

CITY OF KIMBERLY
KIMBERLY, IDAHO
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Kimberly
Kimberly, Idaho 83341

December 9, 2013

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Kimberly as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Kimberly, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in 2013, the City adopted GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62), GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63), and GASB Statement No. 65 Items Previously Reported as Assets and Liabilities (GASB 65) for the fiscal year ending September 30, 2013. My opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33 through 37 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My 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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The combining financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 9, 2013, on our consideration of the City of Kimberly's internal control over financial reporting and on my 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* in considering the City of Kimberly's internal control over financial reporting and compliance

Sincerely,

R. Michael Burr

R. Michael Burr
Certified Public Accountant

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

		<u>Governmental Activities</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 602,921	
Investments	968,197	
Inventory	8,856	
Net Receivables	<u>85,441</u>	
 <u>TOTAL CURRENT ASSETS</u>		 \$ 1,665,415
<u>NONCURRENT ASSETS</u>		
Long-Term Receivables	\$ 50,667	
Restricted Assets	25,000	
Capital Assets (non-depreciated)	595,639	
Capital Assets (net)	<u>4,944,361</u>	
 <u>TOTAL NONCURRENT ASSETS</u>		 <u>5,615,667</u>
<u>TOTAL ASSETS</u>		<u>7,281,082</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 16,511	
Payroll Benefits Payable	6,615	
Deposits Payable	7,767	
Accrued Interest Payable	93	
Current Portion of Long-term Debt	<u>24,656</u>	
 <u>TOTAL CURRENT LIABILITIES</u>		 55,642
<u>NONCURRENT LIABILITIES</u>		
Compensated Absences	\$ 34,762	
Capital Lease Payable (net of current portion)	69,356	
Note Payable (net of current portion)		
Bond Payable (net of current portion)	<u> </u>	
 <u>TOTAL NONCURRENT LIABILITIES</u>		 <u>104,118</u>
<u>TOTAL LIABILITIES</u>		<u>159,760</u>
 <u>NET POSITION</u>		
Invested in Capital Assets, net of related debt	\$ 5,445,895	
Restricted for:		
Debt Service		
Library	25,000	
Sewer Capacity		
Unrestricted	<u>1,650,427</u>	
 <u>TOTAL NET POSITION</u>		 <u>\$ 7,121,322</u>

See accompanying notes to the basic financial statements

<u>Business-type Activities</u>		<u>Total</u>
\$ 866,453		\$ 1,469,374
1,204,986		2,173,183
<u>119,827</u>		<u>205,268</u>
	\$ 2,191,266	\$ 3,856,681
\$ 252,366		\$ 50,667
67,934		277,366
<u>11,952,539</u>		<u>663,573</u>
		<u>16,896,900</u>
	<u>12,272,839</u>	<u>17,888,506</u>
	<u>14,464,105</u>	<u>21,745,187</u>
\$ 9,320		\$ 25,831
		6,615
16,894		24,661
33,576		33,669
<u>231,610</u>		<u>256,266</u>
	291,400	347,042
\$ 669,569		34,762
<u>5,394,131</u>		<u>69,356</u>
	<u>6,063,700</u>	<u>669,569</u>
	<u>6,355,100</u>	<u>5,394,131</u>
\$ 5,766,673		\$ 11,212,568
		233,766
233,766		25,000
18,600		18,600
<u>2,089,966</u>		<u>3,740,393</u>
	<u>\$ 8,109,005</u>	<u>\$ 15,230,327</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Primary Government Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Governmental Activities:</u>				
Administration and General Gov't.	\$ 211,815	\$ 12,465		
Planning and Zoning	25,679	1,960		
Building Inspection	27,548	66,955		
Police Department	475,744	47,115		\$ 8,606
Community Service	38,558	4,495		624,598
Street Department	249,722		\$ 108,693	
Sanitation Department	132,644	144,866		
Park Department	52,711			258,698
Library Services	69,144			
Debt Service - Interest on Debt	840			
<u>Total Governmental Activities</u>	<u>1,284,405</u>	<u>277,856</u>	<u>108,693</u>	<u>891,902</u>
 <u>Business-Type Activities</u>				
Water Fund	666,170	843,149		1,000,000
Sewer Fund	550,222	717,120		
<u>Total Business-Type Activities</u>	<u>1,216,392</u>	<u>1,560,269</u>	<u>0</u>	<u>1,000,000</u>
<u>Total Primary Government</u>	<u>\$ 2,500,797</u>	<u>\$ 1,838,125</u>	<u>\$ 108,693</u>	<u>\$ 1,891,902</u>

General Revenue

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

Total General Revenue

Changes in Net Position

Net Position - Beginning (restated)

