

CITY OF BURLEY, IDAHO

**Basic Financial Statements
With Supplemental Information**

September 30, 2014



CITY OF BURLEY, IDAHO
BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2014
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CITY OF BURLEY, IDAHO
BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2014
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FINANCIAL SECTION

Evans Poulsen & Catmull PA

Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Burley, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Burley (the "City"), as of and for the year ended September 30, 2014, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of Burley as of September 30, 2014, and the respective changes in financial position, and, where applicable,

cash flows thereof, and the budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6a through 6e be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund and fiduciary fund financial statements, as well as the combining and individual agency fund schedules of receipts, disbursements, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining fund financial statements, the combining and individual agency funds schedules of receipts, disbursements, and changes in fund balance 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 our opinion, the combining and individual fund financial statements, the combining and individual agency funds schedules of receipts, disbursements, and changes in fund balance 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*, we have also issued our report dated January 9, 2014, on our consideration of the City of Burley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Evans Poulsen & Catmull

Evans Poulsen & Catmull, PA
January 9, 2015

City of Burley
Management Discussion and Analysis
Fiscal Year Ending - September 30, 2014

Management's Discussion and Analysis Report

The management of the City of Burley, Idaho, presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. This Management's Discussion and Analysis is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report.

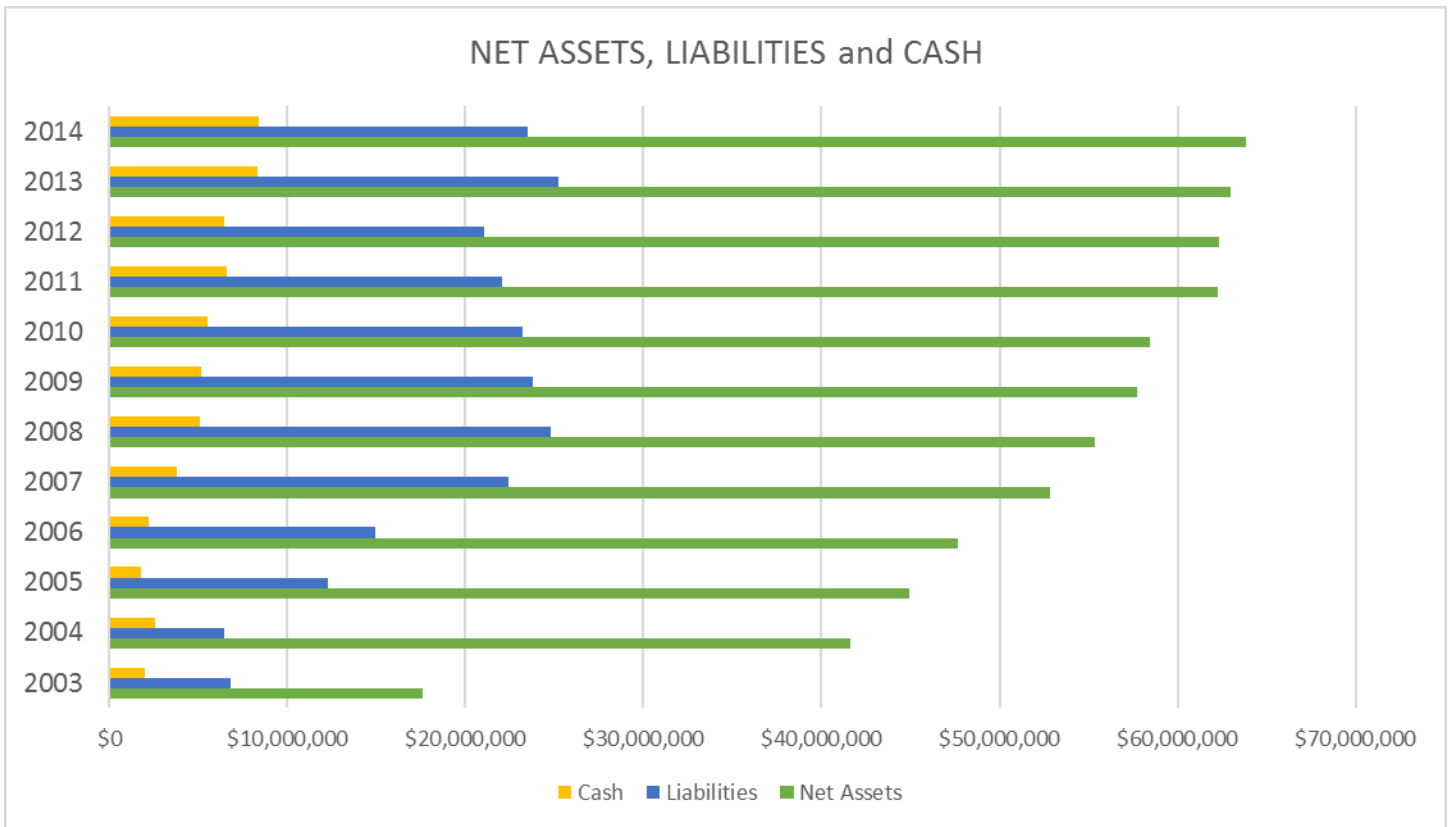
Government-wide Financial Analysis

The City is required to present its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34) which also requires the management discussion and analysis. This year we are also reporting on the retirement holdings the City of Burley has with the Public Employees Retirement System of Idaho which is a requirement of GASB 67.

Analysis of Net Position

The City total net position for the fiscal year ended September 30, 2014, is \$63,862,891 compared to \$62,952,361 for September 30, 2013. This is an increase in net assets of \$910,530. The increase in net assets is due to an increase of cash and assets in the Wastewater fund, the General Fund and the water fund offset by decreases in the Electric fund, Sanitation and Golf fund. The enterprise funds are summarized on page 14 and 15 of the Financial Statements. Governmental Activities net assets decreased by \$96,281 due to an depreciation of Buildings and structures, Cash in the Governmental funds increased \$456,011 due to the sale of property and increased cash in the Library and minor funds.

Liabilities for the City as a whole decreased by \$1,724,673 from September 30, 2013 to September 30, 2014. The decrease in liabilities was primarily due to the payment of long term debt. Accounts payable for all funds decreased by \$237,461 over the same period. The debt payments for water (Well 7-well and storage tank) and wastewater (Municipal and Industrial plants, including the G.O. Bond for wastewater) totaled \$1,742,498. Total liabilities for all funds were \$23,467,740.



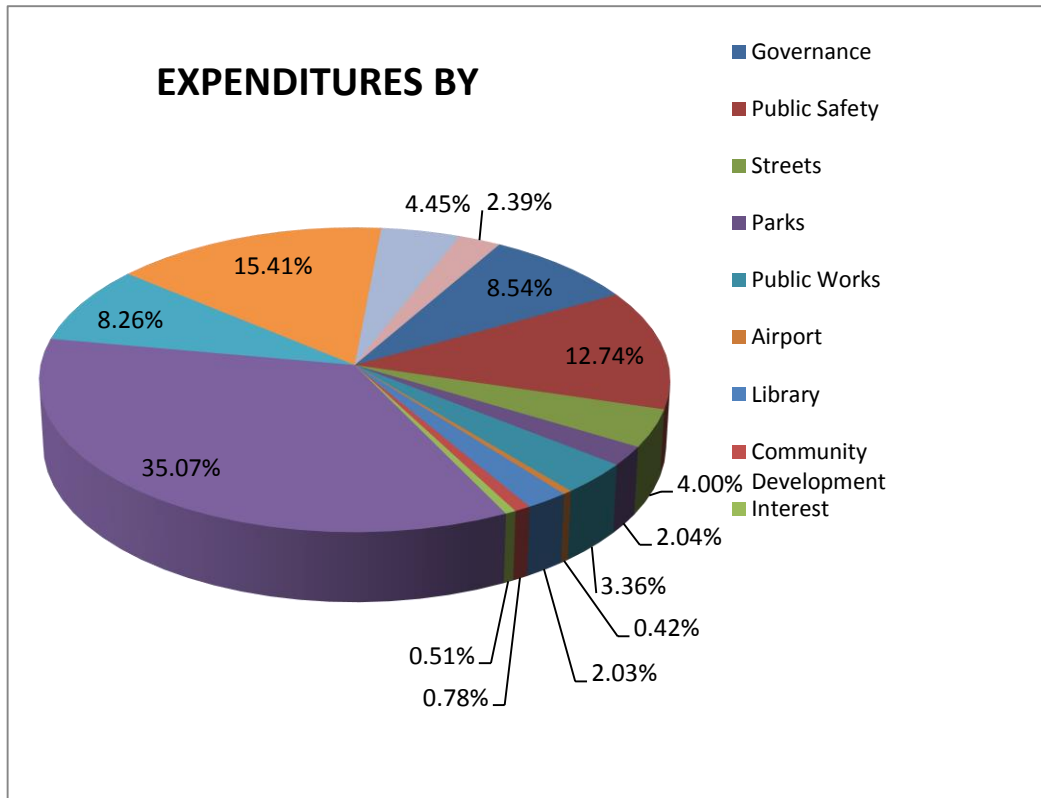
Funds analysis

The following is an analysis of the differences in the Net Position of each of the City's major funds.

