

CITY OF RUPERT
BASIC FINANCIAL STATEMENTS
AND
SELECTED OTHER FINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2012



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Table of Contents

<u>Audited Financial Statements</u>	<u>Page</u>
Independent Auditor's Report	3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Management's Discussion and Analysis	5-12
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14-15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Balance Sheet – Proprietary Funds	19-20
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	21-22
Statement of Cash Flows - Proprietary Funds	23-24
Notes to Financial Statements	25-43
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule – General Fund	45
<u>OMB Circular A-133 Supplementary Financial Report</u>	
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance Required By OMB Circular A-133	47-48
Schedule of Expenditures of Federal Awards	49
Notes to Schedule of Expenditures of Federal Awards	50
Schedule of Findings and Questioned Costs	51-52
<u>Selected Other Supplementary Information</u>	
Management Comment Letter	54-55



Independent Auditor's Report

Honorable Mayor and City Council
City of Rupert
State of Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rupert, Idaho, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rupert, Idaho's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rupert, Idaho, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2013 on our consideration of the City of Rupert, Idaho'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 12 and 45 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rupert, Idaho's financial statements as a whole. The introductory section and combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133. *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and combining and individual non-major fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Condie, Stoker & Associates
February 7, 2013



Condie
Stoker &
Associates

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

Honorable Mayor and City Council
City of Rupert
State of Idaho

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rupert, Idaho as of and for the year ended September 30, 2012, which collectively comprise the City of Rupert, Idaho's basic financial statements and have issued our report thereon dated February 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Rupert, Idaho is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Rupert, Idaho's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rupert, Idaho's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rupert, Idaho's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs on pages 51 to 52, that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Rupert, Idaho in a separate letter dated February 7, 2013.

The City of Rupert, Idaho's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Rupert, Idaho's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor and City Council, management, others within the entity, state legislative auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Condie, Stoker & Associates
February 7, 2013

Management's Discussion and Analysis

As management of the City of Rupert, we offer readers of the City of Rupert's financial statements this narrative overview and analysis of the financial activities of the City of Rupert for the fiscal year ended September 30, 2012.

Financial Highlights

- The assets of the City of Rupert exceeded its liabilities at the close of the most recent fiscal year by \$26,853,101 (net assets). Of this amount, \$3,781,169 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.
- The city's total net assets increased by \$1,437,678. Approximately 90% of this increase is attributed to a grant received from the USDA for the Wastewater project.
- As of the close of the current fiscal year, the City of Rupert's governmental funds reported combined ending fund balances of \$1,195,511 a decrease of \$271,807 in comparison with prior year. The decrease was due to equipment expenditures.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$376,092, or 9% of total general fund expenditures.
- The City of Rupert's total long-term debt increased by \$3,151,058 (20 percent) during the current fiscal year. The key factor in this increase was the issuance of \$3,452,000 in revenue bonds for the Wastewater Department completion of wastewater plant improvements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Rupert's basic financial statements. The City of Rupert's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Rupert's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Rupert's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Rupert is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused comp time).

Both of the government-wide financial statements distinguish functions of the City of Rupert that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Rupert include general government, public safety, highways and streets, economic development, culture and recreation, and library. The business-type activities of the City of Rupert include sanitation, water and sewer departments and an electric distribution operation. The library, although legally separate, functions for all practical purpose as a department of the City of Rupert, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rupert, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Rupert can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Rupert maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other non-major governmental fund (Library Fund) is reported in a separate column.

The City of Rupert adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-17 of this report.

Proprietary Funds. The City of Rupert maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Rupert uses enterprise funds to account for its water, sanitation, sewer and electric distribution operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and the electric distribution operations, which are considered to be major funds of the City of Rupert and the sanitation department, a non-major fund.

The basic proprietary fund financial statements can be found on pages 19-24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 25-43 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Rupert's progress in funding its obligation. The budget comparison schedule can be found on page 45 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Rupert, assets exceeded liabilities by \$26,853,101 at the close of the most recent fiscal year.

By far, the largest portion of the City of Rupert's net assets (84 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Rupert uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Rupert's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Rupert's net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,781,169) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF RUPERT
Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current & Other Assets	1,434,536	1,707,079	3,122,664	2,982,172	4,557,200	4,689,251
Capital Assets	3,368,511	2,548,354	36,562,826	32,606,508	39,931,337	35,154,862
Total Assets	4,803,047	4,255,433	39,685,490	35,588,680	44,488,537	39,844,113
Long-Term Liabilities	155,412	144,989	16,147,090	13,092,384	16,302,502	13,237,373
Other Liabilities	215,329	183,095	1,117,605	967,478	1,332,934	1,150,573
Total Liabilities	370,741	328,084	17,264,695	14,059,862	17,635,436	14,387,946
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	3,230,712	2,455,754	19,298,798	18,492,465	22,529,510	20,948,219
Restricted			542,422	519,678	542,422	519,678
Unrestricted	1,201,594	1,471,595	2,579,575	2,516,675	3,781,169	3,988,270
Total Net Assets	4,432,306	3,927,349	22,420,795	21,528,818	26,787,751	25,456,167

At the end of the current fiscal year, the City of Rupert is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$22,744 in restricted net assets reported in connection with the City of Rupert's business-type activities. This is due to the fact that the Wastewater and Water Departments need to increase the amount set aside as a reserve for debt service.

The City's net assets increased by \$1,437,678 during the current fiscal year. The increase can be contributed to grants, which have helped the Street Department with preliminary work on the A Street project and Wastewater's completion of the new Wastewater plant. The City of Rupert's governmental activities rely on property taxes and other taxes, which are subject to economic volatility. Investment earnings continue to decrease and the miscellaneous income that the governmental activities receive have maintained approximately the same as the prior year.

Governmental Activities. Governmental activities increased the City of Rupert's net assets by \$545,702, thereby accounting for 40 percent of the total growth in the net assets of the City of Rupert. Key elements of this increase are as follows.

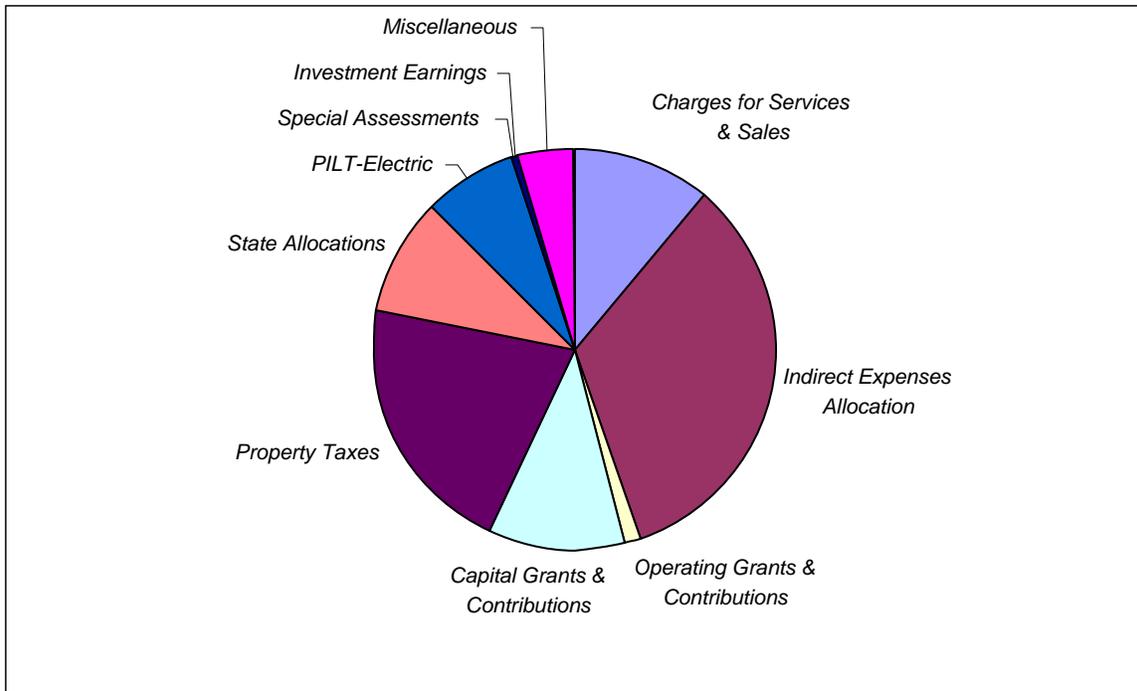
- Property tax increased by \$23,614 (3.3 percent) during the year.
- State allocated taxes increased by \$28,430 (9.2 percent) during the year. This is a good sign that state revenues are improving.
- Charges for services and sales increased by 4 percent. The swimming pool revenues increased by \$10,755.
- Capital grant of \$400,155 for the A Street project. The city has been purchasing right of ways.

Summary of Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for Services & Sales	393,797	379,890	8,330,743	8,196,999	8,724,540	8,576,889
Indirect Expenses Allocation	1,195,758	1,162,918	(1,195,758)	(1,162,918)		
Operating Grants & Contributions	37,948	129,173	14,000		51,948	129,173
Capital Grants & Contributions	400,155	40,746	1,324,790		1,724,945	40,746
Property Taxes	747,529	723,915			747,529	723,915
State Allocations	336,493	308,063			336,493	308,063
PILT-Electric	260,590	260,590			260,590	260,590
Special Assessments	1,403	307			1,403	307
Investment Earnings	22,895	29,956	389	509	22,895	30,465
Miscellaneous	157,325	157,390			157,325	157,390
Gain (Loss) on Disposal of Assets		(3,092)	8,421		8,421	(3,092)
Extraordinary Item - BPA			217,045	197,848	217,045	197,848
Transfer In (Out)	81,043	81,043	(81,043)	(81,043)		
Total Revenues	3,634,936	3,270,899	8,618,587	7,150,886	12,253,523	10,421,785
Expenses:						
Administration	529,443	487,396			529,443	487,396
Buildings	67,457	62,797			67,457	62,797
Code Enforcement	5,761	48,675			5,761	48,675
Economic Development	77,333	65,087			77,333	65,087
City Hall Office	326,050	297,387			326,050	297,387
Law Enforcement	856,536	869,377			856,536	869,377
Streets	317,640	470,028			317,640	470,028
Parks & Recreation	296,343	295,558			296,343	295,558
Fire Control	169,172	161,315			169,172	161,315
Shop	199,605	156,053			199,605	156,053
Library	148,329	131,386			148,329	131,386
Swimming Pool	95,565	86,821			95,565	86,821
Equipment Replacement						
Interest & Fees						
Electric			4,400,219	4,151,090	4,400,219	4,151,090
Water			836,319	792,968	836,319	792,968
Wastewater			2,031,134	1,871,830	2,031,134	1,871,830
Sanitation			458,939	460,428	458,939	460,428
Total Expenses	3,089,234	3,131,880	7,726,611	7,276,316	10,815,845	10,408,196
Change in Net Assets	545,702	139,019	891,976	(124,921)	1,437,678	14,098
Beginning Net Assets	3,886,604	3,788,330	21,528,819	21,653,739	25,415,423	25,442,067
Ending Net Assets	4,432,306	3,927,349	22,420,795	21,528,818	26,853,101	25,456,167