Net Position - Ending

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (199,350)		\$ (199,350)
(23,719)		(23,719)
39,407		39,407
(420,023)		(420,023)
590,535		590,535
(141,029)		(141,029)
12,222		12,222
205,987		205,987
(69,144)		(69,144)
(840)		(840)
<u>(5,954)</u>		<u>(5,954)</u>
	\$ 1,176,979	1,176,979
	166,898	166,898
<u>0</u>	<u>1,343,877</u>	<u>1,343,877</u>
<u>(5,954)</u>	<u>1,343,877</u>	<u>1,337,923</u>
818,519		818,519
108,629		108,629
54,622		54,622
966,433		966,433
22,439		22,439
17,341		17,341
4,343	2,720	7,063
<u>1,992,326</u>	<u>2,720</u>	<u>1,995,046</u>
1,986,372	1,346,597	3,332,969
5,134,950	6,762,408	11,897,358
<u>\$ 7,121,322</u>	<u>\$ 8,109,005</u>	<u>\$ 15,230,327</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 602,921		\$ 602,921
Investments	70,353	\$ 38,722	109,075
Property Taxes Receivable	54,365	1,801	56,166
Accounts Receivable	18,155		18,155
Due From Other Governments	61,787		61,787
Reserved Investments	884,122		884,122
	<u>884,122</u>	<u> </u>	<u>884,122</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,691,703</u>	<u>\$ 40,523</u>	<u>\$ 1,732,226</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 15,250	\$ 1,261	\$ 16,511
Payroll Benefits Payable	6,615		6,615
Interfund Payable	(74,318)	74,318	0
			0
Deposits Payable	7,767		7,767
	<u>7,767</u>	<u> </u>	<u>7,767</u>
<u>TOTAL LIABILITIES</u>	<u>(44,686)</u>	<u>75,579</u>	<u>30,893</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows from Property Taxes	49,042	1,625	50,667
	<u>49,042</u>	<u>1,625</u>	<u>50,667</u>
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>49,042</u>	<u>1,625</u>	<u>50,667</u>
 <u>FUND BALANCES</u>			
Restricted - Library	25,000	(36,681)	(11,681)
Assigned - Street Projects	370,000		370,000
Assigned - Capital Projects	489,122		489,122
Unassigned	803,225		803,225
	<u>803,225</u>	<u> </u>	<u>803,225</u>
<u>TOTAL FUND BALANCES</u>	<u>1,687,347</u>	<u>(36,681)</u>	<u>1,650,666</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,691,703</u>	<u>\$ 40,523</u>	<u>\$ 1,732,226</u>

See accompanying notes to the basic financial statements

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Library Fund	Total Governmenta l Funds
<u>REVENUES</u>			
Property Taxes	\$ 774,552	\$ 31,416	\$ 805,968
Other Tax Revenue	108,629		108,629
Franchise Revenue	54,622		54,622
Fees, License and Permits	12,465		12,465
State Revenue	251,701		251,701
Zoning Revenue	68,915		68,915
Sanitation Revenue	144,866		144,866
Court Fines	22,439		22,439
Contracts	47,115		47,115
State Grants	1,205,846		1,205,846
Federal Grants	513,976		513,976
Other Revenue	14,580	2,761	17,341
<u>TOTAL REVENUES</u>	<u>3,219,706</u>	<u>34,177</u>	<u>3,253,883</u>
 <u>EXPENDITURES</u>			
Administration and General Government	193,918		193,918
Planning and Zoning	25,679		25,679
Building Inspection	27,548		27,548
Police Department	519,475		519,475
Community Service	21,771		21,771
Street Department	329,550		329,550
Sanitation Department	132,644		132,644
Park Department	68,919		68,919
Capital Projects - Grants	1,292,121		1,292,121
Library Services		70,114	70,114
<u>TOTAL EXPENDITURES</u>	<u>2,611,625</u>	<u>70,114</u>	<u>2,681,739</u>
 <u>EXCESS REVENUES OVER</u>			
<u>(UNDER) EXPENDITURES</u>	<u>608,081</u>	<u>(35,937)</u>	<u>572,144</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Investment Revenue	4,273	70	4,343
Proceeds From Capital Leases	101,511		101,511
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>105,784</u>	<u>70</u>	<u>105,854</u>
 <u>EXCESS REVENUES AND OTHER FINANCING</u>			
<u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>713,865</u>	<u>(35,867)</u>	<u>677,998</u>
 <u>FUND BALANCE - BEGINNING</u>	<u>973,482</u>	<u>(814)</u>	<u>972,668</u>
 <u>FUND BALANCE - ENDING</u>	<u>\$ 1,687,347</u>	<u>\$ (36,681)</u>	<u>\$ 1,650,666</u>

See accompanying notes to the basic financial statements

CITY OF KIMBERLY
KIMBERLY, IDAHO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2013

<u>Total Governmental Fund Balances</u>	\$ 1,650,666
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Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balances, \$595,639 non-dpreciated assets and \$6,139,504 net of accumulated depreciation of \$1,195,143.

\$ 5,540,000

Supplies purchased are reported as expenditures for fund reporting but are expensed as used for government-wide statements.

8,856

Interest is recorded when paid for funds but is reported when payable in the current period for government wide statements.

(93)

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

50,667

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

(34,762)

Capital Leases

(94,012)

Net Changes

5,470,656

Net Position of Governmental Activities

\$ 7,121,322

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, 2013

Net Change in Fund Balances - Governmental Fund Balances \$ 677,998

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	(159,788)
- Capital Outlay	1,529,652

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	12,551
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Supplies are expended in fund accounting when purchased but are expensed in the Statement of Activities when actually used.	5,125
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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.	(65)
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In the fund financial statements, compensated absences are reported when paid, while in the Statement of Activities, compensated absences are reported when earned.	7,488
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Capital leasing activitives are reported as lease payments and other financing sources in fund accounting but the government-wide statements report it as an increase/decrease to long-term debt on the Statement of Net Position.	(86,589)
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<u>Net Changes</u>	1,308,374
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<u>Change in Net Position of Governmental Activities</u>	\$ 1,986,372
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See accompanying notes to the basic financial statements

