

CITY OF RUPERT

**BASIC FINANCIAL STATEMENTS
AND
SELECTED OTHER FINANCIAL INFORMATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

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Table of Contents

<u>Audited Financial Statements</u>	<u>Page</u>
Independent Auditor's Report	3-4
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>	5
Management's Discussion and Analysis	6-13
Government-Wide Financial Statements:	
Statement of Net Position	14
Statement of Activities	15-16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20-21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	22-23
Statement of Cash Flows - Proprietary Funds	24-25
Notes to Financial Statements	26-42
<u>Required Supplementary Information</u>	
Budgetary Comparison Schedule – General Fund	44
<u>Selected Other Supplementary Information</u>	
Combining Balance Sheet – Non-Major Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	47
<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	49-50
Schedule of Expenditures of Federal Awards	51
Notes to Schedule of Expenditures of Federal Awards	52
Schedule of Findings and Questioned Costs	53
Summary Schedule of Prior Audit Findings	54
<u>Other Information</u>	
Management Comment Letter	56-57



Independent Auditor's Report

Honorable Mayor and City Council
City of Rupert
State of Idaho

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rupert, Idaho, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 44 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.

Other Information

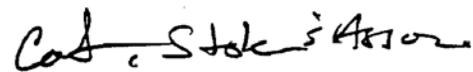
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rupert, Idaho's basic financial statements. The introductory section and combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2014 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* in considering the City of Rupert, Idaho's internal control over financial reporting and compliance.



Condie, Stoker & Associates
March 20, 2014



Condie
Stoker &
Associates

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A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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

Honorable Mayor and City Council
City of Rupert
State of Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rupert, Idaho as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Rupert, Idaho's basic financial statements, and have issued our report thereon dated March 20, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Rupert, Idaho in a separate letter dated March 20, 2014.

Purpose of this Report

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

Condie, Stoker & Associates
March 20, 2014

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, 2013.

Financial Highlights

- The assets of the City of Rupert exceeded its liabilities at the close of the most recent fiscal year by \$26,766,158 (net position). Of this amount, \$2,808,155 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.
- The city's total net position decreased by \$86,941 principally due to increased costs by the proprietary funds.
- As of the close of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$789,834, a decrease of \$405,676 in comparison with the prior year. The decrease was principally due to capital outlay expenditures.
- At the end of the current fiscal year, there was no unreserved fund balance for the General Fund and the fund balance available for subsequent year's expenditures was \$480,257, or 12% of total General Fund expenditures.
- The city's total long-term debt in the governmental funds increased by \$126,021, principally due to a new capital lease for the financing of a pumper truck for the Fire Department. Long-term debt of the proprietary funds decreased by \$289,781 due to the disbursement of scheduled payments and the issuance of refunding revenue bonds which completed the payment of prior debt.

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 position presents information on all of the City of Rupert's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 City has also accepted the responsibility of handling operations of the animal control facility joint venture and it has also been included as 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 three 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 funds (Library and Animal Control Funds) is reported in a separate column.

The basic governmental fund financial statements can be found on pages 16-18 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 25-41 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 obligations. 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 budget comparison schedule can be found on page 46 of this report.

Government-wide Financial Analysis

Net position 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 \$26,766,158 at the close of the most recent fiscal year.

By far, the largest portion of the City of Rupert's net assets (86 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 position (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,808,155) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF RUPERT
Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current & Other Assets	1,047,136	1,434,536	2,548,279	3,122,664	3,595,415	4,557,200
Capital Assets	4,147,947	3,368,511	36,479,080	36,562,826	40,627,027	39,931,337
Total Assets	5,195,083	4,803,047	39,027,359	39,685,490	44,222,442	44,488,537
Long-Term Liabilities	251,723	155,412	15,804,628	16,147,090	16,056,351	16,302,502
Other Liabilities	284,645	215,329	1,115,288	1,117,605	1,399,933	1,332,934
Total Liabilities	536,368	370,741	16,919,916	17,264,695	17,456,284	17,635,436
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	3,902,348	3,230,712	19,199,220	19,298,798	23,101,568	22,529,510
Restricted			856,435	542,422	856,435	542,422
Unrestricted	756,367	1,201,594	2,051,788	2,579,575	2,808,155	3,781,169
Total Net Position	4,658,715	4,432,306	22,107,443	22,420,795	26,766,158	26,853,101

At the end of the current fiscal year, the City of Rupert is able to report positive balances in all three categories of net position, 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 \$314,013 in restricted net position reported in connection with the city's business-type activities. This is due to the fact that the Wastewater and Water Departments needed to increase the amount set aside as a reserve for debt service.

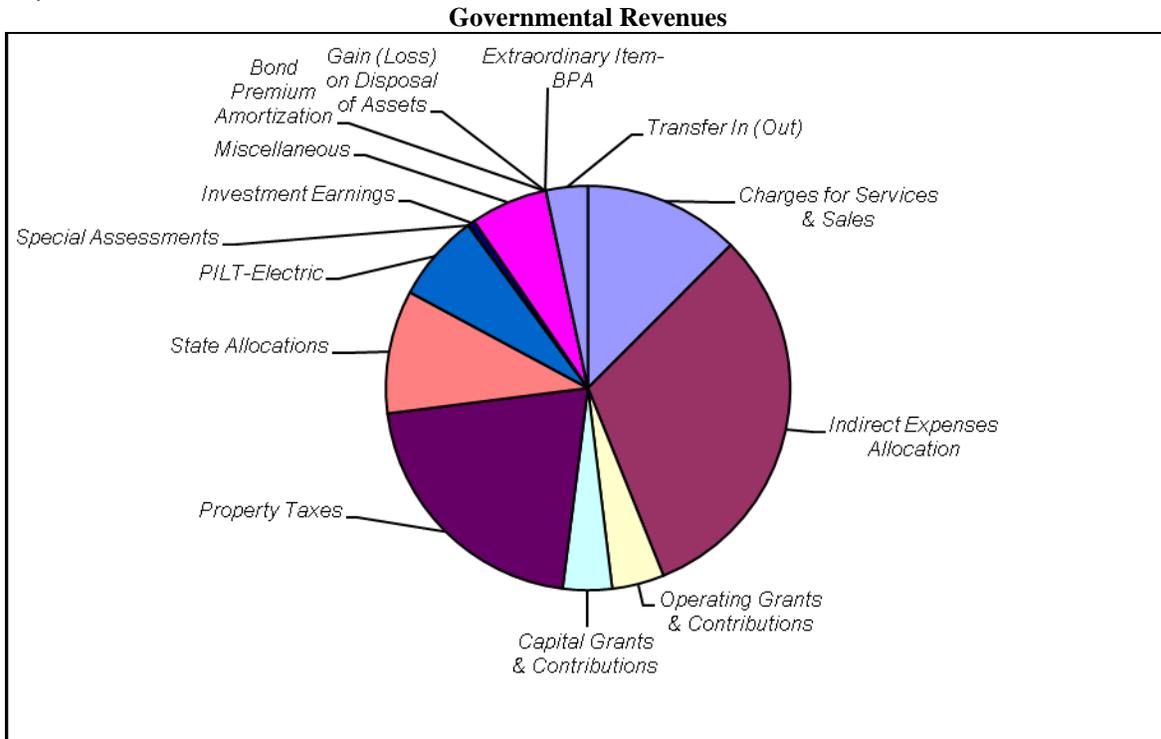
Governmental Activities. Governmental activities increased the City of Rupert's net position by \$226,409. Key elements of this increase are as follows.

- Property tax increased by \$29,300 (3.9 percent) during the year.
- State allocations increased by \$28,548 (8.5 percent) during the year. This is an indication that state revenues are improving.
- Charges for services and sales increased by 17.3 percent. Animal control fees accounted for 42.5 percent of this increase as the City assumed the financial responsibilities for this joint venture in the current fiscal year.
- Operating grants and contributions increased by \$116,363, principally received for public safety purposes.

