CITY OF
GARDEN CITY, IDAHO
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

CITY OF GARDEN CITY, IDAHO

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Independent Auditor's Report

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, 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 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, 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 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 21, 2014, 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 21, 2014

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, 2013 the assets of the City of Garden City exceeded its liabilities by $ 31,103,348. Of this amount, unrestricted net position of $ 3,617,757 may be used to meet the City's ongoing obligations to citizens and creditors.

- As of September 30, 2013 the total net position of the City increased by $2,267,511. The net position of Business Activities increased by $2,147,344 and for Government Activity funds the net postion increased by $120,167.

- The increase of $2,147,344 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 $120,167 in Governmental net position came primarily as a result of capital grants received for the initial phases of the West Side Pedestrian Bridge project and a capital contribution for the Police Department from the Department of Homeland Security.

- The unrestricted net position of Governmental Activities totaled $2,194,570 and for Business Activities the unrestricted net position total was $1,355,649.

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 three 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 three 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, 2013, the City's assets exceeded liabilities by $31,103,348. Of this amount, $27,334,591 is related to capital assets net of related debt. 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	
	2011-2012	2012-2013	2011-2012	2012-2013
Current assets	$ 6,570,669	$ 2,970,559	2,061,933	2,250,546
Capital Assets	10,519,847	10,945,463	16,509,259	18,350,894
Other Noncurrent assets	-	-	226,981	218,538
Total assets	17,090,516	13,916,022	18,798,173	20,819,978
Short term liabilities	3,919,975	822,421	1,009,902	1,034,897
Long term liabilities	767,107	570,000	1,355,868	1,205,334
Total liabilities	4,687,082	1,392,421	2,365,770	2,240,231
Net Position:				
Net Investment in capital assets	9,810,879	10,329,031	15,094,372	17,073,098
Restricted for:				
Bond debt service requirement	-		151,000	151,000
Unrestricted	2,592,555	2,194,570	1,187,031	1,355,649
Total net position	$ 12,403,434	$ 12,523,601	$ 16,432,403	$ 18,579,747

City of Garden City's Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013
Revenues						
Program revenues						
Charges for services	$ 1,758,759	$ 1,679,977	$ 7,329,380	$ 7,456,552	$ 9,088,139	$ 9,136,529
Operating grants and contributions	107,971	196,237	-		107,971	196,237
Capital grants and contributions	-	260,536	744,971	1,720,917	744,971	1,981,453
General revenues						
Property taxes	3,351,846	3,396,273	-		3,351,846	3,396,273
Franchise fees	522,200	541,047	-		522,200	541,047
Sales tax and other governmental	859,638	871,868	-		859,638	871,868
Unrestricted investment earnings	30,244	8,806	-		30,244	8,806
Miscellaneous	60,983	77,856	55,173	12,085	116,156	89,941
Gain (loss) on sale of fixed assets	23,293	12,743	-	-	23,293	12,743
Total revenues	6,714,934	7,045,343	8,129,524	9,189,554	14,844,458	16,234,897
Expenses						
General government administration	1,942,527	1,868,890	-	-	1,942,527	1,868,890
Public safety	4,041,721	4,178,747	-	-	4,041,721	4,178,747
Culture and recreation	792,057	846,015	-	-	792,057	846,015
Interest on long-term debt	33,985	31,524	-	-	33,985	31,524
Sanitation	-		2,007,561	2,012,501	2,007,561	2,012,501
Streetlights	-		76,541	75,150	76,541	75,150
Water and sewer	-		4,803,552	4,954,559	4,803,552	4,954,559
Total expenses	6,810,290	6,925,176	6,887,654	7,042,210	13,697,944	13,967,386
Change in Net Position	$ (95,356)	$ 120,167	$ 1,241,870	$ 2,147,344	$ 1,146,514	$ 2,267,511

Governmental activities Governmental activities increased the City's net position by $120,167. The increase was due primarily from the receipt of capital grants of $60,536 from the Idaho Department of Transportation and $200,000 from the Department of Homeland Security. Governmental expenses increased by $114,886 principally as a result of increased personnel costs. Other governmental revenues increased by $69,783 mostly as result of increased property tax and franchise fee collections.

Business-type activities Business-type activities increased the City's net position by $2,147,344 accounting for most of growth in the City's net position. The Urban Renewal Agency contributed approximately $1,720,917 and operational revenues exceeded operating costs by $426,427.

