471
<u>TOTAL REVENUES</u>	<u>1,392,289</u>	<u>25,783</u>	<u>1,418,072</u>
<u>EXPENDITURES</u>			
Administration and General Government	165,074		165,074
Planning and Zoning	38,101		38,101
Police Department	395,113		395,113
Fire Department	50,000		50,000
Building Inspection	8,603		8,603
Community Service	33,039		33,039
Street Department	175,111		175,111
Sanitation Department	139,506		139,506
Park Department	60,647		60,647
Library Services		43,858	43,858
<u>TOTAL EXPENDITURES</u>	<u>1,065,194</u>	<u>43,858</u>	<u>1,109,052</u>
<u>EXCESS REVENUES OVER</u> <u>(UNDER) EXPENDITURES</u>	<u>327,095</u>	<u>(18,075)</u>	<u>309,020</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Investment Revenue	11,460	5	11,465
Interfund Transfers In (Out)	(18,083)	18,083	0
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>(6,623)</u>	<u>18,088</u>	<u>11,465</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>320,472</u>	<u>13</u>	<u>320,485</u>
<u>FUND BALANCE - BEGINNING</u>	<u>1,114,185</u>	<u>(2)</u>	<u>1,114,183</u>
<u>FUND BALANCE - ENDING</u>	<u>\$ 1,434,657</u>	<u>\$ 11</u>	<u>\$ 1,434,668</u>

See accompanying notes to the basic financial statements

CITY OF KIMBERLY
KIMBERLY, IDAHO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2010

<u>Total Governmental Fund Balances</u>		\$ 1,434,668
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, \$549,321 non-dpreciated assets and \$3,450,434 net of accumulated depreciation of	\$ 3,156,766	
Supplies purchased are reported as expenditures for fund reporting but are expensed as used for government-wide statements.	3,731	
Interest is recorded when paid for funds but is reported when payable in the current period for government wide statements.	(201)	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	32,265	
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	(21,373)	
<u>Net Changes</u>		3,171,188
<u>Net Assets of Governmental Activities</u>		\$ 4,605,856

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, 2010

<u>Net Change in Fund Balances - Governmental Fund Balances</u>		\$ 320,485
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
- Depreciation	(91,382)	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		10,918
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets.	36,378	
<u>Net Changes</u>		(44,086)
<u>Change in Net Assets of Governmental Activities</u>		\$ 276,399

See accompanying notes to the basic financial statements

CITY OF KIMBERLY
KIMBERLY, IDAHO
BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

		<u>Enterprise Fund</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 107,593	
Investments	1,087,141	
Interfund Balances	80,926	
Net Receivables	<u>102,259</u>	
 <u>TOTAL CURRENT ASSETS</u>		 \$ 1,377,919
<u>NONCURRENT ASSETS</u>		
Restricted Assets	\$ 236,649	
Capital Assets (non-depreciated)	3,617,043	
Capital Assets (net)	<u>5,742,329</u>	
 <u>TOTAL NONCURRENT ASSETS</u>		 <u>9,596,021</u>
 <u>TOTAL ASSETS</u>		 <u>\$ 10,973,940</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 449,969	
Accrued Interest Payable	13,029	
Deposits Payable	7,460	
Current Portion of Long-term Debt	<u>102,674</u>	
 <u>TOTAL CURRENT LIABILITIES</u>		 \$ 573,132
<u>NONCURRENT LIABILITIES</u>		
Note Payable (net of current portion)	\$ 633,516	
Bond Payable (net of current portion)	<u>3,507,418</u>	
 <u>TOTAL NONCURRENT LIABILITIES</u>		 <u>4,140,934</u>
 <u>TOTAL LIABILITIES</u>		 4,714,066
 <u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 5,115,764	
Restricted for:		
Debt Service	179,172	
Sewer Capacity	50,017	
Unrestricted	<u>914,921</u>	
 <u>TOTAL NET ASSETS</u>		 <u>6,259,874</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>		 <u>\$ 10,973,940</u>

