

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

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TABLE OF CONTENTS

Independent Auditors' Report	1-2
Financial Statements	
Government-Wide Financial Statements	3
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	6
Balance Sheet-Governmental Funds	7
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	10
Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets	11
Notes to Financial Statements	12-27
Required Supplementary Information	28
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-General Fund	29-34
Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Debt Service Fund	35
Notes to Required Supplementary Information	36

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

TABLE OF CONTENTS (Continued)

Supplementary Information	37
Combining Balance Sheet-Nonmajor Governmental Funds	38-39
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances-Nonmajor Governmental Funds	40-41
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances-Budget and Actual-Nonmajor Governmental Funds	42-49
Continuing Disclosure Statement	50-54
Reports Required by <i>Government Auditing Standards</i>	55
Schedule of Expenditures of Federal Awards	56
Notes to Schedule of Expenditures of Federal Awards	57
Independent Auditors' 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	58-59
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	60-61
Schedule of Findings and Questioned Costs	62-63



Mahlke Hunsaker & Company PLLC
C e r t i f i e d P u b l i c A c c o u n t a n t s

INDEPENDENT AUDITORS' REPORT

Chairman and Board of Trustees
Kimberly School District No. 414
Kimberly, ID 83341

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kimberly School District No. 414, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' 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

Basis for Qualified Opinion on Governmental Activities

Management has not performed the actuarial calculations for other post-employment benefits for the governmental activities and, accordingly, has not considered the District's other post-employment benefit liability. Accounting principles generally accepted in the United States of America require a liability be recorded for other post-employment benefits, which would decrease net assets, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net assets, liabilities, and expenses in the governmental activities is not reasonable determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Kimberly School District No. 414 as of June 30, 2013, and the changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Kimberly School District No. 414 as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity 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 budgetary comparison information on pages 29-37 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.

Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kimberly School District No. 414's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The Continuing Disclosure Statement has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, on our consideration of the Kimberly School District No. 414'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 Kimberly School District No. 414's internal control over financial reporting and compliance.

Sincerely,

Mahlke Hunsaker & Co.
MAHLKE HUNSAKER & CO., pllc
Twin Falls, Idaho
September 20, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 523,293
Investments	2,922,979
Property taxes receivable	86,426
Other receivables	668,574
Total current assets	4,201,272
Noncurrent assets:	
Capital assets, (net of depreciation)	15,302,874
Total noncurrent assets	15,302,874
Total assets	\$ 19,504,146
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 30,044
Interest payable	158,244
Current portion of long-term obligations	495,000
Salaries and benefits payable	985,509
Total current liabilities	1,668,797
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	11,575,000
Total noncurrent liabilities	11,575,000
Total liabilities	13,243,797
NET POSITION	
Invested in capital assets, net of related debt	3,074,630
Restricted for:	
School lunch	123,350
Non K-12 programs	30,272
Capital projects	35,121
Debt service	1,365,817
Unrestricted (deficit)	1,631,159
Total net position	6,260,349
Total liabilities and net position	\$ 19,504,146

See accompanying notes and accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total
	Expenses	Operating Grants and Contributions	Charges for Services	Governmental Activities
Functions/Programs				
Instructional services:				
Instructional staff and benefits	\$ 4,080,231	\$ 3,749,839	\$ -	\$ (330,392)
Supplies and other	596,516	548,214	-	(48,302)
Supporting services:				
Instructional staff and supplies	1,027,284	944,101	-	(83,183)
District administration	307,956	283,020	-	(24,936)
School administration	1,222,341	1,123,363	-	(98,978)
Operation and maintenance of facilities	913,519	839,548	-	(73,971)
Transportation	431,442	226,060	-	(205,382)
School lunch services	545,102	379,002	139,257	(26,843)
Student activities	176,981	162,650	-	(14,331)
Interest on long-term debt	543,087	-	-	(543,087)
Total governmental activities	9,844,459	8,255,797	139,257	(1,449,405)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				476,041
Property taxes, levied for debt service				961,251
Interest and investment earnings				7,399
Bond levy equalization				162,805
Miscellaneous				143,114
Total general revenues				1,750,610
Change in net position				301,205
Net position-beginning of year (restated)				5,959,144
Net position-end of year				\$ 6,260,349

See accompanying notes and accountants' report.