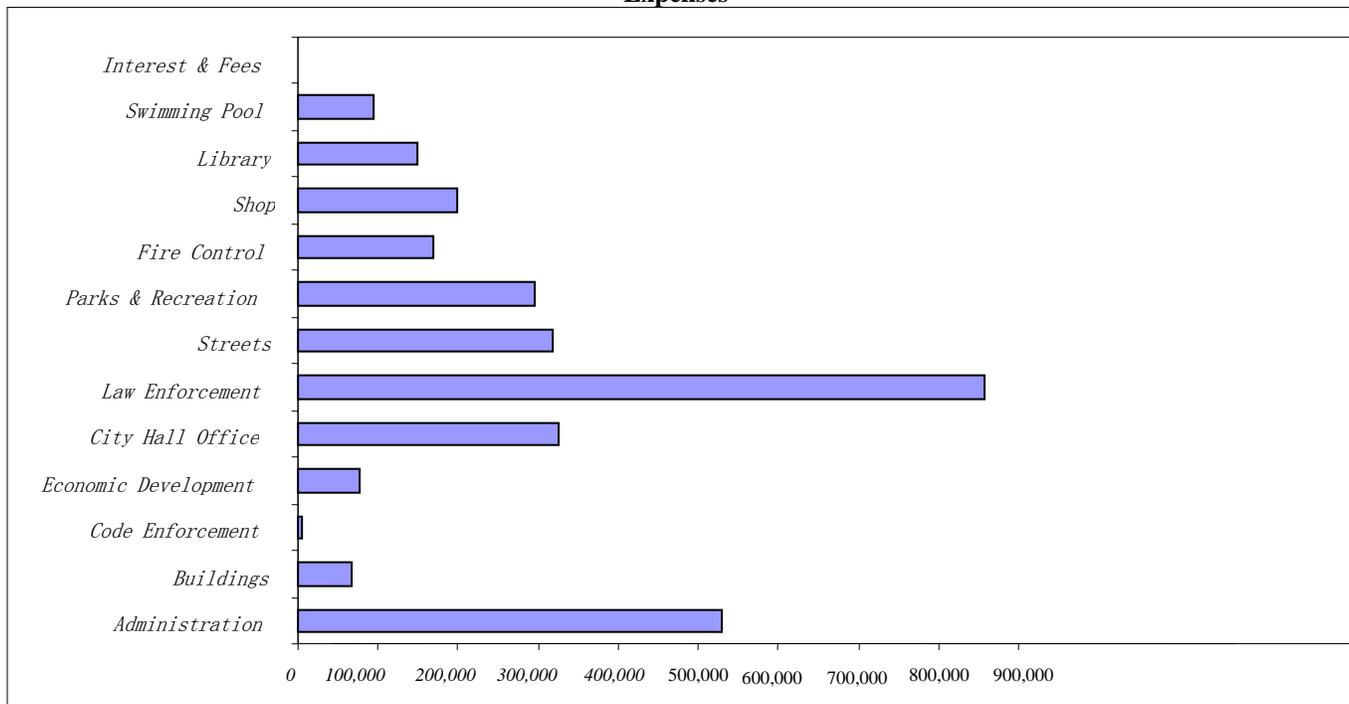
Graphic presentation of selected data from the Changes in Net Assets tables follow to assist in the analysis of the City of Rupert's activities.

Governmental Revenues



As graphically portrayed above, the City of Rupert depends on indirect expenses that are allocated to the business-type activities, which makes up 33% of total governmental activities revenues. Charges for services and property taxes make up another 31% of governmental activities revenues.

Governmental Activities Expenses

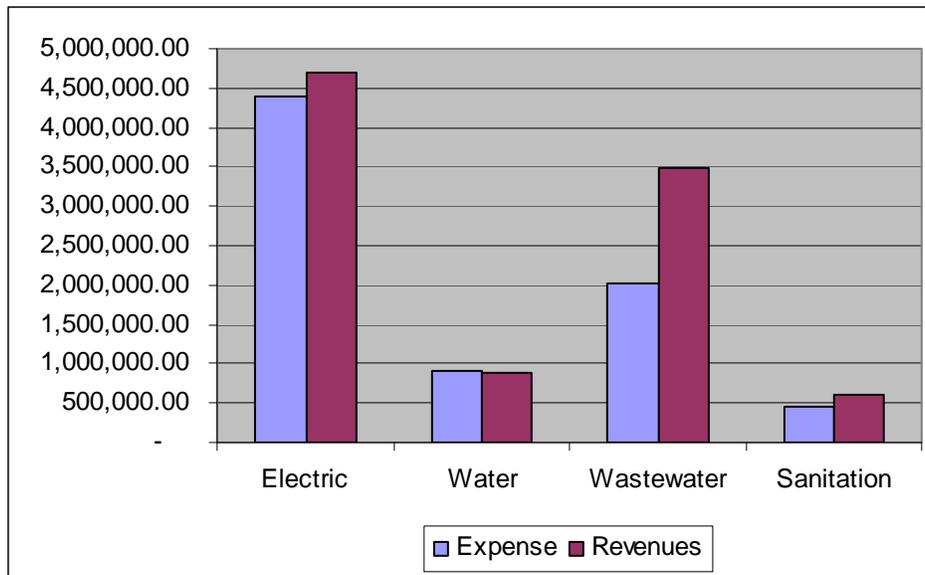


The above graph shows the total governmental activities cost of \$3,089,234 for the 2012 fiscal year. Of this amount, public safety with \$856,536 in cost for police and \$169,172 in cost for fire was the largest operating cost, at 33 % of total cost of services, primarily funded by the City of Rupert's taxing power. Together, public safety absorbed \$747,529 taxes to citizens and \$196,166 in other general revenues. Other governmental activities with significant tax-based funding include highways/streets activities.

Business-type Activities. Business-type activities increased the City of Rupert's net assets by \$891,976, accounting for 60 percent of total growth in the city's net assets. Key elements of this increase are as follows.

- Charges for services for business-type activities increased by 2 percent. Water Department raised flat rate from \$15 to \$17, Wastewater Department 4% rate increase, and the Sanitation Department 50 cent increase.
- The Water Department received \$14,000 from an operating grant for a water study.
- The Wastewater Department received a \$1,324,790 capital grant from USDA to help complete the Wastewater plant improvements.

**Business-Type Activities
Revenues vs. Costs**



Business-type activities are shown comparing costs to revenues generated by related services.

Financial Analysis of the City of Rupert's Funds

As noted earlier, the City of Rupert uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds. The focus of the City of Rupert's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Rupert's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the City of Rupert's governmental funds reported combined ending fund balances of \$1,195,511 a decrease of \$271,808 in comparison with the prior year. Of this year-end total, approximately \$376,092 is unreserved. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) for subsequent year's expenditures, 2) equipment replacement, or 3) Street capital project.

The General Fund is the City of Rupert's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund has decreased by \$256,754. Two key factors contributing to the decrease in fund balance were the purchase of equipment and street maintenance.

Proprietary Funds. The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Unrestricted net assets of the sanitation, wastewater, and electric department at year-end amounted to \$88,717, \$225,965, and \$256,327. The total growth and decline in net assets for all three funds and the water department were \$37,118, \$1,122,556, (\$177,635), and (\$90,063).

The combined \$891,976 increase in net assets reported in these funds is primarily due to the completion of the Wastewater plant. There also was an increase in user charges received by the departments to help offset cost of providing services.

General Fund Budgetary Highlights

There was \$238,986 variance in revenues, when comparing actual amounts with budgeted revenues. A contributing factor, intergovernmental revenues were higher than anticipated by \$253,329. Actual expenses compared to budget were under by \$495,532.

Capital Assets and Debt Administration

Capital Assets. The City of Rupert's investment in capital assets for its governmental and business type activities as of September 30, 2012, was \$33,897,060 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, equipment, and roads. The total decrease in the City of Rupert's investment in capital assets for the current fiscal year was less than 1 percent, a 17 percent increase for governmental activities, and 2 percent decrease for business type activities.

Major capital asset events during the current fiscal year included the following:

- Three new police cars \$94,244
- New Sanitation Truck \$183,430
- H Street rehab \$285,164
- Equipment Pool purchased a dump truck, side dump trailer, skidsteer, and a Kenworth truck at a cost of \$30,500, \$43,095, \$41,542, and \$19,900.

**City of Rupert's Capital Assets
(Net of depreciation)**

	Governmental		Business-Type		Total		Total % Change
	Activities		Activities				
	2012	2011	2012	2011	2012	2011	
Non-depreciable Assets:							
Land & Improvements	117,830	117,830	172,240	172,240	290,070	290,070	0.0%
Other Capital Assets:							
Buildings	2,040,404	2,102,444	466,671	474,999	2,507,075	2,577,443	-0.3%
Equipment	467,002	328,514	919,286	773,719	1,386,288	1,102,233	25.8%
Infrastructures	309,623	35,224	29,404,003	30,095,302	29,713,626	30,130,526	-1.4%
Total	2,934,859	2,584,012	30,962,201	31,516,260	33,897,060	34,100,272	-0.7%

Additional information on the City of Rupert's capital assets can be found in Note I on pages 32-33 of this report.

Long-term Debt. At the end of the current fiscal year, the City of Rupert had total revenue bond debt outstanding of \$12,555,870 supported by pledged revenues generated by the business-type activities of the City. The remainder of the City of Rupert's debt represents a Rural Development loan, DEQ Loan, capital lease, and accrued compensated absences.

City of Rupert's Outstanding Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Accrued Compensated Absences	68,912	81,834	83,268	84,448	152,180	166,282
Capital Lease	137,799	92,600	111,430	63,278	249,229	155,878
Intergovernmental Loans			3,904,066	4,069,713	3,904,066	4,069,713
Revenue Bonds			12,555,870	9,318,414	12,555,870	9,318,414
Total	206,711	174,434	16,654,634	13,535,853	16,861,345	13,710,287

The City of Rupert's total debt increased by \$3,151,058 (20 percent) during the current fiscal year. The key factor in this increase was a \$3,452,000 revenue bond issued for the City of Rupert's Wastewater Department.

Additional information on the City of Rupert's long-term debt can be found in notes on pages 34-41 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Governor is looking at eliminating personal property taxes for businesses. This would impact the governmental funds by an estimated \$174,000 decrease in tax revenue.
- Water and Wastewater Departments refinanced revenue bonds in the amount of \$1,225,000 and \$10,570,000.
- Bonneville Power is going to raise power purchase rates by 8%. The City's Electric Department will need to look at raising service rates to offset this increase.

Analysis of economic factors and trends are essential to the City of Rupert's budgeting process. For the fiscal year 2012-2013, the City Council approved a total budget of \$17,408,061, including non-operating funds, and interfund transfers of \$1,257,278 and a General Fund budget of \$3,514,943.

Water Department raised the consumption rate by 4%, Sanitation raised all rates \$.25, Wastewater increased rates by 2%, and Electric Department instituted a 2% increase for the 2013 budget. The rate increases for the city services will allow the departments to cover operating cost increases and to pay debt.