Governmental Funds – Total property taxes collected for FY 2012-2013 were \$2,691,920. Property taxes for the General Fund (\$1,721,503 current and delinquent), Library (\$389,912) and the General Obligation Bond revenue was \$580,505. Total revenues for the General Fund were \$6,028,190. State of Idaho collected local tax revenues (Sales Tax/Inventory Replacement Tax and shared Liquor Dispensary revenues) were \$861,205 up from \$844,685 for the previous fiscal year. Highway user taxes (a portion of gas tax and vehicle registrations) and revenue from City residents passed through to the city at a 50% reduction from the highway districts totaled \$618,048 for fiscal year 2013-2014 compared to \$580,021 for fiscal year 2012-2013. Expenses for the Streets Department for the year were of \$792,520. The difference between the streets revenue and expense (\$174,472) comes directly out of the general fund. The City Council decided in 2007 to augment the Street funding to preserve street and curb and gutter infrastructure. This amount of funding is unsustainable for the long term unless other expenses are eliminated from the General fund. Total public safety, Sheriff's contract, Fire Department, Animal Control, Building Inspection and prosecution costs were \$2,866,263 which represents over 49.3% of all General Fund expenditures.

State and Federal Grants Fund – Grant reimbursements were received from the Federal Aviation Administration (Planning Grant) for \$95,579, State waterway grants and local matching funds in the amount of \$24,244 were received for boat docks and boater improvements. There was a \$281,330 received from a Community Development Block Grant project for wastewater improvements. The block grant funds and STAG Grant funds were deposited in the waste water capital improvements

fund for reimbursement as part of the improvements at the Industrial Wastewater plant. Total grant funds reimbursed for all projects during the year was \$401,153.



Business Type Funds

Electric Fund – The Electric Fund Net assets decreased \$295,382 from October 1, 2013 to September 30, 2014. Cash & Investments decreased by \$383,046 due to the purchase of the automated meter reading and information system (AMI). The Electric Department has spent \$679,052 on the construction of the communications tower and for new electric meters. 4,013 new single phase (mostly residential) electronic meters have been installed and 12 3-phase meters have been installed. The remaining meters are expected to be installed in fiscal year 2015. The department spent \$52,292 on conservation projects. A wholesale energy increase from BPA will occur in October 2015. The City management team will be asking the City Council to increase the rates effective October 1, 2015 so there is no loss of revenue to the electric fund. After the AMI system is installed there will be a concerted effort to build the cash balance of the Electrical fund to a higher level. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

Water Fund – The Water Fund Net Assets increased by \$101,576 as of September 30, 2014 compared to a decrease of \$136,767 for the previous fiscal year. The increase was due to revenues from the industrial park well which was out of production for most of the previous fiscal year coming back online. There were additional expenses of legal fees due to the Rangen water call that happened in the spring of 2014. There was \$284,486 spent on water system improvements and \$2,577 spent on new electronic meters for the water department. The Water Department has had a discussion with the full City Council concerning the need to fund a long term capital improvements

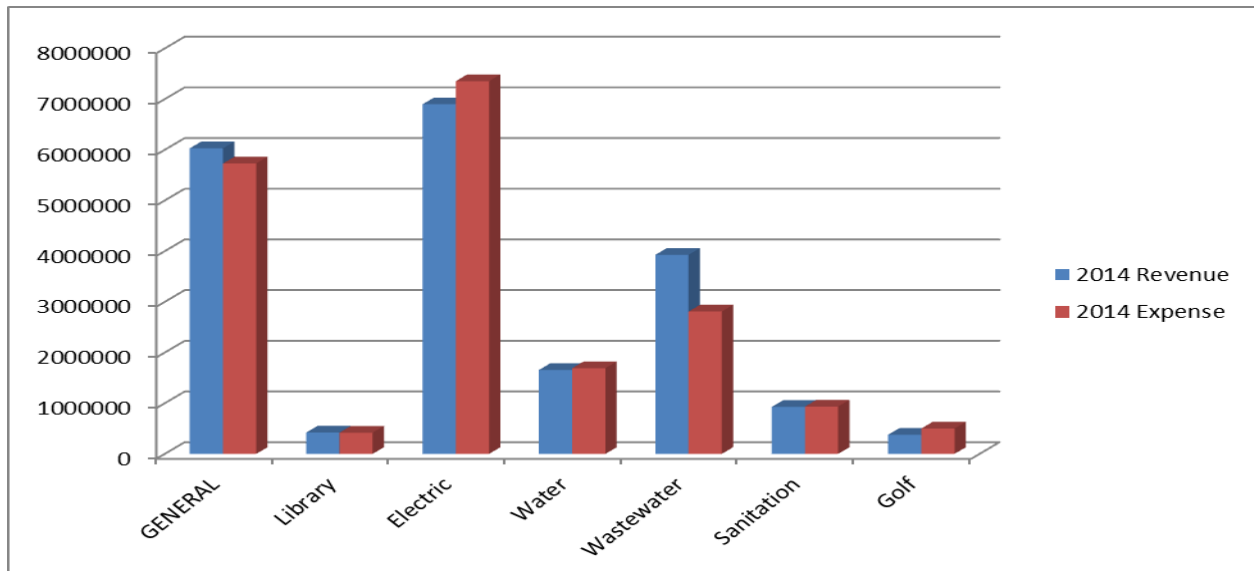
program in the water department based on the update to the water master plan. The master plan did not address operation increases that will have to be included in new rates for the cost of the water call mitigation or future electrical increases. The largest single operating cost for the Water Department other than labor is the cost of electricity at \$215,540 for fiscal year 2014. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

Wastewater Fund – The Wastewater Fund Net Position for September 30, 2014 was \$22,336,347. This is an increase of \$1,071,921 from October 1, 2013. Cash in the fund increased by \$124,217 due to lower than expected maintenance costs. The Industrial wastewater plant construction was completed in May of 2014. The bond proceeds were receipted into the fund in 2014 and the final STAG grant funds will be reimbursed in the 2014-2015 fiscal year. The sludge dryer at the Municipal plant needs to be repaired or replaced due to the manufacturer going out of business. We are currently looking for parts from the vendor that bought the original manufacturers business. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

Golf Fund – The Golf Fund net position decreased by \$46,405 during the 2013-2014 fiscal year. The cash and payables were both higher at the end of the fiscal year due to the new structure of the golf pro’s contract. The operating transfer to the Golf Fund was \$44,304. The City Council started a golf cart replacement plan during the fiscal year. They hope to replace all golf carts on a three year rotating basis.

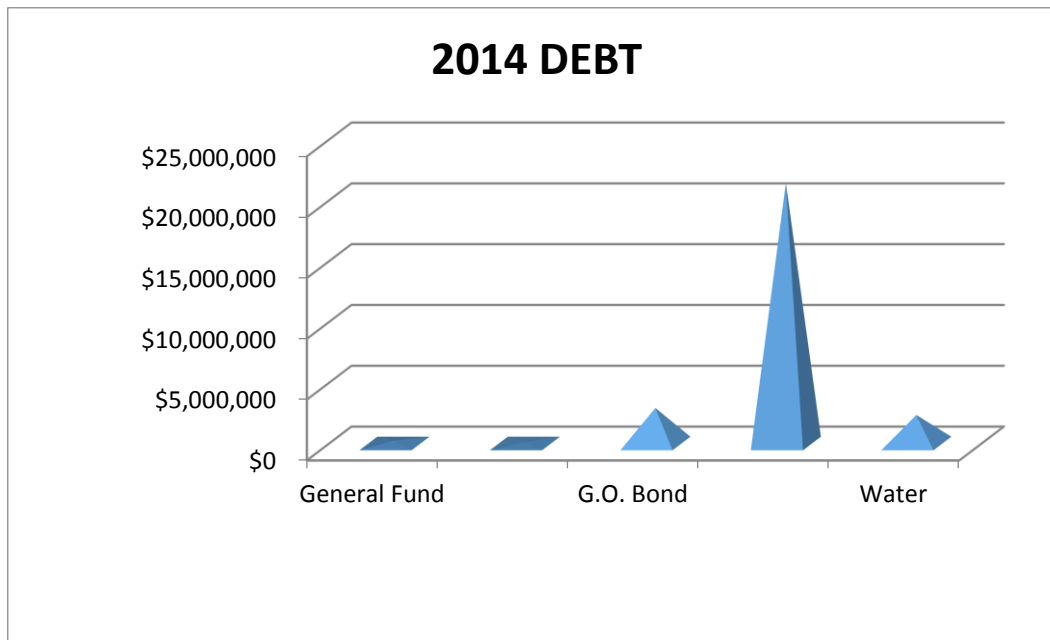
Sanitation Fund – The Sanitation Fund had a decrease in net position of \$5,124 from October 1, 2013 to September 30, 2014. The decrease was due to higher fuels costs of \$5,432 during the fiscal year that ended September 30, 2014. The fund operating revenue was \$926,921 compared to \$893,323 for the previous fiscal year. Total operating expenses were \$933,206. Revenue for the fund needs to be increased to keep pace with increasing costs of equipment. There were no significant deviations from budget.

OPERATING REVENUE COMPARED TO OPERATING EXPENSE



OUTSTANDING DEBT

As of September 30, 2014 the City of Burley had \$27,093,040 short and long term debt and future interest payments compared to \$29,190,703 in debt and interest payments at the end of fiscal year 2013. General Fund debt is \$251,381 of the total amount or less than 1%. Wastewater debt for the Industrial Plant and the Municipal plant is \$21,424,150. Water Department debt is 2,346,600. Additional detailed information on long-term obligations is available in note 6 to the financial statements.