FUND FINANCIAL STATEMENTS

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service</u>		
ASSETS				
Cash and cash equivalents	\$ 825	\$ -	\$ 123,350	\$ 124,175
Equity in pooled cash	473,606	-	177,781	651,387
Restricted Cash	-	-	-	-
Investments	1,768,340	1,154,639	-	2,922,979
Taxes receivable	28,131	58,295	-	86,426
Receivable from other governments	224,752	278,809	165,013	668,574
Total assets	<u>\$ 2,495,654</u>	<u>\$ 1,491,743</u>	<u>\$ 466,144</u>	<u>\$ 4,453,541</u>
LIABILITIES				
Deficit in pooled cash	\$ -	\$ 75,926	\$ 176,343	\$ 252,269
Accounts payable	25,335	-	4,709	30,044
Salaries and benefits payable	889,160	-	96,349	985,509
Unavailable revenue-property taxes	23,035	50,000	-	73,035
Total liabilities	<u>914,495</u>	<u>75,926</u>	<u>277,401</u>	<u>1,267,822</u>
FUND BALANCE				
Nonspendable	-	-	-	-
Restricted				
Capital projects	-	-	-	-
Debt service	-	1,365,817	-	1,365,817
Federal programs	-	-	4,621	4,621
State programs	-	-	114,850	114,850
School lunch program	-	-	123,350	123,350
Committed				
General board reserves	211,531	-	-	211,531
Assigned				
Capital projects	-	-	35,121	35,121
Unassigned	1,346,593	-	(89,199)	1,257,394
Total fund balances	<u>1,558,124</u>	<u>1,365,817</u>	<u>188,743</u>	<u>3,112,684</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,495,654</u>	<u>\$ 1,491,743</u>	<u>\$ 466,144</u>	<u>\$ 4,453,541</u>

See accompanying notes and accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balances - governmental funds \$ 3,112,684

Amounts reported for governmental activities in the statement of net position are different because:

The cost of capital assets (land, buildings, furniture, equipment and construction in process) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Land	\$ 280,122	
Buildings and improvements, net of accumulated depreciation	14,651,316	
Transportation and other equipment, net of accumulated depreciation	<u>371,436</u>	
		15,302,874

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue-property taxes in the funds		73,035
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$158,244.		(158,244)
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Bonds payable	<u>(12,070,000)</u>	<u>(12,070,000)</u>
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Net Position of Governmental Activities		<u><u>\$ 6,260,349</u></u>
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**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General Fund</u>	<u>Debt Service</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
REVENUES				
Property taxes	\$ 477,555	\$ 965,000	\$ -	\$ 1,442,555
Earnings on investments	5,602	1,789	8	7,399
School lunch revenue	-	-	139,257	139,257
Other local	109,347	-	108,951	218,298
State aid	7,088,453	162,805	214,892	7,466,150
Federal aid	3,537	-	1,062,904	1,066,441
Total revenues	<u>7,684,494</u>	<u>1,129,594</u>	<u>1,526,012</u>	<u>10,340,100</u>
EXPENDITURES				
Current operating:				
General government	7,223,436	-	1,740,549	8,963,985
Capital Projects	-	-	181,491	181,491
Debt service	-	1,265,425	-	1,265,425
Total expenditures	<u>7,223,436</u>	<u>1,265,425</u>	<u>1,922,040</u>	<u>10,410,901</u>
Excess (deficiency) of revenues over expenditures	<u>461,058</u>	<u>(135,831)</u>	<u>(396,028)</u>	<u>(70,801)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,912	-	401,184	411,096
Transfers out	(401,184)	-	(9,912)	(411,096)
Total other financing sources (uses)	<u>(391,272)</u>	<u>-</u>	<u>391,272</u>	<u>-</u>
Net change in fund balance	69,786	(135,831)	(4,756)	(70,801)
Fund balances-beginning	<u>1,488,338</u>	<u>1,501,648</u>	<u>193,499</u>	<u>3,183,485</u>
Fund balances-ending	<u>\$ 1,558,124</u>	<u>\$ 1,365,817</u>	<u>\$ 188,743</u>	<u>\$ 3,112,684</u>

See accompanying notes and accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances-total governmental funds \$ (70,801)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for furniture and equipment and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(581,000)
Capital outlays	235,933

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts were deferred and amortized in the statement of activities. This years adjustment includes the write-off of prior years' unamortized debt issuance costs to implement GASB Statement 65. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	705,000
Interest expense - general obligation bonds	17,338

Property tax revenues received prior to the year for which they are being levied are reported as deferred inflows of resources in the governmental funds. They are, however, recorded as revenues in the statement of Unavailable revenue -property taxes decreased this year.	(5,265)
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Total adjustments	372,006
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Change in net assets of governmental activities	\$ 301,205
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See accompanying notes and accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 350,660
Total Assets	\$ 350,660
 LIABILITIES	
Liabilities	
Due to student activities	\$ 350,660
Total Liabilities	\$ 350,660

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

Additions:	
Other	\$ -
Total additions	-
 Deductions	
Other	-
Total deductions	-
 Net increase	 -
 Net position, beginning of year	 -
 Net position, end of year	 \$ -

See accompanying notes and accountants' report.