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 $2,044,361. 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 30% of the upcoming projected Fiscal Year 2014 operating expenditures budget of $6,781,961

The general fund has maintained at least a 30% level of fund balance for four consecutive years (fiscal years 2011, 2012, 2013 and 2014) based on continuing efforts by staff in all departments at maintaining operational efficiencies while maintaining current service levels.

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 $1,174,610 with an increase of $225,841 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 $423,556; 2) a decrease from investments in fixed assets, which is net of current year depreciation and amortization expense, of $(1,836,238) ; 3) a decrease from current years payment of bond principal of $ (135,000); 4) an increase as a result of contributions from the Urban Renewal Agency of $1,773,523.

The Sanitation Fund unrestricted balance is $244,215, an increase of $31,291 from the prior fiscal year. This increase is due 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 $4,362, with a reduction of $ (20,976) from the prior year. During the prior fiscal year 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 $(516,443),This was $38,467 more than the budgeted decrease in fund balance of $(477,976). This resulted primarily from revenues that were $(38,474) less than the amount that was budgeted.

Over the course of the year there was an amendment to the budget which added $152,783 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, 2013 amounts to $ 29,296,358 (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 approximately $3,176,500 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 approximately $2,419,900; 2) the purchase of machinery and equipment for the Water and Sewer Enterprise Fund at a cost of approximately $45,000; 3) the construction of underground utilities on 36th street of approximately $249,200 ; 4) the purchase of police vehicles, machinery and equipment totaling $122,500, and the acquisition of other police equipment through a capital grant of $200,000; 5) West Bridge Pedestrian Pathway improvements of approximately $60,500; 6) City Hall carpeting of approximately $61,800; and 7) Public right-of- way improvements of $17,600. Depreciation expense for the year was $909,348 and total accumulated depreciation was $ 11,679,592 . 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	
	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013
Land and improvements	$ 6,907,186	$ 6,985,298	$ -	$ -	$ 6,907,186	$ 6,907,186
Work in progress	-	78,112	192,944	238,631	192,944	316,743
Buildings and improvements	3,249,052	3,139,702	1,581,135	1,509,513	4,830,187	4,649,215
Utility plant and improvements	-	-	13,894,847	15,904,201	13,894,847	15,904,201
Machinery and equipment	363,609	742,351	840,333	698,550	1,203,942	1,440,901
Total assets	$ 10,519,847	$ 10,945,463	$ 16,509,259	$ 18,350,895	$ 27,029,106	$ 29,218,246

Long-term debt At the end of the current fiscal year, the City had $1,961,766 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	
	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013
Bonds payable and bond premium	$ 650,000	$ 610,000	$ 1,490,868	$ 1,345,334	2,140,868	$ 1,955,334
Capital leases	58,968	6,432	-	-	58,968	6,432
Total outstanding debt	$ 708,968	$ 616,432	$ 1,490,868	$ 1,345,334	$ 2,199,836	$ 1,961,766

It is noted that by state law the City of Garden City's legal debt limit for governmental funds for 2013 would be approximately $17,961,000 , 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 has not changed its utility rates since May, 2011, when the City Council approved increasing water and sewer utility rates by 3.45% and 6.26% 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 City completed a Master Plan as a component part of its Comprehensive Plan in Fiscal Year 2009. During fiscal year 2013-14, there will be a continuing emphasis on rehabilitating and refurbishing the water and sewer plant and related facilities utilizing the unrestricted net position of this fund as the primary source for funding these projects. This work was started in fiscal year 2009, was continued in Fiscal Years 2010, 2011, 2012, 2013 and will continue in the future at a pace that will correspond with the ability to have projects ready for bidding and construction. In order to have increased water for needed fire flow capacity, the City completed construction of its first water reservoir in fiscal year 2014. This reservoir cost approximately $2.3 million, which was funded primarily by tax revenues derived from the Urban Renewal Agency, and provides additional fire flow capacity of about 750,000 gallons of water per day.

