CITY OF GARDEN CITY, IDAHO

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

CITY OF GARDEN CITY, IDAHO

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Bailey & Company Chtd.
Certified Public Accountants

James Washburn, CPA
Weston Flamm, CPA
Cassie Zattiero, CPA
Leroy Loomis, CPA

812-B 12th Ave. South
P.O. Box 876
Nampa, ID 83653-0876
208 466-2493
FAX 208 467-2000
www.BaileyCPAs.com

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Garden City, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Garden City, Idaho** (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2014, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 3 – 9 and 36 – 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bailey & Co.

Nampa, Idaho
February 18, 2015

The Management of the City of Garden City would like to offer the readers of the financial statements an overview and analysis of the financial activities for the Fiscal Year October 1, 2012 through September 30, 2013.

FINANCIAL HIGHLIGHTS

- As of September 30, 2014 the assets of the City of Garden City exceeded its liabilities by $ 32,134,241. Of this amount, unrestricted net position of $ 3,767,880 may be used to meet the City's ongoing obligations to citizens and creditors.

- As of September 30, 2014 the total net position of the City increased by $ 1,098,431 . The net position of Business Activities increased by $ 733,697 and for Government Activity funds the net position increased by $ 364,734 .

- The increase of $733,697 in Business net position came primarily from capital contributions by the Urban Renewal Agency and from continued efforts to find operational efficiencies in Water and Sewer activities.

- The increase of $364,734 in Governmental net position came primarily as a result of capital grants received for the West Side Pedestrian Bridge project, a capital contribution from the Garden City Library Foundation for the construction of the Legacy Courtyard and a capital contribution from the Garden City Urban Renewal Agency to remodel the Animal Shelter.

- The unrestricted net position of Governmental Activities totaled $ 1,953,728 and for Business Activities the unrestricted net position total was $ 1,814,152.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These financial statements consist of the three components:

1) government-wide financial statements
2) fund financial statements
3) other supplementary information

Government-wide Financial Statements

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

The Statement of Net Position presents information on all City 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 as to whether the financial position of the City 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.

Government-wide financial statements distinguish functions of the City 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 include general government, public safety, parks and recreation, community services, community development, and other charges. The major business-type activities of the City include water, wastewater treatment, solid waste disposal, and street lighting. The government-wide financial statements include the City of Garden City (known as the primary government).

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, 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 Garden City 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 government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of available resources, as well as on balances of available 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 current 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 the comparison between the two.

The City maintains four 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 and other funds. Data from the other fund is combined into this single, aggregated presentation. Individual fund data for this non-major governmental fund is provided in the form of a combining statement elsewhere in this report.

Proprietary Funds The City maintains proprietary funds in the form of enterprise funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains two individual enterprise funds. Information is presented separately in the proprietary statement of Net Position and the proprietary statement of revenues, expenses and changes in fund net position for the Sanitation, Water and Sewer, and Street Light Funds, which are considered major funds.

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.

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. Component unit information of the Garden City Urban Renewal Agency (Agency) is also included.

Component Unit The Garden City Urban Renewal Agency is a discrete component unit of the City and financial statements are separately issued by the Board of Commissioners for the Urban Renewal Agency.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position may serve as a useful indicator of a government's financial position. At September 30, 2014, the City's assets exceeded liabilities by $$ 32,134,241. Of this amount, $28,215,361 is related to capital assets net of related debt (Net Investment in capital assets. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City of Garden City's Net Position

	Governmental Activities		Business-type Activities	
	2012-2013	2013-2014	2012-2013	2013-2014
Current assets	$ 2,970,559	$ 2,768,838	$ 2,250,546	$ 2,790,109
Capital Assets	$ 10,945,463	$ 11,504,607	$ 18,350,894	$ 18,475,555
Other Noncurrent assets	$ -	$ -	$ 218,538	$ 151,000
Total assets	$ 13,916,022	$ 14,273,445	$ 20,819,978	$ 21,416,664
Short term liabilities	$ 822,421	$ 855,110	$ 1,034,897	$ 1,115,957
Long term liabilities	$ 570,000	$ 530,000	$ 1,100,000	$ 960,000
Total liabilities	$ 1,392,421	$ 1,385,110	$ 2,134,897	$ 2,075,957
Deferred Inflows of Resources	$ -	$ -	$ 105,334	$ 94,801
Net Position:				
Net Investment in capital assets	$ 10,329,031	$ 10,934,607	$ 17,005,560	$ 17,280,754
Restricted for:				
Bond debt service requirement			$ 151,000	$ 151,000
Budgeted expenditures in the fiscal year				
Unrestricted	$ 2,194,570	$ 1,953,728	$ 1,355,649	$ 1,814,152
Total net position	$ 12,523,601	$ 12,888,335	$ 18,512,209	$ 19,245,906

City of Garden City's Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014
Revenues						
Program revenues						
Charges for services	$ 1,679,977	$ 2,169,852	$ 7,456,552	$ 7,137,476	$ 9,136,529	$ 9,307,328
Operating grants and contributions	196,237	190,819			196,237	190,819
Capital grants and contributions	260,536	317,296	1,720,917	286,783	1,981,453	604,079
General revenues						
Property taxes	3,396,273	3,609,950		-	3,396,273	3,609,950
Franchise fees	541,047	586,836		-	541,047	586,836
Sales tax and other governmental	871,868	892,095		-	871,868	892,095
Unrestricted investment earnings	8,806	4,819		-	8,806	4,819
Assets donated to General Fund					-	-
Miscellaneous	77,856	74,194	12,085	17,883	89,941	92,077
Transfers		83,884		(83,884)		
Gain (loss) on sale of fixed assets	12,743	-	-	-	12,743	-
Total revenues	7,045,343	7,929,745	9,189,554	7,358,258	16,234,897	15,288,003
Expenses						
General government administration	1,868,890	2,514,511	-	-	1,868,890	2,514,511
Public safety	4,178,747	4,205,865	-	-	4,178,747	4,205,865
Culture and recreation	846,015	816,912	-	-	846,015	816,912
Interest on long-term debt	31,524	27,723	-	-	31,524	27,723
Sanitation			2,012,501	2,097,219	2,012,501	2,097,219
Streetlights			75,150	4,362	75,150	4,362
Water and sewer			4,954,559	4,522,980	5,025,208	4,522,980
Total expenses	6,925,176	7,565,011	7,042,210	6,624,561	14,038,035	14,189,572
Change in Net Position	$ 120,167	$ 364,734	$ 2,147,344	$ 733,697	$ 2,196,862	$ 1,098,431

Governmental activities Governmental activities increased the City's net position by $ 364,734 . The increase was due primarily from the receipt of capital grants of $132,529 for the West Bridge Project; $110,625 from the Garden City Library Foundation for the Legacy Courtyard; and $74,141 received from the Garden City Urban Renewal Agency for the remodeling of the Animal Shelter. Additionally, there were operational efficiencies that allowed for operating revenues to exceed operating expenses by $47,439.