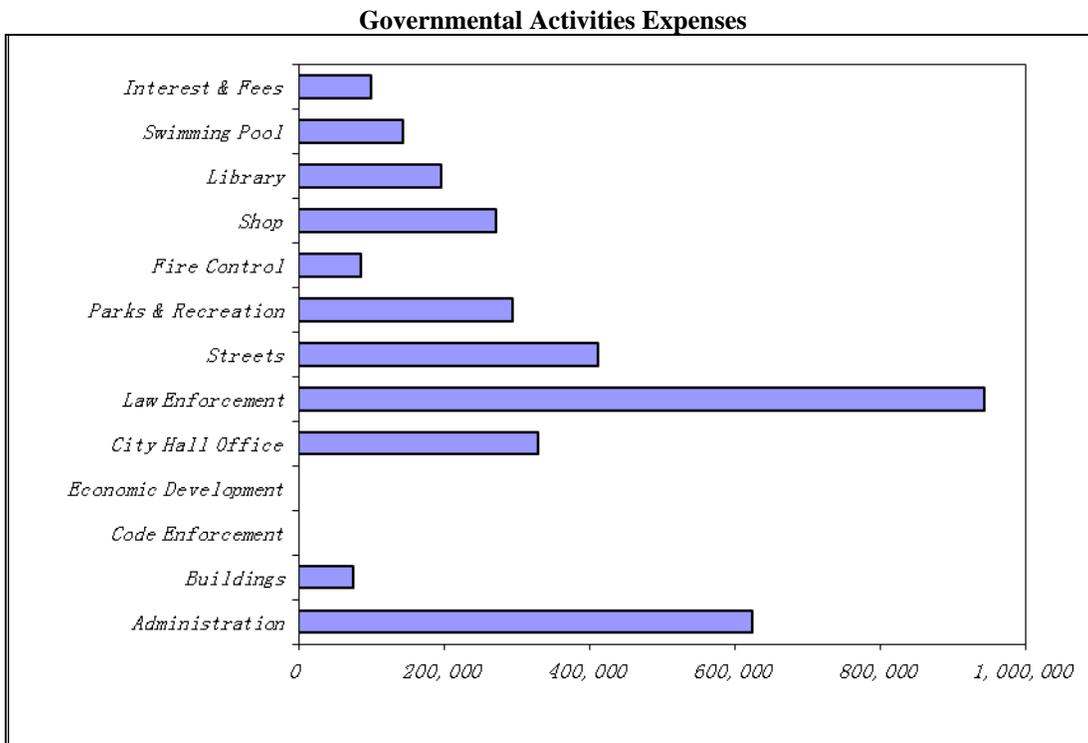
Summary of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues						
Charges for Services & Sales	461,980	393,797	8,555,921	8,330,743	9,017,901	8,724,540
Indirect Expenses Allocation	1,163,420	1,195,758	(1,163,420)	(1,195,758)		
Operating Grants & Contributions	154,311	37,948	22,000	14,000	176,311	51,948
Capital Grants & Contributions	145,240	400,155	213,870	1,324,790	359,110	1,724,945
Property Taxes	776,829	747,529			776,829	747,529
State Allocations	365,041	336,493			365,041	336,493
PILT-Electric	260,590	260,590			260,590	260,590
Special Assessments	2,059	1,403			2,059	1,403
Investment Earnings	19,331	22,895	978	389	20,309	22,895
Miscellaneous	229,225	157,325			229,225	157,325
Bond Premium Amortization			63,031		63,031	
Gain (Loss) on Disposal of Assets			455	8,421	455	8,421
Extraordinary Item - BPA			122,688	217,045	122,688	217,045
Transfer In (Out)	123,412	81,043	(62,261)	(81,043)	61,151	
Total Revenues	3,701,438	3,634,936	7,753,262	8,618,587	11,454,700	12,253,523
Expenses:						
Administration	624,779	529,443			624,779	529,443
Buildings	74,633	67,457			74,633	67,457
Code Enforcement		5,761				5,761
Economic Development		77,333				77,333
City Hall Office	329,337	326,050			329,337	326,050
Law Enforcement	943,843	856,536			943,843	856,536
Streets	411,272	317,640			411,272	317,640
Parks & Recreation	294,973	296,343			294,973	296,343
Swimming Pool	85,679	95,565			85,679	95,565
Fire Control	271,268	169,172			271,268	169,172
Shop	195,428	199,605			195,428	199,605
Library	143,288	148,329			143,288	148,329
Animal Control	100,529				100,529	
Interest & Fees						
Electric			4,339,840	4,400,219	4,339,840	4,400,219
Water			915,310	836,319	915,310	836,319
Wastewater			2,305,001	2,031,134	2,305,001	2,031,134
Sanitation			506,461	458,939	506,461	458,939
Total Expenses	3,475,029	3,089,234	8,066,612	7,726,611	11,541,641	10,815,845
Change in Net Position	226,409	545,702	(313,350)	891,976	(86,941)	1,437,678
Beginning Net Position	4,432,306	3,886,604	22,420,793	21,528,819	26,853,099	25,415,423
Ending Net Position	4,658,715	4,432,306	22,107,443	22,420,795	26,766,158	26,853,101

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.



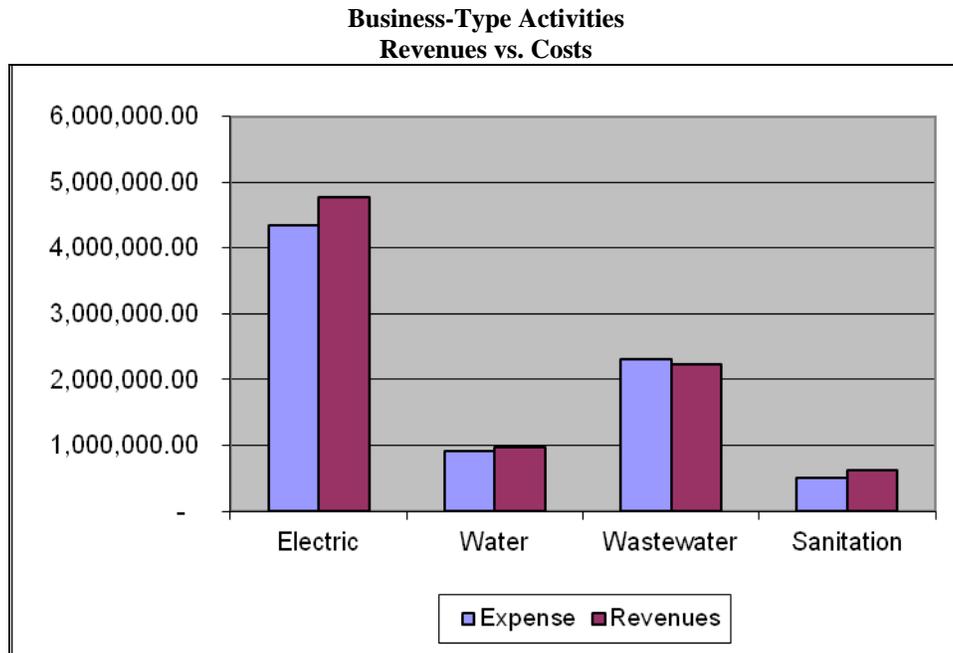
As graphically portrayed above, the City of Rupert depends on indirect expenses that are allocated to the business-type activities, which makes up 31% of total governmental activities revenues. Charges for services and property taxes make up another 33% of governmental activities revenues.



The above graph shows the total governmental activities cost of \$3,475,029 for the 2013 fiscal year. Of this amount, public safety, with \$943,843 in costs for law enforcement and \$271,268 in costs for fire control, was the largest operating cost, at 35% of the total cost of services, primarily funded by the city's taxing power. Together, public safety absorbed \$776,829 of taxes to citizens and \$234,498 in other general revenues.

Business-type Activities. Business-type activities decreased the City of Rupert's net position by \$313,350. Key elements of this decrease are as follows.

- Net position of the Water, Wastewater, Sanitation and Electric Funds increased (decreased) by (\$74,789), (\$143,791), \$1,334 and (\$89,758), respectively.
- Expenses of the Water, Wastewater, Sanitation and Electric Funds increased (decreased) by \$78,991, \$273,867, \$47,522 and (\$60,379), respectively.



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's governmental funds reported combined ending fund balance of \$789,834, a decrease of \$405,676 in comparison with the prior year. This year-end total 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 decreased by \$396,329. Two key factors contributing to the decrease in fund balance were increased costs in the areas of public safety (police and fire departments) and capital expenditures.

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, water and electric department at year-end amounted to \$84,855, \$368,550, \$46,651 and \$295,031.

General Fund Budgetary Highlights

There was \$83,733 variance in revenues, when comparing actual amounts with budgeted revenues. Actual expenses compared to budget were under by \$185,727.

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, 2013 was \$39,101,144 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, equipment, and roads. The total increase in the city’s investment in capital assets for the current fiscal year was 15 percent, a 23.5 percent increase for governmental activities, and a 14.5 percent increase for business-type activities.