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, 2013

	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Current Assets				
Cash and cash equivalents	$ 1,535,109	$ 1,238,322	$ 2,773,431	607,567
Investments	861,410	-	861,410	-
Prepaid Expenses	15,466	3,652	19,118	-
Receivables				
Property taxes	154,555	-	154,555	81,733
Accounts	32,192	796,748	828,940	
Interest	-	-	-	29
Due from other governmental units	246,083	211,824	457,907	-
Franchise fees	121,436	-	121,436	-
Grants	4,308	-	4,308	-
Total current assets	2,970,559	2,250,546	5,221,105	689,329
Noncurrent Assets				
Deferred charges	-	67,538	67,538	-
Restricted Investment for Debt Service	-	151,000	151,000	-
Capital assets				
Land, infrastructure, and other assets not depreciated	6,985,298	3,675,669	10,660,967	-
Buildings, improvements, and equipment, net of depreciation	3,960,165	14,675,225	18,635,390	-
	$ 13,916,022	$ 20,819,978	$ 34,736,000	689,329

See Notes to Financial Statements

CITY OF GARDEN CITY, IDAHO
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities and Net Position				
Current Liabilities				
Accounts payable	$ 246,247	$ 617,227	$ 863,474	214,379
Accrued payroll and taxes	172,612	3,538	176,150	-
Compensated absences	199,654	42,184	241,838	
Customer deposits	-	202,653	202,653	-
Due to primary government	-	-	-	
Interest payable	4,724	1,708	6,432	-
Unearned revenue	152,752	27,587	180,339	-
Current portion of long-term liabilities	46,432	140,000	186,432	-
Total current liabilities	822,421	1,034,897	1,857,318	214,379
Noncurrent Liabilities				
Bonds payable	570,000	1,205,334	1,775,334	-
Total liabilities	1,392,421	2,240,231	3,632,652	214,379
Net Position				
Net investment in capital assets	10,329,031	17,073,098	27,402,129	-
Restricted for:				
Enterprse debt service	-	151,000	151,000	495,010
Unrestricted	2,194,570	1,355,649	3,550,219	(20,060)
Total net position	12,523,601	18,579,747	31,103,348	474,950
	$ 13,916,022	$ 20,819,978	$ 34,736,000	689,329

See Notes to Financial Statements

CITY OF GARDEN CITY, IDAHO
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government					
Governmental Activities					
General government	$ 1,868,890	1,275,113	$ -	$ 60,536	$ (533,241)
Public safety	4,178,747	274,766	149,562	200,000	(3,554,419)
Culture and recreation	846,015	130,098	46,675	-	(669,242)
Interest on long-term debt	31,524	-	-	-	(31,524)
Total governmental activities	6,925,176	1,679,977	196,237	260,536	(4,788,426)
Business-Type Activities					
Sanitation	2,012,501	2,043,792	-	-	31,291
Streetlights	75,150	43,255	-	-	(31,895)
Water and sewer	4,954,559	5,369,505	-	1,720,917	2,135,863
Total business-type activities	7,042,210	7,456,552	-	1,720,917	2,135,259
Total primary government	13,967,386	9,136,529	196,237	1,981,453	(2,653,167)
Component Unit					
Urban Renewal	$ 1,766,156	$ -	$ -	$ -	$ (1,766,156)

See Notes to Financial Statements

CITY OF GARDEN CITY, IDAHO
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Change in net position				
Net (expense) revenue	$ (4,788,426)	$ 2,135,259	$ (2,653,167)	$ (1,766,156)
General revenues				
Shared revenues				
Property taxes, levied for general purposes	3,326,750	-	3,326,750	726,294
Property taxes, levied for debt service	69,523	-	69,523	-
Franchise fees	541,047	-	541,047	-
Sales tax and other governmental	871,868	-	871,868	-
Investment earnings	8,806	-	8,806	1,996
Miscellaneous	77,856	12,085	89,941	250
Gain (loss) on disposal of fixed assets	12,743	-	12,743	-
Total general revenues	4,908,593	12,085	4,920,678	728,540
Change in Net Position	120,167	2,147,344	2,267,511	(1,037,616)
Net Position, Beginning	12,403,434	16,432,403	28,835,837	1,512,566
Net Position , Ending	$ 12,523,601	$ 18,579,747	$ 31,103,348	$ 474,950

See Notes to Financial Statements

CITY OF GARDEN CITY, IDAHO
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General	Other Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 1,196,032	$ 339,077	$ 1,535,109
Investments	861,410	-	861,410
Prepaid Expenses	15,466	-	15,466
Receivables			
Property taxes	154,555	-	154,555
Accounts	1,158	31,034	32,192
Due from other governmental units	246,083	-	246,083
Franchise fees	121,436	-	121,436
Grants	4,308	-	4,308
	$ 2,600,448	$ 370,111	$ 2,970,559
Liabilities			
Accounts payable	$ 143,417	$ 102,830	$ 246,247
Accrued payroll and taxes	172,612	-	172,612
Compensated absences payable	40,662	-	40,662
Unearned revenue	183,930	75,281	259,211
	540,621	178,111	718,732
Fund Balance:			
Nonspendable	15,466	-	15,466
Assigned	-	192,000	192,000
Unassigned	2,044,361	-	2,044,361
Total fund balance	2,059,827	192,000	2,251,827
	$ 2,600,448	$ 370,111	$ 2,970,559

