

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2012



CITY OF KIMBERLY  
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**INDEPENDENT AUDITOR'S REPORT**

December 12, 2012

Mayor and City Council  
City of Kimberly  
Kimberly, Idaho 83341

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, 2012, 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, 2012, 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, 2012, 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 31 through 35 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 combining schedules 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, 2012

		<u>Governmental Activities</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 200,014	
Investments	58,165	
Inventory	3,731	
Net Receivables	<u>78,835</u>	
 <u>TOTAL CURRENT ASSETS</u>		 \$ 340,745
 <u>NONCURRENT ASSETS</u>		
Long-Term Receivables	\$ 38,116	
Restricted Assets	828,811	
Capital Assets (non-depreciated)	837,794	
Capital Assets (net)	<u>3,332,342</u>	
 <u>TOTAL NONCURRENT ASSETS</u>		 <u>5,037,063</u>
<u>TOTAL ASSETS</u>		<u>5,377,808</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 171,063	
Payroll Benefits Payable	14,327	
Deposits Payable	7,767	
Accrued Interest Payable	28	
Current Portion of Long-term Debt	<u>7,423</u>	
 <u>TOTAL CURRENT LIABILITIES</u>		 200,608
 <u>NONCURRENT LIABILITIES</u>		
Compensated Absences	\$ 42,250	
Note Payable (net of current portion)		
Bond Payable (net of current portion)	<u>          </u>	
 <u>TOTAL NONCURRENT LIABILITIES</u>		 <u>42,250</u>
<u>TOTAL LIABILITIES</u>		<u>242,858</u>
 <u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 4,162,685	
Restricted for:		
Street Projects	369,319	
Building and General Projects	434,492	
Debt Service		
Library	25,408	
Sewer Capacity		
Unrestricted	<u>143,046</u>	
 <u>TOTAL NET ASSETS</u>		 <u>\$ 5,134,950</u>

See accompanying notes to the basic financial statements

<u>Business-type Activities</u>		<u>Total</u>
\$ 267,590		\$ 467,604
1,393,110		1,451,275
<u>276,251</u>		<u>355,086</u>
	\$ 1,936,951	\$ 2,277,696
\$ 209,448		\$ 38,116
6,295,337		1,038,259
<u>5,416,285</u>		<u>7,133,131</u>
	11,921,070	16,958,133
	<u>13,858,021</u>	<u>19,235,829</u>
\$ 75,077		\$ 246,140
		14,327
14,710		22,477
13,028		13,056
<u>1,046,192</u>		<u>1,053,615</u>
	1,149,007	1,349,615
\$ 542,636		42,250
<u>5,403,970</u>		<u>542,636</u>
	5,946,606	5,403,970
	<u>7,095,613</u>	<u>5,988,856</u>
\$ 4,718,824		\$ 8,881,509
		369,319
		434,492
190,887		190,887
		25,408
18,561		18,561
<u>1,834,136</u>		<u>1,977,182</u>
	\$ 6,762,408	\$ 11,897,358
	<u><u>6,762,408</u></u>	<u><u>11,897,358</u></u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Primary Government Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Administration and General Gov't.	\$ 234,915	\$ 68,328		
Planning and Zoning	45,302	1,700		
Police Department	446,196	44,868		\$ 17,992
Community Service	22,469			54,421
Street Department	190,300		\$ 108,323	
Sanitation Department	156,354	113,652		
Park Department	37,303			
Library Services	75,151			
Debt Service - Interest on Debt	594			
<u>Total Governmental Activities</u>	<u>1,208,584</u>	<u>228,548</u>	<u>108,323</u>	<u>72,413</u>
 <u>Business-Type Activities</u>				
Water Fund	459,400	838,177		
Sewer Fund	719,778	677,701		
<u>Total Business-Type Activities</u>	<u>1,179,178</u>	<u>1,515,878</u>	<u>0</u>	<u>0</u>
<u>Total Primary Government</u>	<u>\$ 2,387,762</u>	<u>\$ 1,744,426</u>	<u>\$ 108,323</u>	<u>\$ 72,413</u>

