

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2011

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Kimberly  
Kimberly, Idaho 83341

December 12, 2011

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, 2011, 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, 2011, 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 12, 2011, 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.

Independent Auditor's Report  
Page Two

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.

Sincerely,

*R. Michael Burr*

R. Michael Burr  
Certified Public Accountant

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**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

		<u>Governmental Activities</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and Cash Equivalents	\$ 49,081	
Investments	1,183,398	
Inventory	3,731	
Prepaid Expenses	23,292	
Net Receivables	80,344	
<b><u>TOTAL CURRENT ASSETS</u></b>		<b>\$ 1,339,846</b>
 <b><u>NONCURRENT ASSETS</u></b>		
Long-Term Receivables	\$ 24,769	
Restricted Assets	170,171	
Capital Assets (non-depreciated)	770,842	
Capital Assets (net)	2,534,785	
<b><u>TOTAL NONCURRENT ASSETS</u></b>		<b>3,500,567</b>
<b><u>TOTAL ASSETS</u></b>		<b><u>4,840,413</u></b>
 <b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts Payable	\$ 24,427	
Payroll Benefits Payable	17,443	
Unearned Revenue		
Deposits Payable	7,767	
Accrued Interest Payable	55	
Current Portion of Long-term Debt	7,119	
<b><u>TOTAL CURRENT LIABILITIES</u></b>		<b>56,811</b>
 <b><u>NONCURRENT LIABILITIES</u></b>		
Lease Payable (net of current portion)	\$ 7,423	
Note Payable (net of current portion)		
Bond Payable (net of current portion)		
<b><u>TOTAL NONCURRENT LIABILITIES</u></b>		<b>7,423</b>
<b><u>TOTAL LIABILITIES</u></b>		<b><u>64,234</u></b>
 <b><u>NET ASSETS</u></b>		
Invested in Capital Assets, net of related debt	\$ 3,291,030	
Restricted for:		
Street Projects	101,736	
Building and General Projects	68,435	
Debt Service		
Library	10,006	
Sewer Capacity		
Unrestricted	1,304,972	
<b><u>TOTAL NET ASSETS</u></b>		<b><u>\$ 4,776,179</u></b>

See accompanying notes to the basic financial statements

<u>Business-type Activities</u>		<u>Total</u>	
\$ 14,326		\$ 63,407	
1,506,366		2,689,764	
		3,731	
		23,292	
<u>130,332</u>		<u>210,676</u>	
	\$ 1,651,024		\$ 2,990,870
\$ 281,195		\$ 24,769	
5,960,752		451,366	
<u>5,588,513</u>		6,731,594	
		<u>8,123,298</u>	
	<u>11,830,460</u>		<u>15,331,027</u>
	<u>13,481,484</u>		<u>18,321,897</u>
\$ 148,271		\$ 172,698	
		17,443	
		0	
		14,513	
		13,084	
<u>109,398</u>		<u>116,517</u>	
	277,444		334,255
\$ 588,828		7,423	
<u>6,191,600</u>		588,828	
		<u>6,191,600</u>	
	<u>6,780,428</u>		<u>6,787,851</u>
	7,057,872		7,122,106
\$ 4,659,439		\$ 7,950,469	
		101,736	
		68,435	
		255,928	
255,928		10,006	
		18,521	
18,521		2,794,696	
<u>1,489,724</u>		<u>2,794,696</u>	
	<u>\$ 6,423,612</u>		<u>\$ 11,199,791</u>

**CITY OF KIMBERLY  
KIMBERLY, IDAHO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Primary Government Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Administration and General Gov't.	\$ 315,537	\$ 8,348		
Planning and Zoning	35,841	45,694		
Police Department	429,742	95,330	\$ 5,351	
Community Service	27,271			
Street Department	180,407		109,584	
Sanitation Department	152,399	111,283		
Park Department	77,266			
Library Services	60,416			
Debt Service - Interest on Debt	760			
<b>Total Governmental Activities</b>	<b>1,279,639</b>	<b>260,655</b>	<b>114,935</b>	<b>\$ 0</b>
<b>Business-Type Activities</b>				
Water Fund	576,840	760,108		
Sewer Fund	605,881	578,827		
<b>Total Business-Type Activities</b>	<b>1,182,721</b>	<b>1,338,935</b>	<b>0</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$ 2,462,360</b>	<b>\$ 1,599,590</b>	<b>\$ 114,935</b>	<b>\$ 0</b>