Future Concerns and Notable Items

There are ongoing projects that will take a future financial commitment including airport relocation, funding a transfer station, a new park, and greenbelt improvements. General Fund will need to be very closely monitored as General Fund revenues affect services across the entire City. The problem of permanent funding for streets still exists. There may be a State wide solution for street funding as it is one of the issues the Idaho legislature will consider this year. The City of Burley has a temporary two-year override in the amount of \$200,000 that was approved in 2013 that will help with the backlog of street maintenance. The last time the state gas tax was increased was 1996. General Fund revenues have stabilized, and future increases are likely in smaller amounts. These services touch most citizens and demand may grow in utility requests. The City should strongly resist adding any new General Fund services or expansion of existing services with the exception of new utility services.

With overall cash balances of the City of Burley over \$8.2 million the City of Burley has distributed its cash between different investments in different financial institutions and the State of Idaho - Local Government investment pool.

Accounting for Assets

GASB 34 requires that public entities quantify the cost of existing assets and the maintenance costs of those assets. We have implemented a Geographic Information System (GIS) using Auto Cad and ESRI to document our public infrastructure from power poles and transformers to water valves and lines and many items other infrastructure items. As the City of Burley makes future public improvements it will not only increases the net assets shown on these financial statements but also commits the City to maintaining those improvements.

Requests for information

The City's financial statements are designed to present the users with a general overview of the City's finances, and to demonstrate the city's accountability. If you have questions about the report or need additional financial information, please contact the City Clerk or City Administrator at P.O. Box 1090, Burley, ID 83318, or check out the City of Burley website www.burleyidaho.org.

CITY OF BURLEY, IDAHO

Statement of Net Position
September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Totals	Burley Development Authority
ASSETS				
Current assets:				
Cash & investments	\$ 2,254,391	\$ 6,153,105	\$ 8,407,496	\$ 2,323,770
Receivables (net of allowances):				
Taxes	179,760	-	179,760	9,439
Accounts	3,532	784,298	787,830	-
Notes	-	-	-	-
Prepaid expenses	-	-	-	-
Inventory - note 3	-	681,818	681,818	-
Due from other funds	-	581,127	581,127	-
Due from other governments	245,130	-	245,130	-
Total current assets	<u>2,682,813</u>	<u>8,200,348</u>	<u>10,883,161</u>	<u>2,333,209</u>
Noncurrent assets:				
Restricted assets:				
Cash -	-	-	-	687,120
Capital assets - note 4:				
Land	10,654,919	432,802	11,087,721	1,672,810
Other capital assets, net of depreciation	18,516,703	46,843,046	65,359,749	-
Total noncurrent assets	<u>29,171,622</u>	<u>47,275,848</u>	<u>76,447,470</u>	<u>2,359,930</u>
Total assets	<u>31,854,435</u>	<u>55,476,196</u>	<u>87,330,631</u>	<u>4,693,139</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	247,852	1,145,610	1,393,462	1,086
Customer deposits payable	121,547	-	121,547	-
Compensated absences payable	126,990	-	126,990	-
Interest payable	4,283	31,624	35,907	178,932
Due to cash clearing	-	-	-	-
Bonds & notes payable - current maturity	230,000	766,733	996,733	495,911
Total current liabilities	<u>730,672</u>	<u>1,943,967</u>	<u>2,674,639</u>	<u>675,929</u>
Noncurrent liabilities:				
Notes due to other funds	234,439	-	234,439	-
Premium on bonds payable	180,000	2,143,707	2,323,707	-
Bonds payable - long term	2,160,000	16,074,955	18,234,955	9,046,610
Total noncurrent liabilities	<u>2,574,439</u>	<u>18,218,662</u>	<u>20,793,101</u>	<u>9,046,610</u>
Total liabilities	<u>3,305,111</u>	<u>20,162,629</u>	<u>23,467,740</u>	<u>9,722,539</u>
NET POSITION				
Net investment in capital assets	26,781,622	30,434,160	57,215,782	1,672,810
Restricted for:				
Capital projects & debt service	-	-	-	687,120
Unrestricted	1,767,702	4,879,407	6,647,109	(7,389,330)
Total Net Assets	<u>\$ 28,549,324</u>	<u>\$ 35,313,567</u>	<u>\$ 63,862,891</u>	<u>\$ (5,029,400)</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Activities
For the Year Ended September 30, 2014

Functions / Programs	Primary Government						Component Unit	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Burley Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Totals	
Governmental Activities:								
General Government	\$ 1,791,628	\$ 866,315	\$ -	\$ -	\$ (925,313)		\$ (925,313)	
Public Safety	2,671,512	315,591	-	-	(2,355,921)		(2,355,921)	
Highways & Streets	838,525	-	-	188,600	(649,925)		(649,925)	
Parks and Recreation	428,767	70,343	-	-	(358,424)		(358,424)	
Public Works	705,088	131,576	-	-	(573,512)		(573,512)	
Airport	88,857	14,101	-	-	(74,756)		(74,756)	
Library	424,991	29,212	1,520	-	(394,259)		(394,259)	
Community Development	163,444	-	-	125,096	(38,348)		(38,348)	
Interest on long-term debt	106,024	-	-	-	(106,024)		(106,024)	
Total Governmental Activities	7,218,836	1,427,138	1,520	313,696	(5,476,482)		(5,476,482)	
Business-Type Activities:								
Electric	7,353,549	6,896,687	-	137,774		\$ (319,088)	(319,088)	
Water	1,732,302	1,655,319	-	176,701		99,718	99,718	
Wastewater	3,231,197	3,926,659	-	368,330		1,063,792	1,063,792	
Sanitation	933,206	926,921	-	-		(6,285)	(6,285)	
Golf	501,608	378,115	-	-		(123,493)	(123,493)	
Total Business-Type Activities	13,751,862	13,783,701	-	682,805		714,644	714,644	
Total Primary Government	\$ 20,970,698	\$ 15,210,839	\$ 1,520	\$ 996,501	(5,476,482)	714,644	(4,761,838)	
Component Unit:								
Burley Development Authority	\$ 1,138,580	\$ -	\$ -	\$ -			\$ (1,138,580)	
		General Revenues						
					2,675,759	-	2,675,759	2,124,179
					345,000	-	345,000	-
					618,048	-	618,048	-
					861,205	-	861,205	-
					633,466	-	633,466	-
					711	34,854	35,565	-
					506,099	-	506,099	17,684
					(180,649)	-	(180,649)	-
					(93,258)	77,088	(16,170)	-
					5,366,381	111,942	5,478,323	2,141,863
					(110,101)	826,586	716,485	1,003,283
					28,659,425	34,486,981	63,146,406	(6,032,683)
					\$ 28,549,324	\$ 35,313,567	\$ 63,862,891	\$ (5,029,400)

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,284,642	\$ 287,620	\$ -	\$ 189,239	\$ 1,761,501
Receivables (net of allowances):					
Taxes	179,760	-	-	-	179,760
Accounts	3,532	-	-	-	3,532
Notes	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	212,613	-	-	32,517	245,130
Total assets	\$ 1,680,547	\$ 287,620	\$ -	\$ 221,756	\$ 2,189,923
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Vouchers payable and accrued liabilities	\$ 221,788	\$ 26,064	\$ -	\$ -	\$ 247,852
Utility customer deposits	121,547	-	-	-	121,547
Due to other funds	-	-	-	-	-
Total liabilities	343,335	26,064	-	-	369,399
DEFERRED INFLOW OF RESOURCES:					
Unavailable revenue - property taxes	126,054	-	-	-	126,054
FUND BALANCE:					
Restricted for:					
Capital projects	-	-	-	-	-
Committed:					
General Obligation Bond Fund	-	-	-	-	-
Library Fund	-	261,556	-	-	261,556
Grant Fund	-	-	-	221,756	221,756
Unassigned: General Fund	1,211,158	-	-	-	1,211,158
Total fund balances	1,211,158	261,556	-	221,756	1,694,470
Total liabilities, deferred inflow of resources and fund balances	\$ 1,680,547	\$ 287,620	\$ -	\$ 221,756	\$ 2,189,923

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities September 30, 2014

Total Governmental Fund Balances	\$ 1,694,470
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 funds.	29,171,622
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	126,054
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	985,780
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences	(126,990)
General Obligation Bonds (GOB) payable	(2,390,000)
Notes Payable - Electric Fund	(234,439)
Accrued interest payable	(4,283)
Net Position of Governmental Activities	<u>\$ 29,222,214</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2014