CITY OF KIMBERLY
KIMBERLY, IDAHO
BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

		<u>Enterprise Fund</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 866,453	
Investments	1,204,986	
Net Receivables	<u>119,827</u>	
 <u>TOTAL CURRENT ASSETS</u>		 \$ 2,191,266
<u>NONCURRENT ASSETS</u>		
Restricted Assets	\$ 252,366	
Capital Assets (non-depreciated)	67,934	
Capital Assets (net)	<u>11,952,539</u>	
 <u>TOTAL NONCURRENT ASSETS</u>		 <u>12,272,839</u>
 <u>TOTAL ASSETS</u>		 <u>\$ 14,464,105</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 9,320	
Accrued Interest Payable	33,576	
Deposits Payable	16,894	
Current Portion of Long-term Debt	<u>231,610</u>	
 <u>TOTAL CURRENT LIABILITIES</u>		 \$ 291,400
<u>NONCURRENT LIABILITIES</u>		
Note Payable (net of current portion)	\$ 669,569	
Bond Payable (net of current portion)	<u>5,394,131</u>	
 <u>TOTAL NONCURRENT LIABILITIES</u>		 <u>6,063,700</u>
 <u>TOTAL LIABILITIES</u>		 6,355,100
 <u>NET POSITION</u>		
Invested in Capital Assets, net of related debt	\$ 5,766,673	
Restricted for:		
Debt Service	233,766	
Sewer Capacity	18,600	
Unrestricted	<u>2,089,966</u>	
 <u>TOTAL NET POSITION</u>		 <u>8,109,005</u>
 <u>TOTAL LIABILITIES AND NET POSITION</u>		 <u>\$ 14,464,105</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, 2013

		Enterprise Fund
<u>OPERATING REVENUES</u>		
Service Fees	\$ 1,328,448	
Service Hookups	173,010	
Late Fees and Fines	34,708	
Canal Company Shares	12,851	
Other Revenue	11,252	
<u>TOTAL OPERATING REVENUES</u>		\$ 1,560,269
 <u>OPERATING EXPENSES</u>		
Salaries and Benefits	\$ 404,324	
Supplies	34,174	
Travel and Training	3,986	
Professional Fees	34,325	
Interceptor	120,895	
Office Supplies/Expenses	14,047	
Insurance	26,199	
Utilities	96,059	
Fuel	8,705	
Repairs and Maintenance	28,057	
Water/Sewer Testing and Assessments	22,134	
Depreciation	351,658	
<u>TOTAL OPERATING EXPENSES</u>		1,144,563
<u>OPERATING INCOME (LOSS)</u>		415,706
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Investment Earnings	\$ 2,720	
Federal Grant	1,000,000	
Interest Expense	(71,829)	
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>		930,891
<u>CHANGE IN NET POSITION</u>		1,346,597
<u>TOTAL NET POSITION - BEGINNING</u>		6,762,408
<u>TOTAL NET POSITION - ENDING</u>		\$ 8,109,005

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, 2013

	Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts Form Customers	\$ 1,582,723
Payments to Suppliers	(431,606)
Payments to Employees	(404,324)
	\$ 746,793
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	\$ 746,793
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Principal Paid on Capital Debt	\$ (189,787)
Proceeds from Borrowing Capital Debt	492,300
Proceeds From Capital Grants	133,970
Acquisition of Capital Assets	(660,510)
Interest Paid on Capital Debt	(71,829)
	(295,856)
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	(295,856)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest	\$ 2,720
	2,720
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	2,720
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	453,657
<u>BALANCES - BEGINNING OF THE YEAR</u>	1,870,148
<u>BALANCES - END OF THE YEAR</u>	\$ 2,323,805
<u>BALANCE DISPLAYED AS:</u>	
Cash	\$ 866,453
Investments	1,204,986
Restricted Assets	252,366
	\$ 2,323,805

(Continued)

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Fund
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>	
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 415,706
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	351,658
(Increase) Decrease in Accounts Receivable	22,454
Increase (Decrease) in Accounts Payable	(65,757)
Increase (Decrease) in Accrued Interest Payable	20,548
Increase (Decrease) in Deposits Payable	2,184
Net Cash Provided (Used) by Operating Activities	\$ 746,793
 <u>NON- CASH TRANSACTIONS</u>	
Debt Forgiveness (Federal Grant)	\$ 1,000,000

See accompanying notes to the basic financial statements

**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013.

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 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 Position 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, 2013

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, 2013

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 Position 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 Position 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, 2013

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 Position, "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 Position. 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, 2013

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, 2013

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 Position. 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

Employees are allowed to accrue vacation time. Employees will be paid in full for vacation time when an employee retires or resigns.

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 Position. 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, 2013

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 Position include the following:

Investment in Capital Assets, Net of Related Debt - The component of Net Position 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 Position 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, 2013

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, 2013

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, 2013, the City had a carrying value of cash deposits of \$2,909,042 and a bank balance of \$3,481,952. Based on the above definitions, the City is subject to \$405,858 of concentration of credit risk.