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

- Fire Department purchased a new 2011 Pierce Pumper Truck - \$194,099.00
- South 9th Street & Scott Avenue Rehab - \$144,243.45
- A Street Right-Of-Way Acquisitions - \$456,294.20

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

	Governmental		Business-Type		Total		Total % Change
	Activities		Activities				
	2013	2012	2013	2012	2013	2012	
Non-depreciable Assets:							
Land & Improvements	579,124	117,830	207,324	172,240	786,448	290,070	
Other Capital Assets:							
Buildings	2,008,579	2,040,404	471,343	466,671	2,479,922	2,507,075	
Equipment	596,336	467,002	832,839	919,286	1,429,175	1,386,288	
Infrastructures	<u>442,748</u>	<u>309,623</u>	<u>33,962,851</u>	<u>29,404,003</u>	<u>34,405,599</u>	<u>29,713,626</u>	
Total	<u>3,626,787</u>	<u>2,934,859</u>	<u>35,474,357</u>	<u>30,962,200</u>	<u>39,101,144</u>	<u>33,897,059</u>	

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 \$14,673,530 supported by pledged revenues generated by the business-type activities of the City. The remainder of the City of Rupert’s debt represents a Bond premiums, capital leases, and accrued compensated absences.

City of Rupert’s Outstanding Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Accrued Compensated Absences	87,133	68,912	89,716	83,268	176,849	152,180
Capital Lease	245,599	137,799	83,165	111,430	328,764	249,229
Intergovernmental Loans				3,904,066		3,904,006
Bond Premium			1,518,442		1,518,442	
Revenue Bonds			<u>14,673,530</u>	<u>12,555,870</u>	<u>14,673,530</u>	<u>12,555,870</u>
Total	<u>332,732</u>	<u>206,711</u>	<u>16,364,853</u>	<u>16,654,634</u>	<u>16,697,585</u>	<u>16,654,634</u>

The City of Rupert’s total debt increased by \$42,951 (0.3 percent) during the current fiscal year.

Additional information on the City of Rupert’s long-term debt can be found in notes on pages 35-39 of this report.

Economic Factors and Next Year’s Budgets and Rates

- The Frulact Group’s Processing Facility will be coming to Rupert and will be generating user fees for the Water, Wastewater, Electric and Sanitation Funds.
- Water and Wastewater Departments refinanced revenue bonds in the amount of \$1,225,000 and \$10,570,000.
- Bonneville Power is anticipating another raise in electrical rates it charges the City. 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 2013-2014, the City Council approved a total budget of \$19,831,484, including non-operating funds, and interfund transfers of \$1,252,303.09 and a General Fund budget of \$3,652,258.

Water Department raised the consumption rate by \$.03, Sanitation raised all rates \$.25, Wastewater increased rates by 2%, and Electric Department instituted a 2% increase for the 2014 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.

CITY OF RUPERT, IDAHO

STATEMENT OF NET POSITION SEPTEMBER 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Assets			
Current Assets:			
Cash and Investments (Note B)	566,911	1,470,830	2,037,741
Delinquent Taxes Receivable (Note C)	46,244	-	46,244
Accounts Receivable (Note D)	3,825	623,487	627,312
Assessments Receivable (Note E)	11,281	-	11,281
Intergovernmental Receivable (Note F)	398,032	2,000	400,032
Other Receivable (Note G)	-	129,686	129,686
Accrued Interest	20,843	-	20,843
Inventory (Note A9)	-	322,276	322,276
Non Current Assets:			
Restricted Cash and Investments (Note B)	-	1,004,723	1,004,723
Construction in Progress (Note H)	521,160	-	521,160
Capital Assets, net of depreciation (Note I)	3,626,787	35,474,357	39,101,144
Total Assets	5,195,083	39,027,359	44,222,442
Liabilities			
Current Liabilities:			
Vouchers Payable (Note J)	172,640	378,256	550,896
Accrued Payroll and Benefits	30,996	28,519	59,515
Meter Deposits Payable	-	148,288	148,288
Note Payments Due Within One Year (Note N)	81,009	560,225	641,234
Non Current Liabilities:			
Note Payments Due Beyond One Year (Note N)	164,590	15,714,912	15,879,502
Accrued Compensated Absences (Note M)	87,133	89,716	176,849
Total Liabilities	536,368	16,919,916	17,456,284
Net Position			
Invested in Capital Assets, net of related debt	3,902,348	19,199,220	23,101,568
Restricted for:			
Debt Service		856,435	856,435
Unrestricted	756,367	2,051,788	2,808,155
Total Net Position	4,658,715	22,107,443	26,766,158

See accompanying notes to financial statements.

CITY OF RUPERT, IDAHO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<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	624,779	(632,845)	1,478	20,000	-
Buildings	74,633	(58,457)	-	-	-
Code Enforcement	-	(20,457)	-	-	-
City Hall Office	329,337	(317,249)	-	-	-
Law Enforcement	943,843	-	44,159	46,985	-
Streets	411,272	-	198,791	-	145,240
Parks & Recreation	294,973	-	62,979	1,250	-
Swimming Pool	85,679	-	66,304	-	-
Fire Control	271,268	-	34,055	78,585	-
Shop	195,428	(134,412)	-	-	-
Library	143,288	-	15,001	4,204	-
Animal Control	100,529	-	39,213	3,287	-
Total Governmental Activities	3,475,029	(1,163,420)	461,980	154,311	145,240
Business-type Activities:					
Electric Fund	4,339,840	618,367	4,768,856	-	12,000
Water Fund	915,310	138,496	947,365	22,000	-
Wastewater Fund	2,305,001	300,131	2,221,528	-	201,870
Sanitation Fund	506,461	106,426	618,172	-	-
Total Business-Type Activities	8,066,612	1,163,420	8,555,921	22,000	213,870
Total Primary Government	11,541,641	-	9,017,901	176,311	359,110

General Revenues:

Property Taxes Levied
 State Allocations
 PILT - Electric
 Special Assessments
 Investment Earnings
 Miscellaneous
 Bond Premium Amortization
 Gain (Loss) on Disposal of Assets
 Extraordinary Item - BPA and IDEA (Note G)
 Transfers In (Out) (Note S)
 Transfer Animal Control From County

Total General Revenues

Change in Net Position

Net Position Beginning of Period

Net Position End of Period

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Business-type Activities
29,544	
(16,176)	
20,457	
(12,088)	
(852,699)	
(67,241)	
(230,744)	
(19,375)	
(158,628)	
(61,016)	
(124,083)	
(58,029)	
<u>(1,550,078)</u>	
	(177,351)
	(84,441)
	(181,734)
	<u>5,285</u>
	(438,241)
776,829	-
365,041	-
260,590	-
2,059	
19,331	978
229,225	-
-	63,031
-	455
	122,688
62,261	(62,261)
61,151	
<u>1,776,487</u>	<u>124,891</u>
226,409	(313,350)
<u>4,432,306</u>	<u>22,420,793</u>
<u><u>4,658,715</u></u>	<u><u>22,107,443</u></u>

CITY OF RUPERT, IDAHO

BALANCE SHEET - GOVERNMENTAL FUNDS SEPTEMBER 30, 2013

	General	Other Governmental Funds (Non-Major)	Total Governmental Funds
<u>Assets</u>			
Cash and Investments	473,446	93,465	566,911
Delinquent Taxes Receivable	40,371	5,873	46,244
Accounts Receivable	3,825	-	3,825
Assessments Receivable	11,281	-	11,281
Intergovernmental Receivable	393,300	4,732	398,032
Interfund Receivables	2,650	-	2,650
Accrued Interest	20,786	57	20,843
	<u>945,659</u>	<u>104,127</u>	<u>1,049,786</u>
<u>Liabilities</u>			
Vouchers Payable	168,250	4,390	172,640
Accrued Payroll Expense	28,357	2,639	30,996
Interfund Payables	-	2,650	2,650
	<u>196,607</u>	<u>9,679</u>	<u>206,286</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - LID Assessments	11,281	-	11,281
Unavailable Revenue - Property Taxes	37,002	5,383	42,385
	<u>48,283</u>	<u>5,383</u>	<u>53,666</u>
<u>Fund Equity</u>			
Fund Balances:			
Assigned To:			
Equipment Replacement (Note S)	190,512	-	190,512
Street Capital Project	30,000	-	30,000
DeMary Library	-	74,218	74,218
Subsequent Year's Expenditures	480,257	21,000	501,257
Animal Control Fund (Deficit) (Note T)	-	(6,153)	(6,153)
	<u>700,769</u>	<u>89,065</u>	<u>789,834</u>
Total Liabilities and Fund Equity	<u>945,659</u>	<u>104,127</u>	

Amounts reported for Governmental Activities in the Statement of Net Position 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	53,666
Governmental fund capital assets are not financial resources and therefore are not reported in the funds	4,147,947
Capital leases and notes payable are not payable in the current period and thus not reported in the funds	(245,599)
Accrued compensated absence liabilities are not reported in Governmental Funds	(87,133)
Net Position of Governmental Activities	<u>4,658,715</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, 2013