	General Fund	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Governmental Funds
Revenues:					
Taxes	\$ 2,008,502	\$ 389,912	\$ 543,002	\$ -	\$ 2,941,416
Licenses and permits	96,142	-	-	-	96,142
Intergovernmental	1,479,253	-	-	-	1,479,253
Charges for services	1,609,720	-	-	-	1,609,720
Fees and fines	72,607	28,042	-	-	100,649
Grants / Donations	-	1,520	-	125,096	126,616
Miscellaneous	761,966	1,170	-	-	763,136
Total revenues	6,028,190	420,644	543,002	125,096	7,116,932
Expenditures:					
Legislative	265,614	-	-	-	265,614
Executive	31,811	-	-	-	31,811
Administrative	758,206	-	-	-	758,206
Legal & Professional	154,875	-	-	-	154,875
Buildings	218,196	-	-	-	218,196
Police	1,450,000	-	-	-	1,450,000
Fire	1,050,693	-	-	-	1,050,693
Animal control	124,780	-	-	-	124,780
Streets	771,556	-	-	-	771,556
Equipment maintenance	219,794	-	-	-	219,794
Airport	48,282	-	-	-	48,282
Parks and recreation	241,425	-	-	-	241,425
Swimming	132,954	-	-	-	132,954
Cemetery	260,759	-	-	-	260,759
Library	-	418,190	-	-	418,190
Debt Service - Principal	-	-	225,000	-	225,000
Debt Service - Interest	-	-	106,024	-	106,024
Capital outlays	-	-	-	163,444	163,444
Total expenditures	5,728,945	418,190	331,024	163,444	6,641,603
Excess of revenues over (under) expenditures	299,245	2,454	211,978	(38,348)	475,329
Other financing sources (uses)					
Transfers in	-	42,000	-	-	42,000
Transfers out	(119,088)	(16,170)	-	-	(135,258)
Bond / loan proceeds	-	-	-	-	-
Proceeds from the sale of capital assets	231,745	-	-	-	231,745
Total other financing sources (uses)	112,657	25,830	-	-	138,487
Net change in fund balances	411,902	28,284	211,978	(38,348)	613,816
Fund balance - beginning	799,256	233,272	(211,978)	260,104	1,080,654
Fund balance - ending	\$ 1,211,158	\$ 261,556	\$ -	\$ 221,756	\$ 1,694,470

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 613,816

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:

Fixed asset additions - purchased	\$ 188,600	
Fixed asset additions - contributed	-	
Depreciation expense	<u>(802,233)</u>	
Excess of capital outlay over depreciation		(613,633)

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds. This is the increase/(decrease) in deferred unavailable revenue. (12,591)

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Repayment of loan principal - GOB		245,000
Repayment of loan principal - Other Loans		75,223

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include:

Net change in compensated absences		(674)
Decrease (inc) in accrued interest on long-term debt		(1,297)
Basis in assets sold		(412,394)

Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue/(expense) of the internal service funds are reported with governmental activities - current year (3,551)

Change in Net Position of Governmental Activities \$ (110,101)

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget: Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,930,382	\$ 1,930,382	\$ 2,008,502	\$ 78,120
Licenses and permits	106,300	106,300	96,142	(10,158)
Intergovernmental	1,424,780	1,424,780	1,479,253	54,473
Charges for services	1,563,215	1,563,215	1,609,720	46,505
Fines	100,000	100,000	72,607	(27,393)
Miscellaneous	833,450	833,450	761,966	(71,484)
Total revenues	5,958,127	5,958,127	6,028,190	70,063
Expenditures:				
Legislative	362,724	362,724	265,614	97,110
Executive	37,682	37,682	31,811	5,871
Administrative	795,969	795,969	758,206	37,763
Legal	172,388	172,388	154,875	17,513
Buildings	199,886	199,886	218,196	(18,310)
Police	1,450,000	1,450,000	1,450,000	-
Fire	1,048,065	1,048,065	1,050,693	(2,628)
Animal control	140,298	140,298	124,780	15,518
Streets	792,520	792,520	771,556	20,964
Equipment maintenance	242,033	242,033	219,794	22,239
Airport	33,696	33,696	48,282	(14,586)
Parks and recreation	247,563	247,563	241,425	6,138
Swimming	111,193	111,193	132,954	(21,761)
Cemetery	265,943	265,943	260,759	5,184
Construction	-	-	-	-
Total expenditures	5,899,960	5,899,960	5,728,945	171,015
Excess (deficiency) of revenues over expenditures	58,167	58,167	299,245	241,078
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(84,167)	(84,167)	(119,088)	(34,921)
Bond / loan proceeds	-	-	-	-
Proceeds from the sale of capital assets	26,000	26,000	231,745	205,745
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	411,902	411,902
Fund balance - beginning	653,673	653,673	653,673	-
Fund balance - ending	\$ 653,673	\$ 653,673	\$ 1,065,575	\$ 411,902

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Net Position
Proprietary Funds
September 30, 2014

	Business-Type Activities Enterprise Funds					Totals	Governmental Activities-
	Electric Fund	Water Fund	Wastewater Fund	Sanitation Fund	Golf Fund		Internal Service Funds
ASSETS							
Current assets:							
Cash & investments	\$ 1,560,109	\$ 406,022	\$ 3,979,994	\$ 166,982	\$ 39,998	\$ 6,153,105	\$ 492,890
Receivables (net of allowances):							
Accounts	404,159	92,975	233,439	48,645	5,080	784,298	-
Claims	-	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
Inventory	457,209	224,609	-	-	-	681,818	-
Total current assets	<u>2,421,477</u>	<u>723,606</u>	<u>4,213,433</u>	<u>215,627</u>	<u>45,078</u>	<u>7,619,221</u>	<u>492,890</u>
Noncurrent assets:							
Notes receivable - other funds	581,127	-	-	-	-	581,127	-
Restricted assets	-	-	-	-	-	-	-
Capital Assets:							
Land	85,735	242,115	92,452	12,500	-	432,802	-
Other capital assets, net of depr	3,938,035	6,553,166	35,149,180	530,363	672,302	46,843,046	-
Total noncurrent assets	<u>4,604,897</u>	<u>6,795,281</u>	<u>35,241,632</u>	<u>542,863</u>	<u>672,302</u>	<u>47,856,975</u>	<u>-</u>
Total assets	<u>7,026,374</u>	<u>7,518,887</u>	<u>39,455,065</u>	<u>758,490</u>	<u>717,380</u>	<u>55,476,196</u>	<u>985,780</u>
LIABILITIES							
Current liabilities:							
Accounts payable & accrued exp	753,853	113,251	177,983	43,887	56,636	1,145,610	-
Deferred revenue	-	-	-	-	-	-	-
Interest payable	-	2,770	28,854	-	-	31,624	-
Due to other funds	-	-	-	-	-	-	-
Bonds & notes payable - current	-	85,000	640,000	-	41,733	766,733	-
Total current liabilities	<u>753,853</u>	<u>201,021</u>	<u>846,837</u>	<u>43,887</u>	<u>98,369</u>	<u>1,943,967</u>	<u>-</u>
Noncurrent liabilities:							
Premium on bonds payable	-	241,826	1,901,881	-	-	2,143,707	-
Bonds & notes payable	-	1,600,000	14,370,000	-	104,955	16,074,955	-
Total liabilities	<u>-</u>	<u>1,841,826</u>	<u>16,271,881</u>	<u>-</u>	<u>104,955</u>	<u>18,218,662</u>	<u>-</u>
NET POSITION							
Net Investment in capital assets	4,023,770	5,110,281	20,231,632	542,863	525,614	30,434,160	-
Restricted for:							
Capital projects	-	-	-	-	-	-	-
Unrestricted	2,248,751	365,759	2,104,715	171,740	(11,558)	4,879,407	985,780
Total net position	<u>\$ 6,272,521</u>	<u>\$ 5,476,040</u>	<u>\$ 22,336,347</u>	<u>\$ 714,603</u>	<u>\$ 514,056</u>	<u>\$ 35,313,567</u>	<u>\$ 985,780</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	Business-Type Activities Enterprise Funds					Totals	Governmental Activities-
	Electric Fund	Water Fund	Wastewater Fund	Sanitation Fund	Golf Fund		Internal Service Funds
Operating revenues:							
Charges for utilities	\$ 6,788,152	\$ 1,641,172	\$ 3,916,833	\$ 925,899	\$ -	\$ 13,272,056	\$ 1,674,915
Less cost of utilities	(4,417,185)	-	-	-	-	(4,417,185)	-
Gross profit on utilities	2,370,967	1,641,172	3,916,833	925,899	-	8,854,871	1,674,915
Other service charges	108,535	14,147	9,826	1,022	378,115	511,645	-
Total operating revenues	2,479,502	1,655,319	3,926,659	926,921	378,115	9,366,516	1,674,915
Operating expenses:							
Salaries & temp services	572,920	283,880	366,360	232,900	217,888	1,673,948	-
F.I.C.A. taxes	41,571	21,119	27,783	14,202	8,395	113,070	-
State retirement	61,614	28,587	40,821	21,333	12,515	164,870	-
Workman's compensation	13,588	10,488	14,415	19,731	2,673	60,895	-
Health and accident insurance	150,484	111,170	186,798	132,777	49,140	630,369	1,678,466
Operating supplies	43,617	115,335	107,197	48,793	11,367	326,309	-
Motor fuels and lubricants	17,647	10,137	32,721	113,036	15,798	189,339	-
Professional services	6,463	244,285	56,928	2,539	716	310,931	-
Advertising and printing	2,797	1,810	2,231	1,238	615	8,691	-
Insurance	13,887	12,284	28,737	10,690	2,771	68,369	-
Memberships, travel and training	57,952	4,935	6,056	260	1,636	70,839	-
Utilities and telephone	53,587	219,464	351,040	1,738	17,746	643,575	-
Rent - buildings and equipment	57,000	33,000	17,994	-	-	107,994	-
Maintenance expense	347,466	108,995	276,042	201,226	57,193	990,922	-
Other purchased services	-	-	-	-	-	-	-
Miscellaneous expense	8,757	3,289	4,935	1,645	10,538	29,164	-
Bad debts	20,847	4,739	11,898	2,479	-	39,963	-
Tax equivalents paid to Gen. Fund	725,400	-	-	-	-	725,400	-
Depreciation	286,327	325,707	1,077,701	94,619	89,541	1,873,895	-
Administrative services	426,940	120,000	135,000	25,000	2,500	709,440	-
Legal services	27,500	31,875	64,000	9,000	-	132,375	-
Total operating expenses	2,936,364	1,691,099	2,808,657	933,206	501,032	8,870,358	1,678,466
Operating income (loss)	(456,862)	(35,780)	1,118,002	(6,285)	(122,917)	496,158	(3,551)
Non-operating revenues (expenses)							
Grant revenue	2,865	15,701	281,330	-	-	299,896	-
Capital Contributions	134,909	161,000	87,000	-	-	382,909	-
Interest income	23,706	1,858	8,129	1,161	-	34,854	-
Interest (expense)	-	(41,203)	(422,540)	-	(576)	(464,319)	-
Total non-operating revenues (exp)	161,480	137,356	(46,081)	1,161	(576)	253,340	-
Income(Loss) before transfers	(295,382)	101,576	1,071,921	(5,124)	(123,493)	749,498	(3,551)
Transfers In	-	-	-	-	77,088	77,088	-
Transfers Out	-	-	-	-	-	-	-
Change in Net Position	(295,382)	101,576	1,071,921	(5,124)	(46,405)	826,586	(3,551)
Net Position Beginning of Year	6,567,903	5,374,464	21,264,426	719,727	560,461	34,486,981	496,441
Net Position End of Year	\$ 6,272,521	\$ 5,476,040	\$ 22,336,347	\$ 714,603	\$ 514,056	\$ 35,313,567	\$ 492,890