NOTES TO FINANCIAL STATEMENTS

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the School District

The Kimberly School District No. 414 is governed by an elected Board of Trustees which possesses final decision making authority and is held primarily accountable for those decisions. The Board is responsible for approving the budget, establishing spending limitations, funding any deficits, and borrowing funds and/or issuing bonds to finance school system operations and construction. The statements reflect all funds and accounts directly under the control of the District.

B. Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units and to state laws applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The more significant accounting policies of the District are described below:

C. Financial Reporting Entity

The District follows GASB Statement No.'s 14 and 39 in determining the reporting entity and component units. The financial reporting entity consists solely of the primary government. Accordingly, the financial statements include all funds, and agencies of the primary government whose budgets are controlled or whose boards are appointed by the District's Board of Trustees. Control or dependence on the District was determined on the basis of appointment authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the District and legal standing.

The District contributes to the multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho. A ten year history is provided in PERSI's annual report.

D. Fund Accounting

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

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follows:

Governmental Funds

Governmental funds are used to account for the District's general governmental activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The general fund, debt service fund, capital projects fund and the special education billing fund are considered major funds while the remaining governmental funds are considered non-major. Governmental funds include:

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

General fund – the primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special revenue funds – account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt service funds – account for the servicing of general long-term debt.

Capital project fund – accounts for the acquisition of fixed assets or construction of major capital projects.

Fiduciary Funds

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Agency funds are used to account for assets that the government holds for others in the agency capacity. The agency funds are custodial in nature and do not present results of operations or have a measurement focus.

The District has the following agency funds:

School activity funds – accounts for assets held by the District as an agent for the individual schools and school organizations.

Sports complex fund – accounts for assets held by the District as an agent for the sports complex fund.

E. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS) - The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. Fiduciary funds are not included in the Government Wide Financial Statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

Program revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District’s taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District’s general revenues. Program revenues include charges to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Allocation of indirect expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is not specifically identified by function and is considered an unallocated indirect expense. Interest on general long term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are susceptible to accrual.

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for twelve-month employees are accrued at June 30, 2013.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying event occurs.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Cash and Investments

Cash and Cash Equivalents

The District pools cash of all funds into common bank accounts. The accounting records of each fund reflect its interest in the pooled cash. Any deficiencies in cash of individual funds represent liabilities to other funds for cash borrowed. Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principal offices in Idaho.

Restricted Cash and Investments

The restricted cash and investments are comprised of restricted deposits for specific program expenditures, unexpended bond proceeds, capital project deposits, and debt services funds that are restricted for use on specifically identified programs, capital projects and debt service payments.

Investments

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. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The District policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits 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.

Repurchase agreements secured by the above.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at fair market value. Investments in the Joint Powers Investment Pool and repurchase agreements are valued at fair value.

The Joint Powers Investment Pool was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The Local Government Investment Pool is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

An annual audit of Joint Powers Investment Pool (“Pool”) is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool.

G. Short-term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as receivable from other funds or payable to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

H. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any items that qualify for reporting in this category.

I. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	40
Furniture	7
Buses	10

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Depreciation expense for buildings, furniture and equipment relate to multiple programs, for which allocating among programs is not easily identifiable. As such, depreciation is not allocated.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and bond premiums 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.

K. Equity and Fund Balance Classifications

Equity classifications

In the District-wide financial statements, equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt—Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

Restricted - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted - All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund balance classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable Fund Balance - consists of amounts that are not in a spendable form or are required to be maintained intact.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Restricted Fund Balance - consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The restricted for State Programs and Restricted for Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The Restricted for Debt Service balance is to be used for future servicing of the outstanding bonds and are restricted through debt covenants. The Restricted for Capital Projects balance reflect amounts that are restricted for construction or other capital outlay projects.

Committed Fund Balance—consists of amounts that can be used only for the specific purposes pursuant to constraints imposed by formal action of the District Board. These amounts cannot be used for any other purpose unless the District’ Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned Fund Balance—consists of amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the District’s Board or Superintendent.

