

CITY OF KIMBERLY
KIMBERLY, IDAHO
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Kimberly
Kimberly, Idaho 83341

December 22, 2018

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, 2018, 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, 2018, 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.

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, schedule of employer's share of net pension liability, and schedule of employer's contribution on pages 41 through 46 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 business-type activity financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements 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 financial statements 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 22, 2018, 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, 2018

		<u>Governmental Activities</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 746,420	
Restricted - Cash and Cash Equivalents	5,337	
Investments	975,663	
Restricted - Investments	13,461	
Inventory	8,856	
Net Receivables	<u>115,571</u>	
<u>TOTAL CURRENT ASSETS</u>		\$ 1,865,308
 <u>NONCURRENT ASSETS</u>		
Long-Term Receivables	\$ 20,310	
Capital Assets (non-depreciated)	507,321	
Capital Assets (net)	<u>6,853,709</u>	
<u>TOTAL NONCURRENT ASSETS</u>		<u>7,381,340</u>
<u>TOTAL ASSETS</u>		<u>9,246,648</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Obligations	<u>\$ 70,281</u>	
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>		<u>70,281</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 60,672	
Deposits Payable	76,822	
Accrued Interest Payable	2,624	
Current Portion of Long-term Debt	<u>28,098</u>	
<u>TOTAL CURRENT LIABILITIES</u>		168,216
 <u>NONCURRENT LIABILITIES</u>		
Compensated Absences	\$ 50,466	
Net Pension Liability	298,796	
Capital Lease Payable (net of current portion)	78,471	
Bond Payable (net of current portion)	<u> </u>	
<u>TOTAL NONCURRENT LIABILITIES</u>		<u>427,733</u>
<u>TOTAL LIABILITIES</u>		<u>595,949</u>

<u>Business-type Activities</u>		<u>Total</u>	
\$ 1,810,605		\$ 2,557,025	
		5,337	
1,497,300		2,472,963	
		13,461	
		8,856	
<u>157,864</u>		<u>273,435</u>	
	\$ 3,465,769		\$ 5,331,077
\$ 67,934		\$ 20,310	
<u>12,243,023</u>		575,255	
		<u>19,096,732</u>	
	<u>12,310,957</u>		<u>19,692,297</u>
	<u>15,776,726</u>		<u>25,023,374</u>
<u>\$ 36,018</u>		<u>\$ 106,299</u>	
	<u>36,018</u>		<u>106,299</u>
\$ 19,704		\$ 80,376	
23,470		100,292	
45,194		47,818	
<u>200,071</u>		<u>228,169</u>	
	288,439		456,655
\$ 153,130		\$ 50,466	
		451,926	
		78,471	
<u>4,450,596</u>		<u>4,450,596</u>	
	<u>4,603,726</u>		<u>5,031,459</u>
	<u>4,892,165</u>		<u>5,488,114</u>

Continued

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Governmental Activities</u>	
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Sources	\$ 55,764	
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>		<u>\$ 55,764</u>
<u>NET POSITION</u>		
Invested in Capital Assets, net of related debt	\$ 7,251,837	
Non-spendable:		
Inventory	8,856	
Restricted for:		
Library	18,357	
HB312 - Street	11,404	
Asset Forfeiture - Police	1,998	
Unrestricted	<u>1,372,764</u>	
<u>TOTAL NET POSITION</u>		<u>\$ 8,665,216</u>

See accompanying notes to the basic financial statements

<u>Business-type Activities</u>	<u>Total</u>
<u>\$ 28,579</u>	<u>\$ 84,343</u>
<u>\$ 28,579</u>	<u>\$ 84,343</u>
\$ 7,579,431	\$ 14,831,268
	8,856
	18,357
	11,404
	1,998
<u>3,312,569</u>	<u>4,685,333</u>
<u>\$ 10,892,000</u>	<u>\$ 19,557,216</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Primary Government Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities:</u>				
Administration and General Gov't.	\$ 291,385			
Planning and Zoning	88,480	\$ 83,597		
Police Department	712,949	86,414		
Community Service	49,674			
Street Department	562,640		\$ 178,172	\$ 280,120
Sanitation Department	194,624	185,452		
Park Department	86,978			
Library Services	78,779	703		
Debt Service - Interest on Debt	2,647			
	<u>2,068,156</u>	<u>356,166</u>	<u>178,172</u>	<u>280,120</u>
 <u>Total Governmental Activities</u>				
 <u>Business-Type Activities</u>				
Water Fund	761,938	1,069,871		32,613
Sewer Fund	696,361	950,056		58,945
	<u>1,458,299</u>	<u>2,019,927</u>	<u>0</u>	<u>91,558</u>
 <u>Total Business-Type Activities</u>				
 <u>Total Primary Government</u>				
	<u>\$ 3,526,455</u>	<u>\$ 2,376,093</u>	<u>\$ 178,172</u>	<u>\$ 371,678</u>