See accompanying notes to the basic financial statements

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

		Enterprise Fund
<u>OPERATING REVENUES</u>		
Service Fees	\$ 1,097,802	
Service Hookups	37,340	
Late Fees and Fines	21,306	
Canal Company Shares	12,851	
Other Revenue	5,932	
<u>TOTAL OPERATING REVENUES</u>		\$ 1,175,231
 <u>OPERATING EXPENSES</u>		
Salaries and Benefits	\$ 318,249	
Supplies	56,225	
Travel and Training	1,448	
Professional Fees	52,522	
Interceptor	128,564	
Office Supplies/Expenses	6,121	
Insurance	22,144	
Utilities	89,578	
Fuel	5,102	
Repairs and Maintenance	14,197	
Water Testing and Assessments	7,703	
Depreciation	177,396	
<u>TOTAL OPERATING EXPENSES</u>		879,249
<u>OPERATING INCOME (LOSS)</u>		295,982
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Investment Earnings	\$ 8,671	
Interest Expense	(54,859)	
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>		(46,188)
<u>CHANGE IN NET ASSETS</u>		249,794
<u>TOTAL NET ASSETS - BEGINNING</u>		6,010,080
<u>TOTAL NET ASSETS - ENDING</u>		\$ 6,259,874

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, 2010

		<u>Enterprise Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts Form Customers	\$ 1,151,819	
Payments to Suppliers	(372,550)	
Payments to Employees	(318,249)	
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		\$ 461,020
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal Paid on Capital Debt	\$ (101,041)	
Proceeds from Borrowing Capital Debt	3,197,418	
Accounts Payable Related to Capital Acquisitions	431,467	
Acquisition of Capital Assets	(3,584,193)	
Interfund Borrowing Activity	(80,926)	
Interest Paid on Capital Debt	(54,859)	
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>		(192,134)
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest	\$ 8,671	
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		<u>8,671</u>
 <u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		277,557
 <u>BALANCES - BEGINNING OF THE YEAR</u>		<u>1,153,826</u>
 <u>BALANCES - END OF THE YEAR</u>		<u>\$ 1,431,383</u>
 <u>BALANCE DISPLAYED AS:</u>		
Cash		\$ 107,593
Investments		1,087,141
Restricted Assets		<u>236,649</u>
		<u>\$ 1,431,383</u>

(Continued)

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Fund
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>	
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 295,982
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	177,396
(Increase) Decrease in Accounts Receivable	(23,412)
Increase (Decrease) in Accounts Payable	16,296
Increase (Decrease) in Accrued Interest Payable	(1,123)
Increase (Decrease) in Deposits Payable	(4,119)
Net Cash Provided (Used) by Operating Activities	\$ 461,020
 <u>NON- CASH TRANSACTIONS</u>	
None	\$ 0

See accompanying notes to the basic financial statements

**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010.

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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 50-1013 and 67-1210. Under Idaho Code, the City, at its own discretion, may invest funds in time deposits and certificates of deposits provided by the depository bank at interest rates approximating United States treasury bill rates.

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

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

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

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010, the City had a carrying value of cash deposits of \$2,554,630 and a bank balance of \$2,687,775. Based on the above definitions, the City is subject to \$123,603 of concentration of credit risk.

Idaho Code authorizes the District 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 \$368,945, Idaho State Local Government Investment Pool, which approximates market value. The Idaho State Local Government Investment Pool is not rated by any national credit rating agency as to risk. It was rated by Standard & Poor's, but withdrew from that system in December, 2009.

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, 2009, upon which the 2009 levy was based was \$100,949,030.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2010, 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	0.6454	0.9000
Library	0.0224	0.1000

At September 30, 2010, the components of taxes receivable are as follows:

<u>Year</u>	<u>_____</u>	<u>_____</u>	<u>Total</u>
2008	\$ 21,858	\$	\$ 21,858
2007	3,634	710	4,344
2006	2,404	279	2,683
<u>Total</u>	<u>\$ 27,896</u>	<u>\$ 989</u>	<u>\$ 28,885</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

For fund financial statements, the recognition of revenue on taxes receivable shall not exceed 60 days collection after the September 30, 2010, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2010, are deferred revenue. The components of deferred revenue are as follows:

Fund	Amount
General Fund	\$ 31,184
Library Fund	1,081
<u>Total</u>	\$ 32,265

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, 2010, 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
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, which the City believes is proper to protect the City from any losses, is listed below:

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

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 41 to 42. This audit found no elements of non-compliance with the terms and conditions of the individual programs audited.

NOTE 7 - RETIREMENT PLAN

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

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

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, 2010, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% (7.665% + .04% effective March 1, 2010) 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 \$67,680, \$68,881, and \$64,587 for the three years ended September 30, 2010, 2009, and 2008, respectively.