Idaho Code authorizes the City to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The carrying value of investments owned at year end was \$1,010,881, 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, 2012, upon which the 2012 levy was based was \$104,973,322.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2013, 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, 2013, the components of taxes receivable are as follows:

<u>Year</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
2012	\$ 32,106	\$ 1,064	\$ 33,170
2011	17,771	589	18,360
2010	<u>4,488</u>	<u>148</u>	<u>4,636</u>
<u>Total</u>	<u>\$ 54,365</u>	<u>\$ 1,801</u>	<u>\$ 56,166</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2013, are deferred inflows of resources. The components of deferred inflows of resources for property taxes are as follows:

Fund	Amount
General Fund	\$ 36,894
Library Fund	1,222
<u>Total</u>	\$ 38,116

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, 2013, are as follows:

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

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, 2013

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.

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, 2013, 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 \$74,544, \$74,148, and \$72,535 for the three years ended September 30, 2013, 2012, and 2011, respectively.

NOTE 8 - CAPITAL ASSET ACTIVITY

Depreciation expense was charged to governmental functions as follows:

General Expense	\$ 25,779
Police	16,016
Community Service	17,083
Street	94,565
Park	<u>6,345</u>
Total	<u>\$ 159,788</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8 - CAPITAL ASSET ACTIVITY (Continued)

Capital asset activity for the City's governmental functions for the year ended September 30, 2013, 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	\$ 330,473	\$ 88,318	\$ 330,473	\$ 88,318
Land	507,321			507,321
Subtotal	<u>837,794</u>	<u>88,318</u>	<u>\$ 330,473</u>	<u>595,639</u>
Other capital assets:				
Buildings and Improvements	1,092,456	643,333		1,735,789
Infrastructure	2,553,068	967,228		3,520,296
Equipment	299,945	119,656		419,601
Library	205,064			205,064
Automobiles	217,164	41,590		258,754
Subtotal	<u>4,367,697</u>	<u>1,771,807</u>	<u>0</u>	<u>6,139,504</u>
Less accumulated depreciation for:				
Buildings and Improvements	(121,938)	(42,977)		(164,915)
Infrastructure	(289,563)	(70,406)		(359,969)
Equipment	(223,042)	(29,543)		(252,585)
Library	(205,064)			(205,064)
Automobiles	(195,748)	(16,862)		(212,610)
Subtotal	<u>(1,035,355)</u>	<u>(159,788)</u>	<u>0</u>	<u>(1,195,143)</u>
Net Depreciated Assets	<u>3,332,342</u>	<u>1,612,019</u>	<u>0</u>	<u>4,944,361</u>
Net Capital Assets	<u>\$ 4,170,136</u>	<u>\$ 1,700,337</u>	<u>\$ 330,473</u>	<u>\$ 5,540,000</u>

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

	Water Fund	Sewer Fund	Total
Land	\$ 67,934		\$ 67,934
Buildings	85,317	\$ 5,721	91,038
Equipment	214,075	294,274	508,349
Systems	10,944,608	3,377,135	14,321,743
	<u>11,311,934</u>	<u>3,677,130</u>	<u>14,989,064</u>
Less: Accumulated Depreciation	<u>(1,738,475)</u>	<u>(1,230,116)</u>	<u>(2,968,591)</u>
<u>Net Capital Assets</u>	<u>\$ 9,573,459</u>	<u>\$ 2,447,014</u>	<u>\$ 12,020,473</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9 - INTERFUND TRANSACTIONS

Interfund transfers and due to/from for the City for the year ended September 30, 2013, are summarized below:

	<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Interfund Transfers:			
None			
Due To/From:			
Pay current year's expenditures	Library	General	\$ 74,318

NOTE 10 - RESTRICTED ASSETS

The following lists restricted assets:

<u>Fund / Purpose</u>	<u>Location</u>	<u>Type</u>	<u>Amount</u>
General / Library	Bank of the West	Savings	\$ 25,000
Sewer / Debt Service	Farmers Bank	C.D.	233,766
Sewer / Sewer Capacity	State of Idaho	LGIP	18,600

NOTE 11 - DEBT

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2013:

	<u>Beginning Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Outstanding</u>
4.19% Patrol Car Lease	\$ 7,423		\$ 7,423	\$ 0
1.00% Water Bond - D.E.Q. DW1011	1,058,327	\$ 196,030	17,998	1,236,359
1.00% Water Bond - D.E.Q. DW1012	5,345,643		1,062,352	4,283,291
2.85% Police Car Lease - 2013 Taurus		32,253	8,088	24,165
2.64% Vactor 2100 Jetter Lease		384,765	81,085	303,680
4.00% Sewer Notes - D.E.Q.	588,828		46,192	542,636
	<u>\$ 7,000,221</u>	<u>\$ 613,048</u>	<u>\$ 1,223,138</u>	<u>\$ 6,390,131</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 11 - DEBT (Continued)

The annual requirements to amortize the City's debt as of September 30, 2013, is as follows:

2.85% Police Car Lease - 2013 Taurus	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,850	\$ 689	\$ 8,539
2015	8,073	465	8,538
2016	<u>8,242</u>	<u>297</u>	<u>8,539</u>
	<u>\$ 24,165</u>	<u>\$ 1,451</u>	<u>\$ 25,616</u>

2.64% Vactor 2100 Jetter Lease	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 73,068	\$ 8,017	\$ 81,085
2015	74,996	6,089	81,085
2016	76,976	4,109	81,085
2017	<u>78,640</u>	<u>2,445</u>	<u>81,085</u>
	<u>\$ 303,680</u>	<u>\$ 20,660</u>	<u>\$ 324,340</u>