General Revenue

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

Total General Revenue

Changes in Net Position

Net Position - Beginning

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
\$ (291,385)		\$ (291,385)
(4,883)		(4,883)
(626,535)		(626,535)
(49,674)		(49,674)
(104,348)		(104,348)
(9,172)		(9,172)
(86,978)		(86,978)
(78,076)		(78,076)
(2,647)		(2,647)
<u>(1,253,698)</u>		<u>(1,253,698)</u>
	\$ 340,546	340,546
	<u>312,640</u>	<u>312,640</u>
<u>0</u>	<u>653,186</u>	<u>653,186</u>
<u>(1,253,698)</u>	<u>653,186</u>	<u>(600,512)</u>
1,066,363		1,066,363
160,159		160,159
55,499		55,499
184,651		184,651
37,106		37,106
49,190		49,190
38,301	13,186	51,487
<u>1,591,269</u>	<u>13,186</u>	<u>1,604,455</u>
337,571	666,372	1,003,943
<u>8,327,645</u>	<u>10,225,628</u>	<u>18,553,273</u>
<u>\$ 8,665,216</u>	<u>\$ 10,892,000</u>	<u>\$ 19,557,216</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Library Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 746,420		\$ 746,420
Restricted Cash and Cash Equivalents	1,998	\$ 3,339	5,337
Investments	975,663		975,663
Restricted Investments		13,461	13,461
Property Taxes Receivable	22,851	1,557	24,408
Accounts Receivable	16,315		16,315
Due From Other Governments	95,158		95,158
	<u>1,858,405</u>	<u>18,357</u>	<u>1,876,762</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,858,405</u>	<u>\$ 18,357</u>	<u>\$ 1,876,762</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 60,672		\$ 60,672
Deposits Payable	76,822		76,822
	<u>137,494</u>	<u>\$ 0</u>	<u>137,494</u>
<u>TOTAL LIABILITIES</u>	<u>137,494</u>	<u>\$ 0</u>	<u>137,494</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows from Property Taxes	19,329	981	20,310
	<u>19,329</u>	<u>981</u>	<u>20,310</u>
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>19,329</u>	<u>981</u>	<u>20,310</u>
 <u>FUND BALANCES</u>			
Restricted - Police Asset Forfeiture	1,998		1,998
Restricted - HB312 Street Fund	11,404		11,404
Restricted - Library		17,376	17,376
Unassigned	1,688,180		1,688,180
	<u>1,701,582</u>	<u>17,376</u>	<u>1,718,958</u>
<u>TOTAL FUND BALANCES</u>	<u>1,701,582</u>	<u>17,376</u>	<u>1,718,958</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,858,405</u>	<u>\$ 18,357</u>	<u>\$ 1,876,762</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, 2018

	General Fund	Library Fund	Total Governmental Funds
<u>REVENUES</u>			
Property Taxes	\$ 981,439	\$ 79,209	\$ 1,060,648
Other Tax Revenue	160,159		160,159
Franchise Revenue	55,499		55,499
Business Licenses and Permits	4,963		4,963
Non-business Licenses and Permits	3,732		3,732
State Revenue	362,823		362,823
Zoning Revenue	83,597		83,597
Sanitation Revenue	185,452		185,452
Police Department Revenue/Grants	129,420		129,420
Other General Revenue and Donations	34,595	703	35,298
<u>TOTAL REVENUES</u>	<u>2,001,679</u>	<u>79,912</u>	<u>2,081,591</u>
 <u>EXPENDITURES</u>			
Administration and General Government	249,543		249,543
Planning and Zoning	88,480		88,480
Police Department	819,760		819,760
Community Service	49,674		49,674
Street Department	418,081		418,081
Sanitation Department	194,624		194,624
Park Department	78,393		78,393
Library Services		76,265	76,265
<u>TOTAL EXPENDITURES</u>	<u>1,898,555</u>	<u>76,265</u>	<u>1,974,820</u>
 <u>EXCESS REVENUES OVER (UNDER) EXPENDITURES</u>	<u>103,124</u>	<u>3,647</u>	<u>106,771</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Investment Revenue	38,092	209	38,301
Federal Grants	58,113		58,113
Preceeds from Capital Leases	130,848		130,848
Interfund Transfers	(21,991)	21,991	0
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>205,062</u>	<u>22,200</u>	<u>227,262</u>
 <u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>308,186</u>	<u>25,847</u>	<u>334,033</u>
 <u>FUND BALANCE - BEGINNING</u>	<u>1,393,396</u>	<u>(8,471)</u>	<u>1,384,925</u>
 <u>FUND BALANCE - ENDING</u>	<u>\$ 1,701,582</u>	<u>\$ 17,376</u>	<u>\$ 1,718,958</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, 2018

<u>Total Governmental Fund Balances</u>		\$ 1,718,958
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, \$507,321 non-depreciated assets and \$9,119,288 net of accumulated depreciation of \$2,265,579.	\$ 7,361,030	
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.	(2,624)	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	20,310	
Amounts resulting from pension liabilities as a result of GASB 68 are not recorded in the fund statements:		
-Deferred Outflows Pension Obligations	70,281	
-Deferred Inflows Pension Sources	(55,764)	
-Net Pension Liability	(298,796)	
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	(50,466)	
Capital Leases	<u>(106,569)</u>	
<u>Net Changes</u>		<u>6,946,258</u>
<u>Net Position of Governmental Activities</u>		<u>\$ 8,665,216</u>

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, 2018

Net Change in Fund Balances - Governmental Fund Balances \$ 334,033

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	(255,933)
- Capital Outlay	140,748

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

5,715

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

(2,437)

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

(5,979)

Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds.

(5,199)

Donation of capital assets do not effect the fund financial statements

222,007

Capital leasing activities 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.