NOTE 8 - CAPITAL ASSET ACTIVITY

Depreciation expense was charged to governmental functions as follows:

General Expense	\$	2,303
Police		15,335
Fire		6,556
Community Service		1,000
Street		58,490
Park		3,123
Library		4,575
		<hr/>
Total	\$	<u>91,382</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 8 - CAPITAL ASSET ACTIVITY (Continued)

Capital asset activity for the City's governmental functions for the year ended September 30, 2010, was as follows (beginning amounts restated to reflect GASB 34):

	Primary Government - Governmental Activities			Ending Balance
	Beginning Balance	Additions	Retirements	
Not being depreciated:				
Land	\$ 549,321			\$ 549,321
Subtotal	549,321	\$ 0	\$ 0	549,321
Other capital assets:				
Buildings and Improvements	212,198			212,198
Infrastructure	2,553,068			2,553,068
Equipment	275,378			275,378
Library	205,064			205,064
Automobiles	175,896	28,830		204,726
Subtotal	3,421,604	28,830	0	3,450,434
Less accumulated depreciation for:				
Buildings and Improvements	(85,268)	(4,888)		(90,156)
Infrastructure	(136,377)	(51,062)		(187,439)
Equipment	(187,128)	(14,522)		(201,650)
Library	(198,395)	(4,575)		(202,970)
Automobiles	(144,439)	(16,335)		(160,774)
Subtotal	(751,607)	(91,382)	0	(842,989)
Net Depreciated Assets	2,669,997	(62,552)	0	2,607,445
Net Capital Assets	\$ 3,219,318	\$ (62,552)	\$ 0	\$ 3,156,766

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

	Water Fund	Sewer Fund	Total
Land	\$ 67,933		\$ 67,933
Construction-in-process	3,549,109		3,549,109
Buildings	85,318	\$ 5,721	91,039
Equipment	125,286	28,147	153,433
Systems	4,387,778	3,377,135	7,764,913
	8,215,424	3,411,003	11,626,427
Less: Accumulated Depreciation	(1,294,788)	(972,267)	(2,267,055)
<u>Net Capital Assets</u>	<u>\$ 6,920,636</u>	<u>\$ 2,438,736</u>	<u>\$ 9,359,372</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 9 - INTERFUND TRANSACTIONS

Interfund transfers and due to/from for the City for the year ended September 30, 2010, are summarized below:

	<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Interfund Transfers:			
Pay current year's expenditures	Library	General	\$ 18,083
Due To/From:			
Fund borrowing	Library	General	10,190
Fund borrowing	General	Water	54,994
Fund borrowing	General	Sewer	25,932

NOTE 10 - RESTRICTED ASSETS

The following lists restricted assets:

<u>Fund / Purpose</u>	<u>Location</u>	<u>Type</u>	<u>Amount</u>
General /Street Projects	D.L. Evans Bank	Money Market	\$ 105,038
General / Building Construction	First Federal Savings	Savings	253,091
General / Building Construction	Zions Bank	Money Market	252,829
General / Building Construction	D.L. Evans Bank	C.D.	127,197
General / General Projects	Bank of America	Savings	248,828
General / General Projects	Wells Fargo Bank	Public Funds Acct	165,448
General / Traffic Light Project	First Federal Savings	Savings	68,238
Water / Debt Service	Magic Valley Bank	C.D.	87,955
Sewer / Debt Service	Farmers Bank	C.D.	91,217
Sewer / Sewer Capacity	State of Idaho	LGIP	50,017

NOTE 11 - DEBT

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2010:

	<u>Beginning Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Outstanding</u>
Patrol Car Lease	\$ 8,463		\$ 8,463	\$ 0
4.19% Patrol Car Lease		\$ 28,830	7,457	21,373
Unknown Water Bond - D.E.Q. DW1011		90,517		90,517
Unknown Water Bond - D.E.Q. DW1012		3,106,901		3,106,901
Street Sweeper Lease	20,459		20,459	0
6.45% Water Revenue Bonds	430,000		60,000	370,000
4.00% Sewer Notes - D.E.Q.	717,231		41,041	676,190
	<u>\$ 1,176,153</u>	<u>\$ 3,226,248</u>	<u>\$ 137,420</u>	<u>\$ 4,264,981</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 11 - DEBT (Continued)

The annual requirements to amortize the City's debt as of September 30, 2010, is as follows:

Patrol Car Lease:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 6,830	\$ 908	\$ 7,738
2012	7,119	619	7,738
2013	<u>7,424</u>	<u>314</u>	<u>7,738</u>
	<u>\$ 21,373</u>	<u>\$ 1,841</u>	<u>\$ 23,214</u>

	<u>Bond</u>	<u>Note</u>	<u>Interest</u>	<u>Total</u>
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	175,000	48,058	32,548	255,606
2015	0	50,000	19,319	69,319
2016 - 2020	0	281,180	65,411	346,591
2021 - 2025	0	163,688	9,584	173,272
Unamortized Bonds	<u>3,197,418</u>			<u>3,197,418</u>
	<u>\$ 3,567,418</u>	<u>\$ 676,190</u>	<u>\$ 269,485</u>	<u>\$ 4,513,093</u>

The two new D.E.Q. water bonds are not yet completed at September 30, 2010. These are for the water project construction-in-process and the actual amounts of the bonds and the amortization of those bonds will not be determined until the project is completed.

**REQUIRED SUPPLEMENTAL
INFORMATION SECTION**

CITY OF KIMBERLY
KIMBERLY, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - Beginning</u>	\$ 0	\$ 0	\$ 1,114,185	\$ 1,114,185
<u>Resources (Inflows)</u>				0
Property Taxes	619,583	619,583	655,589	36,006
Other Tax Revenue	86,176	86,176	89,959	3,783
Franchise Revenue	46,500	46,500	50,101	3,601
Fees, License and Permits	7,375	7,375	7,022	(353)
State Revenue	205,913	205,913	215,383	9,470
Zoning Revenue / Building Inspection	37,575	37,575	24,107	(13,468)
Sanitation Revenue	120,672	120,672	108,625	(12,047)
Court Fines	20,000	20,000	29,452	9,452
Contracts	70,610	70,610	69,351	(1,259)
Federal Grants	406,000	66,000	5,402	(60,598)
Other Revenue	10,973	10,973	137,298	126,325
Investment Revenue	14,000	14,000	11,460	(2,540)
<u>Total Revenue</u>	<u>1,645,377</u>	<u>1,305,377</u>	<u>1,403,749</u>	<u>98,372</u>
<u>Amount Available for Appropriations</u>	<u>1,645,377</u>	<u>1,305,377</u>	<u>2,517,934</u>	<u>1,212,557</u>
<u>Charges to Appropriations (Outflows)</u>				
Administration and General Government	170,539	170,539	165,074	5,465
Planning and Zoning	65,629	65,629	38,101	27,528
Police Department	420,715	420,715	395,113	25,602
Fire Department	50,000	50,000	50,000	0
Building Inspection	18,000	18,000	8,603	9,397
Community Service	44,366	44,366	33,039	11,327
Street Department	632,667	292,667	175,111	117,556
Sanitation Department	156,500	156,500	139,506	16,994
Park Department	68,879	68,879	60,647	8,232
Interfund Transfers	18,083	18,083	18,083	0
<u>Total Charges to Appropriations</u>	<u>1,645,378</u>	<u>1,305,378</u>	<u>1,083,277</u>	<u>222,101</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ 1,434,657</u>	<u>\$ 1,434,658</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - Beginning</u>	\$ 2,540	\$ 2,540	\$ (2)	\$ (2,542)
<u>Resources (Inflows)</u>				0
Property Taxes	22,597	22,597	22,610	13
Other Revenue	2,200	2,200	3,173	973
Interfund Transfers	18,083	18,083	18,083	0
Investment Revenue			5	5
<u>Total Revenue</u>	<u>42,880</u>	<u>42,880</u>	<u>43,871</u>	<u>991</u>
<u>Amount Available for Appropriations</u>	<u>45,420</u>	<u>45,420</u>	<u>43,869</u>	<u>(1,551)</u>
<u>Charges to Appropriations (Outflows)</u>				
Salaries & Benefits	28,296	28,296	28,289	7
Supplies	1,000	1,000	1,208	(208)
Books	6,600	6,600	6,447	153
Postage	100	100	100	0
Utilities	4,734	4,734	4,169	565
Repairs	3,540	3,540	2,608	932
Miscellaneous Charges	1,150	1,150	1,037	113
<u>Total Charges to Appropriations</u>	<u>45,420</u>	<u>45,420</u>	<u>43,858</u>	<u>1,562</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11</u>	<u>\$ 11</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010