4.00% Sewer Notes - D.E.Q.	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 48,058	\$ 21,260	\$ 69,318
2015	50,000	19,318	69,318
2016	52,020	17,298	69,318
2017	54,121	15,197	69,318
2018	56,308	13,010	69,318
2019	58,582	10,736	69,318
2020	60,949	8,369	69,318
2021	63,412	5,906	69,318
2022	65,973	3,345	69,318
2023	<u>33,213</u>	<u>1,446</u>	<u>34,659</u>
	<u>\$ 542,636</u>	<u>\$ 115,885</u>	<u>\$ 658,521</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 11 - DEBT (Continued)

<u>Fiscal Year Ended September 30,</u>	<u>1.00% Water Bond - D.E.Q. DW1011</u>	<u>1.00% Water Bond - D.E.Q. DW1012</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 36,231	\$ 125,520	\$ 54,794	\$ 216,545
2015	36,594	126,779	53,172	216,545
2016	36,930	127,940	51,675	216,545
2017	37,331	129,332	49,882	216,545
2018	37,705	130,628	48,212	216,545
2019	38,083	131,938	46,524	216,545
2020	38,438	133,167	44,940	216,545
2021	38,851	134,595	43,099	216,545
2022	39,240	135,945	41,360	216,545
2023	39,633	137,308	39,604	216,545
2024	40,008	138,605	37,932	216,545
2025	40,432	140,074	36,039	216,545
2026	40,837	141,478	34,230	216,545
2027	41,247	142,897	32,401	216,545
2028	41,642	144,265	30,638	216,545
2029	42,078	145,775	28,692	216,545
2030	42,499	147,236	26,810	216,545
2031	42,926	148,712	24,907	216,545
2032	43,342	150,156	23,047	216,545
2033	43,790	151,709	21,046	216,545
2034	44,230	153,230	19,085	216,545
2035	44,672	154,766	17,107	216,545
2036	45,111	156,286	15,148	216,545
2037	45,573	157,884	13,088	216,545
2038	46,030	159,467	11,048	216,545
2039	46,491	161,065	8,989	216,545
2040	46,953	162,667	6,925	216,545
2041	47,428	164,310	4,807	216,545
2042	47,903	165,958	2,684	216,545
2043	24,131	83,599	542	108,272
	<u>\$ 1,236,359</u>	<u>\$ 4,283,291</u>	<u>\$ 868,427</u>	<u>\$ 6,388,077</u>

NOTE 12 - LONG-TERM LIABILITIES (COMPENSATED ABSENCES)

At September 30, 2013, the City had \$34,762 of compensated absences payable. The amount payable for the prior year was \$42,250 with \$37,581 being paid and \$30,093 being accrued.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 13 - REQUIRED DISCLOSURE - DEFICIT FUND BALANCES

The following funds had deficit fund balances at June 30, 2013:

Library	\$ (36,681)
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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.

NOTE 15 – RESTATEMENT OF PRIOR YEAR NET POSITION

The City adopted GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62), GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63), and GASB Statement No. 65 Items Previously Reported as Assets and Liabilities (GASB 65) for the fiscal year ending September 30, 2013.

Implementation of GASB 62 did not have any financial reporting impact on the City for fiscal year ended September 30, 2013. Implementation of GASB 63 required the reclassification of Net Assets to Net Position and it also required reclassification of deferred outflows and deferred inflows into new categories called Deferred Outflows of Resources and Deferred Inflows of Resources.

As a result of implementing GASB 65, revenues previously recorded as deferred revenue in governmental funds until both measurable and available are reported as deferred inflows of resources until such time the revenue becomes available.

**REQUIRED SUPPLEMENTAL
INFORMATION SECTION**

CITY OF KIMBERLY
KIMBERLY, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
<u>Budgetary Fund Balance - Beginning</u>	\$ 0	\$ 0	\$ 973,482	\$ 973,482
<u>Resources (Inflows)</u>				0
Property Taxes	763,762	763,762	774,552	10,790
Other Tax Revenue	98,853	98,853	108,629	9,776
Franchise Revenue	54,030	54,030	54,622	592
Fees, License and Permits	7,193	7,193	12,465	5,272
State Revenue	221,439	221,439	251,701	30,262
Zoning Revenue / Building Inspection	32,780	32,780	68,915	36,135
Sanitation Revenue	183,059	183,059	144,866	(38,193)
Court Fines	22,258	22,258	22,439	181
Contracts	73,206	73,206	47,115	(26,091)
State Grants	928,000	928,000	1,205,846	277,846
Federal Grants			513,976	513,976
Proceeds From Borrowing Activities			101,511	101,511
Other Revenue	11,280	11,280	14,580	3,300
Investment Revenue	4,000	4,000	4,273	273
<u>Total Revenue</u>	<u>2,399,860</u>	<u>2,399,860</u>	<u>3,325,490</u>	<u>925,630</u>
<u>Amount Available for Appropriations</u>	<u>2,399,860</u>	<u>2,399,860</u>	<u>4,298,972</u>	<u>1,899,112</u>
<u>Charges to Appropriations (Outflows)</u>				
Administration and General Government	195,405	195,405	193,918	1,487
Planning and Zoning	71,139	71,139	25,679	45,460
Building Inspection			27,548	(27,548)
Police Department	480,745	480,745	519,475	(38,730)
Community Service	52,853	52,853	21,771	31,082
Street Department	320,052	320,052	329,550	(9,498)
Sanitation Department	175,608	175,608	132,644	42,964
Park Department	130,113	130,113	68,919	61,194
Capital Projects	928,000	928,000	1,292,121	(364,121)
Interfund Transfers	38,185	38,185		38,185
<u>Total Charges to Appropriations</u>	<u>2,392,100</u>	<u>2,392,100</u>	<u>2,611,625</u>	<u>(219,525)</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 7,760</u>	<u>\$ 7,760</u>	<u>\$ 1,687,347</u>	<u>\$ 1,679,587</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note 1)</u>	<u>Variance With Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - Beginning</u>	\$ 0	\$ 0	\$ (814)	\$ (814)
<u>Resources (Inflows)</u>				0
Property Taxes	31,408	31,408	31,416	8
Other Revenue	3,000	3,000	2,761	(239)
Interfund Transfers	37,178	37,178		(37,178)
Investment Revenue			70	70
<u>Total Revenue</u>	<u>71,586</u>	<u>71,586</u>	<u>34,247</u>	<u>(37,339)</u>
<u>Amount Available for Appropriations</u>	<u>71,586</u>	<u>71,586</u>	<u>33,433</u>	<u>(38,153)</u>
<u>Charges to Appropriations (Outflows)</u>				
Salaries & Benefits	46,636	46,636	46,190	446
Supplies	5,500	5,500	4,650	850
Books	8,100	8,100	10,546	(2,446)
Postage	500	500	136	364
Travel	800	800	645	155
Utilities	7,750	7,750	4,328	3,422
Repairs	2,300	2,300	3,236	(936)
Capital Outlay			383	(383)
<u>Total Charges to Appropriations</u>	<u>71,586</u>	<u>71,586</u>	<u>70,114</u>	<u>1,472</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (36,681)</u>	<u>\$ (36,681)</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2013