Business-type activities Business-type activities increased the City's net position by $ 733,697 accounting for most of growth in the City's net position. The Urban Renewal Agency contributed approximately $286,800; Connection Fees from development totaled approximately $ 273,700 and operational revenues exceeded operating costs by $173,197.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The general fund is the City's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was $ 1,781,800. It may be useful to compare the unassigned fund balance to total expenditures, as a measure of the general fund's liquidity. The unassigned fund balance is estimated to be approximately 25% of the upcoming projected Fiscal Year 2015 operating expenditures budget of $7,176,571

The general fund has maintained at least a 25% level of fund balance for four consecutive years (fiscal years 2012, 2013, 2014 and 2015) based on continuing efforts by staff in all departments at maintaining operational efficiencies while maintaining current service levels.

The Development Services fund is a new special revenue fund. It was approved as a governmental fund by the City Council in the budget ordinance for fiscal year 2014. The purpose of this fund is to record the revenues and expenditures associated with building permit and planning and zoning activities. These activities provide benefit to the general public but are funded primarily from special revenues that are intended to be used to support the development community and to ensure that safe houses and commercial property is built and maintained in Garden City.

The Capital Projects fund began the fiscal year with $192,000 and ended the year with a fund balance of $238,274. The major activity for which the beginning balance and ending balance was used during fiscal year 2014 and will be used in fiscal year 2015 respectively is to pay for the Garden City contribution towards completion of the West Bridge pedestrian project.

Proprietary Funds The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position and explanations for the changes in the proprietary funds are as follows:

The balance in the Water and Sewer Fund is $ 1,748,976 with an increase of $ 641,904 from the prior year. This increase represents the net difference amongst the following items: 1) an increase derived from operating and non-operating resources of $ 714,199; 2) a decrease from investments in fixed assets, which is net of current year depreciation and amortization expense, of (359,078) ; 3) an increase as a result of the contribution from the Urban Renewal Agency of $286,783.

The Sanitation Fund unrestricted balance is $ 65,176 , a decrease of $ (179,039)from the prior fiscal year. This decrease is due to a credit of one month of service charges to all sanitation customers that was made during the fiscal year. This was a one-time credit and primarily to a reduction in the transfer of general overhead expenses from the General Fund to the Sanitation Fund.

The Street Lights Fund unrestricted balance is $0, with a reduction of $4,362 from the prior year. The fixed assets and the residual unrestricted balance were transferred to the General Fund in fiscal year 2015. During fiscal year 2012 the street light fee ordinance was repealed. The Street Lights operations are no longer being funded by direct charges to customers and this operation will be funded directly by General Fund starting in fiscal year 2014.

BUDGETARY HIGHLIGHTS

General Fund The City's fund balance, compared to the previous year, decreased by $ (262,763)This was $59,710 less than the budgeted decrease in fund balance of $ (322,473). This resulted primarily from revenues that were $ 36,283 more than the amount budgeted and expenditures that were $ 23,427 less than the budgeted amount.

Over the course of the year there was an amendment to the budget which added $120,379 to budgeted revenues and expenditures. This amendment was related to increased revenues from grants and contributions from the Urban Renewal Agency.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets The City's investment in capital assets for its governmental and business type activities at September 30, 2014 amounts to $ 29,980,162 (net of accumulated depreciation). This investment in capital assets includes land, buildings, non-building improvements - including water and sewer service lines, streetlights, automobiles and equipment. The City added $ 1,704,758 in capital assets during the year. This includes the following: 1) construction of and purchase of Utility Plant improvements for the Water and Sewer Enterprise Fund at a cost of $823,032 ; 2) the purchase of machinery and equipment for the Water and Sewer Enterprise Fund at a cost of $76,908 ; 3) Street Lighting improvements on 36th street of $9,600; 4) the purchase of police vehicles, machinery and equipment totaling $179,107; 5) West Bridge Pedestrian Pathway improvements of $360,700 ; 6) Library Courtyard Legacy Project of $135,625 ; 7) Public right-of- way improvements and land purchase of $44,770; and 8) Animal Control Building remodel of $75,016. Depreciation expense for the year was $1,020.955 and total accumulated depreciation was $ 12,587,606 . See Note 5 of the financial statements for further detail associated with the capital assets.

City of Garden City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014
Land and improvements	$ 6,907,186	$ 6,937,215	$ -	$ -	$ 6,907,186	$ 6,937,215
Work in progress	78,112	421,237	238,631	0	316,743	421,237
Buildings and improvements	3,217,814	3,365,355	1,509,513	1,437,891	4,727,327	4,803,246
Utility plant and improvements	-	-	15,904,201	16,552,564	15,904,201	16,552,564
Machinery and equipment	742,351	780,800	698,550	485,100	1,440,901	1,265,900
Total assets	$ 10,945,463	$ 11,504,607	$ 18,350,895	$ 18,475,555	$ 29,296,358	$ 29,980,162

Long-term debt At the end of the current fiscal year, the City had $1,764,801 in outstanding debt including bonds, capital leases and notes payable. All of the debt was secured by specific revenue sources or the related equipment.

City of Garden City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014
Bonds payable and premium	$ 610,000	$ 570,000	$ 1,345,334	$ 1,194,801	1,955,334	$ 1,764,801
Capital leases	6,432	-	-	-	6,432	-
	$ 616,432	$ 570,000	$ 1,345,334	$ 1,194,801	$ 1,961,766	$ 1,764,801

It is noted that by state law the City of Garden City's legal debt limit for governmental funds for 2014 would be approximately $19,821,600, which represents 2% of the market valuation of the real and personal property in its taxing area. See Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S PLANS

Enterprise Fund Utility Rates- The City changed its utility rates in June 2014, when the City Council approved increasing water and sewer utility rates by 5% and 10% respectively. That increase was for the purpose of funding the replacements of enterprise net position as needed. We anticipate that the utility rates will be adjusted in the future as the continuing capital replacement needs of the water and sewer systems are taken into consideration by the City Council in future years.

Pending Conditions of Significant Importance The primary activity for which the city is currently involved with is the completion of the West Bridge Pedestrian Project. This project will be completed in fiscal year 2015.

Requests for Information This financial report is designed to provide a general overview of the City of Garden City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Attn: James R. Krueger-Treasurer/Clerk, City of Garden City, and 6015 Glenwood Street, Garden City, Idaho 83714-1347.