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	Business-Type Activities Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund	Sanitation Fund	Golf Fund		
Cash flows provided by operating activities:							
Receipts from customers and users	\$ 6,927,896	\$ 1,663,150	\$ 3,941,065	\$ 930,259	\$ 373,035	\$ 13,835,405	\$ 1,674,915
Payments to suppliers	(5,768,857)	(1,086,537)	(1,762,243)	(564,327)	(157,517)	(9,339,481)	\$ (1,678,466)
Payments to employees	(572,920)	(283,880)	(366,360)	(232,900)	(217,888)	(1,673,948)	-
Payments for interfund services used	(454,440)	(151,875)	(199,000)	(34,000)	(2,500)	(841,815)	-
Other receipts/(payments)	-	-	-	-	-	-	-
Net cash provided (used) by operating activities	131,679	140,858	1,613,462	99,032	(4,870)	1,980,161	(3,551)
Cash flows from noncapital and related financing activities:							
Grants received	2,865	15,701	281,330	-	-	299,896	-
Transfers from (to) other funds	-	-	-	-	77,088	77,088	-
Net cash provided (used) by noncapital and related financing activities	2,865	15,701	281,330	-	77,088	376,984	-
Cash flows from capital and related financing activities:							
Proceeds from long-term debt	-	-	-	-	-	-	-
Capital contributions	134,909	161,000	87,000	-	-	382,909	-
Principal and interest paid on long-term debt	-	(157,050)	(1,252,143)	-	(42,167)	(1,451,360)	-
Transfer to restricted assets	-	-	-	-	-	-	-
Acquisition of capital assets	(794,419)	(320,137)	(613,561)	(56,989)	-	(1,785,106)	-
Net cash used by capital and related financing activities	(659,510)	(316,187)	(1,778,704)	(56,989)	(42,167)	(2,853,557)	-
Cash flows from investing activities:							
Loans to other funds	-	-	-	-	-	-	-
Principal received on loans to other funds	118,214	-	-	-	-	118,214	-
Interest received on Investments	23,706	1,858	8,129	1,161	-	34,854	-
Net cash provided by investing activities	141,920	1,858	8,129	1,161	-	153,068	-
Net increase (decrease) in cash	(383,046)	(157,770)	124,217	43,204	30,051	(343,344)	(3,551)
Cash at beginning of year (including restricted)	1,943,155	563,792	3,855,777	123,778	9,947	6,496,449	624,783
Cash at end of year (including restricted)	\$ 1,560,109	\$ 406,022	\$ 3,979,994	\$ 166,982	\$ 39,998	\$ 6,153,105	\$ 621,232
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (456,862)	\$ (35,780)	\$ 1,118,002	\$ (6,285)	\$ (122,917)	\$ 496,158	\$ (3,551)
Depreciation & amortization	286,327	325,707	1,077,701	94,619	89,541	1,873,895	-
(Increase) decrease in accounts receivable	31,209	7,831	14,403	3,339	(5,080)	51,702	-
(Increase) decrease in inventory	(55,249)	(105,764)	-	-	-	(161,013)	-
Increase (decrease) in payables	326,254	(51,134)	(596,647)	7,360	33,586	(280,581)	-
Net cash provided (used) by operating activities	\$ 131,679	\$ 140,860	\$ 1,613,459	\$ 99,033	\$ (4,870)	\$ 1,980,161	\$ (3,551)

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2014

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ASSETS			
Cash & Investments	\$ 205,945	\$ 21,436	\$ 227,381
Prepaid Expenses	-	-	-
Other Assets	-	-	-
Total assets	<u>205,945</u>	<u>21,436</u>	<u>227,381</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	-	-	-
Deferred Revenue	-	-	-
Interest Payable	-	-	-
Long-Term Liabilities - Note 6:			
Due Within One Year	-	-	-
Due in More Than One Year	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in Trust	<u>205,945</u>	<u>21,436</u>	<u>227,381</u>
Total Net Position	<u>\$ 205,945</u>	<u>\$ 21,436</u>	<u>\$ 227,381</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2014

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ADDITIONS:			
Donations	\$ 9,460	\$ 450	\$ 9,910
Investment earnings	1,281	-	1,281
Total additions	<u>10,741</u>	<u>450</u>	<u>11,191</u>
DEDUCTIONS:			
Community projects	-	-	-
Library construction	-	-	-
Other expenses	-	795	795
Total deductions	<u>-</u>	<u>795</u>	<u>795</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	16,170	-	16,170
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION:	26,911	(345)	26,566
Net position - beginning of year	179,034	21,781	200,815
Net position - end of year	<u>\$ 205,945</u>	<u>\$ 21,436</u>	<u>\$ 227,381</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Burley have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds, provided they do not conflict with or contradict GASB pronouncements. The significant accounting policies of the City are described below.

A. Reporting Entity

The City of Burley was incorporated April 10, 1905. The City operates under a Mayor-City Council form of government. The six-member City Council and Mayor have governing responsibilities over all of the activities relating to the City of Burley. The City provides the following services: Public safety, public works, recreation and community development.

The component unit, the Burley Development Authority (BDA), is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The BDA's activities are presented in a separate column in the accompanying financial statements. The BDA is a separate and distinct legal entity authorized by state statute but does not have fiscal independence from the City. The commissioners are appointed by the Mayor and approved by the City Council and at termination of the BDA, the assets of the BDA revert to the City.

B. Government-Wide Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the primary government and component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and other revenues if they are collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Electric fund accounts for the operations of providing electricity to the citizens of the City.

The Water Fund accounts for the operations of providing water to the citizens of the City.

The Wastewater Fund accounts for the operations of the City's wastewater system.

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements. An exception to this rule is for payments from the Enterprise Funds to the General Fund for accounting and billing services rendered and rent of facilities. Elimination of these charges would distort the direct costs and program revenues of the funds involved.

Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions, and capital grants and contributions. All taxes are reported as general revenues as are internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Fund Balance Classifications

Fund Balance Reserves - The City has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the City to classify and report amounts in the appropriate fund balance classifications. The City's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

The City reports the following classifications as applicable:

Non-spendable Fund Balance - Non-spendable fund balances are amounts that cannot be spent because they are either: (a) not in spendable form - such as inventory or prepaid insurance, or (b) legally or contractually required to be maintained intact - such as a trust that must be retained in perpetuity.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

Restricted Fund Balance - Restricted fund balances are amounts that cannot be spent because they are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions are placed on fund balances when legally enforceable legislation establishes a specific purpose for the funds. Legal enforceability means that the City can be compelled by an external party (e.g. citizens, public interest groups, the judiciary) to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance - Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the City Council. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the City Council. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - Assigned fund balances are amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by: (a) the secretary/treasurer, or (b) an appointed body (e.g. a budget or finance committee) or an official to which the City Council have delegated the Agency to assign, modify, or rescind amounts to be used for specific purposes. Assigned fund balance includes: (a) all remaining amounts that are reported in governmental funds (other than the general fund) that are not classified as non-spendable, restricted, or committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - Unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the general fund.

E. Deposits and Investments

Deposits: Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial credit risk. At year end, \$8,825,911 of the City's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments: Custodial credit risk, in the case of investments, is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>		
Idaho State Local Government Investment Pool	\$ 605,005	144 days	Maturity

These investments are unrated external investment pools sponsored by the Idaho State Treasurer's Office. They are classified as "Investments in an External Investment Pool" and are exempt from custodial credit risk and concentration of credit risk reporting. Interest rate risk is summarized as follows: Asset-backed securities are reported using weighted average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

The elected Idaho State Treasurer, following Idaho Code, Section 67-2328, is authorized to sponsor an investment pool in which the City voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body - oversight is with the State Treasurer, and Idaho Code defines allowable investments. All investments are entirely insured or collateralized with securities held by the Pool or by its agent in the Pool's name. And the fair value of the City's position in the external investment pool is the same as the value of the pool shares.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

Credit Risk: The City's policy is to comply with Idaho State statutes which authorize the City to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

Interest rate risk and concentration of credit risk: The City has no policy regarding these two investment risk categories.