NOTE 1 - RECONCILIATION OF BUDGET TO GAAP

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

	<u>General Fund</u>	<u>Library Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,517,934	\$ 43,869
<u>Differences - Budget to GAAP</u>		
Interfund transfers are not included in fund revenue but are shown as "other financing sources."		(18,083)
For the fund revenue, investment earnings are not included as revenue, but, as "other financing sources."	(11,460)	(5)
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(1,114,185)</u>	<u>2</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,392,289</u>	<u>\$ 25,783</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,083,277	\$ 43,858
Interfund transfers are not included in fund expenditures but are shown as "other financing uses."	<u>(18,083)</u>	<u>0</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,065,194</u>	<u>\$ 43,858</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2010

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 funds that meets the criteria are the general fund and the library fund.

**SUPPLEMENTAL
INFORMATION SECTION**

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$ 16,666	\$ 90,927	\$ 107,593
Investments	753,063	334,078	1,087,141
Interfund Balances	54,994	25,932	80,926
Net Receivables	51,489	50,770	102,259
	<u>876,212</u>	<u>501,707</u>	<u>1,377,919</u>
<u>TOTAL CURRENT ASSETS</u>			
<u>NONCURRENT ASSETS</u>			
Restricted Assets	95,415	141,234	236,649
Capital Assets (non-depreciated)	3,617,043		3,617,043
Capital Assets (net)	3,303,593	2,438,736	5,742,329
	<u>7,016,051</u>	<u>2,579,970</u>	<u>9,596,021</u>
<u>TOTAL NONCURRENT ASSETS</u>			
<u>TOTAL ASSETS</u>			
	<u>\$ 7,892,263</u>	<u>\$ 3,081,677</u>	<u>\$ 10,973,940</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 432,629	\$ 17,340	\$ 449,969
Accrued Interest Payable	3,988	9,041	13,029
Deposits Payable	7,460		7,460
Current Portion of Long-term Debt	60,000	42,674	102,674
	<u>504,077</u>	<u>69,055</u>	<u>573,132</u>
<u>TOTAL CURRENT LIABILITIES</u>			
<u>NONCURRENT LIABILITIES</u>			
Note Payable (net of current portion)		633,516	633,516
Bond Payable (net of current portion)	3,507,418		3,507,418
	<u>3,507,418</u>	<u>633,516</u>	<u>4,140,934</u>
<u>TOTAL NONCURRENT LIABILITIES</u>			
<u>TOTAL LIABILITIES</u>			
	<u>4,011,495</u>	<u>702,571</u>	<u>4,714,066</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	3,353,218	1,762,546	5,115,764
Restricted for:			
Debt Service	87,955	91,217	179,172
Sewer Capacity		50,017	50,017
Unrestricted	439,595	475,326	914,921
	<u>3,880,768</u>	<u>2,379,106</u>	<u>6,259,874</u>
<u>TOTAL NET ASSETS</u>			
<u>TOTAL LIABILITIES AND NET ASSETS</u>			
	<u>\$ 7,892,263</u>	<u>\$ 3,081,677</u>	<u>\$ 10,973,940</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Service Fees	\$ 571,199	\$ 526,603	\$ 1,097,802
Service Hookups	24,740	12,600	37,340
Late Fees and Fines	21,306		21,306
Canal Water Shares Leased	12,851		12,851
Other Revenue	352	5,580	5,932
	<u>630,448</u>	<u>544,783</u>	<u>1,175,231</u>
<u>TOTAL OPERATING REVENUES</u>			
<u>OPERATING EXPENSES</u>			
Salaries and Benefits	169,534	148,715	318,249
Supplies	21,572	34,653	56,225
Travel and Training	1,309	139	1,448
Professional Fees	25,200	27,322	52,522
Interceptor		128,564	128,564
Office Supplies/Expenses	3,111	3,010	6,121
Insurance	11,072	11,072	22,144
Utilities	88,620	958	89,578
Fuel	3,427	1,675	5,102
Repairs and Maintenance	6,652	7,545	14,197
Water Testing and Assessments	7,703		7,703
Depreciation Expense	102,163	75,233	177,396
	<u>440,363</u>	<u>438,886</u>	<u>879,249</u>
<u>TOTAL OPERATING EXPENSES</u>			
<u>OPERATING INCOME (LOSS)</u>			
	<u>190,085</u>	<u>105,897</u>	<u>295,982</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Earnings	3,946	4,725	8,671
Interest Expense	(27,130)	(27,729)	(54,859)
	<u>(23,184)</u>	<u>(23,004)</u>	<u>(46,188)</u>
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>			
<u>CHANGE IN NET ASSETS</u>			
	166,901	82,893	249,794
<u>TOTAL NET ASSETS - BEGINNING</u>			
	<u>3,713,867</u>	<u>2,296,213</u>	<u>6,010,080</u>
<u>TOTAL NET ASSETS - ENDING</u>			
	<u>\$ 3,880,768</u>	<u>\$ 2,379,106</u>	<u>\$ 6,259,874</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts Form Customers	\$ 620,443	\$ 531,376	\$ 1,151,819
Payments to Suppliers	(173,990)	(198,560)	(372,550)
Payments to Employees	<u>(169,534)</u>	<u>(148,715)</u>	<u>(318,249)</u>
 <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	 <u>276,919</u>	 <u>184,101</u>	 <u>461,020</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal Paid on Capital Debt	(60,000)	(41,041)	(101,041)
Proceeds from Borrowing Capital Debt	3,197,418		3,197,418
Accounts Payable Related to Capital Acquisitions	431,467		431,467
Acquisition of Capital Assets	(3,584,193)		(3,584,193)
Interfund Borrowing Activity	(54,994)	(25,932)	(80,926)
Interest Paid on Capital Debt	<u>(27,130)</u>	<u>(27,729)</u>	<u>(54,859)</u>
 <u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	 <u>(97,432)</u>	 <u>(94,702)</u>	 <u>(192,134)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest	<u>3,946</u>	<u>4,725</u>	<u>8,671</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	 <u>3,946</u>	 <u>4,725</u>	 <u>8,671</u>
 <u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	 183,433	 94,124	 277,557
 <u>BALANCES - BEGINNING OF THE YEAR</u>	 <u>681,711</u>	 <u>472,115</u>	 <u>1,153,826</u>
 <u>BALANCES - END OF THE YEAR</u>	 <u>\$ 865,144</u>	 <u>\$ 566,239</u>	 <u>\$ 1,431,383</u>
 <u>BALANCE DISPLAYED AS:</u>			
Cash	\$ 16,666	\$ 90,927	\$ 107,593
Investments	753,063	334,078	1,087,141
Restricted Assets	<u>95,415</u>	<u>141,234</u>	<u>236,649</u>
	 <u>\$ 865,144</u>	 <u>\$ 566,239</u>	 <u>\$ 1,431,383</u>