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	\$ 4,298,972	\$ 33,433
<u>Differences - Budget to GAAP</u>		
Interfund transfers are not included in fund revenue but are shown as "other financing sources."	0	0
For the fund revenue, investment earnings are not included as revenue, but, as "other financing sources".	(4,273)	(70)
For the fund revenue, proceeds from capital leases/borrowing activity are not included as revenue, but, as "other financing sources".	(101,511)	
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>(973,482)</u>	<u>814</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 3,219,706</u>	<u>\$ 34,177</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,611,625	\$ 70,114
Interfund transfers are not included in fund expenditures but are shown as "other financing uses."	<u>0</u>	<u>0</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,611,625</u>	<u>\$ 70,114</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2013

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.

The following funds had excess actual expenditures over budget expenditures:

<u>Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Overage</u>
General Fund	\$ 2,611,625	\$ 2,392,100	\$ 219,525

The Library Fund had a negative fund balance of \$36,681.

**SUPPLEMENTAL
INFORMATION SECTION**

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING BALANCE SHEET
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$ 584,895	\$ 281,558	\$ 866,453
Investments	1,049,998	154,988	1,204,986
Net Receivables	42,625	77,202	119,827
	<u>1,677,518</u>	<u>513,748</u>	<u>2,191,266</u>
<u>TOTAL CURRENT ASSETS</u>			
<u>NONCURRENT ASSETS</u>			
Restricted Assets		252,366	252,366
Capital Assets (non-depreciated)	67,934		67,934
Capital Assets (net)	9,505,525	2,447,014	11,952,539
	<u>9,573,459</u>	<u>2,699,380</u>	<u>12,272,839</u>
<u>TOTAL NONCURRENT ASSETS</u>			
<u>TOTAL ASSETS</u>			
	<u>\$ 11,250,977</u>	<u>\$ 3,213,128</u>	<u>\$ 14,464,105</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 6,968	\$ 2,352	\$ 9,320
Accrued Interest Payable	26,313	7,263	33,576
Deposits Payable	16,894		16,894
Current Portion of Long-term Debt	138,672	92,938	231,610
	<u>188,847</u>	<u>102,553</u>	<u>291,400</u>
<u>TOTAL CURRENT LIABILITIES</u>			
<u>NONCURRENT LIABILITIES</u>			
Note Payable (net of current portion)	41,510	628,059	669,569
Bond Payable (net of current portion)	5,394,131		5,394,131
	<u>5,435,641</u>	<u>628,059</u>	<u>6,063,700</u>
<u>TOTAL NONCURRENT LIABILITIES</u>			
<u>TOTAL LIABILITIES</u>			
	<u>5,624,488</u>	<u>730,612</u>	<u>6,355,100</u>
<u>NET POSITION</u>			
Invested in Capital Assets, net of related debt	4,040,656	1,726,017	5,766,673
Restricted for:			
Debt Service		233,766	233,766
Sewer Capacity		18,600	18,600
Unrestricted	1,585,833	504,133	2,089,966
	<u>5,626,489</u>	<u>2,482,516</u>	<u>8,109,005</u>
<u>TOTAL NET POSTION</u>			
<u>TOTAL LIABILITIES AND NET POSITION</u>			
	<u>\$ 11,250,977</u>	<u>\$ 3,213,128</u>	<u>\$ 14,464,105</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Service Fees	\$ 691,252	\$ 637,196	\$ 1,328,448
Service Hookups	100,990	72,020	173,010
Late Fees and Fines	34,708		34,708
Canal Water Shares Leased	12,851		12,851
Other Revenue	3,348	7,904	11,252
	<hr/>	<hr/>	<hr/>
<u>TOTAL OPERATING REVENUES</u>	843,149	717,120	1,560,269
<u>OPERATING EXPENSES</u>			
Salaries and Benefits	149,040	255,284	404,324
Supplies	28,565	5,609	34,174
Travel and Training	2,790	1,196	3,986
Professional Fees	22,012	12,313	34,325
Interceptor		120,895	120,895
Office Supplies/Expenses	10,980	3,067	14,047
Insurance	13,388	12,811	26,199
Utilities	92,664	3,395	96,059
Fuel	5,341	3,364	8,705
Repairs and Maintenance	24,277	3,780	28,057
Water/Sewer Testing and Assessments	21,654	480	22,134
Depreciation Expense	245,250	106,408	351,658
	<hr/>	<hr/>	<hr/>
<u>TOTAL OPERATING EXPENSES</u>	615,961	528,602	1,144,563
<u>OPERATING INCOME (LOSS)</u>	227,188	188,518	415,706
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Earnings	1,762	958	2,720
Federal Grant Proceeds	1,000,000		1,000,000
Interest Expense	(50,209)	(21,620)	(71,829)
	<hr/>	<hr/>	<hr/>
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>	951,553	(20,662)	930,891