Unassigned Fund Balance—consists of any remaining fund balance that has not been reported in any other classification.

For the purposes of fund balance classification, the District’s policy is to have expenditures spent from the restricted fund balances first, followed in order by committed fund balance (if any), assigned fund balance (if any) and last unassigned fund balance.

L. Interfund Transfers

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers.

M. Unavailable and Advanced Revenue

The District reports unavailable and advance revenues on its Statement of Net Position and Fund Balance Sheet. Advanced revenues are reported when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for advanced revenue is removed from the combined balance sheet and the revenue is recognized. On the government fund financial statements property taxes that are delinquent are recorded as unavailable revenue since they are not available within 60 days of the fiscal year end; however in the government-wide financial statements all property taxes are recognized in the year they are measurable.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

N. Salaries and Benefits Payable

Teaching personnel are paid on contracts that provide monthly payments throughout the year, even though school is not in session during the summer months. Salaries and benefits payable represents payment for teachers that are distributed during July and August, but are for services performed for the year ended June 30, 2013. It also includes an amount for full time administrative employees for vacation earned but not paid at year end.

O. Property Taxes

Property tax revenues are recognized when received or, if received within the two-month period subsequent to year-end, are accrued on the fund financial statements. Property tax revenues are recognized when levied with appropriate accrual made at year-end on the government-wide financial statements. The District's property taxes, levied on the Thursday prior to the second Monday in September on a market value basis, are billed to the taxpayers in November. Half of the real, personal, and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Occupancy taxes are due December 20. Real property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year.

Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion that meets the revenue recognition criteria is recognized as revenue on the fund financial statements. Under State law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic distributions of collections to entities levying taxes. Twin Falls County bill and collect property taxes for the District.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property; therefore, there is no material allowance for uncollectible taxes.

P. Elimination and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Q. Grants and Other Intergovernmental Revenues

Federal and state reimbursement-type grants are recorded as intergovernmental revenues when the related expenditures/expenses are incurred and, in governmental funds, when the revenues meet the availability criterion. For programs that are supported by multiple funding sources, federal and state grant monies are applied to expenditures first.

R. Encumbrances

Purchase orders, contracts, and other commitments for the expenditure of funds are considered to be encumbrances for budgeting control purposes during the year. Outstanding encumbrances at year-end do not constitute expenditures and are either charged to an appropriation the following year or the contractual commitment is canceled.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

S. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. It is at least reasonably possible that the significant estimates used will change within the next year.

T. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In December 2010, the GASB issued Statement no. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB No. 62 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011 and was implemented in fiscal year 2013. The adoption of GASBS No. 62 did not have any impact on the District’s financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This Statement is effective for periods beginning after December 15, 2011, and was implemented in fiscal year 2013. The financial statements were modified to reflect the changes in this statement. The effects of implementation of this standard are presented in Note 13.

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2013 the District’s cash and investments, excluding trust and agency funds, consisted of the following:

	Bank Deposit Balance	Carrying Amounts
Cash and Equivalents:		
Insured or collateralized	\$ 250,000	\$ 250,000
Uninsured or uncollateralized	272,128	273,293
Total Deposits	\$ 522,128	\$ 523,293

	Rating	Duration	Fair Value
Investments:			
State Treasurer's local government pool	Unrated	102 Days	\$ 2,922,979

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover the value of its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

The District minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be identified as to the Kimberly School District ownership and be held in the District's name.

Credit Risk

Credit risk is the risk that an issuer of debt securities or counterparty to an investment will not fulfill its obligation. It 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 investments of the District are not rated and the District's policy does not restrict them to rated investments. Most of the Investments of the District as of June 30, 2013, are invested in the LGIP which is not required to be rated.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. At June 30, 2013, the District is not subject to interest rate risk as all investments are held in the LGIP and certificates of deposits, which have short maturities. The District does not have a policy concerning interest rate risk.

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 principle that governments should provide not disclosure when 5% of the total entities 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 District has no policy limiting the amount it may invest in any one issuer.