F. Inventory

Inventories are valued at the lower of cost (first-in, first-out basis) or market. See Note 3.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, lighting systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation are removed, and any gain or loss arising from its disposal is credited or charged to operations. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Capital assets are reported net of accumulated depreciation on the statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25-40 years
Improvements	10-45 years
Equipment	3-10 years

H. Long-Term Liabilities

Long-term liabilities consist of bonds, notes, and other indebtedness including material liabilities associated with compensated absences.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

I. Budgets and Budgetary Accounting

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Clerk's office, after consultation with the various department heads, submits to the city councilmen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. At the regular council meeting on the 1st Tuesday in August the tentative budget is submitted to the councilmen and cleared for publications and public comment.

3. A public hearing is held at the regular council meeting on the 1st Tuesday in September to obtain public comment. After public comment, the budget is finalized and legally adopted.

4. Revisions to the budget can only be made by court order, public hearing or certain emergencies as defined by law.

5. Formal budgetary integration is employed as a management control device during the year for all Funds of the City.

6. Encumbrance accounting is not used for budget purposes and appropriations lapse at year end.

CITY OF BURLEY, IDAHO
Notes to Financial Statements
September 30, 2014

- J. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts
Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued in the proprietary funds and the governmental funds in the statement of net assets.
- K. Encumbrances
Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is not considered necessary at present to assure effective budgetary control or to facilitate effective cash planning and control.
- L. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- M. Application of Restricted or Unrestricted Resources
The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2: ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLES

An allowance for uncollectible utility accounts has been determined to be approximately equal to utility receivables outstanding 90 days or more, which totals \$555,513.

The City has not experienced any significant loss of delinquent taxes receivable in past years and, therefore, does not consider it necessary to establish any allowance for uncollectible taxes receivable.

NOTE 3: INVENTORIES

Cost of electrical fund and water and sewer fund materials and supplies inventories are determined by the first-in, first-out method (FIFO) and are stated at the lower of cost or market. Electric fund inventory at September 30, 2014 was \$457,209, consisting of electrical system replacement parts. Water fund inventory was \$224,609 consisting of water supply parts. Sewer fund inventory is considered immaterial.

Continued - next page

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

Primary Government

	Balance 9/30/13	Additions	Deletions	Balance 9/30/14
<u>Governmental Activities</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 10,756,792	\$ -	\$ (101,873)	\$ 10,654,919
Buildings	8,729,021	-	(461,387)	8,267,634
Improvements other than buildings	10,447,336	-	-	10,447,336
Infrastructure assets	5,870,799	188,600	-	6,059,399
Equipment	3,045,607	-	(89,860)	2,955,747
Total	38,849,555	188,600	(653,120)	38,385,035
Accumulated Depreciation:				
Buildings	2,658,666	194,349	(150,866)	2,702,149
Improvements other than buildings	3,248,175	279,662	-	3,527,837
Infrastructure assets	946,034	214,577	-	1,160,611
Equipment	1,795,848	114,823	(87,855)	1,822,816
Total	8,648,723	803,411	(238,721)	9,213,413
Net Book Value:				
Land (non-depreciable)	10,756,792	-	(101,873)	10,654,919
Buildings	6,070,355	(194,349)	(310,521)	5,565,485
Improvements other than buildings	7,199,161	(279,662)	-	6,919,499
Infrastructure assets	4,924,765	(25,977)	-	4,898,788
Equipment	1,249,759	(114,823)	(2,005)	1,132,931
Total	\$ 30,200,832	\$ (614,811)	\$ (414,399)	\$ 29,171,622

	Balance 9/30/13	Additions	Deletions	Balance 9/30/14
<u>Business-type Activities</u>				
<u>Electric Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 85,735	\$ -	\$ -	\$ 85,735
Buildings	352,131	-	-	352,131
Improvements other than buildings	7,450,279	750,864	-	8,201,143
Equipment	1,323,771	43,555	-	1,367,326
Total	9,211,916	794,419	-	10,006,335
Accumulated Depreciation:				
Buildings	217,564	6,422	-	223,986
Improvements other than buildings	4,645,213	167,176	-	4,812,389
Equipment	833,462	112,728	-	946,190
Total	5,696,239	286,326	-	5,982,565

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

Net Book Value:

Land (non-depreciable)	85,735	-	-	85,735
Buildings	134,567	(6,422)	-	128,145
Improvements other than buildings	-	583,688	-	3,388,754
Equipment	2,805,066	(69,173)	-	421,136
Total	\$ 3,515,677	\$ 508,093	\$ -	\$ 4,023,770

Water Fund

Cost / Historical Value

Land (non-depreciable)	\$ 242,115	\$ -	\$ -	\$ 242,115
Buildings	528,848	159,137	-	687,985
Improvements other than buildings	11,001,823	161,000	-	11,162,823
Equipment	529,381	-	-	529,381
Total	12,302,167	320,137	-	12,622,304

Accumulated Depreciation:

Buildings	387,149	24,543	-	411,692
Improvements other than buildings	4,599,121	292,141	-	4,891,262
Equipment	515,046	9,023	-	524,069
Total	5,501,316	325,707	-	5,827,023

Net Book Value:

Land (non-depreciable)	242,115	-	-	242,115
Buildings	141,699	134,594	-	276,293
Improvements other than buildings	6,402,702	(131,141)	-	6,271,561
Equipment	14,335	(9,023)	-	5,312
Total	\$ 6,800,851	\$ (5,570)	\$ -	\$ 6,795,281

Balance				Balance
9/30/13	Additions	Deletions		9/30/14

Wastewater Fund

Cost / Historical Value

Land (non-depreciable)	\$ 92,452	\$ -	\$ -	\$ 92,452
Buildings	1,590,416	-	-	1,590,416
Improvements other than buildings	41,792,390	491,475	-	42,283,865
Equipment	1,033,603	122,086	-	1,155,689
Total	44,508,861	613,561	-	45,122,422

Accumulated Depreciation:

Buildings	355,690	36,580	-	392,270
Improvements other than buildings	7,802,679	972,059	-	8,774,738
Equipment	644,720	69,062	-	713,782
Total	8,803,089	1,077,701	-	9,880,790

Net Book Value:

Land (non-depreciable)	92,452	-	-	92,452
Buildings	1,234,726	(36,580)	-	1,198,146
Improvements other than buildings	33,989,711	(480,584)	-	33,509,127
Equipment	388,883	53,024	-	441,907
Total	\$ 35,705,772	\$ (464,140)	\$ -	\$ 35,241,632

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

Sanitation Fund

Cost / Historical Value

Land (non-depreciable)	\$	12,500	\$	-	\$	-	\$	12,500
Buildings		-		-		-		-
Improvements other than buildings		-		-		-		-
Equipment		2,258,300		56,989		-		2,315,289
Total		2,270,800		56,989		-		2,327,789

Accumulated Depreciation:

Buildings		-		-		-		-
Improvements other than buildings		-		-		-		-
Equipment		1,690,308		94,618		-		1,784,926
Total		1,690,308		94,618		-		1,784,926

Net Book Value:

Land (non-depreciable)		12,500		-		-		12,500
Buildings		-		-		-		-
Improvements other than buildings		-		-		-		-
Equipment		567,992		(37,629)		-		530,363
Total	\$	580,492	\$	(37,629)	\$	-	\$	542,863

	Balance					Balance
	9/30/13	Additions	Deletions			9/30/14

Golf Fund

Cost / Historical Value

Land (non-depreciable)	\$	-	\$	-	\$	-	\$	-
Buildings		483,556		-		-		483,556
Improvements other than buildings		617,897		-		(8,855)		609,042
Equipment		688,721		-		-		688,721
Total		1,790,174		-		(8,855)		1,781,319

Accumulated Depreciation:

Buildings		188,001		12,086		-		200,087
Improvements other than buildings		468,744		24,570		(8,855)		484,459
Equipment		371,588		52,883		-		424,471
Total		1,028,333		89,539		(8,855)		1,109,017

Net Book Value:

Land (non-depreciable)		-		-		-		-
Buildings		295,555		(12,086)		-		283,469
Improvements other than buildings		149,153		(24,570)		-		124,583
Equipment		317,133		(52,883)		-		264,250
Total	\$	761,841	\$	(89,539)	\$	-	\$	672,302

CITY OF BURLEY, IDAHO
Notes to Financial Statements
September 30, 2014

Depreciation was charged to functions/programs of the governmental activities as follows:

General Government	\$ 581,122
Public Safety	46,039
Highways & Streets	66,969
Parks & Recreation	54,388
Public Works	6,339
Airport	40,575
Library	6,801
Total Governmental Activities Depreciation	<u>\$ 802,233</u>

All depreciable capital assets are being depreciated using the straight-line method over the respective estimated lives described in Note 1. The City elected to phase in reporting of existing infrastructure assets acquired between 1980 and 2003, as allowed for Phase 2 governments during the GASB 34 transition period. All infrastructure assets acquired during that time period have been reported with financial statements beginning with the year ended September 30, 2007. Infrastructure assets which had not previously been reported consist mainly of streets, curb and gutter, stop lights and street lights.