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
\$ (307,189)		\$ (307,189)
9,853		9,853
(329,061)		(329,061)
(27,271)		(27,271)
(70,823)		(70,823)
(41,116)		(41,116)
(77,266)		(77,266)
(60,416)		(60,416)
(760)		(760)
<u>(904,049)</u>		<u>(904,049)</u>
	\$ 183,268	183,268
	(27,054)	(27,054)
	<u>156,214</u>	<u>156,214</u>
0	156,214	156,214
<u>(904,049)</u>	<u>156,214</u>	<u>(747,835)</u>
735,782		735,782
93,126		93,126
44,198		44,198
149,082		149,082
35,420		35,420
10,092		10,092
6,672	7,524	14,196
<u>1,074,372</u>	<u>7,524</u>	<u>1,081,896</u>
170,323	163,738	334,061
<u>4,605,856</u>	<u>6,259,874</u>	<u>10,865,730</u>
<u>\$ 4,776,179</u>	<u>\$ 6,423,612</u>	<u>\$ 11,199,791</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Government al Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 40,227	\$ 8,854	\$ 49,081
Investments	1,183,398		1,183,398
Property Taxes Receivable	34,786	1,152	35,938
Accounts Receivable	10,753		10,753
Due From Other Governments	58,422		58,422
Prepaid Expenses	23,292		23,292
Reserved Investments	170,171		170,171
	<u>1,521,049</u>	<u>10,006</u>	<u>1,531,055</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,521,049</u></b>	<b><u>\$ 10,006</u></b>	<b><u>\$ 1,531,055</u></b>
 <b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 24,427		\$ 24,427
Payroll Benefits Payable	17,443		17,443
Deposits Payable	7,767		7,767
Deferred Revenue	23,975	\$ 794	24,769
	<u>73,612</u>	<u>794</u>	<u>74,406</u>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>73,612</u></b>	<b><u>794</u></b>	<b><u>74,406</u></b>
 <b><u>FUND BALANCES</u></b>			
Restricted - Library		9,212	9,212
Restricted - Street Projects	101,736		101,736
Restricted - Federal Projects (Street Light)	68,435		68,435
Assigned - Street Projects	266,826		266,826
Assigned - Building Project	635,865		635,865
Assigned - Community Service / Parks	8,803		8,803
Assigned - General Reserves	271,902		271,902
Unassigned	93,870		93,870
	<u>1,447,437</u>	<u>9,212</u>	<u>1,456,649</u>
<b><u>TOTAL FUND BALANCES</u></b>	<b><u>1,447,437</u></b>	<b><u>9,212</u></b>	<b><u>1,456,649</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 1,521,049</u></b>	<b><u>\$ 10,006</u></b>	<b><u>\$ 1,531,055</u></b>

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, 2011**

	General Fund	Library Fund	Total Governmental Funds
<b><u>REVENUES</u></b>			
Property Taxes	\$ 719,916	\$ 23,362	\$ 743,278
Other Tax Revenue	93,126		93,126
Franchise Revenue	44,198		44,198
Fees, License and Permits	8,348		8,348
State Revenue	258,666		258,666
Zoning Revenue	45,694		45,694
Sanitation Revenue	111,283		111,283
Court Fines	35,420		35,420
Contracts	95,330		95,330
Federal Grants	5,351		5,351
Other Revenue	6,272	3,820	10,092
<b><u>TOTAL REVENUES</u></b>	<b><u>1,423,604</u></b>	<b><u>27,182</u></b>	<b><u>1,450,786</u></b>
<b><u>EXPENDITURES</u></b>			
Administration and General Government	533,285		533,285
Planning and Zoning	35,841		35,841
Police Department	422,144		422,144
Community Service	26,271		26,271
Street Department	133,072		133,072
Sanitation Department	152,399		152,399
Park Department	74,143		74,143
Library Services		58,322	58,322
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>1,377,155</u></b>	<b><u>58,322</u></b>	<b><u>1,435,477</u></b>
<b><u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u></b>	<b><u>46,449</u></b>	<b><u>(31,140)</u></b>	<b><u>15,309</u></b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Investment Revenue	6,667	5	6,672
Interfund Transfers In (Out)	(40,336)	40,336	0
<b><u>TOTAL OTHER FINANCING SOURCES (USES)</u></b>	<b><u>(33,669)</u></b>	<b><u>40,341</u></b>	<b><u>6,672</u></b>
<b><u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u></b>	<b><u>12,780</u></b>	<b><u>9,201</u></b>	<b><u>21,981</u></b>
<b><u>FUND BALANCE - BEGINNING</u></b>	<b><u>1,434,657</u></b>	<b><u>11</u></b>	<b><u>1,434,668</u></b>
<b><u>FUND BALANCE - ENDING</u></b>	<b><u>\$ 1,447,437</u></b>	<b><u>\$ 9,212</u></b>	<b><u>\$ 1,456,649</u></b>

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, 2011**

Total Governmental Fund Balances

\$ 1,456,649

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, \$770,842 non-dpreciated assets and  
\$3,462,872 net of accumulated depreciation of

\$ 3,305,627

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.