Requests for Information

This financial report is designed to provide a general overview of the City of Rupert's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Officer, 624 F Street, City of Rupert, Idaho 83350.

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CITY OF RUPERT, IDAHO

STATEMENT OF NET ASSETS SEPTEMBER 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Assets			
Current Assets:			
Cash and Investments (Note B)	1,031,428	2,012,088	3,043,516
Delinquent Taxes Receivable (Note C)	58,729	-	58,729
Accounts Receivable (Note D)	2,787	567,789	570,576
Assessments Receivable (Note E)	21,211	-	21,211
Intergovernmental Receivable (Note F)	310,219	92,071	402,290
Other Receivable (Note G)	-	132,551	132,551
Accrued Interest	10,162	-	10,162
Inventory (Note A7)	-	318,165	318,165
Non Current Assets:			
Restricted Cash and Investments (Note B)	-	692,662	692,662
Construction in Progress (Note H)	433,652	4,907,963	5,341,615
Capital Assets, net of depreciation (Note I)	2,934,859	30,962,201	33,897,060
Total Assets	4,803,047	39,685,490	44,488,537
Liabilities			
Current Liabilities:			
Vouchers Payable (Note J)	135,555	342,515	478,070
Accrued Payroll and Benefits	28,475	25,782	54,257
Accrued Interest Payable	-	91,524	91,524
Meter Deposits Payable	-	150,240	150,240
Note Payments Due Within One Year (Note M)	51,299	507,544	558,843
Non Current Liabilities:			
Note Payments Due Beyond One Year (Note M)	86,500	16,063,822	16,150,322
Accrued Compensated Absences (Note L)	68,912	83,268	152,180
Total Liabilities	370,741	17,264,695	17,635,436
Net Assets			
Invested in Capital Assets, net of related debt	3,230,712	19,298,798	22,529,510
Restricted for:			
Debt Service		542,422	542,422
Unrestricted	1,201,594	2,579,575	3,781,169
Total Net Assets	4,432,306	22,420,795	26,853,101

See accompanying notes to financial statements.

CITY OF RUPERT, IDAHO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues</u>		
			<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities					
General Government:					
Administration	529,443	(579,216)	530	-	-
Buildings	67,457	(74,114)	-	-	-
Code Enforcement	5,761	(22,730)	-	-	-
Economic Development	77,333	(59,571)	-	6,321	-
City Hall Office	326,051	(326,735)	-	-	-
Law Enforcement	856,536	-	51,636	17,051	-
Streets	317,640	-	201,289	-	400,155
Parks & Recreation	296,343	-	58,654	2,000	-
Swimming Pool	95,565	-	62,334	-	-
Fire Control	169,172	-	3,472	9,854	-
Shop	199,605	(133,392)	-	-	-
Library	148,329	-	15,882	2,722	-
Total Governmental Activities	3,089,235	(1,195,758)	393,797	37,948	400,155
Business-type Activities:					
Electric Fund	4,400,219	636,444	4,692,757	-	-
Water Fund	836,319	142,835	881,507	14,000	-
Wastewater Fund	2,031,134	309,242	2,156,567	-	1,324,790
Sanitation Fund	458,939	107,237	599,912	-	-
Total Business-Type Activities	7,726,611	1,195,758	8,330,743	14,000	1,324,790
Total Primary Government	10,815,846	-	8,724,540	51,948	1,724,945

General Revenues:

Property Taxes Levied
 State Allocations
 PILT - Electric
 Special Assessments
 Investment Earnings
 Miscellaneous
 Gain (Loss) on Disposal of Assets
 Extraordinary Item - BPA and IDEA (Note G)
 Transfers In (Out) (Note Q)

Total General Revenues

Change in Net Assets

Net Assets Beginning of Period
 Senior Center Improvements Capitalized In Error

Net Assets Beginning of Period As Restated

Net Assets End of Period

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Business-type Activities
50,303	
6,657	
16,969	
(11,441)	
684	
(787,849)	
283,804	
(235,689)	
(33,231)	
(155,846)	
(66,213)	
(129,725)	
<u>(1,061,577)</u>	
	(343,906)
	(83,647)
	1,140,981
	<u>33,736</u>
	747,164
747,530	-
336,493	-
260,590	-
1,403	
22,895	389
157,325	-
-	8,421
	217,045
81,043	<u>(81,043)</u>
<u>1,607,279</u>	<u>144,812</u>
545,702	891,976
3,927,349	21,528,819
<u>(40,745)</u>	<u>-</u>
<u>3,886,604</u>	<u>21,528,819</u>
<u>4,432,306</u>	<u>22,420,795</u>

CITY OF RUPERT, IDAHO

BALANCE SHEET - GOVERNMENTAL FUNDS SEPTEMBER 30, 2012

	General	Other Governmental Fund - Library (Non-Major)	Total Governmental Funds
<u>Assets</u>			
Cash and Investments	934,736	96,692	1,031,428
Delinquent Taxes Receivable	51,270	7,459	58,729
Accounts Receivable	2,787	-	2,787
Assessments Receivable	21,211	-	21,211
Intergovernmental Receivable	306,240	3,979	310,219
Accrued Interest	10,105	57	10,162
 Total Assets	 <u>1,326,349</u>	 <u>108,187</u>	 <u>1,434,536</u>
<u>Liabilities</u>			
Vouchers Payable	134,114	1,441	135,555
Accrued Payroll Expense	26,972	1,503	28,475
Deferred Revenue	68,164	6,831	74,995
 Total Liabilities	 229,250	 9,775	 239,025
<u>Fund Equity</u>			
Fund Balances:			
Assigned To:			
Equipment Replacement (Note Q)	82,720		82,720
Street Capital Project	200,000		200,000
DeMary Library		77,412	77,412
Subsequent Year's Expenditures	438,287	21,000	459,287
Unassigned	376,092		376,092
 Total Fund Balance	 <u>1,097,099</u>	 <u>98,412</u>	 <u>1,195,511</u>
 Total Liabilities and Fund Equity	 <u>1,326,349</u>	 <u>108,187</u>	

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Property taxes and special assessments collected beyond 60 days after year end are not recorded as assets in the Governmental Funds Balance Sheet	74,995
Governmental fund capital assets are not financial resources and therefore are not reported in the funds	3,368,511
Capital leases and notes payable are not payable in the current period and thus not reported in the funds	(137,799)
Accrued compensated absence liabilities are not reported in Governmental Funds	(68,912)
Net Assets of Governmental Activities	<u>4,432,306</u>

See accompanying notes to financial statements.

CITY OF RUPERT, IDAHO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General	Other Governmental Fund - Library (Non-Major)	Total Governmental Funds
<u>Revenues</u>			
Property Taxes	658,322	95,751	754,073
Fees & Fines	44,573	-	44,573
Licenses and Permits	11,667	-	11,667
Intergovernmental	955,569	15,594	971,163
Charges For Services	189,545	12,739	202,284
Special Assessments	5,976	-	5,976
Legislative Reimbursement	1,456,348	-	1,456,348
Interest on Investments	22,806	89	22,895
Miscellaneous	90,166	5,865	96,031
Total Revenues	3,434,972	130,038	3,565,010
<u>Expenditures</u>			
Administration	532,131	-	532,131
Buildings	67,025	-	67,025
Code Enforcement	5,761	-	5,761
Economic Deveopment	80,272	-	80,272
City Hall Office	304,130	-	304,130
Law Enforcement	827,363	-	827,363
Streets	299,932	-	299,932
Recreation	261,681	-	261,681
Swimming Pool	95,421	-	95,421
Fire Control	162,401	-	162,401
Shop	158,339	-	158,339
Library	-	145,091	145,091
Capital Outlay	999,228	19,885	1,019,113
Long Term Debt/Capital Leases:			
Principal	49,045	-	49,045
Interest	4,399	-	4,399
Total Expenditures	3,847,128	164,976	4,012,104
Excess (Deficit) Revenues Over Expenditures	(412,156)	(34,938)	(447,094)
Other Financing Sources (Uses):			
Capital Lease Proceeds	94,244	-	94,244
Operating Transfers (Note Q)	61,158	19,885	81,043
Net Change in Fund Balances	(256,754)	(15,053)	(271,807)
Fund Balance (Deficit) at Beginning of Year	1,353,853	113,465	1,467,318
Fund Balance (Deficit) at End of Year	1,097,099	98,412	1,195,511

See accompanying notes to financial statements.

CITY OF RUPERT, 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, 2012

Net Changes in Fund Balances - Total Governmental Funds	(271,807)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Property tax and special assessment revenues that are not received within sixty days after year end do not provide current financial resources and thus are not recorded as revenue in the Governmental Funds. This amount represents the change in deferred revenue.	(11,116)
Governmental funds report capital outlays as current expenditures. In the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of current capital outlay.	1,019,113
This is the amount of current year depreciation.	(158,211)
Proceeds from capital leases used to finance equipment purchases are recorded as long-term liabilities in the Statement of Net Assets.	(94,244)
Governmental Funds report principal payments on capital leases used to finance equipment purchases as expenditures. In the Statement of Activities, these payments reduce long-term liabilities.	49,045
Liability for accrued compensated absences is not recorded in the Governmental Funds. This is the change in leave during the year.	<u>12,922</u>
Change in Net Assets of Governmental Activities	<u><u>545,702</u></u>

See accompanying notes to financial statements.

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CITY OF RUPERT, IDAHO

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS SEPTEMBER 30, 2012

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>
<u>Assets</u>			
Current Assets:			
Cash and Investments	513,917	208,277	1,140,082
Accounts Receivable	270,231	77,262	173,639
Intergovernmental Receivable	-	6,000	86,071
Other Receivable	132,551	-	-
Inventory	287,721	30,444	-
Noncurrent Assets:			
Restricted Cash and Investments	150,239	117,423	425,000
Construction In Progress	-	-	4,907,963
Property, Plant and Equipment Net of Accumulated Depreciation	<u>4,981,351</u>	<u>4,770,113</u>	<u>20,959,907</u>
Total Assets	6,336,010	5,209,519	27,692,662
<u>Liabilities</u>			
Current Liabilities:			
Vouchers Payable	210,116	43,768	72,683
Accrued Payroll Expense	10,951	4,170	6,324
Security Deposits	150,240	-	-
Interest Payable	-	861	89,878
Current Portion of Long-Term Debt		44,555	434,724
Non-Current Liabilities			
Accrued Compensated Absences	39,304	7,778	24,942
Long-Term Debt Due Beyond One Year	<u>-</u>	<u>1,353,108</u>	<u>14,627,549</u>
Total Liabilities	410,611	1,454,240	15,256,100
<u>Net Assets</u>			
Invested in Capital Assets, net of related debt	4,981,351	3,372,450	10,805,597
Restricted for Debt Service		117,423	425,000
Restricted for Inventory	287,721	30,444	
Assigned to Subsequent Year's Expenditures	400,000	234,962	980,000
Unrestricted	<u>256,327</u>		<u>225,965</u>
Total Net Assets	<u><u>5,925,399</u></u>	<u><u>3,755,279</u></u>	<u><u>12,436,562</u></u>

See accompanying notes to financial statements.