Discretely presented component unit - Burley Development Authority

A summary of changes in capital assets follows:

	Balance 9/30/13	Additions	Deletions	Balance 9/30/14
Governmental Activities				
Cost / Historical Value				
Land (non-depreciable)	\$ 1,672,810	\$ -	\$ -	\$ 1,672,810
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Infrastructure assets	-	-	-	-
Equipment	-	-	-	-
Total	<u>1,672,810</u>	-	-	<u>1,672,810</u>
Accumulated Depreciation:				
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Infrastructure assets	-	-	-	-
Equipment	-	-	-	-
Total	<u>-</u>	-	-	<u>-</u>
Net Book Value:				
Land (non-depreciable)	1,672,810	-	-	1,672,810
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Infrastructure assets	-	-	-	-
Equipment	-	-	-	-
Total	<u>\$ 1,672,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,672,810</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

NOTE 5: RETIREMENT PLAN

The City participates in the Public Employee Retirement System of Idaho, (PERSI). The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual retirement allowance is 2.0% (2.3% police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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

The actuarially determined contribution requirements for the City of Burley and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2013, the required contribution rates, as determined by PERSI are as follows:

	<u>Employer</u>	<u>Employee</u>
General Member	10.39%	6.23%
Police/Firefighter Member	10.73%	7.69%

The City's contributions required and paid were \$448,183 \$429,913 and \$414,187 for the three years ended September 30, 2014, 2013, and 2012 respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt activity for the primary government is as follows:

Compensated absences:

Changes in compensated absences for the year are as follows:

	Beginning Balance	Increase/ (Decrease)	Ending Balance
General Fund	\$ 118,331	\$ 8,659	\$ 126,990
Library Fund	7,985	(2,285)	5,700
Electric Fund	43,152	(14,132)	29,020
Water Fund	14,980	1,355	16,335
Sewer Fund	23,649	(1,648)	22,001
Sanitation Fund	8,821	1,582	10,403
Golf Fund	10,276	3,309	13,585
Totals	\$ 227,194	\$ (3,160)	\$ 224,034

Capital Leases:

The City has entered into lease and purchase agreements for financing the acquisition of various pieces of equipment and property. The annual requirements to amortize each of the agreements are as follows:

General Fund

<u>Item</u>	<u>Int. Rate</u>	<u>Due Year Ending 9/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fire Truck	3.80%	2015	44,216	6,520	50,736
		2016	45,926	4,810	50,736
		2017	47,701	3,035	50,736
		2018	49,546	1,190	50,736
		2019	4,214	27	4,241
Total - Fire Truck			\$ 191,603	\$ 15,582	\$ 207,185

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

Item	Int. Rate	Due Year	Principal	Interest	Total
		Ending 9/30			
Street Sweeper	2.00%	2015	13,994	730	14,724
		2016	14,277	474	14,751
		2017	14,565	156	14,721
Total - Street			\$ 42,836	\$ 1,360	\$ 44,196
Total General Fund			\$ 234,439	\$ 16,942	\$ 251,381

Golf Fund

Item	Int. Rate	Due Year	Principal	Interest	Total
		Ending 9/30			
Mowers	0.34%	2015	41,733	434	42,167
		2016	41,875	292	42,167
		2017	42,018	149	42,167
		2018	21,062	21	21,083
Total - Mowers			\$ 146,688	\$ 896	\$ 147,584
Total Golf Fund			\$ 146,688	\$ 896	\$ 147,584

Revenue Refunding Bonds - Series 2012B:

The City issued revenue refunding bonds on June 21, 2012 in the amount of \$2,645,000, including an amortizable premium of \$413,925, and bearing a coupon rate varying from 3% to 5%. These revenue refunding bonds replaced the Series 2003 General Obligation Bonds, which were refunded. The annual requirements to amortize the bonds are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2015	230,000	98,575	328,575
2016	235,000	91,675	326,675
2017	240,000	85,800	325,800
2018	250,000	76,200	326,200
2019	265,000	76,200	341,200
2020 - 2023	1,170,000	104,875	1,274,875
Totals	\$ 2,390,000	\$ 533,325	\$ 2,923,325

Water Revenue Refunding Bonds, Series 2012:

The City issued water revenue refunding bonds on December 20, 2012 in the amount of \$1,870,000, including an amortizable premium of \$330,049, and bearing a coupon rate varying from 2% to 5%. These revenue refunding bonds replaced the State of Idaho DEQ Revolving Water Loan on Well #7, which was paid off. The amortizable premium will be amortized over the life of the bonds as a reduction to interest expense. The annual requirements to amortize the bonds are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2015	\$ 85,000	\$ 70,350	\$ 155,350
2016	90,000	68,650	158,650
2017	90,000	65,050	155,050
2018	95,000	61,450	156,450
2019	95,000	59,550	154,550
2020 - 2024	545,000	238,050	783,050
2025 - 2029	685,000	98,500	783,500
Totals	\$ 1,685,000	\$ 661,600	\$ 2,346,600

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

Sewer Revenue Refunding Bonds, Series 2012

The City issued sewer revenue refunding bonds on December 20, 2012 in the amount of \$16,380,000, including an amortizable premium of \$2,617,009, and bearing a coupon rate varying from 2% to 5%. These revenue refunding bonds replaced the State of Idaho DEQ Revolving Wastewater Loan, which was paid off and resulted in the issuance of \$4,125,000 of new debt. The amortizable premium will be amortized over the life of the bonds as a reduction to interest expense. The annual requirements to amortize the bonds are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2015	\$ 640,000	\$ 609,550	\$ 1,249,550
2016	655,000	596,750	1,251,750
2017	680,000	570,550	1,250,550
2018	710,000	543,350	1,253,350
2019	720,000	529,150	1,249,150
2020 - 2024	4,055,000	2,197,800	6,252,800
2025 - 2029	4,645,000	1,172,000	5,817,000
2030 - 2032	2,905,000	195,000	3,100,000
Totals	<u>\$ 15,010,000</u>	<u>\$ 6,414,150</u>	<u>\$ 21,424,150</u>

A summary of changes in long-term debt is as follows:

	Balance at <u>9/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>9/30/2014</u>
Compensated Absences	\$ 227,194	\$ -	\$ (3,160)	\$ 224,034
Capital Leases - Gen Fund	309,662	-	(75,223)	234,439
Capital Leases - Golf Fund	188,279	-	(41,591)	146,688
General Oblig. Bonds-S2012B	2,815,000	-	(245,000)	2,570,000
Water Rev. Refunding S2012	1,770,000	-	(85,000)	1,685,000
Sewer Rev. Refunding S2012	15,640,000	-	(630,000)	15,010,000
Totals	<u>\$ 20,950,135</u>	<u>\$ -</u>	<u>\$ (1,079,974)</u>	<u>\$ 19,870,161</u>

Information on other debt (Local Improvement Districts):

The city has assisted in the creation of LIDs (Local Improvement Districts) for street improvements for Stevens Place LID #1 & North Burley LID #2 located within the City. The assessments to home owners and the bond payments on the bonds issued for the cost of these improvements are being handled by the City acting as an agent for the LID. The City is not liable for payments or potential defaults on the bonds. The amount of debt is \$9,763 from DL Evans Bank for LID #1 & \$200,000 for LID #2 which was loaned by the Electric Fund.

The City has also assisted in the creation of additional LIDs for infrastructure projects on commercial developments in West Burley which guarantee debt owed by the Burley Development Authority. No debt has been issued by these LIDs.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

Long-term debt activity for the component unit is as follows:

The Burley Development Authority (BDA) has issued 3 bonds as detailed below:

BDA Urban Renewal Bond - 2007:

The Burley Development Authority issued an urban renewal bond on June 22, 2007 in the amount of \$1,185,410, bearing an interest rate of 5.5%. The bond proceeds were used to pay for infrastructure improvements in the North Burley urban renewal area and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2015	\$ 80,358	\$ 43,256	\$ 123,614
2016	84,778	38,836	123,614
2017	89,440	34,173	123,613
2018	94,360	29,254	123,614
2019	99,550	24,064	123,614
2020-2023	334,579	38,409	372,988
Totals	\$ 783,065	\$ 207,992	\$ 991,057

BDA Revenue Allocation Refunding Bond - Series 2013

The Burley Development Authority issued an urban renewal bond on October 16, 2013 in the amount of \$5,516,000, bearing an interest rate of 5.75%. The bond proceeds were used to refund its Series 2009A revenue bonds originally issued June 16, 2009 in the amount of \$2,997,000 bearing an interest rate of 8.50% and its 2009B revenue bonds originally issued June 16, 2009, in the amount of \$3,639,000 bearing an interest rate of 8.5%. The original bond proceeds were used to pay for infrastructure improvements in the urban renewal area west of Burley and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2015	\$ 380,978	\$ 305,467	\$ 686,445
2016	402,753	283,692	686,445
2017	427,334	259,113	686,447
2018	452,610	233,835	686,445
2019	479,381	207,065	686,446
2019 - 2023	2,860,997	571,229	3,432,226
2024	333,476	9,747	343,223
Totals	\$ 5,337,529	\$ 1,870,148	\$ 7,207,677