- Debt Proceeds	(130,848)
- Principal Payment	35,464

Net Changes

3,538

Change in Net Position of Governmental Activities

\$ 337,571

See accompanying notes to the basic financial statements

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

		<u>Enterprise Fund</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 1,810,605	
Investments	1,497,300	
Net Receivables	<u>157,864</u>	
 <u>TOTAL CURRENT ASSETS</u>		 \$ 3,465,769
 <u>NONCURRENT ASSETS</u>		
Capital Assets (non-depreciated)	\$ 67,934	
Capital Assets (net)	<u>12,243,023</u>	
 <u>TOTAL NONCURRENT ASSETS</u>		 <u>12,310,957</u>
 <u>TOTAL ASSETS</u>		 <u>15,776,726</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Obligations	<u>\$ 36,018</u>	
 <u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>		 <u>36,018</u>
 <u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 19,704	
Accrued Interest Payable	23,470	
Deposits Payable	45,194	
Current Portion of Long-term Debt	<u>200,071</u>	
 <u>TOTAL CURRENT LIABILITIES</u>		 288,439
 <u>NONCURRENT LIABILITIES</u>		
Net Pension Liability	\$ 153,130	
Lease Payable (net of current portion)	0	
Bond Payable (net of current portion)	<u>4,450,596</u>	
 <u>TOTAL NONCURRENT LIABILITIES</u>		 <u>4,603,726</u>
 <u>TOTAL LIABILITIES</u>		 <u>4,892,165</u>

See accompanying notes to the basic financial statements

	<u>Enterprise Fund</u>	
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Sources	<u>\$ 28,579</u>	
 <u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>		 <u>\$ 28,579</u>
 <u>NET POSITION</u>		
Invested in Capital Assets, net of related debt	\$ 7,579,431	
Unrestricted	<u>3,312,569</u>	
 <u>TOTAL NET POSTION</u>		 <u>\$ 10,892,000</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Enterprise Fund
<u>OPERATING REVENUES</u>		
Service Fees	\$ 1,697,628	
Service Hookups	110,250	
Late Fees and Fines	41,424	
Canal Water Shares Leased	20,400	
Pressurized Irrigation System	39,514	
Other Revenue	110,711	
<u>TOTAL OPERATING REVENUES</u>		\$ 2,019,927
 <u>OPERATING EXPENSES</u>		
Salaries and Benefits	\$ 422,899	
Supplies	38,663	
Travel and Training	5,111	
Professional Fees	40,249	
Interceptor	205,057	
Administrative Supplies/Expenses	42,720	
Insurance	33,210	
Utilities	82,230	
Fuel	11,231	
Repairs and Maintenance	80,931	
Water/Sewer Testing and Assessments	19,725	
Depreciation	424,605	
<u>TOTAL OPERATING EXPENSES</u>		<u>1,406,631</u>
<u>OPERATING INCOME (LOSS)</u>		613,296
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Investment Earnings	\$ 13,186	
State / Federal Grants	38,059	
Donated Capital Assets	53,499	
Interest Expense	(51,668)	
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>		<u>53,076</u>
<u>CHANGE IN NET POSITION</u>		666,372
 <u>TOTAL NET POSITION - BEGINNING</u>		<u>10,225,628</u>
 <u>TOTAL NET POSITION - ENDING</u>		<u><u>\$ 10,892,000</u></u>

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, 2018

	Enterprise Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts Form Customers	\$ 2,070,360
Payments to Suppliers	(548,606)
Payments to Employees	(450,304)
	\$ 1,071,450
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	\$ 1,071,450
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Principal Paid on Capital Debt	\$ (304,213)
Interest Paid on Capital Debt	(51,668)
	(355,881)
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	(355,881)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Acquisition of Capital Assets	\$ (359,743)
State / Federal Capital Grants	38,059
Interest	13,186
	(308,498)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	(308,498)
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	407,071
<u>BALANCES - BEGINNING OF THE YEAR</u>	2,900,834
<u>BALANCES - END OF THE YEAR</u>	\$ 3,307,905
<u>BALANCE DISPLAYED AS:</u>	
Cash	\$ 1,810,605
Investments	1,497,300
	\$ 3,307,905

CITY OF KIMBERLY
KIMBERLY, IDAHO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Fund
	(Continued)
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>	
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 613,296
Adjustments to Reconcile Operating Income to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation	424,605
(Increase) Decrease in Accounts Receivable	50,433
Increase (Decrease) in Accounts Payable	4,540
Increase (Decrease) in Accrued Interest Payable	(1,649)
Increase (Decrease) in Deferred Pension In/Outflow	(27,405)
Increase (Decrease) in Deposits Payable	7,630
Net Cash Provided (Used) by Operating Activities	\$ 1,071,450
 <u>NON-CASH TRANSACTIONS</u>	
Donation of Capital Assets	\$ 53,499

See accompanying notes to the basic financial statements

**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018.

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.

The City was incorporated on August 8, 1967, under the requirements of Idaho Code 50-101 and in the manner under Idaho Code 50-102. Title 50 of Idaho statutes, Municipal Corporations, dictates the laws that the City must operate under. The City is governed by an elected council and mayor that serve a four year term.

C - BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's federal grants, state grants, debt service, capital projects, plant facilities, and general administrative services are classified as governmental activities. The City has two services classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Neither fiduciary funds nor component units that are fiduciary in nature are included in the Statement of Net Positions.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (local revenue, franchise fees, state revenue, grants, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (instruction, support, administrative, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs. All interfund activity has been eliminated.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

D - BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City can electively add funds, as major funds, which had a specific community focus. The nonmajor funds are combined in a column in the fund financial statements. 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.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

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. Ad valorem taxes are used for the payment of principal and interest on the City's judgment.