(55)

Other long-term assets are not available to pay for  
current-period expenditures and therefore are deferred  
in the funds.

24,769

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

(14,542)

Net Changes

3,319,530

Net Assets of Governmental Activities

\$ 4,776,179

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, 2011**

Net Change in Fund Balances - Governmental Fund Balances \$ 21,981

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	(85,098)
- Capital Outlay	233,959

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(7,496)
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In the Statement of Activities, interest is accrued on outstand bonds, whereas in governmental funds, an interest expenditure is reported when due.	146
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Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets.	6,831
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<u>Net Changes</u>	<u>148,342</u>
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<u>Change in Net Assets of Governmental Activities</u>	<u>\$ 170,323</u>
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See accompanying notes to the basic financial statements

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2011**

		<u>Enterprise Fund</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and Cash Equivalents	\$ 14,326	
Investments	1,506,366	
Net Receivables	<u>130,332</u>	
 <b><u>TOTAL CURRENT ASSETS</u></b>		 \$ 1,651,024
<b><u>NONCURRENT ASSETS</u></b>		
Restricted Assets	\$ 281,195	
Capital Assets (non-depreciated)	5,960,752	
Capital Assets (net)	<u>5,588,513</u>	
 <b><u>TOTAL NONCURRENT ASSETS</u></b>		 <u>11,830,460</u>
 <b><u>TOTAL ASSETS</u></b>		 <u>\$ 13,481,484</u>
 <b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts Payable	\$ 148,271	
Accrued Interest Payable	13,029	
Deposits Payable	6,746	
Current Portion of Long-term Debt	<u>109,398</u>	
 <b><u>TOTAL CURRENT LIABILITIES</u></b>		 \$ 277,444
<b><u>NONCURRENT LIABILITIES</u></b>		
Note Payable (net of current portion)	\$ 588,828	
Bond Payable (net of current portion)	<u>6,191,600</u>	
 <b><u>TOTAL NONCURRENT LIABILITIES</u></b>		 <u>6,780,428</u>
 <b><u>TOTAL LIABILITIES</u></b>		 7,057,872
 <b><u>NET ASSETS</u></b>		
Invested in Capital Assets, net of related debt	\$ 4,659,439	
Restricted for:		
Debt Service	262,674	
Sewer Capacity	18,521	
Unrestricted	<u>1,482,978</u>	
 <b><u>TOTAL NET ASSETS</u></b>		 <u>6,423,612</u>
 <b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>		 <u>\$ 13,481,484</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, 2011**

		<u>Enterprise Fund</u>
<b><u>OPERATING REVENUES</u></b>		
Service Fees	\$ 1,229,775	
Service Hookups	68,400	
Late Fees and Fines	22,388	
Canal Company Shares	12,851	
Other Revenue	<u>5,521</u>	
 <b><u>TOTAL OPERATING REVENUES</u></b>		 <b>\$ 1,338,935</b>
 <b><u>OPERATING EXPENSES</u></b>		
Salaries and Benefits	\$ 341,457	
Supplies	17,389	
Travel and Training	1,378	
Professional Fees	140,789	
Interceptor	100,081	
Office Supplies/Expenses	14,004	
Insurance	24,774	
Utilities	85,887	
Fuel	6,530	
Repairs and Maintenance	79,001	
Water Testing and Assessments	1,919	
Settlement	140,000	
Depreciation	<u>178,692</u>	
 <b><u>TOTAL OPERATING EXPENSES</u></b>		 <b><u>1,131,901</u></b>
 <b><u>OPERATING INCOME (LOSS)</u></b>		 <b>207,034</b>
 <b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
Investment Earnings	\$ 7,524	
Interest Expense	<u>(50,820)</u>	
 <b><u>TOTAL NONOPERATING REVENUE (EXPENSES)</u></b>		 <b><u>(43,296)</u></b>
 <b><u>CHANGE IN NET ASSETS</u></b>		 <b>163,738</b>
 <b><u>TOTAL NET ASSETS - BEGINNING</u></b>		 <b><u>6,259,874</u></b>
 <b><u>TOTAL NET ASSETS - ENDING</u></b>		 <b><u>\$ 6,423,612</u></b>