	General	Other Governmental Funds (Non-Major)	Total Governmental Funds
Revenues			
Property Taxes	688,135	100,093	788,228
Fees & Fines	41,139	-	41,139
Licenses and Permits	11,517	-	11,517
Intergovernmental	836,897	43,707	880,604
Charges For Services	218,780	26,754	245,534
Special Assessments	11,989	-	11,989
Legislative Reimbursement	1,424,010	-	1,424,010
Interest on Investments	19,260	71	19,331
Miscellaneous	168,014	8,989	177,003
Total Revenues	3,419,741	179,614	3,599,355
Expenditures			
Administration	613,366	-	613,366
Buildings	69,935	-	69,935
City Hall Office	302,909	-	302,909
Law Enforcement	916,743	-	916,743
Streets	391,091	-	391,091
Recreation	256,224	-	256,224
Swimming Pool	85,679	-	85,679
Fire Control	248,764	-	248,764
Shop	155,139	-	155,139
Library	-	140,308	140,308
Animal Control	-	96,450	96,450
Capital Outlay	903,459	-	903,459
Long Term Debt/Capital Leases:			
Principal	86,299	-	86,299
Interest	6,895	-	6,895
Total Expenditures	4,036,503	236,758	4,273,261
Excess (Deficit) Revenues Over Expenditures	(616,762)	(57,144)	(673,906)
Other Financing Sources (Uses):			
Transfer Operations From County	-	11,870	11,870
Capital Lease Proceeds	194,099	-	194,099
Operating Transfers (Note S)	26,334	35,927	62,261
Net Change in Fund Balances	(396,329)	(9,347)	(405,676)
Fund Balance (Deficit) at Beginning of Year	1,097,098	98,412	1,195,510
Fund Balance (Deficit) at End of Year	700,769	89,065	789,834

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, 2013

Net Changes in Fund Balances - Total Governmental Funds	(405,676)
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.	(21,329)
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.	903,459
Transfers of depreciable property (Animal Control) are not reported in the Governmental Funds	49,281
This is the amount of current year depreciation.	(173,305)
Proceeds from capital leases used to finance equipment purchases are recorded as long-term liabilities in the Statement of Net Assets.	(194,099)
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.	86,299
Liability for accrued compensated absences is not recorded in the Governmental Funds. This is the change in leave during the year.	<u>(18,221)</u>
Change in Net Position of Governmental Activities	<u><u>226,409</u></u>

See accompanying notes to financial statements.

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CITY OF RUPERT, IDAHO

STATEMENT OF NET POSITION - PROPRIETARY FUNDS SEPTEMBER 30, 2013

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>
<u>Assets</u>			
Current Assets:			
Cash and Investments	464,452	201,610	669,637
Accounts Receivable	328,487	73,916	174,716
Intergovernmental Receivable	-	2,000	-
Other Receivable	129,686	-	-
Inventory	285,180	37,096	-
Noncurrent Assets:			
Restricted Cash and Investments	148,288	124,066	732,369
Property, Plant and Equipment Net of Accumulated Depreciation	4,905,431	4,685,345	25,655,821
 Total Assets	 6,261,524	 5,124,033	 27,232,543
<u>Liabilities</u>			
Current Liabilities:			
Vouchers Payable	218,260	86,069	69,815
Accrued Payroll Expense	12,753	4,146	6,788
Security Deposits	148,288	-	-
Current Portion of Long-Term Debt		54,557	478,718
Non-Current Liabilities			
Accrued Compensated Absences	46,581	8,083	22,790
Long-Term Debt Due Beyond One Year	-	1,297,035	14,361,662
 Total Liabilities	 425,882	 1,449,890	 14,939,773
<u>Net Position</u>			
Invested in Capital Assets, net of related debt Restricted for Debt Service	4,905,431	3,333,753	10,815,441
Restricted for Inventory	285,180	37,096	732,369
Assigned to Subsequent Year's Expenditures	350,000	132,577	376,410
Unrestricted	295,031	46,651	368,550
 Total Net Position	 <u>5,835,642</u>	 <u>3,674,143</u>	 <u>12,292,770</u>

See accompanying notes to financial statements.

<u>Sanitation Fund (Non Major)</u>	<u>Totals (Memorandum Only)</u>
135,131	1,470,830
46,368	623,487
-	2,000
-	129,686
-	322,276
-	1,004,723
<u>227,760</u>	<u>35,474,357</u>
409,259	39,027,359
4,112	378,256
4,832	28,519
-	148,288
26,950	560,225
12,262	89,716
<u>56,215</u>	<u>15,714,912</u>
104,371	16,919,916
144,595	19,199,220
	856,435
	322,276
75,438	934,425
<u>84,855</u>	<u>795,087</u>
<u><u>304,888</u></u>	<u><u>22,107,443</u></u>

CITY OF RUPERT, IDAHO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>
<u>Operating Revenues</u>			
User Charges	4,304,062	946,240	2,182,071
Charges for Services to Other Funds	357,286	-	-
Miscellaneous	107,508	1,125	39,457
Total Operating Revenues	<u>4,768,856</u>	<u>947,365</u>	<u>2,221,528</u>
<u>Operating Expenses</u>			
Salaries and Benefits	789,220	303,845	461,522
Operation and Maintenance	2,916,468	274,654	129,668
Indirect Expenses Allocation	618,367	138,496	300,131
PILT	260,590	-	-
Professional Services	31,101	31,881	69,845
Office and Miscellaneous	34,215	5,779	2,070
Automotive	30,138	13,247	29,402
Utilities	31,626	87,445	249,156
Depreciation	246,482	142,985	720,235
Total Operating Expenses	<u>4,958,207</u>	<u>998,332</u>	<u>1,962,029</u>
Operating Income (Loss)	(189,351)	(50,967)	259,499
<u>Non-Operating Revenues (Expenses)</u>			
Grant Revenue	-	22,000	201,870
Sale of Fixed Assets	-	-	-
Interest Earned	287	95	596
Bond Premium Amortization	-	9,557	53,474
Interest Expense/Fees	-	(55,474)	(643,103)
Income (Loss)	(189,064)	(74,789)	(127,664)
<u>Other Adjustments to Net Assets</u>			
Extraordinary Item - BPA (Note G)	122,688		
Donated Assets	12,000	-	-
Operating Transfers In (Out)	(35,382)	(6,346)	(16,127)
Change in Net Position	(89,758)	(81,135)	(143,791)
Net Position Beginning of Period	<u>5,925,400</u>	<u>3,755,278</u>	<u>12,436,561</u>
Net Position End of Period	<u><u>5,835,642</u></u>	<u><u>3,674,143</u></u>	<u><u>12,292,770</u></u>

See accompanying notes to financial statements.

Sanitation Fund (Non Major)	Totals
608,709	8,041,082
-	357,286
9,463	157,553
<hr/>	<hr/>
618,172	8,555,921
335,065	1,889,652
72,481	3,393,271
106,426	1,163,420
-	260,590
-	132,827
1,147	43,211
58,253	131,040
4,197	372,424
35,059	1,144,761
<hr/>	<hr/>
612,628	8,531,196
5,544	24,725
-	223,870
455	455
-	978
-	63,031
(259)	(698,836)
<hr/>	<hr/>
5,740	(385,777)
	122,688
-	12,000
(4,406)	(62,261)
<hr/>	<hr/>
1,334	(313,350)
303,554	22,420,793
<hr/>	<hr/>
304,888	22,107,443
<hr/> <hr/>	<hr/> <hr/>