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.

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.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position (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 position.

3. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual - Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

1. Modified Accrual - The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

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.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. See Note 8 for details of interfund transactions, including receivables and payables at year-end. 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, grants, and State foundation funding. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, 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.

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.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

Deferred outflows of resources are decreases in net assets that relate to future periods and are reported in a separate section of its government-wide and governmental funds financial statements. Deferred outflows of resources from pension obligations affect the government-wide statements and no deferred outflows effect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

Deferred inflows of resources reflects an increase in net assets that applies to a future period(s) and is because the City will not recognize the related revenues until a future event occurs. The City's governmental funds report a separate section for deferred inflows of resources and has only one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet. The deferred inflows of resources reported in its government-wide financial statements is a deferred amount arising from pension sources.

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.

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:

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Life</u>	<u>Capitalization Amount</u>
Aggregate Cost of Library Books	3	\$5,000
Automobiles	5 - 10	\$5,000
Office and Light-weight Equipment	5 - 10	\$5,000
Heavy Equipment	7 - 20	\$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 up to 200 hours of vacation. Employees are allowed to use the time or be paid for it at the time the employment relationship is terminated. Amounts are paid at their current rate of pay. The liability is reported in the government-wide statements.

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, are deferred and amortized over the life of the bonds using the straight line method. Bond premiums are reported in the deferred inflows of resources section in the statement of net position. Bonds payable are reported net of the applicable bond premium of discount.

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.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See note 7.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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. 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. 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. 3) The city council shall publish a summary statement of the budget in the local newspaper.
4. 4) The City may amend the budget any time during the year but the above procedures must be followed each time a budget amendment is made.

Equity Classifications (Net Position and Fund Balance)

Government-wide Financial Statements

When the City incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position 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 position—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 position—All other net position 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.

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.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Formal action is done by making and approving a motion/resolution of 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. The City has not delegated authority to assign amounts to be used for specific purposes. If such assignments were allowed, they could not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

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, 2018

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, 2018, the City had a carrying value of cash deposits of \$3,789,114 and a bank balance of \$3,967,863. Based on the above definitions, the City is subject to \$3,039,114 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 \$1,054,384 (Idaho State Local Government Investment Pool), which approximates market value.

Restrictions on cash and cash equivalents and investments are as follows:

	Cash and Equivalents	Investments	Total
Library Fund - Capital Outlay and Operations	\$ 3,339	\$ 13,461	\$ 16,800
General Fund - Police Forfeiture	1,998		1,998
	\$ 5,337	\$ 13,461	\$ 18,798

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, 2017, upon which the 2017 levy was based was \$128,942,974.

The tax rates assessed, per \$100 of valuation, for the year ended September 30, 2018, and maximum levy rates limited by Idaho Code Section 33-802 are as follows:

Type	Rate	Maximum Rate
General	0.7475	0.9000
Library	0.0619	0.1000

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

At September 30, 2018, the components of taxes receivable are as follows:

<u>Year</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Total</u>
2017	\$ 14,868	\$ 1,230	\$ 16,098
2016	5,681	234	5,915
2015	<u>2,302</u>	<u>93</u>	<u>2,395</u>
<u>Total</u>	<u>\$ 22,851</u>	<u>\$ 1,557</u>	<u>\$ 24,408</u>

For fund financial statements, the recognition of revenue on taxes receivable shall not exceed 60 days collection after the September 30, 2018, year end. The collections for the 60 day period have been estimated based on prior years collection percentages. Property taxes uncollected by November 30, 2018, are deferred inflows of resources. The components of deferred inflows of resources for property taxes are as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 19,329
Library Fund	<u>981</u>
<u>Total</u>	<u>\$ 20,310</u>

For government-wide statements, an allowance for uncollectable taxes is calculated. However, historical information shows that the uncollectable amount is immaterial to these statements and no allowance will be recorded until it becomes a material amount. Also, the above deferred amounts are not included in the government-wide statements.

NOTE 4 - DUE FROM OTHER GOVERNMENTS

The City can participate in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the City receives support from the State of Idaho. Amounts due from federal and state governments at September 30, 2018, are as follows:

<u>Description - Source</u>	<u>General Fund</u>
Highway User - State	\$ 34,474
Highway User HB312- State	11,404
Liquor Apportionment - State	8,220
Revenue Share - State	<u>41,060</u>
Total	<u>\$ 95,158</u>

NOTE 5 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 - RISK MANAGEMENT (Continued)

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

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 53 to 55. This audit found no elements of non-compliance with the terms and conditions of the individual programs audited.