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, 2011**

		Enterprise Fund
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts Form Customers	\$ 1,310,862	
Payments to Suppliers	(914,164)	
Payments to Employees	(341,457)	
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>		\$ 55,241
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Principal Paid on Capital Debt	\$ (102,964)	
Proceeds from Borrowing Capital Debt	2,749,182	
Acquisition of Capital Assets	(2,368,585)	
Interfund Borrowing Activity	80,926	
Interest Paid on Capital Debt	(50,820)	
<b><u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		307,739
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest	\$ 7,524	
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		7,524
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>		370,504
<b><u>BALANCES - BEGINNING OF THE YEAR</u></b>		1,431,383
<b><u>BALANCES - END OF THE YEAR</u></b>		\$ 1,801,887
<b><u>BALANCE DISPLAYED AS:</u></b>		
Cash		\$ 14,326
Investments		1,506,366
Restricted Assets		281,195
		\$ 1,801,887

(Continued)

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Enterprise Fund
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u></b>	
<b><u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>	
Operating Income (Loss)	\$ 207,034
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	178,692
(Increase) Decrease in Accounts Receivable	(28,073)
Increase (Decrease) in Accounts Payable	(301,698)
Increase (Decrease) in Accrued Interest Payable	0
Increase (Decrease) in Deposits Payable	(714)
Net Cash Provided (Used) by Operating Activities	\$ 55,241
 <b><u>NON- CASH TRANSACTIONS</u></b>	
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, 2011**

**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, 2011.

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, 2011**

**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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects

**Capital Project Funds** - The Capital Project Fund is used to account for resources restricted, committed or assigned for the acquisition or construction of specific capital projects or items. The City has no capital projects funds.

**Debt Service Fund** - The Debt Service Fund accounts for all financial resources restricted, committed or assigned for the payment of interest and principle on the general long-term debt of the City. The City 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.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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 no agency funds.

**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, 2011**

**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 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. All interfund activity has been eliminated in the government-wide statement of activity.

**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 and lot sales. 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, franchise 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 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, 2011**

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

Inventories

In the government-wide statements, materials, supplies and food commodities 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 instructional 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 bond proceeds to be used for a capital construction project of the City and to state and federal grants. 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 June 30, 2003.

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

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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	3	\$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**

Vacation and sick days are not allowed to be carried over at the City. Therefore, there is no liability associated with vacation or sick leave days.

**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.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

**Budget**

The City Council adopts a budget on a basis consistent with the GAAP with minor changes for most funds. 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 board of trustees 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 board of trustees shall publish a summary statement of the budget and a complete copy of the budget shall be submitted to the Idaho State Board of Education.
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.

**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:

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 nonspendable, restricted, committed, assigned, or unassigned.

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

**Nonspendable Fund Balance** - Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted Fund Balance** - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

**Committed Fund Balance** - Includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision making authority, the Board of Trustees.

**Assigned Fund Balance** - Includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

**Unassigned Fund Balance** - Includes the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**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.

**Credit Risk** - The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

**CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011**

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

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, 2011, the City had a carrying value of cash deposits of \$2,142,080 and a bank balance of \$2,225,221. Based on the above definitions, the City is subject to \$26,644 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 \$1,062,455, 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.

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, 2010, upon which the 2010 levy was based was \$104,763,717.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2011, 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	0.6706	0.9000
Library	0.0222	0.1000

At September 30, 2011, the components of taxes receivable are as follows:

<u>Year</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
2010	\$ 24,907	\$ 825	\$ 25,732
2009	8,067	280	8,347
2008	1,812	47	1,859
<u>Total</u>	<u>\$ 34,786</u>	<u>\$ 1,152</u>	<u>\$ 35,938</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**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, 2011, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2011, are deferred revenue. The components of deferred revenue are as follows:

Fund	Amount
General Fund	\$ 23,975
Library Fund	794
<u>Total</u>	<u>\$ 24,769</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, 2011, are as follows:

<u>Description - Source</u>	<u>General Fund</u>
Highway User - State	\$ 26,352
Liquor Apportionment - State	6,643
Revenue Share - State	25,427
Total	<u>\$ 58,422</u>

**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, 2011**

**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](http://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, 2011, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% 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 \$72,535, \$67,680, and \$68,881 for the three years ended September 30, 2011, 2010, and 2009, respectively.