<u>Sanitation Fund (Non Major)</u>	<u>Totals (Memorandum Only)</u>
149,812	2,012,088
46,657	567,789
-	92,071
-	132,551
-	318,165
-	692,662
-	4,907,963
<u>250,830</u>	<u>30,962,201</u>
447,299	39,685,490
15,948	342,515
4,337	25,782
-	150,240
785	91,524
28,265	507,544
11,244	83,268
<u>83,165</u>	<u>16,063,822</u>
143,744	17,264,695
139,400	19,298,798
	542,423
	318,165
75,438	1,690,400
<u>88,717</u>	<u>571,009</u>
<u><u>303,555</u></u>	<u><u>22,420,795</u></u>

CITY OF RUPERT, IDAHO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>
<u>Operating Revenues</u>			
User Charges	4,155,740	875,412	2,125,545
Charges for Services to Other Funds	356,445	-	-
Miscellaneous	180,572	6,095	31,022
Total Operating Revenues	<u>4,692,757</u>	<u>881,507</u>	<u>2,156,567</u>
<u>Operating Expenses</u>			
Salaries and Benefits	775,571	284,391	437,682
Operation and Maintenance	2,976,908	221,706	140,036
Indirect Expenses Allocation	636,444	142,835	309,242
PILT	260,590	-	-
Professional Services	45,372	21,296	44,249
Office and Miscellaneous	30,590	4,820	1,883
Automotive	34,524	12,767	19,895
Utilities	29,644	86,509	238,574
Depreciation	246,928	140,043	652,507
Total Operating Expenses	<u>5,036,571</u>	<u>914,367</u>	<u>1,844,068</u>
Operating Income (Loss)	(343,814)	(32,860)	312,499
<u>Non-Operating Revenues (Expenses)</u>			
Grant Revenue	-	14,000	1,324,790
Sale of Fixed Assets	-	-	-
Interest Earned	389	-	-
Interest Expense	(92)	(64,787)	(496,308)
Income (Loss)	(343,517)	(83,647)	1,140,981
<u>Other Adjustments to Net Assets</u>			
Extraordinary Item - BPA and Conservation (Note G)	217,045		
Operating Transfers In (Out)	(51,163)	(6,416)	(18,425)
Change in Net Assets	(177,635)	(90,063)	1,122,556
Net Assets Beginning of Period	<u>6,103,034</u>	<u>3,845,342</u>	<u>11,314,006</u>
Net Assets End of Period	<u><u>5,925,399</u></u>	<u><u>3,755,279</u></u>	<u><u>12,436,562</u></u>

See accompanying notes to financial statements.

Sanitation Fund (Non Major)	Totals
587,104	7,743,801
-	356,445
12,808	230,497
<hr/>	<hr/>
599,912	8,330,743
334,742	1,832,386
28,779	3,367,429
107,237	1,195,758
-	260,590
3,121	114,038
2,202	39,495
60,149	127,335
3,886	358,613
25,275	1,064,753
<hr/>	<hr/>
565,391	8,360,397
34,521	(29,654)
-	1,338,790
8,421	8,421
-	389
(785)	(561,972)
<hr/>	<hr/>
42,157	755,974
	217,045
(5,039)	(81,043)
<hr/>	<hr/>
37,118	891,976
266,437	21,528,819
<hr/>	<hr/>
303,555	22,420,795
<hr/> <hr/>	<hr/> <hr/>

CITY OF RUPERT, IDAHO

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	4,296,806	877,611	2,147,181
Cash Received from Activities with Other Funds	356,445		
Cash/Credit Received from Extraordinary Item - BPA	220,282		
Cash Paid to Employees for Services	(771,355)	(285,037)	(431,858)
Cash Paid to Suppliers for Goods and Services	(3,367,159)	(300,836)	(427,762)
Cash Paid to Other Funds for Operations	(636,444)	(142,835)	(309,242)
Net Cash Provided (Used) By Operating Activities	98,575	148,903	978,319
<u>Cash Flows from Non-Capital Financing Activities</u>			
Cash Received from Operating Grants		8,000	
Net Cash Provided (Used) By Financing Activities	0	8,000	0
<u>Cash Flows From Capital and Related Financing Activities</u>			
Cash Received from Capital Grants	-		1,238,719
Proceeds From Sale of Fixed Assets	-	-	-
Capital Expenditures	(44,266)	(95,085)	(4,672,519)
Proceeds From Capital Loan Funds			3,452,000
Principal Paid on Long-Term Debt	(63,278)	(42,637)	(337,555)
Interest Paid	(2,581)	(64,814)	(495,533)
Operating Transfers	(51,163)	(6,416)	(18,425)
Net Cash Provided (Used) By Financing Activities	(161,288)	(208,952)	(833,313)
<u>Cash Flows From Investing Activities</u>			
Interest Received	389		-
Net Cash Provided By Investing Activities	389	0	0
Net Increase (Decrease) in Cash and Equivalents	(62,324)	(52,049)	145,006
Cash and Equivalents at Beginning of Year	726,479	377,750	1,420,075
Cash and Equivalents at End of Year	664,155	325,701	1,565,081
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	(343,814)	(32,860)	312,499
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	246,928	140,043	652,507
Extraordinary Item - BPA & Conservation	217,045		
Changes in Assets and Liabilities:			
Decrease (Increase) in Inventory	(2,577)	14,545	
Decrease (Increase) in Accounts Receivable	(46,787)	(3,896)	(9,386)
Decrease (Increase) in Other Receivable	3,237		
Increase (Decrease) in Vouchers Payable, Operating	13,046	31,717	16,875
Increase in Service Deposits Payable	7,281		
Increase (Decrease) in Payroll Accrual	3,272	1,253	2,335
Increase (Decrease) in Compensated Absences	944	(1,899)	3,489
Total Adjustments	442,389	181,763	665,820
Net Cash Provided by Operating Activities	98,575	148,903	978,319
<u>Supplemental Schedule of Noncash Investing and Financing Activities:</u>			
Capital Lease Financing of New Equipment			

See accompanying notes to financial statements.

Sanitation Fund (Non Major)	Totals
617,713	7,939,311
	356,445
	220,282
(336,905)	(1,825,155)
(88,458)	(4,184,215)
<u>(107,237)</u>	<u>(1,195,758)</u>
85,113	1,310,910
	8,000
<u>0</u>	<u>8,000</u>
	1,238,719
23,500	23,500
(82,825)	(4,894,695)
	3,452,000
-	(443,470)
-	(562,928)
<u>(5,039)</u>	<u>(81,043)</u>
(64,364)	(1,267,917)
	389
<u>0</u>	<u>389</u>
20,749	51,382
<u>129,063</u>	<u>2,653,367</u>
<u>149,812</u>	<u>2,704,749</u>
34,521	(29,654)
25,275	1,064,753
	217,045
	11,968
(5,023)	(65,092)
22,824	26,061
9,679	71,317
	7,281
1,550	8,410
<u>(3,713)</u>	<u>(1,179)</u>
<u>50,592</u>	<u>1,340,564</u>
<u>85,113</u>	<u>1,310,910</u>
<u>183,430</u>	<u>183,430</u>

CITY OF RUPERT, IDAHO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rupert, Idaho was incorporated April 12, 1906. The City operates under a Mayor-Council form of government and provides the following services: public safety, public works, recreation, and community development. The City also provides electric, sanitation, sewer and water services which are financed by user charges.

The accounting policies of the City of Rupert, Idaho conform to generally accepted accounting principles. The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2012.

1. Financial Reporting Entity

The City's financial statements include the accounts of all operations under the oversight authority of the City Council and those of separately administered organizations over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

2. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

3. Fund Equity Classification

GASB Statement No. 54 provided new categories for reporting fund balances in governmental funds. The categories and descriptions are as follows:

Non-spendable Fund Balance – Amounts which are considered non-spendable because they are not available for current use (such as fund balance associated with inventories, long-term receivables, and prepaid expenditures).

Restricted Fund Balance – Amounts which are constrained by externally imposed legal restrictions, or by law through constitutional provisions or enabling legislation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

3. Fund Equity Classification (cont.)

Committed Fund Balance – Amounts which are constrained for specific purposes imposed by formal action of the City Council through legislation, ordinance, or resolution. Committed fund balances cannot be used for other purposes unless the government uses that same action to modify or rescind a fund balance commitment.

Assigned Fund Balance – Amounts which have been established by the City Council or City Management as intended for a specific purpose, usually through the appropriation process of approving the City budget. Additionally, funds in special revenue, debt service and capital project funds are by their nature assigned to the purpose of those respective funds.

Unassigned Fund Balance – Amounts in the General Fund which are neither restricted, committed or assigned. They may be used for any governmental purpose.

The Rupert City Council is the entity's highest level of decision-making authority. When an expenditure is incurred for purposes for which there is fund balance available in more than one fund balance classification, the general rule is that restricted funds shall be expended first, followed by committed funds, and then assigned funds.

4. Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments, nor do they include the elimination of administrative overhead charges. Reimbursements are reported as legislative reimbursement to the governmental activities and direct expenses to the business-type activity making the payment. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales of services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

4. Measurement Focus and Basis of Accounting (cont.)

Allocation of Indirect Expenses

The City allocates indirect expense, primarily comprised of central governmental services, to operating functions and programs benefiting from those services. Central services include overall City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. These charges are separately reported in the statement of activities as indirect expenses allocation to governmental activities and are included as direct expenses of the applicable operating functions and programs. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions with public services and parks.

5. Fund Accounting

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

GOVERNMENTAL FUNDS

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources not reported in another fund.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise funds include Electric, Sanitation, Sewer and Water, accounting for the operating activities of the respective utilities services. All are reported as major enterprise funds except the Sanitation Fund.

OTHER FUND TYPES

The City also reports the following fund type:

Special Revenue Funds - Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by the City or a grantor. This fund type accounts for the activity of the DeMary Memorial Library.

6. Budgetary Data

Prior to September 1, the City Administrator submits to the City Council 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. After reviewing the preliminary budget, the Council sets a public budget hearing to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The General Fund budget was amended during the fiscal year in the amount of \$79,275 to increase expenditures offset by additional revenue.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

6. Budgetary Data (cont.)

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. Budget revisions at this level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval. Revisions to the budget were made near year end. All annual appropriations lapse at year end. Budgetary data is prepared on the basis of accounting used by a particular fund as explained above. However, only current period payments on capital leases are budgeted, not the full capitalized lease amount. Depreciation for the proprietary funds is not budgeted; however, an allowance for capital outlay is included in budgeted expenditures.

See Note T for budgetary compliance information for the Proprietary (Enterprise) Funds.

Encumbrance accounting – under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded, in order to reserve that portion of the applicable appropriation - is not used by the City.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Cash and Cash Equivalents

The City maintains and controls cash and investment pools in which the primary government funds share. Each fund's portion of a pool is displayed on its respective balance sheet. In addition, non-pooled cash and investments are separately held by the DeMary Memorial Library.