General Revenue  
Property Taxes  
Other Tax Revenue  
Franchise Revenue  
State Programs/Revenue  
Court Fines  
Other Revenue  
Gain (Loss) on Property Sales  
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
\$ (166,587)		\$ (166,587)
(43,602)		(43,602)
(383,336)		(383,336)
31,952		31,952
(81,977)		(81,977)
(42,702)		(42,702)
(37,303)		(37,303)
(75,151)		(75,151)
(594)		(594)
<u>(799,300)</u>		<u>(799,300)</u>
	\$ 378,777	378,777
	(42,077)	(42,077)
<u>0</u>	<u>336,700</u>	<u>336,700</u>
<u>(799,300)</u>	<u>336,700</u>	<u>(462,600)</u>
785,757		785,757
99,948		99,948
52,734		52,734
133,383		133,383
28,392		28,392
21,523		21,523
31,329		
5,005	2,096	7,101
<u>1,158,071</u>	<u>2,096</u>	<u>1,128,838</u>
358,771	338,796	666,238
<u>4,776,179</u>	<u>6,423,612</u>	<u>11,199,791</u>
<u>\$ 5,134,950</u>	<u>\$ 6,762,408</u>	<u>\$ 11,866,029</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 200,014		\$ 200,014
Investments	44,822	13,343	58,165
Property Taxes Receivable	41,977	1,391	43,368
Accounts Receivable	11,796		11,796
Due From Other Governments	61,787		61,787
Prepaid Expenses			0
Reserved Investments	828,811		828,811
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 1,189,207</u></b>	<b><u>\$ 14,734</u></b>	<b><u>\$ 1,203,941</u></b>
 <b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 170,618	\$ 445	\$ 171,063
Payroll Benefits Payable	14,327		14,327
Interfund Payable	(13,881)	13,881	0
Deposits Payable	7,767		7,767
Deferred Revenue	36,894	1,222	38,116
<b><u>TOTAL LIABILITIES</u></b>	<b><u>215,725</u></b>	<b><u>15,548</u></b>	<b><u>231,273</u></b>
 <b><u>FUND BALANCES</u></b>			
Restricted - Library		(814)	(814)
Restricted - Street Projects	113,703		113,703
Restricted - Grant Projects (Street Light)	32,218		32,218
Restricted - Library	25,000		25,000
Assigned - Street Projects	255,616		255,616
Assigned - Building Project	101,922		101,922
Assigned - Community Service / Parks	8,823		8,823
Assigned - General Reserves	291,529		291,529
Unassigned	144,671		144,671
<b><u>TOTAL FUND BALANCES</u></b>	<b><u>973,482</u></b>	<b><u>(814)</u></b>	<b><u>972,668</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 1,189,207</u></b>	<b><u>\$ 14,734</u></b>	<b><u>\$ 1,203,941</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, 2012**

	General Fund	Library Fund	Total Governmental Funds
<u>REVENUES</u>			
Property Taxes	\$ 748,627	\$ 23,783	\$ 772,410
Other Tax Revenue	99,948		99,948
Franchise Revenue	52,734		52,734
Fees, License and Permits	68,328		68,328
State Revenue	241,706		241,706
Zoning Revenue	1,700		1,700
Sanitation Revenue	113,652		113,652
Court Fines	28,392		28,392
Contracts	44,868		44,868
State Grants	54,421		54,421
Federal Grants	17,992		17,992
Other Revenue	18,470	3,053	21,523
<u>TOTAL REVENUES</u>	<u>1,490,838</u>	<u>26,836</u>	<u>1,517,674</u>
 <u>EXPENDITURES</u>			
Administration and General Government	823,378		823,378
Planning and Zoning	45,302		45,302
Police Department	461,039		461,039
Community Service	12,604		12,604
Street Department	132,524		132,524
Sanitation Department	156,354		156,354
Park Department	33,299		33,299
Capital Projects - Grants	340,338		340,338
Library Services		75,151	75,151
<u>TOTAL EXPENDITURES</u>	<u>2,004,838</u>	<u>75,151</u>	<u>2,079,989</u>
 <u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>	 <u>(514,000)</u>	 <u>(48,315)</u>	 <u>(562,315)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Investment Revenue	4,901	104	5,005
Proceeds From Sale of Real Property	73,329		73,329
Interfund Transfers In (Out)	(38,185)	38,185	0
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>40,045</u>	<u>38,289</u>	<u>78,334</u>
 <u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	 <u>(473,955)</u>	 <u>(10,026)</u>	 <u>(483,981)</u>
 <u>FUND BALANCE - BEGINNING</u>	 <u>1,447,437</u>	 <u>9,212</u>	 <u>1,456,649</u>
 <u>FUND BALANCE - ENDING</u>	 <u>\$ 973,482</u>	 <u>\$ (814)</u>	 <u>\$ 972,668</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, 2012