CITY OF GARDEN CITY, IDAHO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Current Assets				
Cash and cash equivalents	779,762	1,911,887	2,691,649	46,500
Investments	1,365,807	-	1,365,807	-
Prepaid Expenses	15,264	2,960	18,224	-
Receivables				
Property taxes	150,819	-	150,819	40,146
Accounts	64,243	875,262	939,505	
Interest	-	-	-	1
Due from other governmental units	280,790	-	280,790	-
Franchise fees	109,859	-	109,859	-
Grants	2,294	-	2,294	-
Total current assets	2,768,838	2,790,109	5,558,947	86,647
Noncurrent Assets				
	-	-	-	-
Restricted Investment for Debt Service	-	151,000	151,000	-
Capital assets				
Land, infrastructure, and other assets not depreciated	6,997,752	3,675,669	10,673,421	-
Buildings, improvements, and equipment, net of depreciation	4,506,855	14,799,886	19,306,741	-
	14,273,445	21,416,664	35,690,109	86,647

See Notes to Financial Statements

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Liabilities and Net Position				
Current Liabilities				
Accounts payable	354,325	794,347	1,148,672	594
Accrued payroll and taxes	215,204	6,305	221,509	-
Compensated absences,	234,255	34,750	269,005	
Customer deposits	-	48,699	48,699	-
Interest payable	4,384	1,592	5,976	-
Unearned revenue	6,942	90,264	97,206	-
Current portion of long-term liabilities	40,000	140,000	180,000	-
Total current liabilities	855,110	1,115,957	1,971,067	594
Noncurrent Liabilities				
Bonds payable	530,000	960,000	1,490,000	-
Total liabilities	1,385,110	2,075,957	3,461,067	594
Deferred Inflows of resources				
Unamortized Bond Premium	-	94,801	94,801	-
Net Position				
Net investment in capital assets	10,934,607	17,280,754	28,215,361	-
Restricted for:				
Next years budgeted expenditures		-	-	86,053
Enterprise debt service	-	151,000	151,000	-
Unrestricted	1,953,728	1,814,152	3,767,880	-
Total net position	12,888,335	19,245,906	32,134,241	86,053

CITY OF GARDEN CITY, IDAHO
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government					
Governmental Activities					
General government	2,514,511	1,822,280	-	-	(692,231)
Public safety	4,205,865	233,843	157,296	74,141	(3,740,585)
Culture and recreation	816,912	113,729	33,523	243,155	(426,505)
Interest on long-term debt	27,723	-	-	-	(27,723)
Total governmental activities	7,565,011	2,169,852	190,819	317,296	(4,887,044)
Business-Type Activities					
Sanitation	2,097,219	1,918,080	-	-	(179,139)
Streetlights	4,362	-	-		(4,362)
Water and sewer	4,522,980	5,219,396	-	286,783	983,199
Total business-type activities	6,624,561	7,137,476	-	286,783	799,698
Total primary government	14,189,572	9,307,328	190,819	604,079	(4,087,346)
Component Unit					
Urban Renewal	$ 472,590	$ -	$ -	$ -	$ (472,590)

See Notes to Financial Statements

CITY OF GARDEN CITY, IDAHO
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Change in net position				
Net (expense) revenue	(4,887,044)	799,698	(4,087,346)	(472,590)
General revenues				
Shared revenues				
Property taxes, levied for general purposes	3,542,027	-	3,542,027	83,456
Property taxes, levied for debt service	67,923	-	67,923	-
Franchise fees	586,836	-	586,836	-
Sales tax and other governmental	892,095	-	892,095	-
Investment earnings	4,819	-	4,819	239
Miscellaneous	74,194	17,883	92,077	-
Fixed Assets transfer from Street Lights Fund to General Fund	83,884	(83,884)	-	-
Total general revenues	5,251,778	(66,001)	5,185,777	83,695
Change in Net Position	364,734	733,697	1,098,431	(388,895)
Net Position Beginning of the year (as restated)	12,523,601	18,512,209	31,035,810	474,948
Net Position , Ending	$ 12,888,335	$ 19,245,906	$ 32,134,241	$ 86,053

See Notes to Financial Statements

CITY OF GARDEN CITY, IDAHO
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General	Other Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	410,310	369,452	779,762
Investments	1,365,807	-	1,365,807
Prepaid Expenses	15,264	-	15,264
Receivables			
Property taxes	150,819	-	150,819
Accounts	173	64,070	64,243
Due from other governmental units	274,402	6,388	280,790
Franchise fees	109,859	-	109,859
Grants	2,294	-	2,294
	2,328,928	439,910	2,768,838
Liabilities and deferred inflow of resources and fund balance			
Liabilities			
Accounts payable	145,639	208,686	354,325
Accrued payroll and taxes	206,856	8,348	215,204
Compensated absences payable	48,711	1,154	49,865
Unearned revenue	6,942	-	6,942
	408,148	218,188	626,336
Deferred inflow of resources			
Unavailable revenue-property taxes	123,716	-	123,716
Fund Balance:			
Nonspendable	15,264	-	15,264
Assigned	-	238,274	238,274
Unassigned	1,781,800	(16,552)	1,765,248
Total fund balance	1,797,064	221,722	2,018,786
	2,328,928	439,910	2,768,838

CITY OF GARDEN CITY, IDAHO
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Fund balance - total governmental funds	$ 2,018,786
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets, net of depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds.	11,504,607
Property taxes that were levied in the current fiscal year will not be available until the next fiscal year and are Deferred inflow of resources in the governmental fund balance sheet.	123,716
Compensated Absences Payable that are paid after 60 days are not recorded in the governmental funds but are recorded as a liability in the government wide basis statements.	(184,390)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(4,384)
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(570,000)
Net position of governmental activities	$ 12,888,335

CITY OF GARDEN CITY, IDAHO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 3,524,770	$ 67,923	$ 3,592,693
Licenses and permits	40,497	-	40,497
Charges for services	1,254,235	527,548	1,781,783
Intergovernmental	892,095	-	892,095
Fines and forfeitures	233,843	-	233,843
Grants	190,820	317,297	508,117
Franchise fees	586,836	-	586,836
Interest	4,819	-	4,819
Library fees	113,729	-	113,729
Miscellaneous	74,194	-	74,194
Total revenues	6,915,838	912,768	7,828,606
Expenditures			
General government	1,840,436	544,100	2,384,536
Public safety	3,996,744	-	3,996,744
Culture and recreation	801,054	-	801,054
Capital outlay	179,107	625,711	804,818
Debt service			
Principal	6,432	40,000	46,432
Interest	140	27,923	28,063
Total expenditures	6,823,913	1,237,734	8,061,647
Excess (deficiency) of revenues over Expenditures	91,925	(324,966)	(233,041)
Other Financing Sources			
Operating transfers in (out)	(354,688)	354,688	-
Total other financing sources (uses)	(354,688)	354,688	-
Net Change in Fund balance	(262,763)	29,722	(233,041)
Fund Balance, Beginning of Year	2,059,827	192,000	2,251,827
Fund Balance, end of Year	$ 1,797,064	$ 221,722	$ 2,018,786