NOTE 3 – INTERFUND TRANSFERS

The following operating transfers occurred during the fiscal year:

<u>Transfers In</u>		<u>Transfers Out</u>	
Technology Fund	\$259,919	General Fund	\$ 259,919
Capital Projects	45,741	General Fund	45,741
General Fund	7,443	Title I	7,443
General Fund	2,469	Teacher Quality	2,469
Special Ed. Billing	56,007	General Fund	56,007
Child Nutrition	39,517	General Fund	39,517
Total	<u>\$ 411,096</u>	Total	<u>\$ 411,096</u>

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – DUE FROM OTHER AGENCIES AND UNITS OF GOVERNMENTS

Amounts due from other agencies and units of government were as follows as of June 30, 2013:

State agencies	\$ 238,653
County agencies	416,883
Other agencies	<u>13,038</u>
Total	<u>\$ 668,574</u>

NOTE 5 – UNAVAILABLE AND ADVANCED REVENUES

Revenues are considered unavailable in accordance with the modified accrual basis of accounting for the fund financial statements. The following revenues are measurable but do not represent available expendable resources for the Fund Financial Statements or were received in advance before the District has legal claim to them for the fiscal year ended June 30, 2013:

	General Fund	Debt Service	Total
Delinquent taxes	\$ 23,035	\$ 50,000	\$ 73,035

NOTE 6 - CAPITAL ASSETS

The following presents a summary of activity in the capital assets as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Land	\$ 280,122	\$ -	\$ -	\$ 280,122
Buildings				
Elementary	4,369,363	181,491	-	4,550,854
Secondary	15,401,139	-	-	15,401,139
Other	362,779	7,161	-	369,940
Transportation	75,000	-	-	75,000
Maintenance	162,695	-	-	162,695
Total Buildings	20,370,976	188,652	-	20,559,628
Equipment and Other	479,988	29,992	-	509,980
Transportation Equip.	918,697	17,289	-	935,986
Total Capital Assets	22,049,783	235,933	-	22,285,716
Accum. Depreciation	(6,401,842)	(581,000)	-	(6,982,842)
Net Capital Assets	\$ 15,647,941	\$ (345,067)	\$ -	\$ 15,302,874

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - GENERAL OBLIGATION BONDS

Changes in Long-Term Debt

The following is a summary of bond transactions of the District for the year ended June 30, 2013:

	<u>Bonds Payable</u> <u>June 30, 2012</u>	<u>Bond</u> <u>Issuance</u>	<u>Principal</u> <u>Payments</u>	<u>Bonds Payable</u> <u>June 30, 2013</u>
2005 Bond Refinance	\$ 2,960,000	\$ -	\$ (585,000)	\$ 2,375,000
2007 Series A	9,815,000	-	(120,000)	9,695,000
Total	<u>\$ 12,775,000</u>	<u>\$ -</u>	<u>\$ (705,000)</u>	<u>\$ 12,070,000</u>

In 2007, the District issued General Obligation Bonds, Series 2007A (Bank Qualified) and Series 2007B (Taxable). The proceeds of the Bonds and other monies legally available from the District were used to finance the costs of the acquisition, improvement and preparation of school site(s), including the demolition of obsolete structures; the construction, renovation, furnishing and equipping of schools and school facilities; improvements to existing schools; and the acquisition and installation of all lighting, heating, ventilation and sanitation facilities and appliances necessary to maintain and operate said building and facilities in the District, and costs of issuance of the Bonds.

General obligation bonds payable as of June 30, 2013 consist of the following:

Series 2007A General Obligation Bonds in the original principal amount of \$9,860,000 maturing through September 1, 2027. Principal payments are due annually on September 15, and interest is payable semi-annually on March 15, and September 15 of each year. Interest rates on the bonds range from 3.75% to 5% on the outstanding bonds.

\$ 9,695,000

Series 2005 Refunding Bonds in the original principal amount of \$4,415,000 maturing through August 15, 2019. Principal payments are due annually on August 15, and interest is payable semi-annually on February 15, and August 15 of each year. Interest rates range from 2% to 5% on the outstanding bonds.

2,375,000

\$ 12,070,000

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - GENERAL OBLIGATION BONDS – Continued

The annual requirements to pay principal and interest on outstanding general obligation bonds payable are as follows:

	2005 Bond Refinance	2007 Series A	2007 Series B	Interest	Total
2014	355,000	140,000	-	496,663	991,663
2015	375,000	160,000	-	472,413	1,007,413
2016	390,000	190,000	-	446,043	1,026,043
2017	410,000	215,000	-	417,445	1,042,445
2018	320,000	235,000	-	388,762	943,762
2019-2023	525,000	3,505,000	-	1,489,788	5,519,788
2024-2028	-	5,250,000	-	540,931	5,790,931
	<u>\$ 2,375,000</u>	<u>\$ 9,695,000</u>	<u>\$ -</u>	<u>\$ 4,252,045</u>	<u>\$ 16,322,045</u>

NOTE 8 - RETIREMENT PLAN

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 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% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

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

The actuarially determined contribution requirements of the District and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2013, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The Districts employer contributions required and paid were \$622,620, \$612,867, and \$610,196 for the three years ended June 30, 2013, 2012, and 2011, respectively.