CITY OF RUPERT, IDAHO

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	4,351,363	954,711	2,220,451
Cash Received from Activities with Other Funds	357,286	-	-
Cash/Credit Received from Extraordinary Item - BPA	125,553	-	-
Cash Paid to Employees for Services	(780,141)	(303,564)	(463,210)
Cash Paid to Suppliers for Goods and Services	(3,293,453)	(377,357)	(483,009)
Cash Paid to Other Funds for Operations	(618,367)	(138,496)	(300,131)
Net Cash Provided (Used) By Operating Activities	142,241	135,294	974,101
<u>Cash Flows from Non-Capital Financing Activities</u>			
Cash Received from Operating Grants	-	22,000	-
Net Cash Provided (Used) By Financing Activities	0	22,000	0
<u>Cash Flows From Capital and Related Financing Activities</u>			
Cash Received from Capital Grants	-	-	287,941
Proceeds From Sale of Fixed Assets	-	-	-
Capital Expenditures	(158,562)	(58,217)	(508,186)
Proceeds From Capital Loan Funds	-	1,416,150	11,960,324
Principal Paid on Long-Term Debt	0	(1,452,665)	(12,128,743)
Interest Paid	0	(56,335)	(732,982)
Operating Transfers	(35,382)	(6,346)	(16,127)
Net Cash Provided (Used) By Financing Activities	(193,944)	(157,413)	(1,137,773)
<u>Cash Flows From Investing Activities</u>			
Interest Received	287	95	596
Net Cash Provided By Investing Activities	287	95	596
Net Increase (Decrease) in Cash and Equivalents	(51,416)	(24)	(163,076)
Cash and Equivalents at Beginning of Year	664,156	325,700	1,565,082
Cash and Equivalents at End of Year	612,740	325,676	1,402,006
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	(189,351)	(50,967)	259,499
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	246,482	142,985	720,235
Extraordinary Item - BPA	122,688	-	-
Changes in Assets and Liabilities:			
Decrease (Increase) in Inventory	2,541	(6,652)	-
Decrease (Increase) in Accounts Receivable	(58,256)	3,346	(1,077)
Decrease (Increase) in Other Receivable	2,865	4,000	-
Increase (Decrease) in Vouchers Payable, Operating	8,144	42,301	(2,868)
Increase in Service Deposits Payable	(1,951)	-	-
Increase (Decrease) in Payroll Accrual	1,802	(24)	464
Increase (Decrease) in Compensated Absences	7,277	305	(2,152)
Total Adjustments	331,592	186,261	714,602
Net Cash Provided by Operating Activities	142,241	135,294	974,101

See accompanying notes to financial statements.

Sanitation Fund (Non Major)	Totals
618,461	8,144,986
-	357,286
-	125,553
(333,552)	(1,880,467)
(147,914)	(4,301,733)
(106,426)	(1,163,420)
30,569	1,282,205
-	22,000
0	22,000
-	287,941
455	455
(11,989)	(736,954)
	13,376,474
(28,265)	(13,609,673)
(1,045)	(790,362)
(4,406)	(62,261)
(45,250)	(1,534,380)
	978
0	978
(14,681)	(229,197)
149,812	2,704,750
135,131	2,475,553
5,544	24,725
35,059	1,144,761
-	122,688
-	(4,111)
289	(55,698)
-	6,865
(11,836)	35,741
-	(1,951)
495	2,737
1,018	6,448
25,025	1,257,480
30,569	1,282,205

CITY OF RUPERT, IDAHO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

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, 2013.

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 Position 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 and Animal Control Facility Joint Venture.

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 \$36,613 to increase expenditures offset by additional revenue. The budget for the A Street project of the General Fund was also decreased by \$2,250,000 when construction was delayed into the following fiscal year. In addition, the budget for the Animal Control Fund was established in the amended budget ordinance.

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 V 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.

12. Deferred Outflows / Inflows of Resources

The City has implemented GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, as of October 1, 2012. These new standards establish accounting and financial reporting for deferred outflows /inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items, which arise only under a modified accrual basis of accounting that qualify for reporting under this category. Accordingly, the items of unavailable revenue are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and other receivables. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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 .13% and 3.02% at fiscal year end. The certificates of deposit have maturities ranging from one month to five years, 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.

NOTE B - CASH AND INVESTMENTS (cont.)

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.

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 as follows.

	<u>Bank Balance</u>			<u>Carrying Amount</u>
	<u>FDIC Insured or Collateralized Held In City's Name</u>	<u>Uninsured or Uncollateralized Held By Counterparty Not In City's Name</u>	<u>Total</u>	
Pooled Deposits				
Cash on Hand	2,415		2,415	2,415
Cash on Deposit with Banks, Checking	250,000	422,440	672,440	591,454
Certificates of Deposit		200,000	200,000	200,000
Idaho Diversified Bond Fund		650,633	650,633	650,633
Idaho State Treasurer Investment Pool		543,468	543,468	543,468
		<hr/>	<hr/>	<hr/>
Total Pooled Deposits	252,415	1,816,541	2,068,956	1,987,970
Non-Pooled Deposits				
Certificate of Deposit, Centennial		1,099	1,099	1,099
Debt Reserve ID Investment Pool - Water		117,519	117,519	117,519
Debt Reserve ID Investment Pool - Sewer		733,234	733,234	733,234
BPA ID Investment Pool - Electric		184,094	184,094	184,094
Certificate of Deposit, Library		18,549	18,549	18,549
		<hr/>	<hr/>	<hr/>
Total Deposits	<u>252,415</u>	<u>2,871,035</u>	<u>3,123,450</u>	3,042,464
Cash on Deposit with Banks, Savings - Restricted for Use Relative to Meter Deposits, Debt Service, and Capital Construction Projects				<u>(1,004,723)</u>
Net Cash - Unrestricted				<u>2,037,741</u>

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.

NOTE C - DELINQUENT TAXES RECEIVABLE (cont.)

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>
2012 Levy	20,869	3,035	23,905
2011 Levy	11,791	1,715	13,506
2010 Levy	7,559	1,100	8,659
2009 Levy	124	18	143
2008 Levy	27	4	31
	<hr/>	<hr/>	<hr/>
Total	<u>40,371</u>	<u>5,872</u>	<u>46,244</u>

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, 2013 follows.

	<u>Governmental</u>	<u>Proprietary</u>
General	3,825	
Electric		328,487
Sanitation		46,368
Sewer		174,716
Water and Irrigation		73,916
	<hr/>	<hr/>
Total	<u>3,825</u>	<u>623,487</u>

NOTE E - ASSESSMENTS RECEIVABLE

Assessments receivable are as follows:

LID#21	2,927
LID#22	8,355
	<hr/>
Total	<u>11,281</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, 2014. 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 to date of \$139,260 as of September 30, 2013 toward construction of A Street, principally for engineering and related services. Most of these costs were 92.66% reimbursable by federal highway funding. The City has also deposited \$381,900 with the Idaho Transportation Department toward the estimated local match for construction on this project. Actual construction is expected to begin in the fiscal year ending September 30, 2014. Right-of-way costs in the amount of \$456,294, including negotiation services, have been capitalized.

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>9/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2013</u>
<u>Governmental Activities</u>				
Capital Assets Not Depreciated				
Land and Improvements	117,830	461,294		579,124
Other Capital Assets				
Buildings	3,342,100	63,971		3,406,071
Equipment	2,182,790	319,776	(417,222)	2,085,344
Infrastructures	335,786	144,244		480,030
Total Other Capital Assets, Historical Cost	5,860,676	527,991	(417,222)	5,971,445
Less Accumulated Depreciation				
Buildings	1,301,696	95,796		1,397,492
Equipment	1,715,788	94,200	(320,980)	1,489,008
Infrastructures	26,163	11,119		37,282
Total Accumulated Depreciation	3,043,647	201,115	(320,980)	2,923,782
Net Capital Assets, Governmental Activities	2,934,859	788,170	(96,242)	3,626,787
<u>Business-Type Activities</u>				
Capital Assets Not Depreciated				
Land and Improvements	172,240	35,084		207,324
Other Capital Assets				
Buildings	662,937	18,340		681,277
Equipment	3,074,465	63,036	(153,879)	2,983,623
Infrastructures	48,899,961	5,540,456		54,440,417
Total Other Capital Assets, Historical Cost	52,637,364	5,621,832	(153,879)	58,105,317
Less Accumulated Depreciation				
Buildings	196,266	13,668		209,934
Equipment	2,155,179	149,484	(153,879)	2,150,784
Infrastructures	19,495,958	981,608		20,477,566
Total Accumulated Depreciation	21,847,403	1,144,761	(153,879)	22,838,284
Net Capital Assets, Business-Type Activities	30,962,201	4,512,156	0	35,474,357
Total Capital Assets, Net	33,897,060	5,300,326	(96,242)	39,101,144

NOTE I – CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

City Hall Office	25,897
Fire Control	23,854
Law Enforcement	23,061
Recreation	37,290
Shop	36,650
Streets	19,946
Animal Control	2,591
Library	<u>4,016</u>

Total Governmental Activities Depreciation Expense 173,305

Business-Type Activities

Electric	246,482
Water	35,059
Wastewater	720,235
Sanitation	<u>142,985</u>

Total Business-Type Activities Depreciation Expense 1,144,761

Total Depreciation Expense 1,318,066

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 – INTERFUND RECEIVABLE/PAYABLE

These accounts represent amounts advanced by the General Fund to other funds resulting from the positive and negative cash balances on the City books when the actual locations of cash are pooled together physically.