<u>Total Governmental Fund Balances</u>		\$ 972,668
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, \$837,794 non-dpreciated assets and \$4,367,697 net of accumulated depreciation of	\$ 4,170,136	
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.	(28)	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	38,116	
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:		
Compensated Absences	(42,250)	
Capital Leases	(7,423)	
	4,162,282	
<u>Net Changes</u>		4,162,282
<u>Net Assets of Governmental Activities</u>		\$ 5,134,950

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, 2012

\$ (483,981)

Net Change in Fund Balances - Governmental Fund Balances

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	(107,268)
- Capital Outlay	1,013,777

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

13,347

In the Statement of Activities, property sales are reported net of undepreciated basis, whereas in governmental funds, gross sales are reported.

(42,000)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

27

In the fund financial statements, compensated absences are reported when paid, while in the Statement of Activities, compensated absences are reported when earned.

(42,250)

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of Net Assets.

7,119

Net Changes

842,752

Change in Net Assets of Governmental Activities

\$ 358,771

See accompanying notes to the basic financial statements

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
BALANCE SHEET  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2012

	Enterprise Fund
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$ 267,590
Investments	1,393,110
Grant Receivable	133,970
Net Receivables	142,281
<u>TOTAL CURRENT ASSETS</u>	\$ 1,936,951
<u>NONCURRENT ASSETS</u>	
Restricted Assets	\$ 209,448
Capital Assets (non-depreciated)	6,295,337
Capital Assets (net)	5,416,285
<u>TOTAL NONCURRENT ASSETS</u>	11,921,070
<u>TOTAL ASSETS</u>	\$ 13,858,021
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 75,077
Accrued Interest Payable	13,028
Deposits Payable	14,710
Current Portion of Long-term Debt	1,046,192
<u>TOTAL CURRENT LIABILITIES</u>	\$ 1,149,007
<u>NONCURRENT LIABILITIES</u>	
Note Payable (net of current portion)	\$ 542,636
Bond Payable (net of current portion)	5,403,970
<u>TOTAL NONCURRENT LIABILITIES</u>	5,946,606
<u>TOTAL LIABILITIES</u>	7,095,613
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 4,718,824
Restricted for:	
Debt Service	190,887
Sewer Capacity	18,561
Unrestricted	1,834,136
<u>TOTAL NET ASSETS</u>	6,762,408
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 13,858,021

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, 2012

		Enterprise Fund
<u>OPERATING REVENUES</u>		
Service Fees	\$ 1,343,815	
Service Hookups	137,460	
Late Fees and Fines	21,277	
Canal Company Shares	12,851	
Other Revenue	475	
 <u>TOTAL OPERATING REVENUES</u>		 \$ 1,515,878
 <u>OPERATING EXPENSES</u>		
Salaries and Benefits	\$ 393,404	
Supplies	26,872	
Travel and Training	1,809	
Professional Fees	129,842	
Interceptor	126,174	
Office Supplies/Expenses	12,238	
Insurance	25,008	
Utilities	81,470	
Fuel	6,824	
Repairs and Maintenance	32,154	
Water/Sewer Testing and Assessments	130,798	
Depreciation	178,267	
 <u>TOTAL OPERATING EXPENSES</u>		 1,144,860
 <u>OPERATING INCOME (LOSS)</u>		 371,018
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Investment Earnings	\$ 2,096	
Interest Expense	(34,318)	
 <u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>		 (32,222)
 <u>CHANGE IN NET ASSETS</u>		 338,796
 <u>TOTAL NET ASSETS - BEGINNING</u>		 6,423,612
 <u>TOTAL NET ASSETS - ENDING</u>		 \$ 6,762,408

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, 2012

		Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts Form Customers	\$ 1,503,929	
Payments to Suppliers	(638,420)	
Payments to Employees	(393,404)	
		\$ 472,105
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal Paid on Capital Debt	\$ (354,398)	
Proceeds from Borrowing Capital Debt	323,399	
Acquisition of Capital Assets	(340,623)	
Interest Paid on Capital Debt	(34,318)	
		(405,940)
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest	\$ 2,096	
		2,096
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		68,261
<u>BALANCES - BEGINNING OF THE YEAR</u>		1,801,887
<u>BALANCES - END OF THE YEAR</u>		\$ 1,870,148
 <u>BALANCE DISPLAYED AS:</u>		
Cash		\$ 267,590
Investments		1,393,110
Restricted Assets		209,448
		\$ 1,870,148