**NOTE 8 - CAPITAL ASSET ACTIVITY**

Depreciation expense was charged to governmental functions as follows:

General Expense	\$ 3,773
Police	15,335
Community Service	1,000
Street	59,773
Park	3,123
Library	2,094
	<hr/>
Total	\$ 85,098

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 8 - CAPITAL ASSET ACTIVITY (Continued)**

Capital asset activity for the City's governmental functions for the year ended September 30, 2011, was as follows (beginning amounts restated to reflect GASB 34):

	Primary Government - Governmental Activities			
	Beginning Balance	Additions	Retirements	Ending Balance
Not being depreciated:				
Construction-in-process	\$ 0	\$ 221,521		\$ 221,521
Land	549,321			549,321
Subtotal	549,321	221,521	\$ 0	770,842
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	204,726	12,438		217,164
Subtotal	3,450,434	12,438	0	3,462,872
Less accumulated depreciation for:				
Buildings and Improvements	(90,156)	(4,888)		(95,044)
Infrastructure	(187,439)	(51,062)		(238,501)
Equipment	(201,650)	(8,942)		(210,592)
Library	(202,970)	(2,094)		(205,064)
Automobiles	(160,774)	(18,112)		(178,886)
Subtotal	(842,989)	(85,098)	0	(928,087)
Net Depreciated Assets	2,607,445	(72,660)	0	2,534,785
Net Capital Assets	\$ 3,156,766	\$ 148,861	\$ 0	\$ 3,305,627

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	4,387,778		4,387,778
Buildings	85,317	\$ 5,721	91,038
Equipment	130,643	40,585	171,228
Systems	5,892,819	3,377,135	9,269,954
	10,564,490	3,423,441	13,987,931
Less: Accumulated Depreciation	(1,390,558)	(1,048,108)	(2,438,666)
Net Capital Assets	\$ 9,173,932	\$ 2,375,333	\$ 11,549,265

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 9 - INTERFUND TRANSACTIONS**

Interfund transfers and due to/from for the City for the year ended September 30, 2011, are summarized below:

	<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Interfund Transfers:			
Pay current year's expenditures	Library	General	\$ 40,336
Due To/From:			
None			

**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	State of Idaho	LGIP	\$ 101,736
General / Traffic Light Project	First Federal Savings	Savings	68,435
Water / Debt Service	Magic Valley Bank	C.D.	104,109
Sewer / Debt Service	Farmers Bank	C.D.	158,565
Sewer / Sewer Capacity	State of Idaho	LGIP	18,521

**NOTE 11 - DEBT**

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2011:

	<u>Beginning Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Outstanding</u>
4.19% Patrol Car Lease	\$ 21,373		\$ 6,831	\$ 14,542
Unknown Water Bond - D.E.Q. DW1011	90,517	\$ 510,440		600,957
Unknown Water Bond - D.E.Q. DW1012	3,106,901	2,238,742		5,345,643
6.45% Water Revenue Bonds	370,000		60,000	310,000
4.00% Sewer Notes - D.E.Q.	676,190		42,964	633,226
	<u>\$ 4,264,981</u>	<u>\$ 2,749,182</u>	<u>\$ 109,795</u>	<u>\$ 6,904,368</u>

The annual requirements to amortize the City's debt as of September 30, 2011, is as follows:

<u>Patrol Car Lease:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 7,119	\$ 619	\$ 7,738
2013	7,423	315	7,738
	<u>\$ 14,542</u>	<u>\$ 934</u>	<u>\$ 15,476</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 11 - DEBT (Continued)**

	<u>Bond</u>	<u>Note</u>	<u>Interest</u>	<u>Total</u>
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	0	52,020	17,299	69,319
2017 - 2021	0	293,372	53,223	346,595
2022 - 2026	0	99,186	4,025	103,211
Unamortized Bonds	<u>5,946,600</u>			<u>5,946,600</u>
	<u>\$ 6,256,600</u>	<u>\$ 633,226</u>	<u>\$ 218,332</u>	<u>\$ 7,108,158</u>