CITY OF GARDEN CITY, IDAHO

RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

Fund balance - total governmental funds	$	2,251,827
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.		10,945,463
Property taxes that were levied in the current fiscal year will not be available until the next fiscal year and are unearned revenue in the governmental fund balance		106,459
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		(158,992)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(4,724)
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.		(616,432)
Net position of governmental activities		$12,523,601

CITY OF GARDEN CITY, IDAHO

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

YEAR ENDED SEPTEMBER 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 3,392,170	$ 69,523	$ 3,461,693
Licenses and permits	37,113	-	37,113
Charges for services	1,238,000	-	1,238,000
Intergovernmental	871,868	-	871,868
Fines and forfeitures	274,766	-	274,766
Grants	196,237	60,536	256,773
Franchise fees	541,047	-	541,047
Interest	8,806	-	8,806
Library fees	130,098	-	130,098
Miscellaneous	77,856	-	77,856
Total revenues	6,767,961	130,059	6,898,020
Expenditures			
General government	1,812,343	-	1,812,343
Public safety	3,984,927	-	3,984,927
Culture and recreation	802,060	-	802,060
Capital outlay	122,500	389,120	511,620
Debt service			
Principal	52,536	40,000	92,536
Interest	2,197	29,523	31,720
Total expenditures	6,776,563	458,643	7,235,206
Excess (deficiency) of revenues over Expenditures	(8,602)	(328,584)	(337,186)
Other Financing Sources			
Proceeds from sale of asset held for sale	12,743	-	12,743
Operating transfers in (out)	(520,584)	520,584	-
Total other financing sources (uses)	(507,841)	520,584	12,743
Net Change in Fund balance	(516,443)	192,000	(324,443)
Fund Balance, Beginning of Year	2,576,270	-	2,576,270
Fund Balance, end of Year	$ 2,059,827	$ 192,000	$ 2,251,827

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, 2013

Net change in fund balances - total governmental funds	$	(324,443)
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 ($286,004) is less than capital outlay expenditures of $511,620		225,616
Capital assets that were contributed to the City were not recognized as revenue in the governmental funds		200,000
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.		(8,318)
Property taxes that were levied in prior years and were available to governmental funds in the current year were not recognized as revenue on a government-wide basis.		(65,420)
Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		196
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.		92,536
Change in net position of governmental activities	$	120,167

See Notes to the Financial Statements

CITY OF GARDEN CITY, IDAHO
STATEMENT OF NET POSITION –PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2013

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 1,035,793	$ 186,142	$ 16,387	$ 1,238,322
Prepaid Expenses	3,652			3,652
Due from other governmental units	211,824			211,824
Customer accounts receivable less allowance for uncollectible accounts of $5,619, $1,719, and $0, respectively	592,969	199,417	4,362	796,748
Total current assets	1,844,238	385,559	20,749	2,250,546
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	20,617,256	-	-	20,617,256
Machinery and equipment	3,184,162	4,543	186,682	3,375,387
Work in process	-	-	-	-
	27,477,087	4,543	186,682	27,668,312
Accumulated depreciation	(9,210,077)	(4,543)	(102,798)	(9,317,418)
Total noncurrent assets	18,418,010	-	83,884	18,501,894
Other Assets				
Deferred charges, net of accumulated amortization	67,538	-	-	67,538
	$ 20,329,786	$ 385,559	$ 104,633	$ 20,819,978

See Notes to the Financial Statements

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	$ 459,534	$ 141,306	$ 16,387	$ 617,227
Accrued payroll and taxes	3,500	38	-	3,538
Compensated absences payable	42,184			42,184
Unearned revenue	27,587	-	-	27,587
Interest payable	1,708	-	-	1,708
Customer deposits	202,653	-	-	202,653
Current portion of long-term liabilities	140,000	-	-	140,000
Total current liabilities	877,166	141,344	16,387	1,034,897
Noncurrent Liabilities				
Bonds payable	1,205,334	-	-	1,205,334
Total liabilities	2,082,500	141,344	16,387	2,240,231
Net Position				
Net investment in capital assets	16,989,214	-	83,884	17,073,098
Restricted for payment of Debt Service	151,000	-	-	151,000
Unrestricted	1,107,072	244,215	4,362	1,355,649
Total net assets	18,247,286	244,215	88,246	18,579,747
	$ 20,329,786	$ 385,559	$ 104,633	$ 20,819,978