For purposes of the Statement of Cash Flows, the enterprise funds consider cash and cash equivalents to include cash on hand and all amounts on deposit with financial institutions.

9. Inventory

Inventories in governmental funds are considered to be immaterial and are not reported. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis.

10. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. In implementing GASB #34, the City is a Phase 3 government and is not required to retroactively apply the capitalization requirement to general infrastructure assets. Due to the lack of detailed records, the City has elected to not retroactively report on general infrastructure assets at this time. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

10. Capital Assets, Depreciation, and Amortization (cont.)

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10-50
Improvements, other than buildings	10-50
Infrastructures, Distribution Systems	10-75
Mobile Equipment	5-15
Furniture, Machinery, and Equipment	3-20

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets.

11. Long-Term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period.

NOTE B - CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. All cash deposits in banks are in local financial institution branches. Interest-bearing accounts were earning at rates between .23% and 3.02% at fiscal year end. The certificates of deposit have maturities ranging from one month to one year, with penalties for early withdrawal. Any such penalties would not have a material effect on the financial statements. Interest earned on pooled investments is credited to the General Fund of the City in accordance with City Council resolution.

Investments - Generally, the City's investing activities are managed under the custody of the City Treasurer/Budget Director. Funds are invested in accordance with Idaho Code as provided by ordinance of the City Council. The City has adopted an investment policy by resolution of the City's legislative authority.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The City has no investment policy which would further limit its investment choices beyond those stated in the Idaho Code. The City's investment in the State Treasurer's Investment Pool is not currently rated.

Concentration of Credit Risk – The City's investment policy states "with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the city of Rupert's total investment portfolio will be invested in a single security type or with a single financial institution." All deposits in the Idaho State Treasurer's Investment Pool are either FDIC insured or fully collateralized, with securities held in trust by the State Treasurer but not in the name of the City of Rupert. Idaho Code does not require collateralization of public funds.

The market value of investments was estimated to be \$2,122,177 indicating an unrealized gain of \$2,366 at September 30, 2012, which was determined to be immaterial to the financial statements and not recorded.

Custodial Credit Risk, Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The cash is recorded in terms of United States currency and is categorized for exposure to custodial credit risk on the following page.

NOTE B - CASH AND INVESTMENTS (cont.)

	Bank Balance		Total	Carrying Amount
	FDIC Insured or Collateralized Held In City's Name	Uninsured or Uncollateralized Held By Counterparty Not In City's Name		
Pooled Deposits				
Cash on Hand	2,415		2,415	2,415
Cash on Deposit with Banks, Checking	250,000	1,272,044	1,522,044	1,381,325
Cash on Deposit with Banks, Savings	13,049		13,049	13,050
Certificates of Deposit	207,010		207,010	200,000
Idaho Diversified Bond Fund		645,556	645,556	644,367
Idaho State Treasurer Investment Pool		1,291,285	1,291,285	1,291,638
	<hr/>			
Total Pooled Deposits	472,475	3,208,886	3,681,360	3,532,795
Non-Pooled Deposits				
Certificate of Deposit, Centennial	1,099		1,099	1,099
BPA ID Investment Pool - Electric		183,807	183,807	183,807
Certificate of Deposit, Library	18,478		18,478	18,478
	<hr/>			
Total Deposits	492,052	3,392,692	3,884,744	3,736,178
	<hr/>			
Cash on Deposit with Banks, Savings - Restricted for Use Relative to Meter Deposits, Debt Service, and Capital Construction Projects				(692,662)
	<hr/>			
Net Cash - Unrestricted				3,043,516
	<hr/>			

NOTE C - DELINQUENT TAXES RECEIVABLE

Property taxes are levied in November of each year and due in two equal installments at December 20 and June 20 following the levy date. If payment is not received upon the due dates, a 2% penalty is charged and taxes are classified as past due subject to 12% interest.

Delinquent taxes not paid within 60 days of year-end are recorded as deferred revenue in the governmental fund financial statements. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected. Although small amounts of delinquent taxes are collected within 60 days following the close of the City's fiscal year, the City feels secure in the right of the County to take tax deeds on property for the collection of real property taxes. Therefore, an allowance for uncollectible taxes receivable has not been established and would be immaterial.

Taxes receivable are stated at taxes levied less amounts collected and canceled. Individual taxpayer records are maintained by Minidoka County and amounts due to the City for taxes have been reconciled to County records. Aging of uncollected taxes is as follows.

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
2011 Levy	25,618	3,727	29,345
2010 Levy	15,231	2,216	17,447
2009 Levy	10,005	1,455	11,460
2008 Levy	416	61	477
	<hr/>		
Total	51,270	7,459	58,729
	<hr/>		

NOTE D - ACCOUNTS RECEIVABLE

The City charges utility users on about the 20th of the month following actual use by meter readings taken between the 1st and 15th of the month. The balance of utility accounts receivable at September 30, 2012 follows.

	<u>Governmental</u>	<u>Proprietary</u>
General	2,787	
Electric		270,232
Sanitation		77,262
Sewer		173,639
Water and Irrigation		46,656
	<hr/>	<hr/>
Total	<u>2,787</u>	<u>567,789</u>

NOTE E - ASSESSMENTS RECEIVABLE

Assessments receivable are as follows:

LID#18	3,679
LID#21	8,680
LID#22	<u>8,853</u>
Total	<u>21,211</u>

NOTE F - INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables are primarily comprised of amounts due from other governments for the quarter ended September 30, as well as grant amounts due from the federal government or a pass-through agency. Grant revenue is recorded as earned when eligibility requirements are met.

NOTE G – OTHER RECEIVABLE (EXTRAORDINARY ITEMS)

Subsequent to a court decision ruling that BPA exceeded its settlement authority in 2000 regarding Residential Exchange Program settlements, BPA has been left with financial reserves which resulted in refunds and future credits to the City’s Electric Fund (a proprietary fund). This accrued receivable will be in the form of credits issued monthly during the fiscal year ending September 30, 2013. Additional refunds or credits are expected to be provided to the City in future years. However, the duration of those payments and the amount are subject to BPA’s formal rate proceedings and will be unknown until each rate case is concluded.

NOTE H – CONSTRUCTION IN PROGRESS (COMMITMENTS)

The Street Improvement Department of the General Fund of the City has incurred costs of \$433,652 during the fiscal year ended September 30, 2012 toward construction of A Street. Most of these costs were 92.66% reimbursable by federal highway funding. Actual construction is expected to begin in 2013.

The Sewer Fund has incurred costs of \$4,907,963 for Phase 2 of the sewer construction project. The project is substantially complete and project closeout is expected early in the next fiscal year. See related Note N for debt information associated with this project. Financing was also obtained in the form of a USDA Rural Development grant in the amount of \$1,560,000, with \$1,324,790 received as of the fiscal year end.

NOTE I – CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is reporting all capital assets in the government-wide financial statements except for the retroactive reporting of infrastructure as explained in Note A-9. Capital asset activity for the year was as follows:

	<u>Balance</u> <u>9/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2012</u>
<u>Governmental Activities</u>				
Capital Assets Not Depreciated				
Land and Improvements	117,830			117,830
Other Capital Assets				
Buildings	3,304,624	37,476		3,342,100
Equipment	1,983,614	262,821	(63,645)	2,182,790
Infrastructures	50,622	285,164		335,786
Total Other Capital Assets, Historical Cost	5,338,860	585,461	(63,645)	5,860,676
Less Accumulated Depreciation				
Buildings	1,227,116	74,580		1,301,696
Equipment	1,704,036	75,397	(63,645)	1,715,788
Infrastructures	17,929	8,234		26,163
Total Accumulated Depreciation	2,949,081	158,211	(63,645)	3,043,647
Net Capital Assets, Governmental Activities	2,507,609	427,250	0	2,934,859
<u>Business-Type Activities</u>				
Capital Assets Not Depreciated				
Land and Improvements	172,240			172,240
Other Capital Assets				
Buildings	657,697	5,240		662,937
Equipment	2,909,496	297,766	(132,797)	3,074,465
Infrastructures	48,677,196	222,766		48,899,961
Total Other Capital Assets, Historical Cost	52,244,389	525,772	(132,797)	52,637,364
Less Accumulated Depreciation				
Buildings	182,698	13,568		196,266
Equipment	2,135,777	137,120	(117,718)	2,155,179
Infrastructures	18,581,894	914,064		19,495,958
Total Accumulated Depreciation	20,900,369	1,064,752	(117,718)	21,847,403
Net Capital Assets, Business-Type Activities	31,516,260	(538,980)	(15,079)	30,962,201
Total Capital Assets, Net	34,023,869	(111,730)	(15,079)	33,897,060

NOTE I – CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

City Hall Office	28,886
Fire Control	5,449
Law Enforcement	26,917
Recreation	37,590
Shop	36,650
Streets	18,703
Library	<u>4,016</u>

Total Governmental Activities Depreciation Expense 158,211

Business-Type Activities

Electric	246,928
Water	140,043
Wastewater	652,507
Sanitation	<u>25,275</u>

Total Business-Type Activities Depreciation Expense 1,064,752

Total Depreciation Expense 1,222,963

NOTE J - VOUCHERS PAYABLE AND ACCRUED LIABILITIES

Vouchers payable and accrued expenses are stated at cost and are recognized liabilities for goods and services rendered to the City as of September 30.

NOTE K - DEFERRED REVENUE

Deferred revenue on the governmental fund financial statements consists of delinquent taxes receivable not collected within 60 days of the fiscal year end and local improvement district assessments receivable not available for use as current resources.

NOTE L - COMPENSATED ABSENCES

The City accrues vacation and sick days for its employees based upon length of service. Sick leave days must be used or forfeited subject to limited carry over from year to year. Therefore, no accrual of these benefits has been made. Vacation time is not considered to be employee compensation and employees have no property rights of any kind to credited vacation hours. If an employee is terminated or voluntarily leaves employment, the City is not required to make payment of any kind for unused vacation time. However, in practice these hours are usually requested prior to leaving employment and are usually allowed. Therefore, accrual of vacation and personal leave time has been made for the fiscal year ended September 30, 2012. Compensatory time (i.e. overtime) has also been accrued as compensated absences. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Such compensation in the governmental fund financial statements will be paid from future resources of the City and is, therefore, reported only if matured compensated absences are payable to currently terminating employees, when it is included in accrued payroll and benefits.