See Notes to the Financial Statements

CITY OF GARDEN CITY, IDAHO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE GOVERNM ENT-WIDE STATEMENT OF NET ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds	$	(233,041)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense ($329,558) is less than capital outlay expenditures of $804,818.		475,260
Capital assets that were contributed to the Street Lights fund were not recognized as revenue in the governmental funds		83,884
The payoff of accrued vacation leave is recognized as an expenditure in the modified accrual basis of accounting when paid. However in the Statement of Activities this cost is recognized as an expense when accrued.		(25,398)
Property taxes that were levied in the current year and were not available to governmental funds in the current year were recognized as revenue on a government-wide basis.		17,257
Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		340
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets.		46,432
Change in net position of governmental activities	$	364,734

CITY OF GARDEN CITY, IDAHO
STATEMENT OF NET POSITION –PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 1,899,106	$ 12,781	$ -	$ 1,911,887
Prepaid Expenses	2,960	-	-	2,960
Customer accounts receivable less allowance for uncollectible accounts of $4,792, $1,416, and $0, respectively	672,675	202,587	-	875,262
Total current assets	2,574,741	215,368	-	2,790,109
Noncurrent Assets				
Restricted Investment for Debt Service	151,000	-		151,000
Capital assets				
Improvements on building and land	3,675,669	-	-	3,675,669
Utility plant and improvements	21,440,289	-	-	21,440,289
Machinery and equipment	3,251,471	4,543	-	3,256,014
Work in process	-	-	-	-
	28,367,429	4,543	-	28,371,972
Accumulated depreciation	(9,891,874)	(4,543)	-	(9,896,417)
Total noncurrent assets	18,626,555	-	-	18,626,555
	$ 21,201,296	$ 215,368	$ -	$ 21,416,664

See Notes to the Financial Statements

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	$ 644,189	$ 150,158	$ -	$ 794,347
Accrued payroll and taxes	6,271	34	-	6,305
Compensated absences payable	34,750	-		34,750
Unearned revenue	90,264	-	-	90,264
Interest payable	1,592	-	-	1,592
Customer deposits	48,699	-	-	48,699
Current portion of long-term liabilities	140,000	-	-	140,000
Total current liabilities	965,765	150,192	-	1,115,957
Noncurrent Liabilities				
Bonds payable	960,000	-	-	960,000
Total liabilities	1,925,765	150,192	-	2,075,957
Deferred Inflows of Resources				
Unamortized Bond Premium	94,801	-	-	94,801
Net Position				
Net investment in capital assets	17,280,754	-	-	17,280,754
Restricted for payment of Debt Service	151,000	-	-	151,000
Unrestricted	1,748,976	65,176	-	1,814,152
Total Net Position	19,180,730	65,176	-	19,245,906
	$ 21,201,296	$ 215,368	$ -	$ 21,416,664

CITY OF GARDEN CITY, IDAHO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Operating Revenues				
Charges for services	$ 5,219,396	$ 1,918,080	$ -	$ 7,137,476
Miscellaneous revenues	17,783	100	-	17,883
Total operating revenues	5,237,179	1,918,180	-	7,155,359
Operating Expenses				
Personnel services	981,521	5,163	-	986,684
Contractual services	1,389,299	1,663,668	-	3,052,967
Overhead	831,034	418,840	-	1,249,874
Supplies	181,248	9,548	-	190,796
Repairs	206,070	-	-	206,070
Depreciation and amortization	691,397	-	-	691,397
Telephone and utilities	212,062	-	-	212,062
Bad debt	-	-	4,362	4,362
Total operating expenses	4,492,631	2,097,219	4,362	6,594,212
Operating income (loss)	744,548	(179,039)	(4,362)	561,147
Nonoperating Revenues (Expenses)				
Gain (loss) on disposal of fixed assets	-	-	(83,884)	(83,884)
Interest expense	(30,349)	-	-	(30,349)
Income (Loss) before Contributions	714,199	(179,039)	(88,246)	446,914
Contributions from other governmental agencies	286,783	-	-	286,783
Net Position, Beginning of the year (as restated)	18,179,748	244,215	88,246	18,512,209
Net Position, End of Year	$ 19,180,730	$ 65,176	$ -	$ 19,245,906

See Notes to the Financial Statements

CITY OF GARDEN CITY, IDAHO
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Cash Flows from Operating Activities				
Receipts from customers and users	$ 5,003,521	$ 1,915,010	$ -	$ 6,918,531
Payments to suppliers	(1,803,332)	(1,664,364)	(16,387)	(3,484,083)
Payments for overhead	(831,034)	(418,840)	-	(1,249,874)
Payments to employees	(986,184)	(5,167)	-	(991,351)
Net Cash from (used for) Operating Activities	1,382,971	(173,361)	(16,387)	1,193,223
Cash flows from Capital and Related Financing Activities				
Interest paid	(41,000)	-	-	(41,000)
Payment of current portion of bonds bonds payable	(140,000)	-	-	(140,000)
Acquisition of capital assets	(899,942)	-	-	(899,942)
Cash contributions from Other Governmental Agencies	561,284	-	-	561,284
Net Cash used for Capital and Related Financing Activities	(519,658)	-	-	(519,658)
Cash, Cash Equivalents and Investments, Beginning of Year	1,035,793	186,142	16,387	1,238,322
Cash, Cash Equivalents and Investments, End of Year	$ 1,899,106	$ 12,781	$ -	$ 1,911,887

See Notes to the Financial Statements

CITY OF GARDEN CITY, IDAHO
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Reconciliation of operating income to net cash (used) provided by operating activities				
Operating income	$ 744,548	$ (179,039)	$ (4,362)	$ 561,147
Adjustments to reconcile operating income to net cash (used) provided by operating activities				
Depreciation and amortization	691,397	-	-	691,397
Changes in assets and liabilities				
Accounts receivable	(79,706)	(3,170)	4,362	(78,514)
Prepaids	692			692
Accounts payable	184,657	8,848	(16,387)	177,118
Compensated absences and				-
acccrued payroll and taxes	(4,663)			(4,663)
Customer deposits	(153,954)			(153,954)
Net cash provided (used) by operating activities	$ 1,382,971	$ (173,361)	$ (16,387)	$ 1,193,223

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Garden City (City) was incorporated May 9, 1967. The City operates under a mayor and council form of government and provides the following services as authorized by its charter: Public Safety (police), Sanitation, Culture-Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the GASB, the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable).