(Continued)

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Fund
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>	
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	\$ 371,018
Operating Income (Loss)	\$ 371,018
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	178,267
(Increase) Decrease in Accounts Receivable	(11,949)
Increase (Decrease) in Accounts Payable	(73,194)
Increase (Decrease) in Accrued Interest Payable	(1)
Increase (Decrease) in Deposits Payable	7,964
Net Cash Provided (Used) by Operating Activities	\$ 472,105
 <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, 2012

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, 2012.

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 Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District 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, 2012

**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, 2012

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, 2012

**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, 2012

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  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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 of discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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 city council shall have prepared a budget in a form prescribed by the state statute, 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 city council 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.

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, 2012

**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 Mayor and City Council.

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, 2012

**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, 2012, the City had a carrying value of cash deposits of \$2,023,427 and a bank balance of \$2,258,620. Based on the above definitions, the City is subject to \$478,279 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 \$904,773, 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, 2011, upon which the 2011 levy was based was \$104,973,322.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2012, 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	0.7124	0.9000
Library	0.0236	0.1000

At September 30, 2012, the components of taxes receivable are as follows:

<u>Year</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
2011	\$ 30,642	\$ 1,016	\$ 31,658
2010	9,672	320	9,992
2009	1,663	55	1,718
<u>Total</u>	<u>\$ 41,977</u>	<u>\$ 1,391</u>	<u>\$ 43,368</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**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, 2012, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2012, are deferred revenue. The components of deferred revenue are as follows:

Fund	Amount
General Fund	\$ 36,894
Library Fund	1,222
<u>Total</u>	<u>\$ 38,116</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, 2012, are as follows:

<u>Description - Source</u>	<u>General Fund</u>	<u>Water Fund</u>
Federal Grants		\$ 133,970
Highway User - State	\$ 26,648	
Liquor Apportionment - State	7,318	
Revenue Share - State	27,821	
Total	<u>\$ 61,787</u>	<u>\$ 133,970</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, 2012

**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. The reports on internal accounting controls and compliance elements are contained on page 42 to 43. 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, 2012, 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 \$74,148, \$72,535, and \$67,680 for the three years ended September 30, 2012, 2011, and 2010, respectively.

**NOTE 8 - CAPITAL ASSET ACTIVITY**

Depreciation expense was charged to governmental functions as follows:

General Expense	\$ 34,599
Police	10,889
Street	57,776
Park	<u>4,004</u>
Total	<u>\$ 107,268</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

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

Capital asset activity for the City's governmental functions for the year ended September 30, 2012, 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	\$ 221,521	\$ 330,473	221,521	\$ 330,473
Land	549,321		42,000	507,321
Subtotal	<u>770,842</u>	<u>330,473</u>	<u>\$ 263,521</u>	<u>837,794</u>
Other capital assets:				
Buildings and Improvements	212,198	880,258		1,092,456
Infrastructure	2,553,068			2,553,068
Equipment	275,378	24,567		299,945
Library	205,064			205,064
Automobiles	217,164			217,164
Subtotal	<u>3,462,872</u>	<u>904,825</u>	<u>0</u>	<u>4,367,697</u>
Less accumulated depreciation for:				
Buildings and Improvements	(95,044)	(26,894)		(121,938)
Infrastructure	(238,501)	(51,062)		(289,563)
Equipment	(210,592)	(12,450)		(223,042)
Library	(205,064)			(205,064)
Automobiles	(178,886)	(16,862)		(195,748)
Subtotal	<u>(928,087)</u>	<u>(107,268)</u>	<u>0</u>	<u>(1,035,355)</u>
Net Depreciated Assets	<u>2,534,785</u>	<u>797,557</u>	<u>0</u>	<u>3,332,342</u>
Net Capital Assets	<u>\$ 3,305,627</u>	<u>\$ 1,128,030</u>	<u>\$ 263,521</u>	<u>\$ 4,170,136</u>