NOTE L - DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources on the governmental fund financial statements consist 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 M - 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 except for the accrual of 200 hours per employee upon retirement. Two employees retired near the fiscal year end and the related accrual of sick leave was recorded. 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, 2013. 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 N - LONG-TERM DEBT

Details on the debt of the City are disclosed in the following footnotes. Refunding bonds were issued during the fiscal year ended September 30, 2013 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>
2014	560,225	509,959	1,070,184	81,009	6,918	87,927
2015	567,801	499,683	1,067,484	48,655	5,428	54,083
2016	580,437	489,247	1,069,684	50,435	3,647	54,082
2017	568,826	470,549	1,039,375	32,307	1,795	34,102
2018	590,755	452,020	1,042,775	33,193	909	34,102
2019-2023	3,189,183	2,008,344	5,197,527			
2024-2028	3,823,951	1,372,675	5,196,626			
2029-2033	3,150,235	646,784	3,797,019			
2034-2038	2,649,590	270,186	2,919,776			
2039-2043	594,134	31,854	625,988			
	<u>16,275,137</u>	<u>6,751,301</u>	<u>23,026,438</u>	<u>245,599</u>	<u>18,697</u>	<u>264,296</u>

Summary of Changes in Long-Term Debt

	<u>Balance</u> <u>9/30/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2013</u>
<u>Governmental Activities</u>				
Capital Lease	137,799	194,099	(86,299)	245,599
Accrued Compensated Absences	68,912	18,221		87,133
Total Governmental Activities	206,711	212,320	(86,299)	332,732
<u>Business-Type Activities</u>				
Water				
Revenue Bonds	1,397,663		(1,397,663)	0
Revenue Refunding Bonds		1,225,000	(55,000)	1,170,000
Water Bond Premium		191,150	(9,557)	181,592
Sewer				
Rural Development Loan	610,220		(610,220)	0
Parity Lien Revenue Bond 2012	3,452,000		(83,470)	3,368,530
Parity Lien Revenue Bond	1,159,506		(1,159,506)	0
Revenue Bonds	6,546,701		(6,546,701)	0
DEQ Revolving Fund Loan	3,293,846		(3,293,846)	0
Revenue Refunding Bonds		10,570,000	(435,000)	10,135,000
Sewer Bond Premium		1,390,324	(53,474)	1,336,850
Sanitation				
Capital Lease	111,430		(28,265)	83,165
Compensated Absences	83,268	6,448		89,716
Total Business-Type Activities	<u>16,654,634</u>	<u>13,382,922</u>	<u>(13,672,702)</u>	<u>16,364,853</u>
Total Long-Term Debt	<u>16,861,345</u>	<u>13,595,242</u>	<u>(13,759,001)</u>	<u>16,697,585</u>

NOTE N - LONG-TERM DEBT (cont.)

Interest expense was charged to functions as follows:

<u>Governmental Activities</u>	
General - Shop	3,000
General - Police	<u>3,895</u>
Total Governmental Activities Interest Expense	6,895
<u>Business-Type Activities</u>	
Electric	
Water	55,474
Sewer	643,103
Sanitation	<u>259</u>
Total Business-Type Activities Interest Expense	<u>698,836</u>
Total Interest Expense	<u><u>701,836</u></u>

NOTE O - NOTES PAYABLE – SEWER

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

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. 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%. Repayment is scheduled on the following page.

The bond premium will be amortized on a straight line basis over the life of the loan at the rate of \$53,474 per year.

NOTE O - NOTES PAYABLE – SEWER (cont.)

<u>Date</u>	<u>Amount</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
9/15/2013				10,135,000
3/15/2014	194,784	194,784		10,135,000
9/15/2014	534,784	194,784	340,000	9,795,000
3/15/2015	191,384	191,384		9,795,000
9/15/2015	536,384	191,384	345,000	9,450,000
3/15/2016	187,934	187,934		9,450,000
9/15/2016	542,934	187,934	355,000	9,095,000
3/15/2017	180,834	180,834		9,095,000
9/15/2017	550,834	180,834	370,000	8,725,000
3/15/2018	173,434	173,434		8,725,000
9/15/2018	558,434	173,434	385,000	8,340,000
3/15/2019	169,584	169,584		8,340,000
9/15/2019	559,584	169,584	390,000	7,950,000
3/15/2020	161,784	161,784		7,950,000
9/15/2020	566,784	161,784	405,000	7,545,000
3/15/2021	153,684	153,684		7,545,000
9/15/2021	573,684	153,684	420,000	7,125,000
3/15/2022	145,284	145,284		7,125,000
9/15/2022	585,284	145,284	440,000	6,685,000
3/15/2023	138,684	138,684		6,685,000
9/15/2023	593,684	138,684	455,000	6,230,000
3/15/2024	127,309	127,309		6,230,000
9/15/2024	602,309	127,309	475,000	5,755,000
3/15/2025	115,434	115,434		5,755,000
9/15/2025	615,434	115,434	500,000	5,255,000
3/15/2026	102,934	102,934		5,255,000
9/15/2026	627,934	102,934	525,000	4,730,000
3/15/2027	89,809	89,809		4,730,000
9/15/2027	639,809	89,809	550,000	4,180,000
3/15/2028	76,059	76,059		4,180,000
9/15/2028	651,059	76,059	575,000	3,605,000
3/15/2029	61,684	61,684		3,605,000
9/15/2029	621,684	61,684	560,000	3,045,000
3/15/2030	50,484	50,484		3,045,000
9/15/2030	405,484	50,484	355,000	2,690,000
3/15/2031	41,609	41,609		2,690,000
9/15/2031	411,609	41,609	370,000	2,320,000
3/15/2032	36,059	36,059		2,320,000
9/15/2032	341,059	36,059	305,000	2,015,000
3/15/2033	31,484	31,484		2,015,000
9/15/2033	341,484	31,484	310,000	1,705,000
3/15/2034	26,641	26,641		1,705,000
9/15/2034	346,641	26,641	320,000	1,385,000
3/15/2035	21,641	21,641		1,385,000
9/15/2035	351,641	21,641	330,000	1,055,000
3/15/2036	16,484	16,484		1,055,000
9/15/2036	356,484	16,484	340,000	715,000
3/15/2037	11,172	11,172		715,000
9/15/2037	361,172	11,172	350,000	365,000
3/15/2038	5,703	5,703		365,000
9/15/1938	370,703	5,703	365,000	0
Total	<u>15,158,806</u>	<u>5,023,806</u>	<u>10,135,000</u>	

NOTE O - NOTES PAYABLE – SEWER (cont.)

In September, 2013, 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>
9/17/2013				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	155,513	3,236	152,277	(0)
Total	<u>3,920,625</u>	<u>1,178,083</u>	<u>3,368,530</u>	

NOTE P – NOTES PAYABLE – WATER

In December, 2012 the City signed documents to refinance the Water Revenue Bond Series 2002 by issuing Idaho Bond Bank Authority Revenue Bonds, Series 2012.

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. 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%. Repayment is scheduled below.

The bond premium will be amortized on a straight line basis over the life of the loan at the rate of \$9,557 per year.

<u>Date</u>	<u>Amount</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
9-15-13				1,170,000
3-15-14	23,225	23,225		1,170,000
9-15-14	68,225	23,225	45,000	1,125,000
3-15-15	22,775	22,775		1,170,000
9-15-15	67,775	22,775	45,000	1,080,000
3-15-16	22,325	22,325		1,170,000
9-15-16	67,325	22,325	45,000	1,035,000
3-15-17	21,425	21,425		1,170,000
9-15-17	66,425	21,425	45,000	990,000
3-15-18	20,525	20,525		1,170,000
9-15-18	70,525	20,525	50,000	940,000
3-15-19	20,025	20,025		1,170,000
9-15-19	70,025	20,025	50,000	890,000
3-15-20	19,025	19,025		1,170,000
9-15-20	69,025	19,025	50,000	840,000
3-15-21	18,025	18,025		1,170,000
9-15-21	73,025	18,025	55,000	785,000
3-15-22	16,925	16,925		1,170,000
9-15-22	71,925	16,925	55,000	730,000
3-15-23	16,100	16,100		1,170,000
9-15-23	76,100	16,100	60,000	670,000
3-15-24	14,600	14,600		1,170,000
9-15-24	74,600	14,600	60,000	610,000
3-15-25	13,100	13,100		1,170,000
9-15-25	78,100	13,100	65,000	545,000
3-15-26	11,475	11,475		1,170,000
9-15-26	76,475	11,475	65,000	480,000
3-15-27	9,850	9,850		1,170,000
9-15-27	79,850	9,850	70,000	410,000
3-15-28	8,100	8,100		1,170,000
9-15-28	83,100	8,100	75,000	335,000
3-15-29	6,225	6,225		1,170,000
9-15-29	86,225	6,225	80,000	255,000
3-15-30	4,625	4,625		1,170,000
9-15-30	84,625	4,625	80,000	175,000
3-15-31	2,625	2,625		1,170,000
9-15-31	87,625	2,625	85,000	90,000
3-15-32	1,350	1,350		90,000
9-15-32	91,350	1,350	90,000	0
	<u>1,714,650</u>	<u>544,650</u>	<u>1,170,000</u>	