Financial Reporting Entity

The accompanying financial statements present the City and its component unit, The Garden City Urban Renewal Agency (URA) an entity for which the City is considered to derive a financial benefit. The URA is a separate and distinct legal entity and was created in 1995 in accordance with Idaho Statutes. The URA has a separate governing Board consisting of five appointed Commissioners. Of the five members of the URA Board , two are Garden City Council members and the other three are appointed from Garden City citizens at large. The City benefits financially from the contributions made by the URA to the City for the building of needed water, sewer and other facilities and correspondingly the URA is considered a discrete component unit of the City. URA financial information is presented in the accompanying financial statements in a separate column.

The complete financial statements for the URA can be obtained from City Hall, 6015 Glenwood Drive, Garden City Idaho 83714

The City contributes to the multi-employer Public Employee Retirement System of Idaho (the System). The System is administered by the State of Idaho and the City is not the major participant in the plan; therefore, the plan financial statements are not included in this report.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and

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other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of the assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 they are needed.

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund is used to account for all revenues earned and expenses incurred in the operation of the water and wastewater systems.

Sanitation Fund - The Sanitation fund is used to account for all revenues earned and expenses incurred in the operation of the sanitation department.

Streetlight Fund - The Streetlight fund is used to account for all revenues earned and expenses incurred in the operation of the city's streetlights. As of September 30, 2014 the activities associated with this fund have been included as a general government activity of the General Fund.

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These funds are used to account for operations financed and operated in a manner similar to private business when the intent of the governing body is that 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 the governing body has decided that periodic determination of revenues earned, expenditures incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government when elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services to customers for sales and services. The Water and Sewer Funds also recognizes as operating revenue the portion of hook-on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Balance Classification

The City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by City Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet as discussed as discussed above. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

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 they are needed.

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Governmental Funds

The General Fund has Unassigned Fund Balance of $1,781,800 at September 30, 2014. Prepaid items of $15,264 are considered Nonspendable. The City has assigned $238,274 for future budgeted expenditures in the Capital Projects fund balance as of September 30, 2014.The Development Services Fund has a deficit unassigned fund balance in the Development Services non-major fund of $(16,552)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments, including restricted cash, with a maturity of three months or less when purchased to be cash equivalents.

Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, commercial paper, corporate bonds, repurchase agreements, City coupon and local improvement district bonds.

Investments are stated at fair value as determined by quoted market prices, except for the certificates of deposit which are non-participating contracts, and are therefore carried at amortized costs. The City pools its investment funds to maximize interest income. The City allocates interest income on investments to the various funds based on the average balance of the net contribution of the respective fund.

Property Taxes Receivable

Within the governmental fund financial statement, property taxes, including those within the Component Unit, are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year end. Property taxes attach as liens on properties on January 1, are levied in September and are assessed as a legally enforceable lien on October 1st of each fiscal year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the City and its Component Unit is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are not recorded as a receivable and revenue is not recorded until the fiscal year for which these revenues are to be used as a resource for payment of budgeted expenditures. The Ada County Tax Collector bills and collects taxes for the City and its Component Unit.

Customer Services Receivable

Amounts owed to the City for customer services are due from area residents and businesses and relate to water, sewer and trash services provided by the City.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial,

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individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair value on the date donated. Public domain fixed assets consisting of roads, bridges, streets and sidewalks, and lighting systems are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful Life (Years)
Buildings and improvements	50
Service lines and land improvements	10-50
Machinery and equipment	3-25
Public domain infrastructure	30-50

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets of business-type activities are capitalized when they are material. There was no interest cost included as part of the costs of capital assets under construction in the current year.

Compensated Absences Payable

The City provides vacation and sick leave to its full-time employees. Compensated absences are paid from the fund to which each employee is allocated. Earned vacation is paid to employees when taken or paid to employees or beneficiaries upon the employees' termination, retirement or death. The City does not pay earned sick pay upon the employees' termination, retirement or death. Therefore, sick pay is not accrued since the amount cannot be reasonably estimated.

Risk Management

The City is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for property and liability insurance. The City's exposure to loss from its participation in ICRMP is limited to the extent of the deductible only.

Deferred Inflows of Resources

In addition to liabilities, the statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and is not recognized as an inflow of resources (revenue) until that time. The government has two items in this category. The first arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue,* is reported only in the government funds balance sheet. The governmental funds report unavailable revenues for one source; property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item in this category arises from premiums paid

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for bonds (amounts paid by bond purchasers above the face value of the bonds that were issued). These amounts are deferred and recognized as an inflow of resources (reduction in interest expense) over the remaining life of the bonds that were issued and gave rise to the premiums.

Bonded Indebtedness

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

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTE 2 - CASH AND INVESTMENTS

At year end, the carrying amount of the primary government's deposits, including restricted cash, was $4,208,458 and bank balances totaled $4,320,128. Of the total cash and investment balances, $1,334,278 was covered by Federal Deposit Insurance Corporation (FDIC) insurance,$133,156 was covered by the National Credit Union Administration Insurance, $1,005,546 was invested through the Certificate of Account Deposit Registry (CDARS), which allows for investments in FDIC backed investment instruments and $1,847,148 was uninsured and uncollateralized. All cash and investments are held in regional or national financial institutions. Investments are stated at fair value , as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The City policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

As identified in Note 6, the City issued Revenue bond series 2011 on September 1, 2011. The bond covenants for Bond series 2011 require that a restricted cash balance be maintained in the Water and Sewer Enterprise fund to be used only for the payment of principal and interest in the event that the city is unable to make those payments on a timely basis using available cash on hand in the Water and Sewer Enterprise Fund. The City opted to utilize available cash to fund this debt service reserve versus purchasing insurance for that purpose and put it into a certificate of deposit. The balance in the restricted investment account is $151,000 and is shown in the Water and Sewer Fund balance sheet as restricted investment and restricted net position for that same amount.

The Code and the City investment policy limit investments to the following general types:

> Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.
>
> Time deposit accounts, tax anticipation and interest-bearing notes.
>
> Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

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Repurchase agreements secured by the above.