CITY OF GARDEN CITY, IDAHO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Operating Revenues				
Charges for services	$ 5,369,505	$ 2,043,792	$ 43,255	$ 7,456,552
Miscellaneous revenues	8,610	-	3,475	12,085
Total operating revenues	5,378,115	2,043,792	46,730	7,468,637
Operating Expenses				
Personnel services	1,241,353	5,057	-	1,246,410
Contractual services	1,217,437	1,598,914		2,816,351
Overhead	836,941	401,060	-	1,238,001
Supplies	429,232	7,470	15,509	452,211
Repairs	390,197	-		390,197
Depreciation and amortization	624,342	-	7,444	631,786
Telephone and utilities	182,003	-	52,197	234,200
Total operating expenses	4,921,505	2,012,501	75,150	7,009,156
Operating income (loss)	456,610	31,291	(28,420)	459,481
Nonoperating Revenues (Expenses)				
Interest expense	(33,054)	-	-	(33,054)
Total nonoperating (expenses) revenues	(33,054)	-	-	(33,054)
Income (Loss) before Contributions	423,556	31,291	(28,420)	426,427
Contributions from other governmental agencies	1,720,917	-	-	1,720,917
Change in net position	2,144,473	31,291	(28,420)	2,147,344
Net Position, Beginning of Year	16,102,813	212,924	116,666	16,432,403
Net Position, End of Year	$ 18,247,286	$ 244,215	$ 88,246	$ 18,579,747

See Notes to the Financial Statements

CITY OF GARDEN CITY, IDAHO
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Cash Flows from Operating Activities				
Receipts from customers and users	$ 5,440,084	$ 2,043,308	$ 43,368	$ 7,526,760
Payments to suppliers	(2,221,181)	(1,603,786)	(53,973)	(3,878,940)
Payments for overhead	(836,941)	(401,060)	-	(1,238,001)
Payments to employees	(1,240,978)	(5,027)	-	(1,246,005)
Net Cash from (used for) Operating Activities	1,140,984	33,435	(10,605)	1,163,814
Cash flows from Capital and Related Financing Activities				
Interest paid	(43,700)	-	-	(43,700)
Payment of current portion of bonds		-	-	-
bonds payable	(135,000)			(135,000)
Acquisition of capital assets	(2,464,979)	-	-	(2,464,979)
Cash contributions from Other Governmental Agencies	1,773,523	-	-	1,773,523
Net Cash used for Capital and Related Financing Activities	(870,156)	-	-	(870,156)
Net Increase (Decrease) in Cash and Cash Equivalents	270,828	33,435	(10,605)	293,658
Cash, Cash Equivalents and Investments, Beginning of Year	764,965	152,707	26,992	944,664
Cash, Cash Equivalents and Investments, End of Year	$ 1,035,793	$ 186,142	$ 16,387	$ 1,238,322

See Notes to the Financial Statements

CITY OF GARDEN CITY, IDAHO
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Reconciliation of operating income to net cash (used) provided by operating activities				
Operating income	$ 456,610	$ 31,291	$ (28,420)	$ 459,481
Adjustments to reconcile operating income to net cash (used) provided by operating activities				
Depreciation and amortization	624,343	-	7,444	631,787
Changes in assets and liabilities				
Accounts receivable	57,816	(484)	(3,362)	53,970
Prepaids	(1,531)	-	-	(1,531)
Accounts payable	(782)	2,598	13,733	15,549
Compensated absences and accrued payroll and taxes	375	30	-	30 375
Deferred Revenue	-			-
Customer deposits	4,153	-	-	4,153
Net cash provided (used) by operating activities	$ 1,140,984	$ 33,435	$ (10,605)	$ 1,163,814

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

(continued on next page)

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.

These funds are used to account for operations financed and operated in a manner similar to private business when the

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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.

General Fund

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The General Fund has Unassigned Fund Balance of $ 2,044,361 at September 30, 2013. Prepaid items of $15,466 are considered Nonspendable. The City has assigned $192,000 for future budgeted expenditures in the Capital Projects fund balance as of September 30, 2013.

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 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,

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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, 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 Charges

Deferred charges of $75,406 representing bond issuance costs for the 2001 Revenue bonds are being amortized over the life of that bond, and bond issuance costs of $ 46,401 on the 2011 Revenue bonds will be amortized over the remaining life of the bonds. Current year amortization expense is $8,442.
The unamortized amount of the deferred costs for Revenue bond series 2001 and Revenue bond series 2011 is $ 67,538.