The two new D.E.Q. water bonds are not yet completed at September 30, 2011. 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, 2011**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
<u>Budgetary Fund Balance - Beginning</u>	\$ 0	\$ 635,000	\$ 1,434,657	\$ 799,657
<u>Resources (Inflows)</u>				0
Property Taxes	705,066	705,066	719,916	14,850
Other Tax Revenue	79,166	79,166	93,126	13,960
Franchise Revenue	78,159	78,159	44,198	(33,961)
Fees, License and Permits	7,375	7,375	8,348	973
State Revenue	212,469	212,469	258,666	46,197
Zoning Revenue / Building Inspection	25,575	25,575	45,694	20,119
Sanitation Revenue	112,661	112,661	111,283	(1,378)
Court Fines	22,000	22,000	35,420	13,420
Contracts	69,239	69,239	95,330	26,091
Federal Grants			5,351	5,351
Other Revenue	11,383	11,383	6,272	(5,111)
Investment Revenue	5,000	5,000	6,667	1,667
<u>Total Revenue</u>	<u>1,328,093</u>	<u>1,328,093</u>	<u>1,430,271</u>	<u>102,178</u>
<u>Amount Available for Appropriations</u>	<u>1,328,093</u>	<u>1,963,093</u>	<u>2,864,928</u>	<u>901,835</u>
<u>Charges to Appropriations (Outflows)</u>				
Administration and General Government	227,030	847,963	533,285	314,678
Planning and Zoning	51,696	51,695	35,841	15,854
Police Department	457,381	457,381	422,144	35,237
Community Service	49,056	49,056	26,271	22,785
Street Department	259,956	259,956	133,072	126,884
Sanitation Department	156,240	156,240	152,399	3,841
Park Department	92,816	100,466	74,143	26,323
Interfund Transfers	33,918	40,336	40,336	0
<u>Total Charges to Appropriations</u>	<u>1,328,093</u>	<u>1,963,093</u>	<u>1,417,491</u>	<u>545,602</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,447,437</u>	<u>\$ 1,447,437</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**LIBRARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<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>	\$ 4,000	\$ 4,000	\$ 11	\$ (3,989)
<u>Resources (Inflows)</u>				0
Property Taxes	23,275	23,275	23,362	87
Other Revenue	3,500	3,500	3,820	320
Interfund Transfers	33,918	40,336	40,336	0
Investment Revenue	10	10	5	(5)
<u>Total Revenue</u>	<u>60,703</u>	<u>67,121</u>	<u>67,523</u>	<u>402</u>
<u>Amount Available for Appropriations</u>	<u>64,703</u>	<u>71,121</u>	<u>67,534</u>	<u>(3,587)</u>
<u>Charges to Appropriations (Outflows)</u>				
Salaries & Benefits	39,058	43,476	41,395	2,081
Supplies	6,050	6,050	2,734	3,316
Books	7,600	7,600	7,940	(340)
Postage	260	260	65	195
Utilities	4,735	6,735	5,466	1,269
Repairs	1,000	1,000	722	278
Capital Outlay	6,000	6,000		6,000
<u>Total Charges to Appropriations</u>	<u>64,703</u>	<u>71,121</u>	<u>58,322</u>	<u>12,799</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,212</u>	<u>\$ 9,212</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2011

**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	\$ 2,864,928	\$ 67,534
<u>Differences - Budget to GAAP</u>		
Interfund transfers are not included in fund revenue but are shown as "other financing sources."		(40,336)
For the fund revenue, investment earnings are not included as revenue, but, as "other financing sources."	(6,667)	(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>(1,434,657)</u>	<u>(11)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,423,604</u>	<u>\$ 27,182</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,417,491	\$ 58,322
Interfund transfers are not included in fund expenditures but are shown as "other financing uses."	<u>(40,336)</u>	<u>0</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,377,155</u>	<u>\$ 58,322</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2011**

**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.

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**SUPPLEMENTAL**  
**INFORMATION SECTION**