NOTE 9 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fund year ended June 30, 2013, expenditures exceeded appropriation in the Title I-A fund by \$11.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 - FUND BALANCE AND NET POSITION DEFICITS

Fund deficits as of June 30, 2013, which are significant, are as follows:

Special Education Billing Fund - The deficit of \$89,442 is due to accumulated costs exceeding revenues over a couple of years. The District has reduced full time staff and replaced them with part time staff for the next two years in order to reduce the deficit in this fund.

NOTE 11 – RISK FROM LOSSES/CONTINGENT LIABILITIES

The District is not aware of any pending or threatened litigation that would adversely affect the District. The District purchases commercial insurance to protect assets from losses from workmen’s compensation claims, fire and casualty, general liability and fidelity losses.

The District has received several Federal/State grants for specific purposes that were subject to review and audit of the compliance conditions of each program. This audit found no elements of non-compliance with terms and conditions of the individual programs.

NOTE 12 – LACK OF IMPLEMENTATION OF GASB STATEMENT NO. 45

GASB 45 establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The District is required to follow GASB 45 as the District allows retired employees, who pay for their own health insurance premiums, to remain on the District’s health insurance plan. Even though the retirees pay their own premiums, the premiums are not age-adjusted. The District therefore provides an implicit subsidy to the retirees on their premiums, which would be higher if they were age-adjusted. GASB 45 requires that the future expense of the implicit subsidy be calculate and accrued annually. The District has determined that the required cost to calculate this future expense and accrual, which involves paying for actuarial services, is too expensive. The District has therefore chosen not to comply with the requirement of GASB 45.

NOTE 13 – RESTATEMENT

During the year ended June 30, 2013, the District implemented GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”. The adoption of this statement resulted in the District changing the name of the “Statement of Net Assets” to the Statement of Net Position”. The District also reclassified the Deferred Outflows of Resources to its own section on the Statement of Net Position, reclassified Deferred Gain (Loss) on Bond Refunding’s as Deferred Inflows, and changed the definition of Net Investment in Capital Assets.

During the year ended June 30, 2013, the District early-implemented GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*” to properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. Adopting this statement effectively increases net position as of July 1, 2012 by \$22,897. The increase results from no longer deferring and amortizing bond issuance costs.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 20, 2013, the date which the financial statements were available to be issued.

Issuance of New Debt – On August 1, 2013, the District issued General Obligation Bonds, Series 2013(A) (Tax-Exempt in the amount of \$1,500,000 , and General Obligation Bonds, Series 2013 B (Taxable QSCB-Direct Pay Subsidy) in the amount of \$1,485,000 The funds will be used to finance the costs of renovations and improvements to the historic L.A. Thomas Gymnasium, to complete the Sports Complex, construction of technology classrooms and other improvements to facilities throughout the District, and acquisition of related equipment for such school facilities.

REQUIRED SUPPLEMENTARY INFORMATION

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Local:			
Property taxes	\$ 474,666	\$ 477,555	\$ 2,889
Earnings on investments	4,500	5,602	1,102
Rentals	1,600	2,125	525
Other local revenue	104,695	107,222	2,527
Total local revenue	585,461	592,504	7,043
State:			
State apportionment	5,807,193	6,004,066	196,873
State paid benefits	730,752	755,870	25,118
Revenue in lieu of taxes	14,727	14,727	-
Other state support	276,903	313,790	36,887
Total State Revenue	6,829,575	7,088,453	258,878
Federal:			
Forest reserve fund	3,537	3,537	-
Other federal	-	-	-
Total Federal Revenue	3,537	3,537	-
Total Revenues	7,418,573	7,684,494	265,921