NOTE 7 - RETIREMENT PLAN

Plan Description

The City contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Employee membership data related to the PERSI Base Plan, as of June 30, 2018 was as follows:

Retirees and beneficiaries currently receiving benefits	46,907
Terminated employees entitled to but not yet receiving benefits	28,575
Active plan members	<u>71,112</u>
Total	<u><u>146,594</u></u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - RETIREMENT PLAN (Continued)

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2018 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The City's employer contributions required and paid were \$107,800, \$106,105, and, \$108,302 for the three years ended September 30, 2018, 2017, and 2016, respectively.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2018, the City's proportion was .0306387 percent.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - RETIREMENT PLAN (Continued)

For the year ended September 30, 2018, the City recognized pension expense (revenue) of \$90,634. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 49,609	\$ 34,131
Changes in assumptions or other inputs	29,406	
Net difference between projected and actual earnings on pension plan investments		50,212
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions		
City contributions subsequent to the measurement date	<u>27,284</u>	
Total	<u>\$ 106,299</u>	<u>\$ 84,343</u>

\$27,284 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016 the beginning of the measurement period ended June 30, 2018 is 4.9 and 5.5 for the measurement period June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended <u>June 30,</u>		
2019		\$ 36,736
2020		\$ 4,329
2021		\$ (37,032)
2022		\$ (9,360)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - RETIREMENT PLAN (Continued)

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.05%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and commissioners to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - RETIREMENT PLAN (Continued)

<u>Asset Allocation</u>	<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return (Arithmetic)</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	30.00%	3.05%	0.80%
Broad Us Equities	55.00%	8.30%	6.05%
Developed Foreign Equities	15.00%	8.45%	6.20%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.75%	4.50%
Portfolio Standard Deviation		12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.13%	3.77%
Assume Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Invest. Exp.		5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Exp.			4.19%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.05 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
Employer's proportionate share of the net pension liability (asset)	<u>\$ 1,131,273</u>	<u>\$ 451,926</u>	<u>\$ (110,601)</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 - RETIREMENT PLAN (Continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At September 30, 2018, the City reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 8 - INTERFUND TRANSACTIONS

Interfund transfers and due to/from for the City for the year ended September 30, 2017, are summarized below:

	<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
Interfund Transfers:			
To cover deficit cash balance	Library	General	\$ 21,991
Due To/From:			
To cover current expenditures	none		\$ 0

NOTE 9 - CAPITAL ASSET ACTIVITY

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Land	\$ 67,934		\$ 67,934
Buildings	85,318	5,721	91,039
Equipment	262,480	639,197	901,677
Systems	11,384,313	4,796,417	16,180,730
	<u>11,800,045</u>	<u>5,441,335</u>	<u>17,241,380</u>
Less: Accumulated Depreciation	<u>(2,946,618)</u>	<u>(1,983,805)</u>	<u>(4,930,423)</u>
<u>Net Capital Assets</u>	<u>\$ 8,853,427</u>	<u>\$ 3,457,530</u>	<u>\$ 12,310,957</u>

Depreciation expense was charged to governmental functions as follows:

General Expense	\$ 43,164
Library	2,514
Police	49,121
Parks	8,585
Street	152,549
	<u>152,549</u>
Total	<u>\$ 255,933</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9 - CAPITAL ASSET ACTIVITY (Continued)

Capital asset activity for the City's governmental functions for the year ended September 30, 2018, was as follows:

	Primary Government - Governmental Activities			Ending Balance
	Beginning Balance	Additions	Retirements	
Not being depreciated:				
Construction-in-process	\$ 0			\$ 0
Land	507,321			507,321
Subtotal	507,321	\$ 0	\$ 0	507,321
Other capital assets:				
Buildings and Improvements	1,735,789			1,735,789
Infrastructure	6,002,525	222,007		6,224,532
Equipment	513,995			513,995
Library	212,607			212,607
Automobiles	305,349	144,181	17,165	432,365
Subtotal	8,770,265	366,188	17,165	9,119,288
Less accumulated depreciation for:				
Buildings and Improvements	(335,713)	(42,144)		(377,857)
Infrastructure	(812,827)	(124,490)		(937,317)
Equipment	(400,163)	(39,728)		(439,891)
Library	(207,578)	(2,514)		(210,092)
Automobiles	(267,097)	(47,057)	(13,732)	(300,422)
Subtotal	(2,023,378)	(255,933)	(13,732)	(2,265,579)
Net Depreciated Assets	6,746,887	110,255	3,433	6,853,709
Net Capital Assets	<u>\$ 7,254,208</u>	<u>\$ 110,255</u>	<u>\$ 3,433</u>	<u>\$ 7,361,030</u>

As of September 30, 2018, there was a gross amount of \$897,499 of assets (heavy equipment and automobiles) recorded from purchases under capital leases. There are no sub-leases or contingent rentals actually incurred or remaining from these assets. Total accumulated depreciation on the assets is \$606,499.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10 - RESTRICTED ASSETS

The following lists restricted assets:

<u>Fund / Purpose</u>	<u>Location</u>	<u>Type</u>	<u>Amount</u>
Library	Local Govt. Inv. Pool	Investment	\$ 13,461
General / House Bill 312 Revenue	General Fund	Accounts Rec.	11,014
General / Police Asset Forfeiture Account	Checking Account	Demand Deposit	1,998
Library	Checking Account	Demand Deposit	3,339

NOTE 11 - DEBT

The following is a summary of the City's long-term debt obligations and transactions for the year ended September 30, 2018:

	<u>Beginning Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Outstanding</u>
1.00% Water Bond - D.E.Q. DW1011	\$ 1,035,753		\$ 57,466	\$ 978,287
1.00% Water Bond - D.E.Q. DW1012	3,837,650		195,320	3,642,330
2.85% 4-Dodge Charger Lease - D.L. Evans Bank	0	\$ 130,848	27,674	103,174
2.98% Envirosight Rover - D.L. Evans Bank	42,570		22,299	20,271
2.98% 2010 IH Dump Truck	24,111		24,111	0
2.98% Kubota Mini Excavator	25,980		12,806	13,174
	<u>\$ 4,966,064</u>	<u>\$ 130,848</u>	<u>\$ 339,676</u>	<u>\$ 4,757,236</u>