NOTE M - LONG-TERM DEBT

Details on the debt of the City are disclosed in the following footnotes. See also Note W regarding the issuance of refunding bonds in the subsequent fiscal year to refund much of the Wastewater and Water Funds' (Enterprise Funds) long term debt. The debt service for notes payable is as follows:

<u>Year Ending</u>	<u>Business-Type Activities</u>			<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	507,545	619,126	1,126,671	51,299	6,895	58,194
2014	524,271	602,399	1,126,671	49,463	4,363	53,825
2015	543,792	582,879	1,126,671	18,047	1,933	
2016	564,077	562,594	1,126,671	18,989	991	
2017	555,850	541,512	1,097,362			
2018-2022	3,112,735	2,374,076	5,486,811			
2023-2027	3,755,559	1,731,252	5,486,811			
2028-2032	3,396,277	999,904	4,396,181			
2033-2037	2,466,788	456,107	2,922,895			
2038-2042	1,144,471	65,492	1,209,963			
	<u>16,571,366</u>	<u>8,535,340</u>	<u>25,106,706</u>	<u>137,799</u>	<u>14,181</u>	<u>151,980</u>

Summary of Changes in Long-Term Debt

	<u>Balance</u> <u>9/30/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2012</u>
Governmental Activities				
Capital Lease	92,600	94,244	(49,045)	137,799
Accrued Compensated Absences	81,834		(12,922)	68,912
Total Governmental Activities	174,434	94,244	(61,968)	206,711
Business-Type Activities				
Electric				
Capital Lease	63,278		(63,278)	0
Water				
Revenue Bonds	1,440,300		(42,637)	1,397,663
Sewer				
Rural Development Loan	635,941		(25,722)	610,220
Parity Lien Revenue Bond 2012		3,452,000		3,452,000
Parity Lien Revenue Bond	1,197,709		(38,203)	1,159,506
Revenue Bonds	6,680,405		(133,704)	6,546,701
DEQ Revolving Fund Loan	3,433,772		(139,926)	3,293,846
Sanitation				
Capital Lease		183,430	(72,000)	111,430
Compensated Absences	84,448		(1,180)	83,268
Total Business-Type Activities	13,535,853	3,635,430	(516,648)	16,654,634
Total Long-Term Debt	<u>13,710,287</u>	<u>3,729,674</u>	<u>(578,616)</u>	<u>16,861,345</u>

NOTE M - LONG-TERM DEBT (cont.)

Interest expense was charged to functions as follows:

<u>Governmental Activities</u>	
General - Shop	4,399
<u>Business-Type Activities</u>	
Electric	92
Water	64,787
Sewer	462,509
Sanitation	<u>785</u>
Total Business-Type Activities Interest Expense	<u>528,173</u>
Total Interest Expense	<u><u>532,572</u></u>

NOTE N - NOTES PAYABLE – SEWER

The Sewer Fund (an Enterprise Fund) has entered an agreement with the United States Department of Agriculture (USDA) for construction funds for a wastewater collection system rehabilitation project. Repayment of this loan is scheduled as follows.

Loan Amount: \$885,000
 Repayment Frequency: Annual

Term: 30 years
 Interest Rate: 4.50%

<u>Date</u>	<u>Amount</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
05-01-12				610,219
05-01-13	54,339	27,460	26,879	583,340
05-01-14	54,339	26,250	28,089	555,252
05-01-15	54,339	24,986	29,353	525,899
05-01-16	54,339	23,665	30,674	495,225
05-01-17	54,339	22,285	32,054	463,171
05-01-18	54,339	20,843	33,496	429,675
05-01-19	54,339	19,335	35,004	394,672
05-01-20	54,339	17,760	36,579	358,093
05-01-21	54,339	16,114	38,225	319,868
05-01-22	54,339	14,394	39,945	279,923
05-01-23	54,339	12,597	41,742	238,181
05-01-24	54,339	10,718	43,621	194,560
05-01-25	54,339	8,755	45,584	148,976
05-01-26	54,339	6,704	47,635	101,341
05-01-27	54,339	4,560	49,779	51,562
05-01-28	<u>53,882</u>	<u>2,320</u>	<u>51,562</u>	0
Total	<u><u>868,967</u></u>	<u><u>258,748</u></u>	<u><u>610,219</u></u>	

NOTE N - NOTES PAYABLE – SEWER (cont.)

In February, 2000, the City authorized the issuance of a parity lien sewer revenue bond for the purpose of financing the acquisition of improvements to the sewer system. The bond was paid upon completion of the sewer improvement project with funds provided by a USDA Rural Development Loan. Repayment of the USDA loan is scheduled as follows.

Loan Amount: \$1,500,000
 Repayment Frequency: Annual

Term: 30 Years
 Interest Rate: 4.5%

<u>Date</u>	<u>Amount</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
03-30-12				1,159,507
03-30-13	92,100	52,178	39,922	1,119,585
03-30-14	92,100	50,381	41,719	1,077,866
03-30-15	92,100	48,504	43,596	1,034,270
03-30-16	92,100	46,542	45,558	988,712
03-30-17	92,100	44,492	47,608	941,104
03-30-18	92,100	42,350	49,750	891,354
03-30-19	92,100	40,111	51,989	839,365
03-30-20	92,100	37,771	54,329	785,036
03-30-21	92,100	35,327	56,773	728,263
03-30-22	92,100	32,772	59,328	668,935
03-30-23	92,100	30,102	61,998	606,937
03-30-24	92,100	27,312	64,788	542,149
03-30-25	92,100	24,397	67,703	474,446
03-30-26	92,100	21,350	70,750	403,696
03-30-27	92,100	18,166	73,934	329,762
03-30-28	92,100	14,839	77,261	252,501
03-30-29	92,100	11,363	80,737	171,764
03-30-30	92,100	7,729	84,371	87,393
03-30-31	92,100	4,707	87,393	0
	<u>1,749,900</u>	<u>590,393</u>	<u>1,159,507</u>	

NOTE N - NOTES PAYABLE – SEWER (cont.)

In August, 2009, the City authorized the issuance of parity lien sewer revenue bonds for the purpose of financing the acquisition of improvements to the sewer system. At that time interim financing in the amount of \$6,723,000 plus interest was paid off. The bond was paid upon completion of the sewer improvement project with funds provided by USDA Rural Development Loans. Repayment of the USDA loans is scheduled as follows.

Loan Amount: \$7,048,000
 Repayment Frequency: Annual

Term: 30 Years
 Interest Rates: 4.25% to 4.5%

<u>Date</u>	<u>Amount</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
8-6-12				6,546,701
8-6-13	427,754	288,167	139,587	6,407,114
8-6-14	427,754	282,025	145,729	6,261,384
8-6-15	427,754	275,612	152,142	6,109,242
8-6-16	427,754	268,917	158,837	5,950,405
8-6-17	427,754	261,927	165,827	5,784,577
8-6-18	427,754	254,629	173,125	5,611,452
8-6-19	427,754	247,010	180,744	5,430,708
8-6-20	427,754	239,056	188,698	5,242,010
8-6-21	427,754	230,751	197,003	5,045,007
8-6-22	427,754	222,081	205,673	4,839,334
8-6-23	427,754	213,029	214,725	4,624,608
8-6-24	427,754	203,578	224,176	4,400,432
8-6-25	427,754	193,711	234,043	4,166,389
8-6-26	427,754	183,410	244,344	3,922,045
8-6-27	427,754	172,655	255,099	3,666,945
8-6-28	427,754	161,426	266,328	3,400,618
8-6-29	427,754	149,703	278,051	3,122,567
8-6-30	427,754	137,464	290,290	2,832,276
8-6-31	427,754	124,685	303,069	2,529,208
8-6-32	427,754	111,344	316,410	2,212,798
8-6-33	427,754	97,416	330,338	1,882,460
8-6-34	427,754	82,874	344,880	1,537,579
8-6-35	427,754	67,691	360,063	1,177,516
8-6-36	427,754	51,840	375,914	801,602
8-6-37	427,754	35,290	392,464	409,139
8-6-38	427,151	18,012	409,139	(0)
Total	<u>11,121,001</u>	<u>4,574,300</u>	<u>6,546,701</u>	

NOTE N - NOTES PAYABLE – SEWER (cont.)

Additional funding for wastewater treatment plant improvements completed in 2009 was obtained through a Department of Environmental Quality Loan in the amount of \$3,700,000. Capitalized interest of \$170,194 is included in this amount. Repayment of this loan is scheduled as follows.

Loan Amount: \$3,700,000
 Repayment Frequency: Semiannual

Term: 20 Years
 Interest Rate: 3.5%

<u>Date</u>	<u>Amount</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
08/14/12				3,293,846
02/14/13	129,447	57,642	71,805	3,222,041
08/14/13	129,447	56,386	73,061	3,148,980
02/14/14	129,447	55,107	74,340	3,074,640
08/14/14	129,447	53,806	75,641	2,998,999
02/14/15	129,447	52,482	76,965	2,922,035
08/14/15	129,447	51,136	78,312	2,843,723
02/14/16	129,447	49,765	79,682	2,764,041
08/14/16	129,447	48,371	81,076	2,682,964
02/14/17	129,447	46,952	82,495	2,600,469
08/14/17	129,447	45,508	83,939	2,516,531
02/14/18	129,447	44,039	85,408	2,431,123
08/14/18	129,447	42,545	86,902	2,344,220
02/14/19	129,447	41,024	88,423	2,255,797
08/14/19	129,447	39,476	89,971	2,165,827
02/14/20	129,447	37,902	91,545	2,074,282
08/14/20	129,447	36,300	93,148	1,981,134
02/14/21	129,447	34,670	94,777	1,886,357
08/14/21	129,447	33,011	96,436	1,789,921
02/14/22	129,447	31,324	98,123	1,691,797
08/14/22	129,447	29,606	99,841	1,591,957
02/14/23	129,447	27,859	101,588	1,490,369
08/14/23	129,447	26,081	103,366	1,387,004
02/14/24	129,447	24,273	105,174	1,281,829
08/14/24	129,447	22,432	107,015	1,174,814
02/14/25	129,447	20,559	108,888	1,065,926
08/14/25	129,447	18,654	110,793	955,133
02/14/26	129,447	16,715	112,732	842,401
08/14/26	129,447	14,742	114,705	727,696
02/14/27	129,447	12,735	116,712	610,984
08/14/27	129,447	10,692	118,755	492,229
02/14/28	129,447	8,614	120,833	371,396
08/14/28	129,447	6,499	122,948	248,448
02/14/29	129,447	4,348	125,099	123,349
08/14/29	<u>125,508</u>	<u>2,159</u>	<u>123,349</u>	0
Total	<u>4,397,259</u>	<u>1,103,415</u>	<u>3,293,846</u>	

NOTE N - NOTES PAYABLE – SEWER (cont.)

In September, 2012, the City issued a parity lien sewer revenue bond for the purpose of financing improvements to the sewer system. At that time interim financing in the amount of \$3,351,000 plus interest was paid off. Interest in the amount of \$41,173 was capitalized and added to the project cost. The bond was paid upon completion of the sewer improvement project with funds provided by a USDA Rural Development Loan. repayment of the USDA loan is scheduled as follows.