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

Expenditures	Final Budget	Actual	Variance Favorable (Unfavorable)
Instructional:			
Elementary:			
Teachers salaries	1,163,858	1,165,633	(1,775)
Teachers aides	81,204	80,513	691
Substitutes	22,609	26,703	(4,094)
Social security	95,204	90,323	4,881
Teachers fringe pool	311,472	312,112	(640)
Telephone	2,050	2,030	20
Travel and other	4,647	3,475	1,172
Supplies and textbooks	34,790	30,418	4,372
Equipment	13,576	12,789	787
Total elementary	1,729,410	1,723,996	5,414
Middle school:			
Teachers salaries	707,564	706,609	955
Substitutes	8,834	9,316	(482)
Social security	54,151	52,839	1,312
Teachers fringe pool	167,295	168,908	(1,613)
Telephone	2,000	2,013	(13)
Travel and other	14,003	10,411	3,592
Supplies and textbooks	23,956	16,884	7,072
Equipment	-	-	-
Total middle	977,803	966,980	10,823
Secondary:			
Teachers salaries	991,259	956,252	35,007
Substitutes	14,657	8,383	6,274
Social security	71,611	69,533	2,078
Teachers fringe pool	239,295	233,175	6,120
Telephone	4,000	4,076	(76)
Travel and other	18,426	12,668	5,758
Supplies and textbooks	43,841	26,541	17,300
Total secondary	1,383,089	1,310,628	72,461
Total instructional	4,090,302	4,001,604	88,698

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures			
Interscholastic:			
Salaries	94,021	91,723	2,298
Social security & fringe	17,874	17,826	48
Travel and other	3,130	3,053	77
Supplies	3,325	3,359	(34)
Total interscholastic	<u>118,350</u>	<u>115,961</u>	<u>2,389</u>
Activities:			
Salaries	22,768	22,767	1
Social security & fringe	6,187	4,106	2,081
Gifted and talented program	11,080	10,455	625
Debate	1,023	1,356	(333)
Other	12,754	10,234	2,520
Total activities	<u>53,812</u>	<u>48,918</u>	<u>4,894</u>
Support:			
Counselor & social worker salaries	178,698	178,698	-
Social security	11,675	11,286	389
Fringe pool	35,658	35,640	18
Other	400	400	-
Total support	<u>226,431</u>	<u>226,024</u>	<u>407</u>
Special services:			
Psychologist & teachers salaries	321,153	321,128	25
Teachers aides & secretary	39,366	39,340	26
Substitutes	-	-	-
Social security	26,079	26,409	(330)
Fringe pool	86,503	86,770	(267)
Supplies & other	-	5,515	(5,515)
Total special services	<u>473,101</u>	<u>479,162</u>	<u>(6,061)</u>

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures			
Instructional improvement program:			
Salaries	42,388	24,132	18,256
Social security & fringe	6,706	3,540	3,166
Purchased services	-	-	-
Supplies & other	38,388	30,455	7,933
Equipment	-	-	-
Total instructional improvement program	<u>87,482</u>	<u>58,127</u>	<u>29,355</u>
Library & personal development:			
Salaries	175,361	175,920	(559)
Social security	12,091	12,361	(270)
Fringe pool	45,839	45,551	288
Books & supplies - elementary	4,769	4,769	-
Books & supplies - middle school	4,769	2,507	2,262
Books & supplies - secondary	4,769	4,491	278
Other	-	-	-
Total library & personal development	<u>247,598</u>	<u>245,599</u>	<u>1,999</u>
District office - Superintendent:			
Superintendent salary	80,399	80,705	(306)
Social security	6,100	6,078	22
Fringe pool	16,276	15,575	701
Travel and other	13,205	12,446	759
Total district office superintendent	<u>115,980</u>	<u>114,804</u>	<u>1,176</u>
Principals and secretaries:			
Salaries - principals	220,116	219,448	668
Salaries - secretaries	101,907	100,914	993
Social security	23,836	23,506	330
Fringe pool	88,162	87,499	663
Travel and dues	6,122	5,467	655
Total principals & secretaries	<u>440,143</u>	<u>436,834</u>	<u>3,309</u>
District office:			
Salaries	89,852	90,196	(344)
Social security	6,374	5,859	515
Fringe pool	27,760	26,562	1,198
Professional services	19,000	13,941	5,059
Travel and other	44,857	43,790	1,067
Total district office	<u>187,843</u>	<u>180,348</u>	<u>7,495</u>