BDA Urban Renewal Bond - Series 2008A

The Burley Development Authority issued an urban renewal bond on March 1, 2009 in the amount of \$3,700,000, bearing an interest rate of 6%. The bond was issued to DOT Foods, Inc. as a cost reimbursement and construction incentive for locating within the urban renewal area and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

Year Ending Sept. 30	Principal	Interest	Total
2015	\$ 34,575	\$ 205,076	\$ 239,651
2016	36,982	202,669	239,651
2017	39,234	200,417	239,651
2018	41,623	198,027	239,650
2019	44,159	195,493	239,652
2020 - 2024	264,561	933,696	1,198,257
2025 - 2029	355,548	842,709	1,198,257
2030 - 2034	477,827	720,430	1,198,257
2035 - 2037	2,127,418	356,621	2,484,039
Totals	\$ 3,421,927	\$ 3,855,138	\$ 7,277,065

A summary of changes in BDA long-term debt is as follows:

	9/30/2013	Additions	Reductions	9/30/2014
Urban Renewal Bond 2007	\$ 860,517	\$ -	\$ (77,452)	\$ 783,065
Urban Renewal Bond 2009A	2,491,000	-	(2,491,000)	-
Urban Renewal Bond 2009B	3,025,000	-	(3,025,000)	-
Urban Renewal Bond 2008A	3,454,777	-	(32,850)	3,421,927
Urban Revenue Bond 2013	-	5,516,000	(178,471)	5,337,529
Totals	\$ 9,831,294	\$ 5,516,000	\$ (5,804,773)	\$ 9,542,521

NOTE 7: RISK MANAGEMENT/INSURANCE COVERAGE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred most of its risk by purchasing commercial insurance.

Workman's Compensation insurance is purchased through the Idaho State Insurance Fund.

Airport owners and operators general liability insurance is purchased through Old Republic Insurance Company.

NOTE 8: LITIGATION AND CONTINGENT LIABILITIES

The City is not currently involved in any litigation and is not aware of any pending or threatened litigation against the City. The City does receive various tort claims which are forwarded on to the City's insurance carrier. There are no known material claims outstanding.

NOTE 9: PROPERTY TAXES - DEFERRED REVENUE

Property taxes are levied by the 2nd Monday in September, in conformity with Title 31, Section 1605, of the Idaho State Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before December 20 and June 20 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the fiscal year.

The deferred revenue account in the General Fund represents the taxes receivable after 60 days of the year end.

NOTE 10: STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Enterprise Funds consider all checking and certificates of deposit with maturity dates within 90 days to be cash equivalents.

Required supplemental information for the statement of cash flows: Cash paid for interest during the year: \$694,776.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2014

NOTE 11: INTERFUND RECEIVABLES, PAYABLES & TRANSFERS

Interfund balances at September 30, 2014, consisted of the following individual fund receivables and payables which are presented in the financial statements as negative cash balances (pooled cash).

Fund	Receivable	Payable
Combined City Pooled Cash:		
Various Funds below:	\$ -	\$ -
None	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

There were no funds with negative balances in the pooled cash at September 30, 2014

The following transfers were made during the year:

From:	To:	Amount:	Purpose:
General Fund	Golf Fund	\$ 77,088	Operating transfer
General Fund	Library Fund	\$ 42,000	Operating transfer
Library Fund	Library Bldg Fund	\$ 16,170	Building Fund Pledge

NOTE 12: COMPONENT UNIT - BURLEY DEVELOPMENT AUTHORITY

Burley Development Authority is an urban renewal agency created by and existing under the Local Development Act, Chapter 29, Title 50 of the Idaho Code, and is an independent public body. As explained in note 1, the BDA was determined to be a component unit of the City of Burley. As provided by the Idaho Code, the BDA uses tax revenue allocation financing to: encourage private development in the urban renewal area, prevent and arrest decay of the urban renewal area, encourage taxing districts to cooperate in the allocation of future tax revenues to facilitate the long-term growth of their common tax bases and other public purposes.

The accounting and reporting policies of the BDA are consistent with the City of Burley as explained earlier in these financial statements. Required disclosures relating to fixed assets and long-term debt are included within these financial statements as previously noted.

NOTE 13: PRIOR PERIOD ADJUSTMENTS

The prior year ending Net Position balance in the Wastewater Fund has been increased by \$180,225 to correct an error discovered during the current year auditing procedures. The prior year financial statements overstated accrued interest payable & interest expense in the Wastewater Fund which occurred during the evaluation of the various transactions surrounding issuing of the Series 2012 Refunding Bonds.

The prior year ending Net Position balance in the Burley Library Building Fund has been increased by \$16,245 for a transfer from the Library Fund that was in transit on September 30, 2013 and not received by the State Treasurer's Pool by the September 30, 2013 statement date.

NOTE 14: SUBSEQUENT EVENTS

Subsequent events were evaluated through the audit report date, January 9, 2015.

CITY OF BURLEY, IDAHO

Combining Statement of Net Position
Internal Service Funds
September 30, 2014

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	
ASSETS				
Cash & Investments	\$ 233,520	\$ 77,668	\$ 181,702	\$ 492,890
Receivables (Net of Allowances):				
Claims	-	-	-	-
Prepaid Expenses	-	-	-	-
Due from other fund	-	-	-	-
Capital Assets:				
Land	-	-	-	-
Other Capital Assets, Net of Depreciation	-	-	-	-
Total assets	233,520	77,668	181,702	492,890
LIABILITIES				
Accounts Payable and Accrued Expenses	-	-	-	-
Customer Deposits Payable	-	-	-	-
Deferred Revenue	-	-	-	-
Interest Payable	-	-	-	-
Due to other fund	-	-	-	-
Long-Term Liabilities:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Total liabilities	-	-	-	-
NET POSITION				
Net Investment in Capital Assets	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Unrestricted	233,520	77,668	181,702	492,890
Total Net Assets	\$ 233,520	\$ 77,668	\$ 181,702	\$ 492,890

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Internal Service Funds
Year Ended September 30, 2013

	Internal Service Funds			
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	Total Internal Service Funds
Operating revenues:				
Insurance charges to other funds	\$ 1,427,155	\$ 125,438	\$ 122,322	\$ 1,674,915
Premium dividend (refunds)	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total operating revenues	1,427,155	125,438	122,322	1,674,915
Operating expenses:				
Administrative services	12,600	-	-	12,600
Claims and premium costs	1,408,349	115,922	131,874	1,656,145
Other Insurance premiums	-	-	-	-
Wellness benefit program	-	-	-	-
Other expenses	-	1,850	7,871	9,721
Total operating expenses	1,420,949	117,772	139,745	1,678,466
Operating income (loss)	6,206	7,666	(17,423)	(3,551)
Non-operating revenues (expenses)				
Grant revenue	-	-	-	-
Grant (expense)	-	-	-	-
Gain (Loss) on sale of equipment	-	-	-	-
Interest income	-	-	-	-
Interest (expense)	-	-	-	-
Total non-operating revenues (expenses)	-	-	-	-
Income/(Loss) before contributions and transfers	6,206	7,666	(17,423)	(3,551)
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Position	6,206	7,666	(17,423)	(3,551)
Net Position Beginning of Year	227,314	70,002	199,125	496,441
Net Position End of Year	\$ 233,520	\$ 77,668	\$ 181,702	\$ 492,890

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2014

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	
Cash flows provided by operating activities:				
Receipts from customers and users	\$ 1,427,155	\$ 125,438	\$ 122,322	\$ 1,674,915
Payments to suppliers	(1,420,949)	(117,772)	(139,745)	(1,678,466)
Payments to employees	-	-	-	-
Payments for interfund services used	-	-	-	-
Other receipts/(payments)	-	-	-	-
Net cash provided (used) by operating activities	6,206	7,666	(17,423)	(3,551)
Cash flows from noncapital and related financing activities:				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	-	-	-	-
Cash flows from capital and related financing activities:				
Principal and interest paid on long-term debt	-	-	-	-
Disposal of capital assets	-	-	-	-
Acquisition of capital assets	-	-	-	-
Net cash used by capital and related financing activities	-	-	-	-
Cash flows from investing activities:				
Principal received on loan to other fund	-	-	-	-
Interest received on Investments	-	-	-	-
Net cash provided by investing activities	-	-	-	-
Net increase (decrease) in cash	6,206	7,666	(17,423)	(3,551)
Cash at beginning of year	227,314	70,002	199,125	496,441
Cash at end of year	\$ 233,520	\$ 77,668	\$ 181,702	\$ 492,890
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 6,206	\$ 7,666	\$ (17,423)	\$ (3,551)
Depreciation & amortization	-	-	-	-
(Increase) decrease in accounts receivable	-	-	-	-
Increase (decrease) in accounts payable	-	-	-	-
Net cash provided (used) by operating activities	\$ 6,206	\$ 7,666	\$ (17,423)	\$ (3,551)

See accompanying notes to the financial statements.

Evans Poulsen & Catmull PA

Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's
Edward G. Evans, CPA
Jeffrey D. Poulsen, CPA
Jacob H. Catmull, CPA

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

To the Mayor and City Council
City of Burley, Idaho

We 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, the aggregate remaining fund information, and the discretely presented component unit of the City of Burley, Idaho (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 9, 2015.

Internal Control Over Financial Reporting

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

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Evans Poulsen & Catmull

Evans Poulsen & Catmull, PA

January 9, 2015