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

	Water Fund	Sewer Fund	Total
Land	\$ 67,934		\$ 67,934
Construction-in-process	6,227,403		6,227,403
Buildings	85,317	\$ 5,721	91,038
Equipment	136,681	40,585	177,266
Systems	4,387,778	3,377,135	7,764,913
	<u>10,905,113</u>	<u>3,423,441</u>	<u>14,328,554</u>
Less: Accumulated Depreciation	<u>(1,493,224)</u>	<u>(1,123,708)</u>	<u>(2,616,932)</u>
Net Capital Assets	<u>\$ 9,411,889</u>	<u>\$ 2,299,733</u>	<u>\$ 11,711,622</u>

**CITY OF KIMBERLY**  
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**NOTE 9 - INTERFUND TRANSACTIONS**

Interfund transfers and due to/from for the City for the year ended September 30, 2012, are summarized below:

	<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Interfund Transfers:			
Pay current year's expenditures	Library	General	\$ 28,185
Due To/From:			
Pay current year's expenditures	Library	General	\$ 13,881

**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	\$ 113,703
General / Traffic Light Project	First Federal Savings	Savings	32,218
General / Library	Bank of the West	Savings	25,000
Sewer / Debt Service	Farmers Bank	C.D.	158,703
Sewer / Sewer Capacity	State of Idaho	LGIP	18,561

**NOTE 11 - DEBT**

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2012:

	<u>Beginning Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Outstanding</u>
4.19% Patrol Car Lease	\$ 14,542		\$ 7,119	\$ 7,423
Unknown Water Bond - D.E.Q. DW1011	600,957	\$ 457,370		1,058,327
Unknown Water Bond - D.E.Q. DW1012	5,345,643			5,345,643
6.45% Water Revenue Bonds	310,000		310,000	0
4.00% Sewer Notes - D.E.Q.	633,226		44,398	588,828
	<u>\$ 6,904,368</u>	<u>\$ 457,370</u>	<u>\$ 361,517</u>	<u>\$ 7,000,221</u>

The annual requirements to amortize the City's debt as of September 30, 2012, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Patrol Car Lease:			
2013	\$ 7,423	\$ 315	\$ 7,738
	<u>\$ 7,423</u>	<u>\$ 315</u>	<u>\$ 7,738</u>

**CITY OF KIMBERLY**  
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**NOTE 11 - DEBT (Continued)**

	<u>Bond</u>	<u>Note</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,000,000	\$ 46,192	\$ 23,126	\$ 1,069,318
2014		48,058	21,260	69,318
2015	0	49,999	19,319	69,318
2016	0	52,019	17,299	69,318
2017	0	54,121	15,197	69,318
2018 - 2022	0	304,459	42,131	346,590
2023 - 2027	0	33,980	680	34,660
Unamortized Bonds	<u>5,403,970</u>	<u>588,828</u>	<u>139,012</u>	<u>5,403,970</u>
	<u>\$ 6,403,970</u>	<u>\$ 588,828</u>	<u>\$ 139,012</u>	<u>\$ 7,131,810</u>

The two new D.E.Q. water bonds are not yet completed at September 30, 2012. 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.

**NOTE 12 - LONG-TERM LIABILITIES (COMPENSATED ABSENCES)**

At September 30, 2012, the City had \$42,250 of compensated absences payable. The amount payable for the prior year was \$44,295 with \$6,259 being paid and \$4,215 being accrued.

**NOTE 13 - REQUIRED DISCLOSURE - DEFICIT FUND BALANCES**

The following funds had deficit fund balances at June 30, 2012:

Library	\$	(814)
---------	----	-------

**NOTE 14 - RESTRICTED ASSETS ENABLING LEGISLATION**

Legislation passed by the City placing restrictions on assets is referred to as enabling legislation. These restrictions are legally enforceable which allows external parties to force the City to follow their own restrictions. \$25,000 of the City's restricted assets meet this criteria.