<u>CHANGE IN NET POSITION</u>	1,178,741	167,856	1,346,597
<u>TOTAL NET POSITION - BEGINNING</u>	4,447,748	2,314,660	6,762,408
<u>TOTAL NET POSITION - ENDING</u>	\$ 5,626,489	\$ 2,482,516	\$ 8,109,005
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts Form Customers	\$ 880,965	\$ 701,758	\$ 1,582,723
Payments to Suppliers	(198,875)	(232,731)	(431,606)
Payments to Employees	(149,040)	(255,284)	(404,324)
	<u>533,050</u>	<u>213,743</u>	<u>746,793</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>			
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal Paid on Capital Debt	(94,944)	(94,843)	(189,787)
Proceeds from Borrowing Capital Debt	265,288	227,012	492,300
Proceeds from Capital Grants	133,970		133,970
Acquisition of Capital Assets	(406,821)	(253,689)	(660,510)
Interest Paid on Capital Debt	(50,209)	(21,620)	(71,829)
	<u>(152,716)</u>	<u>(143,140)</u>	<u>(295,856)</u>
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest	1,762	958	2,720
	<u>1,762</u>	<u>958</u>	<u>2,720</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
<u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	382,096	71,561	453,657
<u>BALANCES - BEGINNING OF THE YEAR</u>	<u>1,252,797</u>	<u>617,351</u>	<u>1,870,148</u>
<u>BALANCES - END OF THE YEAR</u>	<u>\$ 1,634,893</u>	<u>\$ 688,912</u>	<u>\$ 2,323,805</u>
 <u>BALANCE DISPLAYED AS:</u>			
Cash	\$ 584,895	\$ 281,558	\$ 866,453
Investments	1,049,998	154,988	1,204,986
Restricted Assets	0	252,366	252,366
	<u>\$ 1,634,893</u>	<u>\$ 688,912</u>	<u>\$ 2,323,805</u>

(Continued)

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<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)	\$ 227,188	\$ 188,518	\$ 415,706
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	245,250	106,408	351,658
(Increase) Decrease in Accounts Receivable	37,816	(15,362)	22,454
Increase (Decrease) in Accounts Payable	(1,713)	(64,044)	(65,757)
Increase (Decrease) in Accrued Interest Payable	22,325	(1,777)	20,548
Increase (Decrease) in Deposits Payable	2,184	0	2,184
	<u>\$ 533,050</u>	<u>\$ 213,743</u>	<u>\$ 746,793</u>
Net Cash Provided (Used) by Operating Activities			
 <u>NON-CASH TRANSACTIONS</u>			
Debt Forgiveness	<u>\$ 1,000,000</u>	<u>\$ 0</u>	<u>\$ 1,000,000</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Agency's Number</u>	<u>Cluster Amount</u>	<u>Direct or Federal Disbursement/ Expenditure</u>
<u>U.S. Department of Commerce</u>				
Community Development Block Grant #B11DC160001	14.228	Note 3		\$ 487,869
Community Development Block Grant #B07DC160001	14.228	Note 3		<u>17,501</u>
<u>Total U.S. Department of Commerce</u>				<u>505,370</u>
<u>Department of Homeland Security</u>				
Homeland Security Grant Program	97.067	Note 4		<u>8,606</u>
<u>Total Department of Homeland Security</u>				<u>8,606</u>
<u>Total</u>				<u>\$ 513,976</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Kimberly under programs of the federal government for the year ended September 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Kimberly it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Kimberly.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - PASS-THROUGH NUMBER

Grant revenue is passed through the Idaho State Department of Education. The department has assigned no pass-through number.

NOTE 4 - PASS-THROUGH NUMBER

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

R. MICHAEL BURR

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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 9, 2013

I have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kimberly, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Kimberly's basic financial statements and have issued my report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Kimberly's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Kimberly's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Kimberly's internal control.

My 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 questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I 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. I consider the deficiencies described in the accompanying schedule of findings and responses to be material a weakness, 2013-1 and 2013-2.