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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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - CASH AND INVESTMENTS

At year end, the carrying amount of the primary government's deposits, including restricted cash, was $3,785,842 and bank balances totaled $3,771,453. Of the total cash and investment balances, $1,272,236 was covered by Federal Deposit Insurance Corporation (FDIC) insurance,$189,459 was covered by the National Credit Union Administration Insurance, $1,009,554 was invested through the Certificate of Account Deposit Registry (CDARS), which allows for investments in FDIC backed investment instruments and $1,300,204 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.

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Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

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, 2013 the amount of cash, cash equivalents and invested cash is as follows:

	Maturities	Fair Value
Cash	N/A	$ 440,315
Cash Equivalents		
Money Market Accounts	Daily	1,018,524
State of Idaho Local Government Investment Pool		
External Investment Pool	132 Days	1,300,204
Investments		
Certificates of Deposit	One year or less	861,410
Certificate of Deposit-Restricted	September 30, 2013	151,000
		$ 3,771,453

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

(continued on next page)

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 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	$ 160,605	4.26%
Idaho Banking Company Checking Account	49,771	1.32%
Mountain West Restricted Cash	151,000	4.00%
Mountain West Flexible Spending Account	40,480	1.07%
Mountain West Bank, Money Market Account	501,501	13.30%
Les Bois Credit Union Checking Account	189,459	5.02%
Zions Bank Money Market Account	217,730	5.77%
State of Idaho Local Government Investment Pool	1,300,204	34.47%
Wells Fargo Bank Certificate of Deposit	50,684	1.34%
Idaho Banking Certificate of Deposit	200,000	5.30%
Mountain West Bank, Certificates of Deposit	559,650	14.84%
Key Bank, Certificates of Deposit	249,261	6.61%
Washington Trust Bank, Certificates of Deposit	51,076	1.35%
Bank of the Cascades, Certificates of Deposit	50,033	1.33%
	$ 3,771,454	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	$ 520,584

This transfer of $520,584 was made from the General Fund to the Capital Projects Fund for the purpose of provide the needed general tax resources needed to complete major governmental projects in fiscal year 2013 and to provide the necessary matching funds to be used in fiscal year 2014 for completion of the West Side Pedestrian Bridge.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

(continued on next page)

The following summarizes the intergovernmental receivables at September 30, 2013:

State of Idaho	
State Tax Commission	$ 187,503
Liquor Distribution	35,110
Office of Highway Safety	7,746
Ada County	
Court Revenue	13,466
Garden City Urban Renewal Agency	214,083
Total	$ 457,907

NOTE 5 – CAPITAL ASSETS

Changes in capital assets are as follows:

	October 1, 2012	Additions	Delections	Transfers	September 30, 2013
Governmental activities					
Capital Assets, not depreciated					
Land and land improvements	$ 6,907,186	$ -	$ -	$ -	$ 6,907,186
Construction in progress	-	78,112	-	-	$ 78,112
Total capital assets, not depreciated	6,907,186	78,112	-	-	6,985,298
Capital assets, depreciated					
Buildings and improvements	4,008,459	61,824	-	-	$ 4,070,283
Machinery and equipment	1,749,728	571,684	(69,357)	-	$ 2,252,055
Total capital assets, depreciated	5,758,187	633,508	(69,357)	-	6,322,338
Less accumulated depreciation for					
Buildings and improvements	(759,407)	(93,062)	-	-	$ (852,469)
Machinery and equipment	(1,386,119)	(192,942)	69,357	-	$ (1,509,704)
Total accumulated depreciation	(2,145,526)	(286,004)	69,357	-	(2,362,173)
Total net capital assets, depreciated	3,612,661	347,504	-	-	$ 3,960,165
Governmental activities					
Capital assets, net	$ 10,519,847	$ 425,616	$ -	$ -	$ 10,945,463

(continued on next page)