REQUIRED SUPPLEMENTAL  
INFORMATION SECTION

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<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>	\$ 635,000	\$ 641,000	\$ 1,447,437	\$ 806,437
<u>Resources (Inflows)</u>				0
Property Taxes	713,664	713,664	748,627	34,963
Other Tax Revenue	95,111	95,111	99,948	4,837
Franchise Revenue	51,000	51,000	52,734	1,734
Fees, License and Permits	30,450	30,450	68,328	37,878
State Revenue	217,027	217,027	241,706	24,679
Zoning Revenue / Building Inspection	500	500	1,700	1,200
Sanitation Revenue	121,233	121,233	113,652	(7,581)
Court Fines	22,000	22,000	28,392	6,392
Contracts	69,959	70,959	44,868	(26,091)
State Grants	839,000	839,000	54,421	(784,579)
Federal Grants			17,992	17,992
Proceeds From Sale of Real Property		75,248	73,329	(1,919)
Other Revenue	12,292	11,262	18,470	7,208
Investment Revenue	5,000	5,000	4,901	(99)
<u>Total Revenue</u>	<u>2,177,236</u>	<u>2,252,454</u>	<u>1,569,068</u>	<u>(683,386)</u>
<u>Amount Available for Appropriations</u>	<u>2,812,236</u>	<u>2,893,454</u>	<u>3,016,505</u>	<u>123,051</u>
<u>Charges to Appropriations (Outflows)</u>				
Administration and General Government	812,159	878,159	823,378	54,781
Planning and Zoning	50,173	51,673	45,302	6,371
Police Department	486,645	486,645	461,039	25,606
Community Service	53,182	53,182	12,604	40,578
Street Department	1,129,776	296,776	132,524	164,252
Sanitation Department	131,101	131,101	156,354	(25,253)
Park Department	111,015	112,014	33,299	78,715
Capital Projects		835,000	340,338	494,662
Interfund Transfers	38,185	38,185	38,185	0
<u>Total Charges to Appropriations</u>	<u>2,812,236</u>	<u>2,882,735</u>	<u>2,043,023</u>	<u>839,712</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 10,719</u>	<u>\$ 973,482</u>	<u>\$ 962,763</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**BUDGETARY COMPARISON SCHEDULE**  
**LIBRARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<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>	\$ 9,000	\$ 9,000	\$ 9,212	\$ 212
<u>Resources (Inflows)</u>				0
Property Taxes	23,973	23,973	23,783	(190)
Other Revenue	3,350	3,350	3,053	(297)
Interfund Transfers	38,185	38,185	38,185	0
Investment Revenue			104	104
<u>Total Revenue</u>	<u>65,508</u>	<u>65,508</u>	<u>65,125</u>	<u>(383)</u>
<u>Amount Available for Appropriations</u>	<u>74,508</u>	<u>74,508</u>	<u>74,337</u>	<u>(171)</u>
<u>Charges to Appropriations (Outflows)</u>				
Salaries & Benefits	46,558	46,558	45,624	934
Supplies	5,500	5,500	2,135	3,365
Books	7,600	7,600	7,839	(239)
Postage	500	500	108	392
Travel	600	600	643	(43)
Utilities	6,750	6,750	3,355	3,395
Repairs	1,000	1,000	4,817	(3,817)
Capital Outlay	6,000	12,000	10,630	1,370
<u>Total Charges to Appropriations</u>	<u>74,508</u>	<u>80,508</u>	<u>75,151</u>	<u>5,357</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ (6,000)</u>	<u>\$ (814)</u>	<u>\$ 5,186</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2012

**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	\$ 3,016,505	\$ 74,337
<u>Differences - Budget to GAAP</u>		
Interfund transfers are not included in fund revenue but are shown as "other financing sources."		(38,185)
For the fund revenue, investment earnings are not included as revenue, but, as "other financing sources".	(4,901)	(104)
For the fund revenue, proceeds from the sale of real property are not included as revenue, but, as "other financing sources".	(73,329)	
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>(1,447,437)</u>	<u>(9,212)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,490,838</u>	<u>\$ 26,836</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,043,023	\$ 75,151
Interfund transfers are not included in fund expenditures but are shown as "other financing uses."	<u>(38,185)</u>	<u>0</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,004,838</u>	<u>\$ 75,151</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2012