Loan Amount: \$3,452,000
 Repayment Frequency: Annual

Term: 30 Years
 Interest Rate: 2.125%

<u>Date</u>	<u>Amount</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
9/17/2012				3,452,000
9/17/2013	156,825	73,355	83,470	3,368,530
9/17/2014	156,825	71,581	85,244	3,283,286
9/17/2015	156,825	69,770	87,055	3,196,231
9/17/2016	156,825	67,920	88,905	3,107,326
9/17/2017	156,825	66,031	90,794	3,016,532
9/17/2018	156,825	64,101	92,724	2,923,808
9/17/2019	156,825	62,131	94,694	2,829,114
9/17/2020	156,825	60,119	96,706	2,732,408
9/17/2021	156,825	58,064	98,761	2,633,646
9/17/2022	156,825	55,965	100,860	2,532,786
9/17/2023	156,825	53,822	103,003	2,429,783
9/17/2024	156,825	51,633	105,192	2,324,591
9/17/2025	156,825	49,398	107,427	2,217,163
9/17/2026	156,825	47,115	109,710	2,107,453
9/17/2027	156,825	44,783	112,042	1,995,411
9/17/2028	156,825	42,402	114,423	1,880,989
9/17/2029	156,825	39,971	116,854	1,764,135
9/17/2030	156,825	37,488	119,337	1,644,798
9/17/2031	156,825	34,952	121,873	1,522,925
9/17/2032	156,825	32,362	124,463	1,398,462
9/17/2033	156,825	29,717	127,108	1,271,354
9/17/2034	156,825	27,016	129,809	1,141,546
9/17/2035	156,825	24,258	132,567	1,008,978
9/17/2036	156,825	21,441	135,384	873,594
9/17/2037	156,825	18,564	138,261	735,333
9/17/2038	156,825	15,626	141,199	594,134
9/17/2039	156,825	12,625	144,200	449,934
9/17/2040	156,825	9,561	147,264	302,670
9/17/2041	156,825	6,432	150,393	152,277
8/17/2042	<u>155,513</u>	<u>3,236</u>	<u>152,277</u>	(0)
Total	<u><u>4,077,450</u></u>	<u><u>1,251,438</u></u>	<u><u>3,452,000</u></u>	

NOTE O – NOTES PAYABLE – WATER

The Water Fund (an Enterprise Fund) has entered into an agreement with the United States Department of Agriculture (USDA) for construction funds for construction and installation of improvements to the water facilities. Repayment of the loan is scheduled below.

Loan Amount: \$1,750,000
Repayment Frequency: Annual

Term: 30 years
Interest Rate: 4.50%

<u>Date</u>	<u>Amount</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
9-25-12				1,397,663
9-25-13	107,450	62,895	44,555	1,353,108
9-25-14	107,450	60,890	46,560	1,306,548
9-25-15	107,450	58,795	48,655	1,257,893
9-25-16	107,450	56,605	50,845	1,207,048
9-25-17	107,450	54,317	53,133	1,153,915
9-25-18	107,450	51,926	55,524	1,098,391
9-25-19	107,450	49,428	58,022	1,040,369
9-25-20	107,450	46,817	60,633	979,736
9-25-21	107,450	44,088	63,362	916,374
9-25-22	107,450	41,237	66,213	850,161
9-25-23	107,450	38,257	69,193	780,968
9-25-24	107,450	35,143	72,307	708,661
9-25-25	107,450	31,890	75,560	633,101
9-25-26	107,450	28,490	78,960	554,141
9-25-27	107,450	24,936	82,514	471,627
9-25-28	107,450	21,223	86,227	385,400
9-25-29	107,450	17,343	90,107	295,293
9-25-30	107,450	13,288	94,162	201,131
9-25-31	107,450	9,051	98,399	102,732
9-25-32	<u>107,355</u>	<u>4,623</u>	<u>102,732</u>	0
	<u><u>2,148,905</u></u>	<u><u>751,242</u></u>	<u><u>1,397,663</u></u>	

NOTE P - CAPITAL LEASES

The City has entered into municipal lease agreements for the purchase of a John Deere Grader and for the purchase of 3 2013 Ford Interceptor police vehicles to be used by the General Fund of the City, as well as a 2013 International Leach Truck to be used by the Sanitation Fund (a Proprietary Fund). The obligations are recorded in the respective fund. Annual lease payments are paid in advance. Unless sooner terminated as set forth in the lease, ownership will transfer to the City upon expiration of the lease. Depreciation expense has been computed on assets acquired under municipal lease agreements. Details of the leases follow.

	Equipment Cost (Less Depr)					Total
		2013	2014	2015	2016	
<u>Governmental Activities</u>						
<u>John Deere Grader</u>						
John Deere Credit	148,117	33,844	33,845			67,689
Less Interest @ 4.65% Due 10-28	<u>(58,012)</u>	<u>(3,000)</u>	<u>(1,534)</u>			<u>(4,534)</u>
	90,105	30,844	32,311			63,155
<u>3 Police Ford Interceptors</u>						
Government Leasing Co.	94,244	24,350	19,980	19,980	19,980	84,290
Less Interest @ 5.218% Due 9-13	<u>(9,424)</u>	<u>(3,895)</u>	<u>(2,828)</u>	<u>(1,933)</u>	<u>(991)</u>	<u>(9,646)</u>
	<u>84,820</u>	<u>20,455</u>	<u>17,152</u>	<u>18,047</u>	<u>18,989</u>	<u>74,644</u>
Total Governmental	174,925	51,299	49,463	18,047	18,989	137,799
<u>Business-Type Activities</u>						
<u>Leach Sanitation Truck</u>						
Key Government Finance	183,430	29,309	29,309	29,309	29,309	117,235
Less Interest @ 2.825% Due 11-1	<u>(4,586)</u>	<u>(1,044)</u>	<u>(2,359)</u>	<u>(1,594)</u>	<u>(808)</u>	<u>(5,805)</u>
	<u>178,844</u>	<u>28,265</u>	<u>26,950</u>	<u>27,714</u>	<u>28,500</u>	<u>111,430</u>
Total Capital Leases	<u>353,769</u>	<u>79,564</u>	<u>76,413</u>	<u>45,762</u>	<u>47,490</u>	<u>249,229</u>

NOTE Q – INTERFUND TRANSFERS

Transfers totaling \$81,043 from the proprietary funds to the General Fund for an equipment reserve were budgeted and completed to provide funding for major capital equipment purchases which could benefit several funds and departments.

NOTE R – ANIMAL CONTROL FACILITY JOINT VENTURE

Effective October 1, 2005, the City of Rupert entered into a joint animal control facilities agreement providing for the operation of the animal control facility under contract with Minidoka County. Capital assets and the related debt were transferred to the County at that time. The City has a 29.1% ownership interest in the animal control facility improvements located on real property owned by the City of Paul, Idaho. The City of Rupert’s current contribution to the operating costs under this agreement was \$35,857. In the event of terminating its participation in the agreement, the City would retain an ownership interest in the animal control facility, but all personal property acquired would remain in place for use by the remaining parties. In the event of complete termination, all joint property would be sold, with the proceeds to be distributed in proportion to each entity’s contribution. Financial information for the animal control facility for the fiscal year ended September 30, 2012 is included with the Minidoka County audited financial statements and is available at the County offices.

Effective October 1, 2012, the City has agreed to accept the responsibility of handling operation of the animal control facility, including hiring of personnel and administration of financial and operational activities.

NOTE S - EMPLOYEE RETIREMENT PLAN

The Public Employee Retirement System of Idaho (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 service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

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

The actuarially determined contribution requirements of the City of Rupert, Idaho and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2012, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The City of Rupert employer contributions required and paid were \$274,421, \$267,868, and \$259,096, for the three years ended September 30, 2012, 2011, and 2010, respectively.

NOTE T - COMPLIANCE MATTERS

Budgetary compliance information for expenditures of the Proprietary (Enterprise) Funds is as follows. Depreciation for the proprietary funds is not budgeted; however, an allowance for capital outlay is included in budgeted expenditures. The amount established for debt reserve is also budgeted.

	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Total</u>
Budget	5,545,886	1,261,163	8,080,296	723,731	15,611,076
Actual:					
Personnel Services	775,571	284,391	437,682	334,742	1,832,386
Operation and Maintenance	4,014,072	555,283	787,678	205,374	5,562,407
Capital Outlay, Debt Service, Transfers	161,288	143,602	5,490,233	87,864	5,882,987
Debt Reserve		106,678	413,000		519,678
Total Actual	<u>4,950,931</u>	<u>1,089,954</u>	<u>7,128,593</u>	<u>627,980</u>	<u>13,797,458</u>
Variance-Favorable	<u>594,955</u>	<u>171,209</u>	<u>951,703</u>	<u>95,751</u>	<u>1,813,618</u>

NOTE U - RISK MANAGEMENT

The City carries commercial insurance to cover employee health care, worker's compensation, liability and property. There has been no significant reduction in insurance coverage in the current year. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

NOTE V – RESTATED BEGINNING NET ASSETS

Beginning Net Assets were reduced in the amount of \$40,745 for improvements to the Senior Citizen Center which had been capitalized as Construction In Progress in the prior year. These costs were financed by federal funding, and although they were capital improvements, the building is not asset of the City and the costs could therefore not properly be capitalized.

NOTE W - SUBSEQUENT EVENTS

In December, 2012 the City signed documents to refinance the Water Revenue Bond Series 2002 and the Sewer Bond Series 1988, 2001, 2008A, 2008B, 2008C and 2009 by issuing Idaho Bond Bank Authority Revenue Bonds, Series 2012D.

The Water Revenue Refunding Bond is at the par amount of \$1,225,000 plus a premium of \$191,149 less underwriter discount of \$4,614, for a net purchase price of \$1,411,535. Proceeds from the municipal bond were used to pay off the prior bond in the amount of \$1,387,421, plus fees and costs of \$21,001, with a remaining amount to the City of \$3,113. Of the \$117,423 held in the reserve fund for the prior bond, \$92,700 was applied to fund the new Reserve Fund, with the balance to be used in part to pay the prior bond. Bond repayment is scheduled to be complete in September, 2032, with total interest expense of \$579,652 over the full term of repayment. Interest rates vary from 2% to 5%.

The Sewer Parity Lien Revenue Refunding Bond is at the par amount of \$10,570,000 plus a premium of \$1,390,324 less underwriter discount of \$40,070, for a net purchase price of \$11,920,254. Proceeds from the municipal bond were used to pay off the prior bonds in the amount of \$11,804,674, plus fees and costs of \$114,315, with a remaining amount to the City of \$1.265. The City was to transfer \$408,100 of funds held in the reserve funds for the prior bonds, for a total reserve of \$732,369. Bond repayment is scheduled to be complete in September, 2038, with total interest expense of \$5,316,977 over the full term of repayment. Interest rates vary from 2% to 5%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RUPERT, IDAHO

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	649,842	649,842	658,322	8,480
Fees & Fines	57,000	57,000	44,573	(12,427)
Licenses and Permits	10,600	10,600	11,667	1,067
Intergovernmental	581,894	699,636	952,965	253,329
Charges For Services	192,220	192,220	189,545	(2,675)
Special Assessments	5,500	5,500	5,976	476
Legislative Reimbursement	1,580,703	1,537,392	1,537,391	(1)
Interest on Investments	22,910	22,910	22,806	(104)
Miscellaneous	94,480	99,324	90,166	(9,158)
Total Revenues	3,195,149	3,274,424	3,513,411	238,987
Expenditures				
Administration	589,233	584,527	532,131	52,396
Buildings	66,439	66,029	67,025	(996)
Code Enforcement	53,136	6,274	5,761	513
Economic Deveopment	90,384	137,451	80,272	57,179
City Hall Office	356,513	320,692	304,130	16,562
Law Enforcement	962,205	962,205	827,363	134,842
Streets	327,768	327,768	299,932	27,836
Recreation	291,820	291,820	261,681	30,139
Swimming Pool	102,502	102,502	95,421	7,081
Fire Control	157,336	186,726	159,797	26,929
Shop	171,779	166,740	158,339	8,401
Capital Outlay	1,022,034	1,093,077	958,428	134,649
Total Expenditures	4,191,149	4,245,811	3,750,280	495,531
Excess (Deficit) Revenues Over Expenditures	(996,000)	(971,387)	(236,869)	734,518
Other Sources (Uses)				
Operating Transfers In (Out)	(2,000)	(26,613)	(19,885)	6,728
Excess (Deficit) Revenues Over Expenditures and Other Uses	(998,000)	(998,000)	(256,754)	741,246
Fund Balance at Beginning of Year	998,000	998,000	1,353,853	355,853
Fund Balance at End of Year	0	0	1,097,099	1,097,099

See accompanying notes to financial statements.