The City voluntarily invests in the State of Idaho Local Government Investment Pool (LGIP), which does not have a credit rating. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. The LGIP is a part of the Joint Powers Investment Pool managed by the State of Idaho Treasurer's Office and was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. Oversight is with the Treasurer of the State of Idaho and Idaho Code 67-1210A defines allowable investments. The fair value of the Agency's investment in the pool is the same as the value of the pool shares.

Interest Rate Risk. Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The City is invested in certificates of deposit, overnight repurchase agreements and the State of Idaho Local Investment Pool which comply with the City's investment policy. All investments have maturities of less than one year. As of September 30, 2014 the amount of cash, cash equivalents and invested cash is as follows:

	Maturities	Fair Value
Cash	N/A	
Cash	N/A	$ 664,084
Cash Equivalents		
Money Market Accounts	Daily	517,425
State of Idaho Local Government Investment Pool		
External Investment Pool	132 Days	1,621,683
Investments		
Certificates of Deposit	One year or less	1,365,937
Certificate of Deposit-Restricted	September 30, 2014	151,000
Certificates of Deposit-Unrestricted	January 13, 2015	-
		$ 4,320,129

Credit Risk. Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The City is not invested in any debt instruments or investments that are rated by rating organizations. This risk is mitigated by investments that are insured by the FDIC, NCUA and by credit ratings on quality ratings of A or better.

Concentration of Credit Risk. When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entity's investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. Government, mutual funds, and other pooled investments are

(continued on next page)

exempt from disclosure. The City's investment policy is to have at least five different financial institutions in which all cash and cash investments are placed and in which no more than 50% of all available cash invested is in any one institution at one time. The City has investments placed with ten different financial institutions, with the objective of mitigating the concentration of credit risk. The following table represents the City's diversification of its investments:

	Amount Deposited	% of Total
Cash		
US Bank Cash Management Accounts	$ 475,465	11.01%
Idaho Banking Company Checking Account	14,911	0.35%
Mountain West Restricted Cash	151,000	3.50%
Mountain West Flexible Spending Account	40,553	0.94%
Les Bois Credit Union Checking Account	133,156	3.08%
Zions Bank Money Market Account	217,972	5.05%
State of Idaho Local Government Investment Pool	1,621,683	37.54%
Wells Fargo Bank Certificate of Deposit	50,737	1.17%
Idaho Banking Certificate of Deposit	200,000	4.63%
Mountain West Bank, Certificates of Deposit	1,063,994	24.63%
Key Bank, Certificates of Deposit	249,370	5.77%
Washington Trust Bank, Certificates of Deposit	51,206	1.19%
Bank of the Cascades, Certificates of Deposit	50,083	1.16%
	$ 4,320,130	100.00%

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City accepts the risk of having certain cash balances above FDIC insurance. The City's investment in the cash management account was held by the counterparty that was acting as the City's agent in the securities transactions.

NOTE 3 – INTERFUND TRANSFERS

Transfer to the Capital Projects fund from:	
General Fund	$ 354,668

This transfer of $354,668 was made from the General Fund to the Capital Projects Fund for the purpose of providing the needed general tax resources to complete major governmental projects in fiscal year 2015 and to provide the necessary matching funds to be used in fiscal year 2015 for completion of the West Side Pedestrian Bridge.

Transfer to the General Fund from:	
The Street Lights Proprietary Fund	$ 83,884

This transfer of $83,884 was made from the Street Lights Fund to the General Fund and is a onetime transfer of net book value of the fixed assets.

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NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

The following summarizes the intergovernmental receivables at September 30, 2014:

State of Idaho	
State Tax Commission	$ 195,450
Liquor Distribution	38,363
Idaho Transportation Department	6,388
Office of Highway Safety	18,205
Idaho Attorney General	7,059
Ada County	
Court Revenue	15,325
Total	$ 280,790

NOTE 5 – CAPITAL ASSETS

Changes in capital assets are as follows:

	October 1, 2013	Additions	Delections	Transfers	September 30, 2014
Governmental activities					
Capital Assets, not depreciated					
Land and land improvements	$ 6,907,186	$ 30,029	$ -	$ -	$ 6,937,215
Construction in progress	78,112	360,700	-	(17,575)	$ 421,237
Total capital assets, not depreciated	6,985,298	390,729	-	(17,575)	7,358,452
Capital assets, depreciated					
Buildings and improvements	4,070,283	225,382	-	17,575	$ 4,313,240
Machinery and equipment	2,252,055	188,707	(112,940)	196,282	$ 2,524,104
Total capital assets, depreciated	6,322,338	414,089	(112,940)	213,857	6,837,344
Less accumulated depreciation for					
Buildings and improvements	(852,469)	(95,416)	-	-	$ (947,885)
Machinery and equipment	(1,509,704)	(234,142)	112,940	(112,398)	$ (1,743,304)
Total accumulated depreciation	(2,362,173)	(329,558)	112,940	(112,398)	(2,691,189)
Total net capital assets, depreciated	3,960,165	84,531	-	101,459	$ 4,146,155
Governmental activities					
Capital assets, net	$ 10,945,463	$ 475,260	$ -	$ 83,884	$ 11,504,607

(continued on next page)

	October 1, 2013	Additions	Deletions	Transfers	September 30, 2014
Business-type activities					
Capital Assets, not depreciated					
Construction/Work in progress	$ 238,631	$ -	$ -	$ (238,631)	$ -
Total capital assets, not depreciated	238,631	-	-	(238,631)	-
Capital assets, depreciated					
Improvements of buildings	3,675,668	-	-	-	$ 3,675,668
Utility plant and improvements	20,378,628	823,032	-	238,631	$ 21,440,291
Machinery and equipment	3,375,387	76,908	-	(196,282)	$ 3,256,013
Total capital assets, depreciated	27,429,683	899,940	-	42,349	28,371,972
Less accumulated depreciation for					
Improvements of buildings	(2,166,155)	(71,622)	-	-	$ (2,237,777)
Utility plant and improvements	(4,474,427)	(413,300)	-	-	$ (4,887,727)
Machinery and equipment	(2,676,837)	(206,475)	-	112,399	$ (2,770,913)
Total accumulated depreciation	(9,317,419)	(691,397)	-	112,399	$ (9,896,417)
Business-type activities					
Capital assets, net	$ 18,350,895	$ 208,543	$ -	$ (83,883)	$ 18,475,555

Depreciation expense was charged to functions/programs of the City as follows:.

Governmental activities	
General Government	$ 119,697
Public Safety	188,751
Culture and recreation	21,110
Total depreciation expense-governmental activities	$ 329,558
Business-type activities	
Water and sewer	$ 691,397

As provided in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the City has elected to not retroactively capitalize their infrastructure assets.