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING BALANCE SHEET**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2011**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
<b><u>CURRENT ASSETS</u></b>			
Cash and Cash Equivalents	\$ 12,961	\$ 1,365	\$ 14,326
Investments	1,033,392	472,974	1,506,366
Net Receivables	<u>77,486</u>	<u>52,846</u>	<u>130,332</u>
<b><u>TOTAL CURRENT ASSETS</u></b>	<u>1,123,839</u>	<u>527,185</u>	<u>1,651,024</u>
<b><u>NONCURRENT ASSETS</u></b>			
Restricted Assets	104,109	177,086	281,195
Capital Assets (non-depreciated)	5,960,752		5,960,752
Capital Assets (net)	<u>3,213,180</u>	<u>2,375,333</u>	<u>5,588,513</u>
<b><u>TOTAL NONCURRENT ASSETS</u></b>	<u>9,278,041</u>	<u>2,552,419</u>	<u>11,830,460</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 10,401,880</u>	<u>\$ 3,079,604</u>	<u>\$ 13,481,484</u>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Accounts Payable	\$ 67,120	\$ 81,151	\$ 148,271
Accrued Interest Payable	3,988	9,041	13,029
Deposits Payable	6,746		6,746
Current Portion of Long-term Debt	<u>65,000</u>	<u>44,398</u>	<u>109,398</u>
<b><u>TOTAL CURRENT LIABILITIES</u></b>	<u>142,854</u>	<u>134,590</u>	<u>277,444</u>
<b><u>NONCURRENT LIABILITIES</u></b>			
Note Payable (net of current portion)		588,828	588,828
Bond Payable (net of current portion)	<u>6,191,600</u>		<u>6,191,600</u>
<b><u>TOTAL NONCURRENT LIABILITIES</u></b>	<u>6,191,600</u>	<u>588,828</u>	<u>6,780,428</u>
<b><u>TOTAL LIABILITIES</u></b>	<u>6,334,454</u>	<u>723,418</u>	<u>7,057,872</u>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, net of related debt	2,917,332	1,742,107	4,659,439
Restricted for:			
Debt Service	104,109	158,565	262,674
Sewer Capacity		18,521	18,521
Unrestricted	<u>1,045,985</u>	<u>436,993</u>	<u>1,482,978</u>
<b><u>TOTAL NET ASSETS</u></b>	<u>4,067,426</u>	<u>2,356,186</u>	<u>6,423,612</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>\$ 10,401,880</u>	<u>\$ 3,079,604</u>	<u>\$ 13,481,484</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF REVENUE, EXPENSES AND**  
**CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>OPERATING REVENUES</u></b>			
Service Fees	\$ 681,790	\$ 547,985	\$ 1,229,775
Service Hookups	41,400	27,000	68,400
Late Fees and Fines	22,388		22,388
Canal Water Shares Leased	12,851		12,851
Other Revenue	1,679	3,842	5,521
	<u>760,108</u>	<u>578,827</u>	<u>1,338,935</u>
<b><u>TOTAL OPERATING REVENUES</u></b>			
<b><u>OPERATING EXPENSES</u></b>			
Salaries and Benefits	170,434	171,023	341,457
Supplies	14,944	2,445	17,389
Travel and Training	930	448	1,378
Professional Fees	25,800	114,989	140,789
Interceptor		100,081	100,081
Office Supplies/Expenses	11,914	2,090	14,004
Insurance	12,387	12,387	24,774
Utilities	84,489	1,398	85,887
Fuel	4,293	2,237	6,530
Repairs and Maintenance	14,414	64,587	79,001
Water Testing and Assessments	1,919		1,919
Settlement	108,000	32,000	140,000
Depreciation Expense	102,851	75,841	178,692
	<u>552,375</u>	<u>579,526</u>	<u>1,131,901</u>
<b><u>OPERATING INCOME (LOSS)</u></b>	<u>207,733</u>	<u>(699)</u>	<u>207,034</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Investment Earnings	3,390	4,134	7,524
Interest Expense	(24,465)	(26,355)	(50,820)
	<u>(21,075)</u>	<u>(22,221)</u>	<u>(43,296)</u>
<b><u>TOTAL NONOPERATING REVENUE (EXPENSES)</u></b>			
<b><u>CHANGE IN NET ASSETS</u></b>	186,658	(22,920)	163,738
<b><u>TOTAL NET ASSETS - BEGINNING</u></b>	3,880,768	2,379,106	6,259,874
<b><u>TOTAL NET ASSETS - ENDING</u></b>	<u>\$ 4,067,426</u>	<u>\$ 2,356,186</u>	<u>\$ 6,423,612</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Receipts Form Customers	\$ 734,111	\$ 576,751	\$ 1,310,862
Payments to Suppliers	(645,313)	(268,851)	(914,164)
Payments to Employees	(170,434)	(171,023)	(341,457)
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<u>(81,636)</u>	<u>136,877</u>	<u>55,241</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Principal Paid on Capital Debt	(60,000)	(42,964)	(102,964)
Proceeds from Borrowing Capital Debt	2,749,182		2,749,182
Acquisition of Capital Assets	(2,356,147)	(12,438)	(2,368,585)
Interfund Borrowing Activity	54,994	25,932	80,926
Interest Paid on Capital Debt	(24,465)	(26,355)	(50,820)
<b><u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	<u>363,564</u>	<u>(55,825)</u>	<u>307,739</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Interest	3,390	4,134	7,524
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>	<u>3,390</u>	<u>4,134</u>	<u>7,524</u>
<b><u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	<u>285,318</u>	<u>85,186</u>	<u>370,504</u>
<b><u>BALANCES - BEGINNING OF THE YEAR</u></b>	<u>865,144</u>	<u>566,239</u>	<u>1,431,383</u>
<b><u>BALANCES - END OF THE YEAR</u></b>	<u>\$ 1,150,462</u>	<u>\$ 651,425</u>	<u>\$ 1,801,887</u>
<b><u>BALANCE DISPLAYED AS:</u></b>			
Cash	\$ 12,961	\$ 1,365	\$ 14,326
Investments	1,033,392	472,974	1,506,366
Restricted Assets	104,109	177,086	281,195
	<u>\$ 1,150,462</u>	<u>\$ 651,425</u>	<u>\$ 1,801,887</u>