	October 1, 2012	Additions	Deletions	Transfers	September 30, 2013
Business-type activities					
Capital Assets, not depreciated					
Construction/Work in progress	$ 192,944	$ 238,631	$ (192,944)	$ -	$ 238,631
Total capital assets, not depreciated	192,944	238,631	(192,944)	-	238,631
Capital assets, depreciated					
Improvements of buildings	3,675,668	-	-	-	$ 3,675,668
Utility plant and improvements	18,004,373	2,374,255	-	-	$ 20,378,628
Machinery and equipment	3,330,349	45,038	-	-	$ 3,375,387
Total capital assets, depreciated	25,010,390	2,419,293	-	-	27,429,683
Less accumulated depreciation for					
Improvements of buildings	(2,094,533)	(71,622)	-	-	$ (2,166,155)
Utility plant and improvements	(4,109,526)	(364,901)	-	-	$ (4,474,427)
Machinery and equipment	(2,490,016)	(186,821)	-	-	$ (2,676,837)
Total accumulated depreciation	(8,694,075)	(623,344)	-	-	$ (9,317,419)
Business-type activities					
Capital assets, net	$ 16,509,259	$ 2,034,580	$ (192,944)	$ -	$ 18,350,895

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

Governmental activities	
General Government	$ 58,045
Public Safety	179,745
Culture and recreation	48,214
Total depreciation expense-governmental activities	$ 286,004
Business-type activities	
Water and sewer	$ 615,900
Sanitation	
Street lights	7,444
Total depreciation expense-business-type activities	$ 623,344

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.

(continued on next page)

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following as of September 30, 2013:

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.	$ 610,000
Lease Payable	
On October 1, 2008 the City entered into a lease/purchase agreements with US National Bank for ordinary and necessary public safety vehicles that cost $240,305.The lease is payable in semi-annual installments of $20,795 in January and $27,367 in July of each year through January 2014. The interest rate on the lease is 4.95% and is secured by the vehicles.	$ 6,432
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.	$ 1,240,000
Premium	105,334
Total Revenue Bonds	$ 1,345,334

(continued on next page)

The annual requirements to amortize all debt outstanding at September 30, 2013, are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	$ 46,432	$ 28,063	$ 140,000	$ 41,000
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
2019-2023	270,000	70,010	505,000	41,000
2024-2025	125,000	9,343	-	-
	$ 616,432	$201,760	$1,240,000	$ 212,900

Total interest cost incurred during 2013 was $ 64,578 which related to long-term debt and capital leases.

The City is obligated under a lease accounted for as a capital lease. The leased asset and related obligation are accounted for in the Statement of Net Position in the Government-Wide Financial Statements. The original capitalized amount of the capital lease was $240,305 with total accumulated depreciation of $ 240,305.Depreciation expense in the current year associated with the lease was $48,061.

The following is a schedule of the future minimum payments under the capital lease, together with the net present value of the minimum lease payments as of September 30, 2013.

Minimum lease payments for the Capital Lease	$ 6,571
Less: Amount representing interest	140
Present value of minimum lease payments at 9/30/2013	$ 6,431

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 2013, based on data available from Ada County as of September 2013, would be approximately $17,961,000.

(continued on next page)

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2013:

	2012 Balance	Debt Issued	Debt Retired	2013 Balance	Due Within One Year
Governmental Activities					
Bonds payable	$ 650,000	$ -	$ (40,000)	$ 610,000	$ 40,000
Capital leases	58,968	-	(52,536)	6,432	6,432
Governmental activities long-term liabilities	$ 708,968	$ -	$ (92,536)	$ 616,432	$ 46,432
Business-Type Activities					
Bonds payable	1,375,000	-	(135,000)	1,240,000	140,000
Business-type activities long-term liabilities	$ 1,375,000	$ -	$ (135,000)	$ 1,240,000	$ 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 17 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,452,900. Principal and interest paid for the current year and total customer net revenues were $178,701 (based on the refunded revenue bond series 2011) and $1,098,800 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 $811,621, payable through August 1, 2025. For the current year, principal and interest paid and total property tax revenues were $69,523.

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, 2013, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the City and its general employees respectively through June 30, 2013. As of July 1, 2013 and through September 30, 2013 the rates increased to 11.32% and 6.79% respectively of covered payroll for the City and its general employees. For police officers the rates were 10.73% and 7.69% for the City and its police officer employees, respectively through June 30, 2013. As of July 1, 2013 and through September 30, 2013 the rates increased to 11.66 % and 8.36% respectively for the City and police officers.

The City's Contributions required and paid were $469,920, $455,806, $463,081, for the three years ended September 30, 2013 and 2012, and 2011, respectively.

NOTE 10 – SUBSEQUENT EVENT

The City has received a grant from the Idaho Transportation Department to build a pedestrian bridge on the west end of the city boundaries. The grant is expected to provide approximately 80% of the bridge construction cost, which is expected to be approximately $1,000,000. The remaining 20% of the construction costs will be funded by the City General Fund and by other local contributions from governmental and private non-profit entities. Approximately $90,000 will be transferred to the Capital Projects fund from the General fund in fiscal year 2014 for this project.