NOTE 6 – LONG-TERM DEBT

(continued on next page)

Long-term debt consisted of the following as of September 30, 2014:

Governmental activities

General Obligation bonds

On December 21, 2004, the City issued $860,000 in General Obligation bonds for the construction of the new City Hall and Library. The bonds are payable in annual principal installments varying from $30,000 to $65,000 through August 2025, plus interest ranging from 2.85% to 4.95% payable semi-annually. The bonds are secured by *ad valorem* taxes to be levied against all taxable property within the City. $ 570,000

Business-type activities

Revenue bonds

On September 1, 2011, the City issued $1,510,000 in Revenue Bonds to refinance the Revenue Bonds that were originally issued on November 1, 2001 for the construction of the Water Filtration System. The bonds are payable in annual principal installments varying from $135,000 to $175,000 through September 2021, plus interest ranging from 2% to 4% payable semi-annually. $ 1,100,000

Premium	94,801
Total Revenue Bonds	$ 1,194,801

The annual requirements to amortize all debt outstanding at September 30, 2014, are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	$ 40,000	$ 26,303	$ 140,000	$ 38,200
2016	$ 45,000	$ 24,623	150,000	35,400
2017	$ 45,000	$ 22,688	150,000	30,900
2018	$ 45,000	$ 20,730	155,000	26,400
2019	$ 50,000	$ 18,728	160,000	20,200
2020-2024	$ 280,000	$ 57,410	345,000	20,800
2025	$ 65,000	$ 3,218	-	-
	$ 570,000	$ 173,700	$ 1,100,000	$ 171,900

Total interest cost incurred during 2014 was $58,072,which related to long-term debt and capital leases.

In Idaho, a municipality is allowed a debt limit, excluding enterprise fund debt, of 2% of the market valuation of the real and personal property in its taxing area. The City's legal debt limits for governmental funds for 2014, based on

(continued on next page)

data available from Ada County as of September 2014, would be approximately $19,821,618.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2014:

	2013 Balance	Debt Issued	Debt Retired	2014 Balance	Due Within One Year
Governmental Activities					
Bonds payable	$ 610,000	$ -	$ (40,000)	$ 570,000	$ 40,000
Capital leases	6,472	-	(6,472)	-	-
Governmental activities long-term liabilities	$ 616,472	$ -	$ (46,472)	$ 570,000	$ 40,000
Business-Type Activities					
Capital Leases	$ -	$ -	$ -	$ -	$ -
Bonds payable	1,240,000	-	(140,000)	1,100,000	140,000
Business-type activities long-term liabilities	$ 1,240,000	$ -	$ (140,000)	$ 1,100,000	$ 140,000

NOTE 7- PLEDGED REVENUES

The city has pledged future water and sewer customer revenues, net of specified operating expenses, to repay $1,510,000 in water and sewer system revenue bonds issued on September 1, 2011. Proceeds from these bonds were used to refund Revenue bonds series 2001 that provided financing for water filtration facilities. The bonds are payable solely from water and sewer customer net revenues and are payable through September 2021. Annual principal and interest payments on the bonds are expected to require less than 14 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,271,900. Principal and interest paid for the current year and total customer net revenues were $181,000 (based on the refunded revenue bond series 2011) and $1,382,971 respectively.

The city has pledged a portion of future *ad valorem* property tax revenues to be levied against all taxable property in the City to repay $860,000 in bonds issued in December, 2004 to finance the building of the new library and city hall. The bonds are payable solely from the property taxes. The additional property tax levy produces 100 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $743,700, payable through August 1, 2025. For the current year, principal and interest paid and total property tax revenues were $67,923.

NOTE 8 - CONTINGENT LIABILITIES

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including accounts already collected, could become a liability of the City. City management believes disallowance, if any, will not be material.

The City has been named as defendant in various legal actions, the results of which are not presently determinable. However, in the opinion of City management, the amount of losses that might be sustained, if any, would not materially affect the City's financial position.

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NOTE 9 - DEFINED BENEFIT PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring both the member and the employer to 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. Financial reports for the plan are available from PERSI upon request.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. The contribution requirements of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the fiscal year ended September 30, 2014, the required contribution rate for general employees was 11.32% and 6.79% of covered payroll for the City and its general employees respectively. For police officers the rates were 11.66% and 8.36% for the City and its police officer employees, respectively. As of September 30, 2014 the PERSI Board of Directors has decided to forgo any additional increases to these rates.

The City's Contributions required and paid were $498,566,$469,920 and $455,806 for the three years ended September 30, 2014 and 2013, and 2012, respectively.

NOTE 10-CHANGE IN ACCOUNTING PRINCIPLE

The City determined that the following adjustment to beginning Net Position was necessary as a result of implementation of Government Accounting Standards Board Statement Number 65 (GASBS 65), which states that any remaining bond issuance costs are to be removed from the financial statements and the balance is to reduced from the Beginning Net Position Balance. Adherence to GASBS65 is requisite in order that these financial statements be reported in accordance with generally accepted accounting principles for governmental units. The Beginning Net Position balance on the Government Wide Statement of Activities, Business-type Activities and the Statement of Revenues. Expenses, and Changes in Net Position-Proprietary Funds- Water and Sewer Fund have been restated as follows:

	Government Wide Financial Statements	Fund Financial Statements
	Beginning Net Position	Beginning Net Position
Balance previously reported as of September 30, 2013	$ 18,579,747	$ 18,579,747
Writeoff of Bond Issuance Costs	(67,538)	(67,538)
Balances as restated as of September 30, 2013	$ 18,512,209	$ 18,512,209

NOTE 11 – SUBSEQUENT EVENT

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The City has received grants from the Idaho Transportation Department and the Idaho Department of Parks to build a pedestrian bridge on the west end of the city boundaries. The grants are expected to provide approximately 68% of the bridge construction cost, which is expected to be approximately $1,400,000. The remaining 32 % of the construction costs will be funded by the City General Fund and by other local contributions from governmental and private non-profit entities.

NOTE 12– COMPONENT UNIT

The Garden City Urban Renewal Agency (Agency) is a separate and distinct legal entity of the City of Garden City (City) created by and existing under the Idaho Urban Renewal Law of 1965, as amended. The Directors for the Agency are appointed by the Mayor and approved by the City Council. The Agency provides urban renewal services for the citizens of the City.

The following is a summary of the disclosures required for a fair presentation of the component unit in the City's financial statements.

Nature and amount of significant transactions with the City of Garden City

For the year ended September 30, 2014 the Agency reimbursed $428,216 for improvements and equipment.