(Continued)

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b><u>RECONCILIATION OF OPERATING INCOME</u></b>			
<b><u>(LOSS) TO NET CASH PROVIDED (USED) BY</u></b>			
<b><u>OPERATING ACTIVITIES</u></b>			
Operating Income (Loss)	\$ 207,733	\$ (699)	\$ 207,034
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation	102,851	75,841	178,692
(Increase) Decrease in Accounts Receivable	(25,997)	(2,076)	(28,073)
Increase (Decrease) in Accounts Payable	(365,509)	63,811	(301,698)
Increase (Decrease) in Accrued Interest Payable	0	0	0
Increase (Decrease) in Deposits Payable	(714)	0	(714)
Net Cash Provided (Used) by Operating Activities	<u>\$ (81,636)</u>	<u>\$ 136,877</u>	<u>\$ 55,241</u>
 <b><u>NON-CASH TRANSACTIONS</u></b>			
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, 2011**

<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	\$ 5,351
<u>Total Department of Homeland Security</u>			<u>5,351</u>
<u>Environmental Protection Agency</u>			
Capitalization Grants for Drinking Water	66.468	Note 3	510,440
Capitalization Grants for Drinking Water - ARRA	66.468	Note 3	<u>2,238,742</u>
<u>Total Environmental Protection Agency</u>			<u>2,749,182</u>
<u>Total</u>			<u>\$ 2,754,533</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, 2011**

**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.

**NOTE 3 - PASS-THROUGH NUMBER**

Grant revenue is passed through the Department of Environmental Quality 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 12, 2011

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, 2011, which collectively comprise the City of Kimberly's basic financial statements and have issued our report thereon dated December 12, 2011. 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

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

We also noted certain additional matters that we reported to management of City of Kimberly, in a separate letter dated December 12, 2011.

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

Sincerely,

*R. Michael Burr*

R. Michael Burr  
Certified Public Accountant

# R. MICHAEL BURR

Certified Public Accountant

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## 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 12, 2011

### 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, 2011. 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, 2011.

### 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, Mayor and Council, 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, 2011**

**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:

Capitalization Grants for Drinking Water	66.468
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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**

None

**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 2010-1 Lack of Segregation of Duties

We believe that this finding applied only to the financial reporting and did not effect the federal award programs. Duties were evaluated and changed in a manner that we believe fixed the controls and that there is no longer a lack of segregation of duties.

Finding 2010-2: Lack of Personnel Capable of Writing Report

This finding has changed. We currently believe that the current staff in the accounting and administrative offices could write the report. However, due to time and cost restrictions, we continue to believe that it is more efficient to have the report written by outside sources.

A Progressive Community

P.O. Box Z  
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83341-1125



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Corrective Action Plan

State of Idaho  
Department of Environmental Quality  
Boise, Idaho

December 12, 2011

City of Kimberly respectfully submits the following corrective action plan for the year ended September 30, 2011. 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, 2011

The findings from the December 12, 2011, 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

None

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 black 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

December 12, 2011

Mayor and City Council  
City of Kimberly  
Kimberly, Idaho 83341

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, 2011, and have issued my report thereon dated December 12, 2011. 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 November 3, 2011, 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 November 3, 2011.

## 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. Except for any changes made by you, no new accounting policies were adopted and the application of existing policies was not changed during the current 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 12, 2011.

### 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

**R. MICHAEL BURR**

Certified Public Accountant

P.O. Box 2229

Twin Falls, ID 83303-2229

(208) 736-8747

**MANAGEMENT LETTER**

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

December 12, 2011

In planning and performing our audit of the financial statements of City of Kimberly, for the year ended September 30, 2011, 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.

The reportable conditions we believe existed at September 30, 2011, are included in the schedule of finding and responses.

There were also other items we need to cover. These items are as follows:

- 1) Revenue and receivable postings should be reviewed to ensure that revenue is being posted to the correct account and fund.

This report is intended solely for the information and use of the management, Mayor, City Council, 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