NOTE 11– 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, 2013 the Agency reimbursed $1,736,664 for improvements and equipment. Included in this total is $214, 083 that was reimbursed subsequent to the end of the fiscal year (October 2, 2013) and is shown as a payable for the Agency and as a receivable for the City at September 30, 2013.

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Cash and Cash Equivalents

At year-end, the bank balance of the Agency's deposits was $322,148. All cash is held in a national financial institution and is insured.

As part of the Agency's main business cash management account, excess deposits are swept nightly into an investment account under a Repurchase Agreement with the bank. These deposits are uninsured and unregistered but are fully collateralized by the investment purchased under the agreement. As of September 30, 2013 there were no balances in the sweep account.

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, 2013, the amount of deposits invested in cash equivalents include:

Investment Type	Maturities	Fair Value
Cash equivalents		
Money Market	N/A	$ 27,803
State of Idaho Local Government Investment Pool		
External Investment Pool	132 Days	259,358
		$ 287,161

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, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,398,134	$ 3,398,134	$ 3,392,170	$ (5,964)
Licenses and permits	38,190	38,190	37,113	(1,077)
Charges for services	1,238,000	1,238,000	1,238,000	-
Intergovernmental	836,658	848,437	871,868	23,431
Fines and forfeitures	371,809	374,890	274,766	(100,124)
Grants	107,717	176,793	196,237	19,444
Franchise fees	513,205	513,205	541,047	27,842
Interest	11,250	11,250	8,806	(2,444)
Rent				
Library fees	122,576	136,279	130,098	(6,181)
Miscellaneous	28,856	84,000	77,856	(6,144)
Total revenues	6,666,395	6,819,178	6,767,961	(51,217)
Expenditures				
General government	1,943,932	1,785,227	1,812,343	(27,116)
Public safety	3,739,851	4,000,356	3,984,927	15,429
Culture and recreation	744,383	790,123	802,060	(11,937)
Capital outlay	142,140	147,339	122,500	24,839
Debt service				
Principal	50,080	50,080	52,536	(2,456)
Interest	9,770	9,770	2,197	7,573
Total expenditures	6,630,156	6,782,895	6,776,563	6,332
Excess of Revenues Over (under) Expenditures	36,239	36,283	(8,602)	(44,885)
Other financing sources (uses)				
Operating transfer in (out)	(514,259)	(514,259)	(520,584)	(6,325)
Proceeds from sale of asset held for sale	-	-	12,743	12,743
Total other financign sources (uses)	(514,259)	(514,259)	(507,841)	6,418
Excess of Revenues and Other Uses over (under) Expenditures	$ (478,020)	$ (477,976)	(516,443)	$ (38,467)
Fund Balance, Beginning of Year			2,576,270	
Fund Balance, End of Year			$ 2,059,827	

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, 2013

	Debt Service Library	Capital Projects	Total Non Major Governmental Funds
Assets			
Cash and cash equivalents	$ -	$ 339,077	$ 339,077
Receivables			
Property taxes	-	-	-
Accounts	-	31,034	31,034
	$ -	$ 370,111	$ 370,111
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ -	$ 102,830	$ 102,830
Unearned revenue	-	75,281	75,281
	-	178,111	178,111
Fund Balance			
Assigned	-	192,000	192,000
	$ -	$ 370,111	$ 370,111

CITY OF GARDEN CITY, IDAHO

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENT FUNDS

YEAR ENDED SEPTEMBER 30, 2013

	Debt Service Library	Capital Projects	Total Governmental Funds
Revenues			
Taxes	$ 69,523	$ -	$ 69,523
Grants	-	60,536	60,536
Total revenues	69,523	60,536	130,059
Expenditures			
Capital outlay	-	389,120	389,120
Debt service			
Principal	40,000	-	40,000
Interest	29,523	-	29,523
Total expenditures	69,523	389,120	458,643
Deficiency of Revenues under Expenditures	-	(328,584)	(328,584)
Operating transfers in	-	520,584	520,584
Total other financing sources	-	520,584	520,584
Net Change in Fund Balance	-	192,000	192,000
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	$ -	$ 192,000	$ 192,000

CITY OF GARDEN CITY, IDAHO

SUPPLEMENTARY INFORMATION

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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 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, 2013, 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 21, 2014.

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 21, 2014