Independent Auditor's 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. I consider number 2013-3 and 2013-4 of the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Kimberly's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Kimberly's Response to Findings

City of Kimberly's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. City of Kimberly's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

R. Michael Burr

R. Michael Burr
Certified Public Accountant

R. MICHAEL BURR

Certified Public Accountant

P.O. Box 2229

Twin Falls, ID 83303-2229

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

December 9, 2013

Report on Compliance for Each Major Federal Program

I have audited City of Kimberly's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Kimberly's major federal programs for the year ended September 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of City of Kimberly's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of City of Kimberly's compliance.

Opinion on Each Major Federal Program

In my opinion, City of Kimberly, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of City of Kimberly, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered City of Kimberly's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, I do not express an opinion on the effectiveness of City of Kimberly's internal control over compliance.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a modified opinion on the general purpose financial statements of City of Kimberly.
2. Four significant deficiencies disclosed during the audit of the financial statements are reported in the Auditor's Reports on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*. Item 2013-1 and 2013-2 of the conditions are 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 significant deficiencies 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 unmodified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Community Development Block Grant	14.228
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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 STATEMENTS AUDIT

MATERIAL WEAKNESSES

2013-1 Segregation of Duties

Condition: Two people are employed by the City in the accounting department and turnover of personnel has not allowed 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.

CITY OF KIMBERLY
KIMBERLY, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

2013-2 Crossing Funds (Unbalanced) Journal Entries

Condition: Several journal entries were made that crossed funds. Part of the entry was made in one fund and the other part was made in another fund resulting in unbalanced fund entries.

Criteria: Fund accounting requires that the funds stay pure. Entries must be made that balance within the fund.

Cause: Entries were made by individuals who were not properly trained or possessed the knowledge to apply fund accounting as required by the Governmental Accounting Standards Board.

Effect: Due to the way the program adjusts the funds, the results were out-of-balance funds and a misallocation of cash accounts between the funds.

Recommendation: Only allow properly trained individuals to make entries or have access to the accounting program. Additional training and education may be required for those personnel making entries.

Views of Responsible Official and Planned Corrective Actions: We concur with the recommendation. Current personnel in place do have proper knowledge on fund accounting and unbalanced fund entries will no longer be made.

SIGNIFICANT DEFICIENCIES

2013-3 Double Posting of Utility Billing

Condition: December utility billings were double posted to the general ledger and not detected.

Criteria: Utility billings should only be posted to the general ledger once and ledger should be reviewed to determine postings are correct.

Cause: Actual reason for the double posting was not determined but postings were not reviewed to ensure it was accurate and, therefore, not discovered in a timely manner.

Effect: The effect was that receivables were doubled and revenue was overstated by an amount equal to the December billings.

Recommendation: Review posting and ledger balances monthly to ensure all items are reasonable. If errors are discovered, correct them in a timely manner.

Views of Responsible Official and Planned Corrective Actions: We agree with the findings and have already implemented the recommendation.

CITY OF KIMBERLY
KIMBERLY, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

2013-4 Double Posting Investments with Suspense Accounts

Condition: An investment for \$190,000 was double recorded on the books with the offset to a "suspense account". Amount was discovered but full investigation and correction was not made.

Criteria: Investments should only be recorded if they actually exist. Upon discovery of an error, it should be investigated as to the cause and corrected in a timely manner.

Cause: Journal entries were made and not tied to documentation supporting the entry and investment. Upon discovery of the error, a full investigation was not done to determine what corrective action needed to take place.

Effect: The effect was the overstatement of investments in one fund and overstatement of liabilities in another fund.

Recommendation: Reconcile all actual investments to the ledger. If differences are discovered, review the information and determine what corrective steps need to be taken. Make correction in a timely manner.

Views of Responsible Official and Planned Corrective Actions: We agree with the findings and have already implemented the recommendation.

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

None

A Progressive Community

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Summary Schedule of Prior Audit Findings

2012-1 Lack of Segregation of Duties

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

2012-2: Timeliness of Transfers

This finding has been corrected.

2012-3: Discrepancies not Corrected When Discovered

We believe that this finding applies only to the financial reporting and does not effect the federal award programs. However, due to turnover of staff and outside assistance not fully trained in fund accounting, this finding was not corrected.

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Department of Commerce
Boise, Idaho

City of Kimberly respectfully submits the following corrective action plan for the year ended September 30, 2013. 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, 2013

The findings from the December 9, 2013, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

A. Findings - Financial Statement Audit

Reportable Condition - 2013-1 Segregation of Duties

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

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

Reportable Condition 2013-2 Crossing Funds (Unbalanced) Journal Entries

Recommendation: Only allow properly trained individuals to make entries or have access to the accounting program. Additional training and education may be required for those personnel making entries.

Action Taken: We concur with the recommendation. Current personnel in place do have proper knowledge on fund accounting and unbalanced fund entries will no longer be made.

Reportable Condition - 2013-3 Double Posting of Utility Billing

Recommendation: Review posting and ledger balances monthly to ensure all items are reasonable. If errors are discovered, correct them in a timely manner.

Action Taken: We agree with the findings and have already implemented the recommendation. However, this condition has no effect on the federal award programs.

Reportable Condition - 2013-4 Double Posting Investments with Suspense Accounts

Recommendation: Reconcile all actual investments to the ledger. If differences are discovered, review the information and determine what corrective steps need to be taken. Make correction in a timely manner.

Action Taken: We agree with the findings and have already implemented the recommendation.

B. Findings - Federal Award Programs

None

If the U.S. Department of Commerce has any questions regarding the plan, please call Larry Hall at 208-423-4151.

Sincerely



Business Manager