NOTE Q - CAPITAL LEASES

The City has entered into municipal lease agreements for the purchase of a John Deere Grader, for the purchase of 3 2013 Ford Interceptor police vehicles, and for the purchase of a 2011 Pierce Peterbuilt Pumper Fire Truck 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)	2014	2015	2016	2017	2018	Total
<u>Governmental Activities</u>							
<u>John Deere Grader</u>							
John Deere Credit	148,117	33,845					33,845
Less Interest @ 4.65% Due 10-28	<u>(72,824)</u>	<u>(1,534)</u>					<u>(1,534)</u>
	75,293	32,311					32,311
<u>3 Police Ford Interceptors</u>							
Government Leasing Co.	94,244	19,980	19,980	19,980			59,940
Less Interest @ 5.218% Due 9-13	<u>(18,849)</u>	<u>(2,828)</u>	<u>(1,933)</u>	<u>(991)</u>			<u>(5,751)</u>
	75,395	17,152	18,047	18,989	-	-	54,189
<u>2011 Pierce Pumper</u>							
Oshkosh Capital	194,099	34,102	34,102	34,102	34,102	34,102	170,510
Less Interest @ 2.74% Due 10-15	<u>(19,410)</u>	<u>(2,556)</u>	<u>(3,495)</u>	<u>(2,656)</u>	<u>(1,795)</u>	<u>(909)</u>	<u>(11,411)</u>
	<u>174,689</u>	<u>31,546</u>	<u>30,607</u>	<u>31,446</u>	<u>32,307</u>	<u>33,193</u>	<u>159,099</u>
Total Governmental	325,377	81,009	48,654	50,435	32,307	33,193	86,500
<u>Business-Type Activities</u>							
<u>Leach Sanitation Truck</u>							
Key Government Finance	183,430	29,309	29,309	29,309	29,309	29,309	146,544
Less Interest @ 2.825% Due 11-1	<u>(4,586)</u>	<u>(2,359)</u>	<u>(1,594)</u>	<u>(808)</u>	<u>(808)</u>	<u>(808)</u>	<u>(6,378)</u>
	<u>178,844</u>	<u>26,950</u>	<u>27,714</u>	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>	<u>140,166</u>
Total Capital Leases	<u>504,221</u>	<u>107,959</u>	<u>76,369</u>	<u>78,936</u>	<u>60,807</u>	<u>61,693</u>	<u>226,666</u>

NOTE R – OPERATING LEASES

The City is obligated under a lease for 3 Police 2014 Ford Taurus Interceptor vehicles accounted for as an operating lease. Operating leases do not give rise to property rights or purchase obligations, and therefore the results of the lease agreements are not reflected in the City's capital assets. The City is obligated for three annual payments of \$8,572 per vehicle for a total payment of \$25,716 due September 1, 2014 and 2015. The initial payment was made during the fiscal year ended September 30, 2013.

NOTE S – INTERFUND TRANSFERS

Transfers totaling \$62,261 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 T – ANIMAL CONTROL FACILITY JOINT VENTURE

Effective October 1, 2013, 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. Cash and capital assets were transferred to the City 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

NOTE U - 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, 2013, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters until June 30, 2013 when it increased to 6.79% for general members and 8.36% 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 until June 30, 2013, when it increased to 11.32% for general members and 11.66% for police/firefighters. The City of Rupert employer contributions required and paid were \$291,205, \$274,421, and \$267,868, for the three years ended September 30, 2013, 2012, and 2011, respectively.

NOTE V - 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	5,384,022	1,297,061	3,476,057	683,068	10,840,208
Actual:					
Personnel Services	789,220	303,845	461,522	335,065	1,889,652
Operation and Maintenance	3,922,505	551,502	780,272	242,504	5,496,783
Capital Outlay, Debt Service, Transfers	193,944	175,898	1,791,891	45,704	2,207,437
Debt Reserve	<u>117,423</u>	<u>117,423</u>	<u>732,639</u>	<u>850,062</u>	<u>850,062</u>
Total Actual	<u>4,905,669</u>	<u>1,148,668</u>	<u>3,766,324</u>	<u>623,273</u>	<u>10,443,934</u>
Variance-Favorable (Unfavorable)	<u>478,353</u>	<u>148,393</u>	<u>(290,267)</u>	<u>59,795</u>	<u>396,274</u>

The Wastewater Fund was over budget because it failed to budget for the payment on the refunding bonds which was payable September 15, 2013 in the amount of \$634,134.

NOTE W – ANIMAL CONTROL FUND DEFICIT

The Animal Control Fund (see Note T) ended the year with a deficit fund balance of \$6,153, principally due to budgeted donations and miscellaneous revenue not received as anticipated.

NOTE X - 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 Y- SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 20, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RUPERT, IDAHO

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	671,666	671,666	688,135	16,469
Fees & Fines	45,000	45,000	41,139	(3,861)
Licenses and Permits	11,200	10,600	11,517	917
Intergovernmental	3,061,382	842,927	836,897	(6,030)
Charges For Services	192,060	191,788	218,780	26,992
Special Assessments	5,500	5,500	11,989	6,489
Legislative Reimbursement	1,517,868	1,465,823	1,486,271	20,448
Interest on Investments	15,000	10,000	19,260	9,260
Miscellaneous	91,980	154,965	168,014	13,049
Total Revenues	5,611,656	3,398,269	3,482,002	83,733
Expenditures				
Administration	704,703	648,433	613,366	35,067
Buildings	69,939	73,073	69,935	3,138
City Hall Office	309,903	315,751	302,909	12,842
Law Enforcement	925,227	944,567	916,743	27,824
Streets	560,399	424,086	391,091	32,995
Recreation	269,238	269,683	256,224	13,459
Swimming Pool	102,104	101,838	85,679	16,159
Fire Control	222,575	188,327	248,764	(60,437)
Shop	173,135	168,018	155,139	12,879
Capital Outlay	2,912,720	894,355	802,554	91,801
Total Expenditures	6,249,943	4,028,131	3,842,404	185,727
Excess (Deficit) Revenues Over Expenditures	(638,287)	(629,862)	(360,402)	269,460
Other Sources (Uses)				
Operating Transfers In (Out)	0	(8,425)	(35,927)	(27,502)
Excess (Deficit) Revenues Over Expenditures and Other Uses	(638,287)	(638,287)	(396,329)	241,958
Fund Balance at Beginning of Year	638,287	638,287	1,097,098	458,811
Fund Balance at End of Year	0	0	700,769	700,769

See independent auditor's report on other financial information.

SELECTED OTHER SUPPLEMENTARY INFORMATION

CITY OF RUPERT, IDAHO

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS SEPTEMBER 30, 2013

	<u>Special Revenue Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>DeMary Memorial Library</u>	<u>Animal Control Fund</u>	
<u>Assets</u>			
Cash and Investments	93,465	-	93,465
Delinquent Taxes Receivable	5,873	-	5,873
Intergovernmental Receivable	4,732	-	4,732
Accrued Interest	57	-	57
	<u>104,127</u>	<u>0</u>	<u>104,127</u>
<u>Liabilities</u>			
Vouchers Payable	1,652	2,738	4,390
Accrued Payroll Expense	1,874	765	2,639
Interfund Payables	-	2,650	2,650
	<u>3,526</u>	<u>6,153</u>	<u>9,679</u>
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - Property Taxes	5,383	-	5,383
	<u>5,383</u>	<u>0</u>	<u>5,383</u>
<u>Fund Equity</u>			
Fund Balances:			
Designated For Subsequent Year's Expenditures	21,000		21,000
Unreserved reported in:			
Special Revenue Fund (Deficit)	74,218	(6,153)	68,065
	<u>95,218</u>	<u>(6,153)</u>	<u>89,065</u>
Total Fund Balance	<u>95,218</u>	<u>(6,153)</u>	<u>89,065</u>
Total Liabilities and Fund Equity	<u>104,127</u>	<u>0</u>	<u>104,127</u>

See independent auditor's report.