(Continued)

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<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)	\$ 190,085	\$ 105,897	\$ 295,982
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	102,163	75,233	177,396
(Increase) Decrease in Accounts Receivable	(10,005)	(13,407)	(23,412)
Increase (Decrease) in Accounts Payable	(630)	16,926	16,296
Increase (Decrease) in Accrued Interest Payable	(575)	(548)	(1,123)
Increase (Decrease) in Deposits Payable	(4,119)		(4,119)
Net Cash Provided (Used) by Operating Activities	<u>\$ 276,919</u>	<u>\$ 184,101</u>	<u>\$ 461,020</u>
 <u>NON-CASH TRANSACTIONS</u>			
None	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Agency's Number</u>	<u>Direct or Federal Disbursement/ Expenditure</u>
<u>Department of Homeland Security</u>			
Homeland Security Grant Program	97.067	Note 2	\$ <u>5,402</u>
<u>Total Department of Homeland Security</u>			<u>5,402</u>
<u>Environmental Protection Agency</u>			
Direct-			
Capitalization Grants for Drinking Water	66.468		90,517
Capitalization Grants for Drinking Water - ARRA	66.468		<u>3,106,901</u>
<u>Total Environmental Protection Agency</u>			<u>3,197,418</u>
<u>Total</u>			<u>\$ 3,202,820</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Kimberly and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - PASS-THROUGH NUMBER

Grant revenue is passed through the Military Division of the State of Idaho.

R. MICHAEL BURR

Certified Public Accountant

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

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

December 1, 2010

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Kimberly, as of and for the year ended September 30, 2010, which collectively comprise the City of Kimberly's basic financial statements and have issued our report thereon dated December 1, 2010. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2010-1 and 2010-2. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
Page Two

A 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 2010-2 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, 2010.