The annual requirements to amortize the City's debt as of September 30, 2017, is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2.98% Envirosight Rover - D.L. Evans Bank			
2019	\$ 20,271	\$ 3,310	\$ 23,581
	<u>\$ 20,271</u>	<u>\$ 3,310</u>	<u>\$ 23,581</u>
2.98% Kubota Mini Excavator - D.L. Evans Bank			
2019	\$ 13,174	\$ 407	\$ 13,581
	<u>\$ 13,174</u>	<u>\$ 407</u>	<u>\$ 13,581</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 11 - DEBT (Continued)

2.85% 4 - Dodge Charger Police Cars - D.L. Evans	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 24,703	\$ 2,981	\$ 27,684
2020	25,417	2,267	27,684
2021	26,147	1,537	27,684
2022	26,907	777	27,684
	<u>\$ 103,174</u>	<u>\$ 7,562</u>	<u>\$ 110,736</u>

<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>
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	46,181	164,310	7,301	216,545
2042		165,958	2,567	168,525
2043		82,837	1,183	84,020
	<u>\$ 978,287</u>	<u>\$ 3,642,330</u>	<u>\$ 613,710</u>	<u>\$ 5,233,080</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 12 - LONG-TERM LIABILITIES (COMPENSATED ABSENCES)

At September 30, 2017, the City had \$50,466 of compensated absences payable. The amount payable for the prior year was \$44,487 with \$39,402 being paid and \$45,381 being accrued.

NOTE 13 - 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. None of the City's restricted assets meet this criteria.

NOTE 14 - REQUIRED FUND DISCLOSURE

No funds had a negative fund balance.

**REQUIRED SUPPLEMENTAL
INFORMATION SECTION**

CITY OF KIMBERLY
KIMBERLY, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - Beginning</u>	\$ 0	\$ 0	\$ 1,393,396	\$ 1,393,396
<u>Resources (Inflows)</u>				0
Property Taxes	1,124,686	1,124,686	981,439	(143,247)
Other Tax Revenue			160,159	160,159
Franchise Revenue	52,380	52,380	55,499	3,119
Business Licenses and Permits	4,225	4,225	4,963	738
Non-business Licenses and Permits	3,350	3,350	3,732	382
State/Federal Grants/Projects			58,113	58,113
State Revenue	319,319	319,319	362,823	43,504
Zoning Revenue	31,300	31,300	83,597	52,297
Sanitation Revenue	176,786	176,786	185,452	8,666
Police Department Revenue/Grants	122,714	122,714	129,420	6,706
Other General Revenue and Donations	29,450	29,450	34,595	5,145
Proceeds From Capital Leases			130,848	130,848
Investment Revenue	4,000	4,000	38,092	34,092
<u>Total Revenue</u>	<u>1,868,210</u>	<u>1,868,210</u>	<u>2,228,732</u>	<u>360,522</u>
<u>Amount Available for Appropriations</u>	<u>1,868,210</u>	<u>1,868,210</u>	<u>3,622,128</u>	<u>1,753,918</u>
<u>Charges to Appropriations (Outflows)</u>				
Administration and General Government	231,514	231,514	249,543	(18,029)
Planning and Zoning	142,350	142,350	88,480	53,870
Police Department	699,847	699,847	819,760	(119,913)
Community Service	101,892	101,892	49,674	52,218
Street Department	415,521	415,521	418,081	(2,560)
Sanitation Department	185,286	185,286	194,624	(9,338)
Park Department	91,800	91,800	78,393	13,407
Interfund Transfers			21,991	(21,991)
<u>Total Charges to Appropriations</u>	<u>1,868,210</u>	<u>1,868,210</u>	<u>1,920,546</u>	<u>(52,336)</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,701,582</u>	<u>\$ 1,701,582</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis) (See Note 1)	Variance With Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Budgetary Fund Balance - Beginning</u>	\$ 0	\$ 0	\$ (8,471)	\$ (8,471)
<u>Resources (Inflows)</u>				0
Property Taxes	78,902	78,902	79,209	307
Other Revenue	800	800	703	(97)
Interfund Transfers			21,991	21,991
Investment Revenue	50	50	209	159
	<u>79,752</u>	<u>79,752</u>	<u>102,112</u>	<u>22,360</u>
<u>Amount Available for Appropriations</u>	<u>79,752</u>	<u>79,752</u>	<u>93,641</u>	<u>13,889</u>
<u>Charges to Appropriations (Outflows)</u>				
Salaries & Benefits	60,502	60,502	58,320	2,182
Supplies	2,000	2,000	1,848	152
Books	8,200	8,200	8,766	(566)
Postage	350	350	321	29
Travel	500	500	507	(7)
Utilities	5,000	5,000	3,302	1,698
Repairs	3,200	3,200	3,201	(1)
Capital Outlay	0	0	0	0
	<u>79,752</u>	<u>79,752</u>	<u>76,265</u>	<u>3,487</u>
<u>Ending Budgetary Fund Balance</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,376</u>	<u>\$ 17,376</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
PERSI - BASE PLAN
LAST 10 FISCAL YEARS *