Cash and Cash Equivalents

At year-end, the carrying amount of the Agency's deposits was $46,500 and the respective bank balances totaled $62,306. All of the total bank balance was insured or collateralized with the pooled securities held by the pledging institution in the name of the District.

The Agency also voluntarily invests in the State of Idaho Local Government Investment Pool (LGIP), which does not have a credit rating. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. The LGIP is a part of the Joint Powers Investment Pool managed by the State of Idaho Treasurer's Office and was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. Oversight is with the Treasurer of the State of Idaho and Idaho Code 67-1210A defines allowable investments. The fair value of the Agency's investment in the pool is the same as the value of the pool shares.

As of September 30, 2014, the amount of deposits invested in cash equivalents include:

Investment Type	Maturities	Fair Value
Cash equivalents		
Money Market	N/A	$ 10,180
State of Idaho Local Government Investment Pool		
External Investment Pool	N/A	5,016
		$ 15,196

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Interest Rate Risk. The Agency's formal policy is to invest only in vehicles with maturities of one year or less to mitigate exposure to fair value losses caused by changing interest rates.

Credit Risk and Custodial Credit Risk. In the event of a bank failure, the Agency's deposits may not be returned or that an issuer or other counter party to an investment will not fulfill its obligations. The Agency's formal policy is to only deposit in banks that are FDIC insured and only invest in A grade or higher vehicles for collateralization.

Concentration of Credit Risk. When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Agency has no policy to analyze the benefits of diversification against its costs for each investment. If diversification is considered impracticable, the Agency accepts the risk associated with that concentration. However, the Agency will separate enterprise fund deposits from general fund deposits through the use of different investment vehicles. Idaho Code 67-2739 does limit the total deposits of a state depository.

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CITY OF GARDEN CITY, IDAHO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GARDEN CITY, IDAHO
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts Original	Final	Actual Amounts	Variance With Final Budget
Revenues				
Taxes	$ 3,513,442	$ 3,513,442	$ 3,524,770	$ 11,328
Licenses and permits	34,530	40,540	40,497	(43)
Charges for services	1,238,000	1,238,000	1,254,235	16,235
Intergovernmental	879,826	879,826	892,095	12,269
Fines and forfeitures	296,325	296,325	233,843	(62,482)
Grants	123,422	209,145	190,820	(18,325)
Franchise fees	505,317	505,317	586,836	81,519
Interest	11,250	11,250	4,819	(6,431)
Rent	115,240	118,240	113,729	(4,511)
Miscellaneous	43,677	67,470	74,194	6,724
Total revenues	6,761,029	6,879,555	6,915,838	36,283
Expenditures				
General government	2,058,595	1,879,370	1,840,436	38,934
Public safety	3,711,026	3,981,945	3,996,744	(14,799)
Culture and recreation	755,350	784,035	801,054	(17,019)
Capital outlay	195,418	195,418	179,107	16,311
Debt service				-
Principal	6,272	6,272	6,432	(160)
Interest	300	300	140	160
Total expenditures	6,726,961	6,847,340	6,823,913	23,427
Excess of Revenues Over (under) Expenditures	34,068	32,215	91,925	59,710
Other financing sources (uses)				
Operating transfer in (out)	(305,000)	(354,688)	(354,688)	-
Excess of Revenues and Other Uses over (under) Expenditures	(270,932)	(322,473)	(262,763)	59,710
Fund Balance, Beginning of Year			2,059,827	
Fund Balance, End of Year			$ 1,797,064	

See Notes to Required Supplementary Information

Budgets and Budgetary Accounting

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

Prior to September 1, the City Treasurer/Budget Director and Mayor, with input from the City's Department heads, prepare a proposed budget for the fiscal year commencing on October 1. Final approval of the proposed budget is then made by the City Council. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at City Hall to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an ordinance.

Amendments to the budget are approved by Council prior to September 30. The proposed amendments are published and public hearings are conducted at City Hall. The amendments are legally enacted through passage of an ordinance.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. The budget included in the financial statements is the legal budget as amended.

CITY OF GARDEN CITY, IDAHO

OTHER FINANCIAL INFORMATION

CITY OF GARDEN CITY, IDAHO
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENT FUNDS
SEPTEMBER 30, 2014

	Debt Service Library	Capital Projects	Development Services	Total Non Major Governmental Funds
Assets				
Cash and cash equivalents	$ -	$ 251,279	$ 118,173	$ 369,452
Receivables				
Accounts	-	64,070	-	64,070
Due from other governmental units	-	6,388	-	6,388
	$ -	$ 321,737	$ 118,173	$ 439,910
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ -	$ 83,463	$ 125,223	$ 208,686
Accrued payroll and taxes	-	-	8,348	8,348
Compensated Absences Payable	-	-	1,154	1,154
	-	83,463	134,725	218,188
Fund Balance				
Assigned	-	238,274	-	238,274
Unassigned	-	-	(16,552)	(16,552)
	$ -	$ 321,737	$ 118,173	$ 439,910

CITY OF GARDEN CITY, IDAHO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENT FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Debt Service Library	Capital Projects	Development Services	Total Governmental Funds
Revenues				
Taxes	$ 67,923	$ -	$ -	$ 67,923
Charges for services	-	-	527,548	527,548
Grants	-	317,297	-	317,297
Total revenues	67,923	317,297	527,548	912,768
Expenditures				
General government	-	-	544,100	544,100
Capital outlay	-	625,711	-	625,711
Debt service				-
Principal	40,000	-	-	40,000
Interest	27,923	-	-	27,923
Total expenditures	67,923	625,711	544,100	1,237,734
Deficiency of Revenues under Expenditures	-	(308,414)	(16,552)	(324,966)
Operating transfers in (out)	-	354,688	-	354,688
Total other financing sources	-	354,688	-	354,688
Net Change in Fund Balance	-	46,274	(16,552)	29,722
Fund Balance, Beginning of Year	-	192,000	-	192,000
Fund Balance, End of Year	$ -	$ 238,274	$ (16,552)	$ 221,722

CITY OF GARDEN CITY, IDAHO

SUPPLEMENTARY INFORMATION

Bailey & Company Chtd.
Certified Public Accountants

James Washburn, CPA
Weston Flamm, CPA
Cassie Zattiero, CPA
Leroy Loomis, CPA

812-B 12th Ave. South
P.O. Box 876
Nampa, ID 83653-0876
208 466-2493
FAX 208 467-2000
www.BaileyCPAs.com

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

To the Honorable Mayor and City Council
City of Garden City, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of **City of Garden City, Idaho,** as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 18, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Garden City, 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*.

Purpose of this Report

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

Bailey & Co.

Nampa, Idaho
February 18, 2015