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, Board of Trustees, 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

R. MICHAEL BURR

Certified Public Accountant

P.O. Box 2229

Twin Falls, ID 83303-2229

(208) 736-8747

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

December 1, 2010

Compliance

We have audited the compliance of City of Kimberly, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2010. City of Kimberly's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Kimberly's management. Our responsibility is to express an opinion on City of Kimberly's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Kimberly's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Kimberly's compliance with those requirements.

In our opinion, City of Kimberly, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

Management of City of Kimberly is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Kimberly's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Kimberly's internal control over compliance.

Report on Compliance with Requirements That Could Have a Direct and
Material Effect on Each Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

Page Two

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

City of Kimberly's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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, Board of Trustees, State of Idaho, and federal awarding agencies and pass-through entities 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 QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of City of Kimberly.
2. Two reportable conditions disclosed during the audit of the general purpose financial statements is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Item 2010-2 of the conditions is reported as a material weakness.
3. No instances of noncompliance material to the general purpose financial statements of City of Kimberly were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for City of Kimberly expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for City of Kimberly are reported in Part C of this schedule.
7. The programs tested as major programs included:

Homeland Security Grant Program	97.067
Capitalization Grants for Drinking Water	66.468
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. City of Kimberly was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Reportable Conditions

2010-1 Segregation of Duties

Condition: Only one person is employed by the District in the accounting department which does not allow for a strict segregation of duties.

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

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

CITY OF KIMBERLY
KIMBERLY, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

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

2010-2 Lack of Personnel Capable of Writing Report

Condition: The District does not have personnel that possess the knowledge and training to write the financial report with full disclosures.

Criteria: Full knowledge and training are required to write the financial report and disclosures to ensure that they are free of any material misstatements.

Effect: This condition could allow a material misstatement to be made to the financial statements and required disclosures to be omitted.

Recommendation: We recommend that certain personnel receive the training required to write the financial report and prepare all required disclosures.

Response: We concur with the finding but due to time and cost restrictions, we feel that it is more efficient to have the report written by outside sources.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

A Progressive Community

P.O. Box Z
132 Main St. N.
Kimberly, Idaho
83341-1125



Phone 208-423-4151
Fax 208-423-4297

Summary Schedule of Prior Audit Findings

Finding 2009-1 Lack of Segregation of Duties

We believe that this finding applies only to the financial reporting and does not effect the federal award programs. No corrective action was taken.

Finding 2009-2: Lack of Personnel Capable of Writing Report

This finding has not changed, but due to time and cost restrictions, we continue to believe that it is more efficient to have the report written by outside sources.

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Corrective Action Plan

State of Idaho
Department of Environmental Quality
Boise, Idaho

December 1, 2010

City of Kimberly respectfully submits the following corrective action plan for the year ended September 30, 2010. The name and address of the independent public accounting firm is R. Michael Burr CPA, P.O. Box 2229, Twin Falls, ID, 83301.

Audit Period: Year ended September 30, 2010

The findings from the December 1, 2010, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

A. Findings - Financial Statement Audit

Reportable Condition - 2010-1 Segregation of Duties

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

Action Taken: We agree with the findings; however, the lack of segregation of duties does not effect the federal award programs. Until sufficient funds are provided to employ additional City personnel, we will continue to have a lack of segregation of duties.

Reportable Condition - 2010-2 Personnel not Possessing Knowledge to Prepare Financial Statements and Disclosures

Recommendation: Have personnel obtain required education.

Action Taken: We agree with the findings; however, it is not time or cost efficient for the City. At this time we will continue to outsource the writing of the report and disclosures.

B. Findings - Federal Award Programs

None

If there are any questions regarding the plan, please call Polly Hulseley at 208-423-4151.

Sincerely

A handwritten signature in blue ink, appearing to read 'Polly Hulseley', is written over a horizontal line.

Mayor

R. MICHAEL BURR

Certified Public Accountant

P.O. Box 2229

Twin Falls, ID 83303-2229

(208) 736-8747

Mayor and City Council
City of Kimberly
Kimberly, Idaho 83341

December 1, 2010

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of City of Kimberly for the year ended September 30, 2010, and have issued my report thereon dated December 1, 2010. Professional standards require that I provide you with the following information related to my audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated October 8, 2010, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

As part of my audit, I considered the internal control of City of Kimberly. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed test of City of Kimberly's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 8, 2010 .

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Kimberly are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2009-10 fiscal year. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Communication with Those Charged with Governance

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, 2010.

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