<u>Year Ended June 30,</u>	<u>Employer's portion of net pension liability</u>	<u>Employer's proportionate share of the net pension liability</u>	<u>Employer's covered- employee payroll</u>	<u>Employer's proportional share of the net pension liability as a percentage of its covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2018	0.0306387%	\$ 451,926	\$ 940,766	48.04%	91.69%
2017	0.0306751%	\$ 482,160	\$ 926,855	52.02%	90.68%
2016	0.0305779%	\$ 619,861	\$ 945,603	65.55%	87.26%
2015	0.0306682%	\$ 403,850	\$ 872,841	46.27%	91.38%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

Data reported is measured as of July 1, 2018

CITY OF KIMBERLY
KIMBERLY, IDAHO
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PERSI - BASE PLAN
LAST 10 FISCAL YEARS *

<u>Year Ended June 30,</u>	<u>Statutorily required</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution (deficiency) excess</u>	<u>Employer's covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
2017	\$ 107,800	\$ 107,800	\$ -	\$ 940,766	11.46%
2017	\$ 106,105	\$ 106,105	\$ -	\$ 926,855	11.45%
2016	\$ 108,302	\$ 108,302	\$ -	\$ 945,603	11.45%
2015	\$ 99,533	\$ 99,533	\$ -	\$ 872,841	11.40%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*
2010	*	*	*	*	*
2009	*	*	*	*	*

Data reported is measured as of September 30, 2018

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

NOTE 1 - RECONCILIATION OF BUDGET TO GAAP

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

	<u>General Fund</u>	<u>Library Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,622,128	\$ 93,641
<u>Differences - Budget to GAAP</u>		
Interfund transfers are not included in fund revenue but are shown as "other financing sources."	0	(21,991)
For the fund revenue, debt proceeds and grants are not included as revenue, but, as "other financing sources".	(188,961)	
For the fund revenue, investment earnings are not included as revenue, but, as "other financing sources".	(38,092)	(209)
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	<u>(1,393,396)</u>	<u>8,471</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,001,679</u>	<u>\$ 79,912</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,920,546	\$ 76,265
Interfund transfers are not included in fund expenditures but are shown as "other financing uses."	<u>(21,991)</u>	<u>0</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,898,555</u>	<u>\$ 76,265</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

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>
None	\$ 1,920,546	\$ 1,868,210	\$ 52,336

NOTE 4 - PENSION DISCLOSURES

The following information is required to be disclosed as it relates to the pension:

- Changes of benefit terms: None
- Changes in composition of the population covered by the benefit terms: None

CITY OF KIMBERLY
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

NOTE 4 - PENSION DISCLOSURES (Continued)

	<u>Old</u>	<u>New</u>
- Changes of assumptions:		
Assumed Inflation - Mean	3.25%	3.00%
Assumed Inflation - Standard Deviation	2.00%	2.00%
Portfolio Arithmetic Mean Return	8.42%	8.42%
Portfolio Long-Term Expected Rate of Return	7.50%	4.05%
Assumed Investment Expenses	0.40%	3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	7.10%	7.05%
Inflation	3.25%	3.00%
Salary increases	4.25 - 10.00%	3.75%
Investment rate of return	7.10%	7.05%
Cost-of-living adjustments	1.00%	1.00%

**SUPPLEMENTAL
INFORMATION SECTION**

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,364,818	\$ 445,787	\$ 1,810,605
Investments	1,267,496	229,804	1,497,300
Net Receivables	<u>63,877</u>	<u>93,987</u>	<u>157,864</u>
<u>TOTAL CURRENT ASSETS</u>	<u>2,696,191</u>	<u>769,578</u>	<u>3,465,769</u>
NONCURRENT ASSETS			
Capital Assets (non-depreciated)	67,934		67,934
Capital Assets (net)	<u>8,785,493</u>	<u>3,457,530</u>	<u>12,243,023</u>
<u>TOTAL NONCURRENT ASSETS</u>	<u>8,853,427</u>	<u>3,457,530</u>	<u>12,310,957</u>
<u>TOTAL ASSETS</u>	<u>11,549,618</u>	<u>4,227,108</u>	<u>15,776,726</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Obligations	<u>16,999</u>	<u>19,019</u>	<u>36,018</u>
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>16,999</u>	<u>19,019</u>	<u>36,018</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	2,366	17,338	19,704
Accrued Interest Payable	23,354	116	23,470
Deposits Payable	45,194		45,194
Current Portion of Long-term Debt	<u>173,416</u>	<u>26,655</u>	<u>200,071</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>244,330</u>	<u>44,109</u>	<u>288,439</u>
NONCURRENT LIABILITIES			
Net Pension Liability	72,271	80,859	153,130
Lease Payable (net of current portion)			0
Bond Payable (net of current portion)	<u>4,450,596</u>		<u>4,450,596</u>
<u>TOTAL NONCURRENT LIABILITIES</u>	<u>4,522,867</u>	<u>80,859</u>	<u>4,603,726</u>
<u>TOTAL LIABILITIES</u>	<u>4,767,197</u>	<u>124,968</u>	<u>4,892,165</u>