OMB CIRCULAR A-133 SUPPLEMENTARY FINANCIAL REPORT



**Independent Auditor's Report on Compliance With Requirements that Could Have a
Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133**

Honorable Mayor and City Council
City of Rupert
State of Idaho

Compliance

We have audited the City of Rupert, Idaho's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Rupert, Idaho's major federal programs for the year ended September 30, 2012. The City of Rupert, Idaho's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Rupert, Idaho's management. Our responsibility is to express an opinion on the City of Rupert, Idaho's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rupert, Idaho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Rupert, Idaho's compliance with those requirements.

In our opinion, the City of Rupert, Idaho, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the City of Rupert, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Rupert, Idaho's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Rupert, Idaho's internal control over compliance.

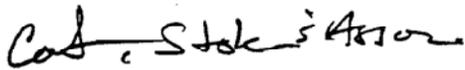
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a significant deficiency.

The City of Rupert, Idaho's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Rupert, Idaho's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Condie, Stoker & Associates

February 7, 2013

CITY OF RUPERT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Description</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Accrued (Deferred) Loan/Grant Revenue 9/30/11</u>	<u>Cash/ Commodities Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Loan/Grant Revenue 9/30/12</u>
<u>US Department of Agriculture</u>						
*Water & Waste Disposal Systems for Rural Communities - Loan	10.760		296,438	3,452,000	3,098,734	(56,827)
*Water & Waste Disposal Systems for Rural Communities - Grant	10.760		0	1,238,720	1,324,790	86,070
Total US Department of Agriculture			296,438	4,690,720	4,423,524	29,243
<u>US Department of Housing & Urban Development</u>						
Passed Through State Department of Commerce Community Development Block Grant	14.228	B10DC160001	40,746	47,067	6,321	0
<u>US Department of Transportation</u>						
*Highway Planning and Construction	20.205	STP-7842(100) BR-7842(101)	33,963 0	250,192 7,792	392,364 7,792	176,135 0
Passed Through Idaho State Department of Transportation Highway Planning and Construction	20.205	A010(660)	0	3,934	3,934	0
State & Community Highway Safety	20.600	Various	4,255	8,243	6,715	2,727
Alcohol Traffic Safety & Drunk Driving Prev	20.601	K8-2011-12-01-00-00	4,399	9,601	5,202	0
Total US Department of Transportation			42,617	279,761	416,006	178,862
<u>Environmental Protection Agency</u>						
Passed Through Idaho Division of Environmental Quality *Drinking Water State Revolving Funds	66.468	DWG-129-2012-10	0	8,000	14,000	6,000
<u>Military Division</u>						
Homeland Security Grant Program (Non Cash)	97.067	2009SST90014	0	2,604	2,604	0
Total Federal Financial Assistance			379,802	5,028,152	4,862,456	214,105

* Major Program

See accompanying notes to financial statements.

CITY OF RUPERT, IDAHO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Rupert and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – OTHER FEDERAL AWARD INFORMATION – FEDERAL LOANS

The City had the following outstanding loan balances which were financed with federal funds. All payments were current and are being made by the Enterprise Funds. Further information is provided in Notes N and O to the financial statements.

<u>Federal Program Description</u>	<u>Federal CFDA Number</u>	<u>Loan ID</u>	<u>Fund</u>	<u>Amount</u>
US Department of Agriculture Water and Waste Loans	10.760	92-01	Sewer	610,219
		92-03	Sewer	1,159,507
		92-05	Sewer	2,789,850
		92-07	Sewer	1,390,826
		92-09	Sewer	2,366,024
		New	Sewer	3,452,000
		91-02	Water	<u>1,397,663</u>
				13,166,091
Environmental Protection Agency Clean Water State Revolving Funds	66.458	1899-14	Sewer	<u>3,293,846</u>
				<u><u>16,459,937</u></u>

CITY OF RUPERT, IDAHO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Rupert, Idaho.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the City of Rupert, Idaho were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance Required By OMB Circular A-133. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the City of Rupert, Idaho expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: US Department of Agriculture, Water and Disposal Systems for Rural Communities, CFDA 10.760 and US Department of Transportation, Highway Planning and Construction, CFDA 20.205.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Rupert, Idaho was not determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2012-1 Verification of Reimbursements – See Below

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF TRANSPORTATION

2012-1 Highway Planning and Construction – CFDA 20.205; Grant No. STP-7842(100)

Significant Deficiency: Verification of Reimbursements

Condition: Inadequate reconciliation of expenditures to reimbursement requests

Criteria: Reimbursement should be computed on actual allowable expenditure

Questioned Costs: Not Applicable

Cause: City relies on external entities (engineers, state and federal personnel, etc.) to determine allowable expenditures and request reimbursements without comparing information to accounting records

Effect: Federal reimbursement not computed accurately

Recommendation: City personnel should compare all actual expenditures with amounts claimed and received for reimbursement

Views of Responsible Officials and Planned Corrective Actions:

The City agrees with the finding and has responded as follows: “The City has designated an employee to handle all City grants to make sure that all aspects of each grant are handled properly. This employee will be responsible for the review of all documents, expenditures, reimbursements and all other clerical aspects of any of the City’s grants.”

SELECTED OTHER SUPPLEMENTARY INFORMATION



Communication to Management

To the
Mayor and City Council of the
City of Rupert

In planning and performing our audit of the general purpose financial statements of the City of Rupert, Idaho for the year ended September 30, 2012 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be less serious than reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City of Rupert, Idaho's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

Utility Billing

It was noted that there were some instances where a new customer was incorrectly set up for billing and not all services were billed for several months. Procedures have since been instituted where the set-up is reviewed by a second individual to identify errors.

Changes for the documentation and approval of customer account adjustments have been recommended to ensure that there is a clear audit trail for these transactions. This includes a log of all adjustment entries with a description of the cause and effect, as well as the signed approval by a second individual.

It is recommended that the handling of delinquent accounts be communicated more frequently to the Mayor and City Council. This would include a report stating the customers who have been turned over to collections or the credit bureau, as well as a report of any amounts recovered by these agencies. This process was hindered during the last fiscal year due to errors resulting from the software upgrade.

At the beginning of the 2012 fiscal, the wastewater department instituted a billing increase of approximately 4%. However, the increase in actual total billed revenue was less than 0.80%. This was partially due to the fact that there was no increase in charges for industry, which account for almost 1/3 of the wastewater revenue each month. The City should be aware, however, that the revenue increases they anticipated may not be actually occurring. No significant billing errors were found to account for this lack of increased revenue.

Miscellaneous Revenue

To facilitate identification of miscellaneous revenue as it is recorded, we recommend that a copy of the documentation be filed with the applicable cash batch.

Several departments of the City prepare bills for customers, service work, reimbursements, etc. A file was created at the City office for these miscellaneous bills so that follow-up could be completed, but the process still needs improvement. Bid quotes should not use the same form as actual invoices for charges.

Lease documents related to the use of City property expired several years ago and have not been officially renewed. Essentially no lease revenue was received during the last fiscal year other than the monthly amount from Maverick. This resulted in approximately \$4,000 in lost revenue to the City based on historical amounts. All leases should be brought current and steps should be taken to ensure that the City is not missing out on revenue to which it is entitled.

The cash register at the pool has the capability of providing a total of receipts at the end of the season which can be compared to revenue recorded. However, during the past year this total was apparently cleared at some time during the summer making the year end totals meaningless. Steps should be taken to limit access to the cash register report totals. If this report is accidentally cleared before the end of the season, the interim report should be turned into the recreation department head for review at the end of the year.

It is recommended that at least once a year the balance in certificates of deposit is verified and the interest is recorded. Although some CD's issue a check regularly for interest payments, most of the CD's add the interest to the investment balance. Since some of these CD's have a rather long term, the current practice of posting the interest when the CD matures results in this income not being recorded for an extended period of time.

Account Reconciliation

The reconciliation of cash and accounts receivable amounts currently is an extremely difficult process. This partly results from the electronic payments which the City now accepts and the lack of cutoff procedures which help identify items in transit. Also contributing to the difficulty is the fact that the utility billing program operates on "real time" and the general ledger functions by posting date. The computer software does not seem to facilitate the process. Although adjustments have been immaterial, the importance of the reconciliation process cannot be overemphasized. Reconciliations must be completed timely and consistently and the City should work with the software provider to see if the computer system could provide assistance.

Budget Considerations

To facilitate the proper capitalization of assets, consideration should be given to adjusting the expenditure line items, particularly for the utility departments which have distribution system costs which might need to be depreciated. Maintenance costs are expensed, but if material improvements are made and costs should be depreciated, the expenditure should be recorded in the "57000" series of accounts for capitalized costs.

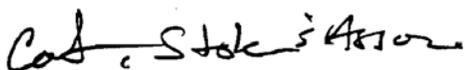
Grant Administration

Files for many of the grants of the City are lacking organization. Proper and orderly documentation is essential. The basic files would include a copy of the grant agreement, copies of related contracts (including documented approval, approved amendments, etc.), identification of compliance requirements with documentation of actions taken to comply, and related correspondence. The accounting records would include documentation of all expenditures, linked to the request for reimbursements and the actual receipt of revenue. A printout of the trial balance for the applicable accounts which reconciles with the expenditure and receipt documentation should also be included.

We recommend that the grant files normally be administered within the main City office. However, if a grant is administered within another office, such as the police, fire or library departments, the City must communicate with these departments whenever an expenditure or revenue item is recorded. This includes making copies of all related invoices and check disbursements, as well as copies of grant payments received. A copy of the trial balance for the related accounts should also be provided at least quarterly to the grant administrator in the applicable department.

This report is intended solely for the information and use of the City of Rupert, Idaho's elected officials, management, and others within the administration. However, this report is a matter of public record, and its distribution is not limited.

We wish to express our thanks to the elected officials and administration of the City of Rupert, Idaho for their cooperation and assistance on this year's audit. If you have any questions during the coming year, please do not hesitate to call.



Condie, Stoker & Associates

February 7, 2013