**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 statute, 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 city council 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, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$ 166,090	\$ 101,500	\$ 267,590
Investments	1,086,707	306,403	1,393,110
Grant Receivable	133,970		133,970
Net Receivables	80,441	61,840	142,281
	<u>1,467,208</u>	<u>469,743</u>	<u>1,936,951</u>
<u>TOTAL CURRENT ASSETS</u>			
<u>NONCURRENT ASSETS</u>			
Restricted Assets		209,448	209,448
Capital Assets (non-depreciated)	6,295,337		6,295,337
Capital Assets (net)	3,116,552	2,299,733	5,416,285
	<u>9,411,889</u>	<u>2,509,181</u>	<u>11,921,070</u>
<u>TOTAL NONCURRENT ASSETS</u>			
<u>TOTAL ASSETS</u>			
	<u>\$ 10,879,097</u>	<u>\$ 2,978,924</u>	<u>\$ 13,858,021</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 8,681	\$ 66,396	\$ 75,077
Accrued Interest Payable	3,988	9,040	13,028
Deposits Payable	14,710		14,710
Current Portion of Long-term Debt	1,000,000	46,192	1,046,192
	<u>1,027,379</u>	<u>121,628</u>	<u>1,149,007</u>
<u>TOTAL CURRENT LIABILITIES</u>			
<u>NONCURRENT LIABILITIES</u>			
Note Payable (net of current portion)		542,636	542,636
Bond Payable (net of current portion)	5,403,970		5,403,970
	<u>5,403,970</u>	<u>542,636</u>	<u>5,946,606</u>
<u>TOTAL NONCURRENT LIABILITIES</u>			
<u>TOTAL LIABILITIES</u>			
	<u>6,431,349</u>	<u>664,264</u>	<u>7,095,613</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	3,007,919	1,710,905	4,718,824
Restricted for:			
Debt Service		190,887	190,887
Sewer Capacity		18,561	18,561
Unrestricted	1,439,829	394,307	1,834,136
	<u>4,447,748</u>	<u>2,314,660</u>	<u>6,762,408</u>
<u>TOTAL NET ASSETS</u>			
<u>TOTAL LIABILITIES AND NET ASSETS</u>			
	<u>\$ 10,879,097</u>	<u>\$ 2,978,924</u>	<u>\$ 13,858,021</u>

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
COMBINING SCHEDULE OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Service Fees	\$ 718,914	\$ 624,901	\$ 1,343,815
Service Hookups	84,660	52,800	137,460
Late Fees and Fines	21,277		21,277
Canal Water Shares Leased	12,851		12,851
Other Revenue	475		475
	<u>838,177</u>	<u>677,701</u>	<u>1,515,878</u>
<u>TOTAL OPERATING REVENUES</u>			
 <u>OPERATING EXPENSES</u>			
Salaries and Benefits	153,193	240,211	393,404
Supplies	23,136	3,736	26,872
Travel and Training	1,614	195	1,809
Professional Fees	30,306	99,536	129,842
Interceptor		126,174	126,174
Office Supplies/Expenses	6,930	5,308	12,238
Insurance	12,504	12,504	25,008
Utilities	79,218	2,252	81,470
Fuel	4,982	1,842	6,824
Repairs and Maintenance	27,699	4,455	32,154
Water/Sewer Testing and Assessments	7,753	123,045	130,798
Depreciation Expense	102,667	75,600	178,267
	<u>450,002</u>	<u>694,858</u>	<u>1,144,860</u>
<u>TOTAL OPERATING EXPENSES</u>			
	<u>388,175</u>	<u>(17,157)</u>	<u>371,018</u>
<u>OPERATING INCOME (LOSS)</u>			
 <u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Earnings	1,545	551	2,096
Interest Expense	(9,398)	(24,920)	(34,318)
	<u>(7,853)</u>	<u>(24,369)</u>	<u>(32,222)</u>
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>			
	380,322	(41,526)	338,796
<u>CHANGE IN NET ASSETS</u>			
<u>TOTAL NET ASSETS - BEGINNING</u>	<u>4,067,426</u>	<u>2,356,186</u>	<u>6,423,612</u>
<u>TOTAL NET ASSETS - ENDING</u>	<u>\$ 4,447,748</u>	<u>\$ 2,314,660</u>	<u>\$ 6,762,408</u>