Continued

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension Sources	<u>\$ 13,488</u>	<u>\$ 15,091</u>	<u>\$ 28,579</u>
 <u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	 <u>13,488</u>	 <u>15,091</u>	 <u>28,579</u>
 <u>NET POSITION</u>			
Invested in Capital Assets, net of related debt	4,229,415	3,350,016	7,579,431
Unrestricted	<u>2,556,517</u>	<u>756,052</u>	<u>3,312,569</u>
 <u>TOTAL NET POSTION</u>	 <u>\$ 6,785,932</u>	 <u>\$ 4,106,068</u>	 <u>\$ 10,892,000</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Service Fees	\$ 798,262	\$ 899,366	\$ 1,697,628
Service Hookups	68,250	42,000	110,250
Late Fees and Fines	38,367	3,057	41,424
Canal Water Shares Leased	20,400		20,400
Pressurized Irrigation System	39,514		39,514
Other Revenue	105,078	5,633	110,711
	<u>1,069,871</u>	<u>950,056</u>	<u>2,019,927</u>
<u>TOTAL OPERATING REVENUES</u>			
<u>OPERATING EXPENSES</u>			
Salaries and Benefits	206,149	216,750	422,899
Supplies	30,901	7,762	38,663
Travel and Training	3,008	2,103	5,111
Professional Fees	13,102	27,147	40,249
Interceptor		205,057	205,057
Administrative Supplies/Expenses	31,830	10,890	42,720
Insurance	16,605	16,605	33,210
Utilities	79,607	2,623	82,230
Fuel	7,817	3,414	11,231
Repairs and Maintenance	56,082	24,849	80,931
Water/Sewer Testing and Assessments	16,229	3,496	19,725
Depreciation Expense	253,579	171,026	424,605
	<u>714,909</u>	<u>691,722</u>	<u>1,406,631</u>
<u>TOTAL OPERATING EXPENSES</u>			
<u>OPERATING INCOME (LOSS)</u>			
	<u>354,962</u>	<u>258,334</u>	<u>613,296</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Investment Earnings	12,383	803	13,186
Capital Assets Donated	32,613	20,886	53,499
State and Federal Grants		38,059	38,059
Interest Expense	(47,029)	(4,639)	(51,668)
	<u>(2,033)</u>	<u>55,109</u>	<u>53,076</u>
<u>TOTAL NONOPERATING REVENUE (EXPENSES)</u>			
<u>CHANGE IN NET POSITION</u>			
	352,929	313,443	666,372
<u>TOTAL NET POSITION - BEGINNING (Restated)</u>			
	<u>6,433,003</u>	<u>3,792,625</u>	<u>10,225,628</u>
<u>TOTAL NET POSITION - ENDING</u>			
	<u>\$ 6,785,932</u>	<u>\$ 4,106,068</u>	<u>\$ 10,892,000</u>

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts Form Customers	\$ 1,075,309	\$ 995,051	\$ 2,070,360
Payments to Suppliers	(247,286)	(301,320)	(548,606)
Payments to Employees	(211,792)	(238,512)	(450,304)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>616,231</u>	<u>455,219</u>	<u>1,071,450</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal Paid on Capital Debt	(260,576)	(43,637)	(304,213)
Interest Paid on Capital Debt	(47,029)	(4,639)	(51,668)
<u>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>(307,605)</u>	<u>(48,276)</u>	<u>(355,881)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of Capital Assets	(215,261)	(144,482)	(359,743)
State / Federal Capital Grants		38,059	38,059
Interest	12,383	803	13,186
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	<u>(202,878)</u>	<u>(105,620)</u>	<u>(308,498)</u>
<u>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>105,748</u>	<u>301,323</u>	<u>407,071</u>
<u>BALANCES - BEGINNING OF THE YEAR</u>	<u>2,526,566</u>	<u>374,268</u>	<u>2,900,834</u>
<u>BALANCES - END OF THE YEAR</u>	<u>\$ 2,632,314</u>	<u>\$ 675,591</u>	<u>\$ 3,307,905</u>
<u>BALANCE DISPLAYED AS:</u>			
Cash	\$ 1,364,818	\$ 445,787	\$ 1,810,605
Investments	1,267,496	229,804	1,497,300
	<u>\$ 2,632,314</u>	<u>\$ 675,591</u>	<u>\$ 3,307,905</u>

(Continued)

CITY OF KIMBERLY
KIMBERLY, IDAHO
COMBINING SCHEDULE OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Income (Loss)	\$ 354,962	\$ 258,334	\$ 613,296
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	253,579	171,026	424,605
(Increase) Decrease in Accounts Receivable	5,438	44,995	50,433
Increase (Decrease) in Accounts Payable	1,532	3,008	4,540
Increase (Decrease) in Accrued Interest Payable	(1,267)	(382)	(1,649)
Increase (Decrease) in Deferred Pension In/Outflow	(5,643)	(21,762)	(27,405)
Increase (Decrease) in Deposits Payable	7,630		7,630
Net Cash Provided (Used) by Operating Activities	<u>\$ 616,231</u>	<u>\$ 455,219</u>	<u>\$ 1,071,450</u>
 <u>NON-CASH TRANSACTIONS</u>			
Donation of Capital Assets	<u>\$ 32,613</u>	<u>\$ 20,886</u>	<u>\$ 53,499</u>

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 22, 2018

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, 2018, 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 22, 2018.

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.

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. 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

CITY OF KIMBERLY
KIMBERLY, IDAHO
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

MATERIAL WEAKNESSES

None

SIGNIFICANT DEFICIENCIES

None

Summary Schedule of Prior Audit Findings

FINDING 2017-001: Lack of Segregation of Duties

The City did correct the finding during the fiscal year.