CITY OF RUPERT, IDAHO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Special Revenue Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>DeMary Memorial Library</u>	<u>Animal Control Fund</u>	
<u>Revenues</u>			
Property Taxes	100,093	-	100,093
Intergovernmental	19,860	23,847	43,707
Charges For Services	13,466	13,288	26,754
Interest on Investments	71	-	71
Miscellaneous	3,624	5,365	8,989
	<hr/>	<hr/>	<hr/>
Total Revenues	137,114	42,500	179,614
<u>Expenditures</u>			
Personnel Costs	100,850	45,626	146,476
Operational Costs	24,607	15,649	40,256
Supplies and Misc	3,871	20,757	24,628
Utilities	3,923	4,817	8,740
Repairs and Maintenance	7,057	1,691	8,748
Professional Services	-	7,910	7,910
	<hr/>	<hr/>	<hr/>
Total Expenditures	140,308	96,450	236,758
Excess (Deficit) Revenues Over Expenditures	(3,194)	(53,950)	(57,144)
Other Financing Sources (Uses):			
Transfer Operations From County	-	11,870	11,870
Operating Transfers	-	35,927	35,927
	<hr/>	<hr/>	<hr/>
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Other Uses	(3,194)	(6,153)	(9,347)
Fund Balance Beginning of Year	98,412	-	98,412
	<hr/>	<hr/>	<hr/>
Fund Balance (Deficit) at End of Year	95,218	(6,153)	89,065
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See independent auditor's report.

OMB CIRCULAR A-133 SUPPLEMENTARY FINANCIAL REPORT



Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By OMB Circular A-133

Honorable Mayor and City Council
City of Rupert
State of Idaho

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Rupert, Idaho's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Rupert, Idaho's compliance.

Opinion on Each Major Federal Program

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, 2013.

Report on Internal Control Over Compliance

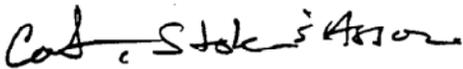
Management of the City of Rupert, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Rupert, Idaho's internal control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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Condie, Stoker & Associates

March 20, 2014

CITY OF RUPERT

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

<u>Description</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Accrued (Deferred) Loan/Grant Revenue 9/30/12</u>	<u>Cash/ Commodities Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Loan/Grant Revenue 9/30/13</u>
<u>Highway Safety Cluster</u>						
Passed Through Idaho State Department of Transportation						
State & Community Highway Safety	20.600	Various	2,727	5,584	7,270	4,413
Alcohol Impaired Driving Countermeasures	20.601	K8-2013-01-00-00	0	5,706	5,706	0
Total Highway Safety Cluster			2,728	11,290	12,976	4,414
<u>US Department of Agriculture</u>						
*Water & Waste Disposal Systems for Rural Communities - Loan						
	10.760		(56,827)		56,827	0
*Water & Waste Disposal Systems for Rural Communities - Grant						
	10.760		86,070	287,941	201,871	0
Community Facilities Grant	10.766			9,128	10,000	872
Total US Department of Agriculture			29,243	297,069	268,698	872
<u>US Department of Justice</u>						
Passed Through State Department of Juvenile Corrections						
Juvenile Justice & Delinquency Prev.	16.540	2010JFFX0006	0	733	733	0
<u>US Department of Transportation</u>						
Highway Planning and Construction	20.205	STP-7842(100)	176,135	103,334	145,240	218,041
Passed Through Idaho State Department of Transportation						
Highway Planning and Construction	20.205	A012(536)	0	1,475	1,475	0
Impaired Traffic Enforcement	20.608	K8-2013-01-00-00	0		2,378	2,378
Total US Department of Transportation			176,135	104,809	149,093	220,418
<u>National Endowment for the Humanities</u>						
Passed Through Idaho Commission for Libraries						
State Library Program	45.310	LS0012001312	0	2,115	2,115	0
<u>Environmental Protection Agency</u>						
Passed Through Idaho Division of Environmental Quality						
Drinking Water State Revolving Funds	66.468	DWG-129-2012-10	6,000	26,000	22,000	2,000
<u>Department of Homeland Security</u>						
Assistance to Firefighters Grant	97.044	EMW-2012-FO-01677	0	62,130	62,130	0
Total Federal Financial Assistance			214,106	504,146	517,745	227,705

* 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, 2013

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 balance which was financed with federal funds. All payments were current and are being made by the Enterprise Funds. Further information is provided in Note 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	92-11	Sewer	3,368,530

CITY OF RUPERT, IDAHO

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

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Rupert, Idaho.
2. No Control deficiencies disclosed during the audit of the financial statements are 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*.
3. No instances of noncompliance material to the financial statements of the City of Rupert, Idaho were disclosed during the audit.
4. No reportable conditions in internal control over major federal award programs disclosed during the audit were reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance Required By OMB Circular A-133.
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. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major programs was: US Department of Agriculture, Water and Disposal Systems for Rural Communities, CFDA 10.760.
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

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CITY OF RUPERT, IDAHO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2013

DEPARTMENT OF TRANSPORTATION

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

Condition: This finding was a significant deficiency stating there was inadequate reconciliation of expenditures to reimbursement requests.

Recommendation: The auditor recommended that City personnel should compare all actual expenditures with amounts claimed and received for reimbursement.

Current Status: The recommendation was adopted during the fiscal year ended September, 2013. No similar findings were noted in the 2013 audit.

OTHER 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, 2013 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

Errors resulting from the software upgrade prevented the removal of bad debts from the utility accounts receivable balance, even though approval had been obtained from the City Council. Six months later these continue to remain on the books. This issue must be addressed with the software company.

The set-up of several codes in the UB module is not allowing transactions to post correctly to the general ledger. These problems have been communicated to the office personnel and should be addressed. There is a need for improved communication and understanding between the general ledger operations at the City and the utility billing functions.

The reconciliation of accounts seems to be extremely difficult due to the acceptance of electronic payments, with no control over when these payments post to the bank or the City's books. We recommend that reconciliation discrepancies be posted monthly to an adjustment account established in each fund specifically for this purpose. Total adjustments can then be monitored for control purposes,

Several immaterial billing errors were noted in the sewer charges for the large industries. Since these charges represent such a material percentage of the revenue for this fund, and because the charges are manually calculated and entered, we recommend that the billing for these accounts be double-checked by a second clerk each month. In addition, a large credit was issued to one of the industrial customers to reimburse for improvements to the sewer system paid for by the customer. This resulted in the sewer revenue appearing to be lower than anticipated, and capital assets to be understated. If this type of adjustment is arranged, it should be fully documented and communicated to accounting personnel for proper recording.

Miscellaneous Revenue

Several departments of the City prepare bills for customers, service work, reimbursements, etc. Copies of these statements should be submitted to the City office so that they can be matched with the applicable payment. Periodic review of unpaid items should also be scheduled.

Several posting errors were noted in the review of miscellaneous cash receipts. Care must be taken to ensure that revenue is posted to the correct fund. For instance, the refund of a duplicate payment which had been made from the Electric Fund was posted as revenue to the General Fund when returned. When funds are received outside of the city office, for example, at the Library or Animal Control Facility, the librarian or animal control supervisor should keep a schedule of revenue and compare it to the amounts recorded at the City Office in order to identify errors. This is presently being done at the Library, but not by Animal Control.

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. The amount from the cash register last summer indicated significantly more revenue than was recorded at the City Office. We recommend that this revenue be monitored more closely by periodic comparisons between the cash register amounts and the revenue recorded at the City.

Interest on the long-term CD's is still not being recorded annually as recommended. 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.

Expenditures

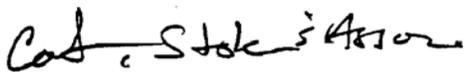
It is our understanding that expenditure policies are currently under review. It is vital that these policies be instituted and enforced. Considerations should include the use of purchase orders, approval processes, etc. Monitoring of potential abuse is always a concern. For example, fuel use could be monitored by relating it not just to the individual obtaining the fuel, but by linking the fuel to the vehicle and considering miles per gallon calculations. The review of expenditures noted that some detailed receipts were missing from the documentation of credit card charges. It was also noted that duplicate payments were occasionally issued. Payments should only be made from detailed invoices, not monthly statements. Every payment should have documentation generated outside of the accounts payable function.

Depreciation

Numerous difficulties were encountered in reconciling the capital assets and related depreciation schedules of the City. Many assets were transferred between departments or sold as surplus property. Identifying new assets is often difficult if the costs are not posted to capital expenditure line items. Department heads need to be involved in the process of understanding the importance of identifying new assets, improvements to their distribution systems, etc. The City currently calculates depreciation on a spreadsheet, which works fine as long as the formulas are correctly established and applied, but several errors were noted on the schedules this year.

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

March 20, 2014