**CITY OF KIMBERLY**  
**KIMBERLY, IDAHO**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts Form Customers	\$ 835,222	\$ 668,707	\$ 1,503,929
Payments to Suppliers	(244,617)	(393,803)	(638,420)
Payments to Employees	(153,193)	(240,211)	(393,404)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>437,412</u>	<u>34,693</u>	<u>472,105</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal Paid on Capital Debt	(310,000)	(44,398)	(354,398)
Proceeds from Borrowing Capital Debt	323,399		323,399
Acquisition of Capital Assets	(340,623)		(340,623)
Interest Paid on Capital Debt	(9,398)	(24,920)	(34,318)
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>(336,622)</u>	<u>(69,318)</u>	<u>(405,940)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest	1,545	551	2,096
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	<u>1,545</u>	<u>551</u>	<u>2,096</u>
<u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>102,335</u>	<u>(34,074)</u>	<u>68,261</u>
<u>BALANCES - BEGINNING OF THE YEAR</u>	<u>1,150,462</u>	<u>651,425</u>	<u>1,801,887</u>
<u>BALANCES - END OF THE YEAR</u>	<u>\$ 1,252,797</u>	<u>\$ 617,351</u>	<u>\$ 1,870,148</u>
<u>BALANCE DISPLAYED AS:</u>			
Cash	\$ 166,090	\$ 101,500	\$ 267,590
Investments	1,086,707	306,403	1,393,110
Restricted Assets	0	209,448	209,448
	<u>\$ 1,252,797</u>	<u>\$ 617,351</u>	<u>\$ 1,870,148</u>

(Continued)

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
COMBINING SCHEDULE OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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)	\$ 388,175	\$ (17,157)	\$ 371,018
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation	102,667	75,600	178,267
(Increase) Decrease in Accounts Receivable	(2,955)	(8,994)	(11,949)
Increase (Decrease) in Accounts Payable	(58,439)	(14,755)	(73,194)
Increase (Decrease) in Accrued Interest Payable	0	(1)	(1)
Increase (Decrease) in Deposits Payable	7,964	0	7,964
Net Cash Provided (Used) by Operating Activities	\$ 437,412	\$ 34,693	\$ 472,105
 <u>NON-CASH TRANSACTIONS</u>			
None	\$ 0	\$ 0	\$ 0

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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, 2012

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kimberly, Idaho, as of and for the year ended September 30, 2012, which collectively comprise City of Kimberly, Idaho's basic financial statements and have issued our report thereon dated December 12, 2012. 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**

Management of City of Kimberly, Idaho, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Kimberly, Idaho'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 City of Kimberly, Idaho's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Kimberly, Idaho's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, 2012-1.

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 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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies, 2012-2 and 2012-3.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Kimberly, Idaho'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 noted certain matters that we reported to management of City of Kimberly, Idaho, in a separate letter dated December 12, 2012.

City of Kimberly, Idaho'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, Idaho's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal and state 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 RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

**MATERIAL WEAKNESS**

**FINDING 2012-1: Lack of Segregation of Duties**

Condition: Personnel employed by the City in the accounting department 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 accounting system.

Cause: There are not enough personnel hired to allow for a strict segregation of duties.

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

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

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. We are currently evaluating our personnel and their responsibilities and financial resources to determine which actions best work for the City.

**SIGNIFICANT DEFICIENCY**

**FINDING 2012-2: Timeliness of Transfers**

Condition: Transfers to investments, certificates of deposits, are being recorded but not physically transferred in a timely manner.

Criteria: Transactions should be recorded in a manner that corresponds with the time that the actual event occurred.

Cause: No cause provided.

Effect: This can result in misstatement of cash and investment amounts at month end and possible overdraft of investment accounts used to make debt payments.

Recommendation: Record transactions/transfers when they actually happen.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation and will make transfers in a manner that corresponds with the time of recording the transaction.

Continued

CITY OF KIMBERLY  
KIMBERLY, IDAHO  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

**FINDING 2012-3: Discrepancies not Corrected When Discovered**

Condition: Investment reconciliation discovered an error but error was not investigated and corrected in a timely manner.

Criteria: The purpose of reconciliations is to help discover errors, correct those errors, and report information that is accurate.

Cause: No cause provided.

Effect: This can result in misstatement of accounts at month end, decisions being made on incorrect information, and possible fraud.

Recommendation: Investigate and correct errors as soon as they are discovered.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation and will make corrections to any discovered errors in a timely manner.

# R. MICHAEL BURR

Certified Public Accountant

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Twin Falls, ID 83303-2229

(208) 736-8747

Mayor and City Council  
City of Kimberly  
Kimberly, Idaho 83341

December 12, 2012

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, 2012, and have issued my report thereon dated December 12, 2012. 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, 2012, 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, 2012 .

## 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, 2012.

### 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, 2012

In planning and performing our audit of the financial statements of City of Kimberly, for the year ended September 30, 2012, 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, 2012, 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. There are several accounts with the same name.
- 2) Review "Open Meeting" laws to ensure that the City is in compliance on and how executive session is done and reported.

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