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures			
Custodians:			
Salaries	190,751	182,663	8,088
Social security	14,592	13,995	597
Fringe pool	76,162	73,770	2,392
Utilities	245,000	194,323	50,677
Supplies and other	38,637	40,364	(1,727)
Property insurance	54,579	54,579	-
Total custodians	<u>619,721</u>	<u>559,694</u>	<u>60,027</u>
Maintenance:			
Salaries	191,692	175,822	15,870
Social security	13,868	12,612	1,256
Fringe pool	58,845	56,167	2,678
Contracted repairs	22,500	20,961	1,539
Supplies and other	86,980	78,723	8,257
Building improvements	55,187	16,325	38,862
Total maintenance	<u>429,072</u>	<u>360,610</u>	<u>68,462</u>
School lunch:			
Social security	11,295	11,204	91
Fringe pool	-	-	-
Total school lunch	<u>11,295</u>	<u>11,204</u>	<u>91</u>
Transportation:			
Salaries - mechanics	24,900	24,049	851
Salaries - drivers	123,236	122,099	1,137
Salaries - supervisors	21,033	21,033	-
Salaries - other	21,558	20,668	890
Travel and other	29,824	32,469	(2,645)
Social security	15,102	13,596	1,506
Fringe pool	52,539	51,635	904
Physicals	2,000	1,455	545

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures			
Transportation - continued:			
Contract repairs & maintenance	34,641	33,216	1,425
Tires, batteries & parts	16,955	13,381	3,574
Fuel, oil & lube	86,500	44,898	41,602
Insurance	6,049	6,049	-
	<u>434,337</u>	<u>384,548</u>	<u>49,789</u>
Total transportation			
	<u>3,445,165</u>	<u>3,221,833</u>	<u>223,332</u>
Total support			
	<u>7,535,467</u>	<u>7,223,437</u>	<u>312,030</u>
Total expenditures			
Other sources (uses)			
Transfers in (out)	<u>(295,748)</u>	<u>(391,272)</u>	<u>95,524</u>
Total other sources (uses)	<u>(295,748)</u>	<u>(391,272)</u>	<u>95,524</u>
Excess revenues over (under) expenditures	(412,642)	69,785	482,427
Fund balance - July 1, 2012	<u>1,488,338</u>	<u>1,488,338</u>	<u>-</u>
Fund balance - June 30, 2013	<u>\$ 1,075,696</u>	<u>\$ 1,558,123</u>	<u>\$ 482,427</u>

See accountants' report.

**KIMBERLY SCHOOL DISTRICT NO. 414
KIMBERLY, IDAHO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Local	\$ 957,369	\$ 966,789	\$ 9,420
State	162,805	162,805	-
Federal	-	-	-
Total Revenues	<u>1,120,174</u>	<u>1,129,594</u>	<u>9,420</u>
Expenditures			
Principal payments	705,000	705,000	-
Interest & fees	560,425	560,425	-
Total Expenditures	<u>1,265,425</u>	<u>1,265,425</u>	<u>-</u>
Other Sources (Uses)			
Advance refunding escrow	-	-	-
Transfers in (out)	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	<u>(145,251)</u>	<u>(135,831)</u>	<u>9,420</u>
Fund Balance - July 1, 2012	<u>1,501,648</u>	<u>1,501,648</u>	<u>-</u>
Fund Balance - June 30, 2013	<u><u>\$ 1,356,397</u></u>	<u><u>\$ 1,365,817</u></u>	<u><u>\$ 9,420</u></u>

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

NOTE 1- BUDGETARY INFORMATION

Budgetary-GAAP Reporting Reconciliation

The accompanying Budgetary Comparison Schedules compare the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on the budgetary basis do not differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP).

Budgetary Policies

Kimberly School District #414 prepares an annual budget of revenue and expenditures prior to the beginning of the fiscal year. The budget is prepared on the modified accrual basis of accounting. Budget figures are based on prior levels of revenue and expenditures taking into account specific items which may be planned in advance by the District such as capital outlay expenditures. Any excess of budgeted expenditures over budgeted revenues are temporary situations and are budgeted so as to utilize cash balances in the individual fund.

SUPPLEMENTARY INFORMATION

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Title I-A</u>	<u>IDEA School Age</u>	<u>IDEA Pre- School</u>	<u>Schoolnet</u>	<u>Title II-A</u>	<u>Technology</u>	<u>Title I-C Migrant</u>
Assets							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity in Pooled Cash	-	-	-	30,396	-	98,512	-
Investments	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-
Receivable From Other Governments	29,306	56,721	3,892	-	11,229	283	1,678
Receivable From Other Funds	-	-	-	-	-	-	-
Total Assets	<u>\$ 29,306</u>	<u>\$ 56,721</u>	<u>\$ 3,892</u>	<u>\$ 30,396</u>	<u>\$ 11,229</u>	<u>\$ 98,795</u>	<u>\$ 1,678</u>
Liabilities							
Deficit in Pooled Cash	\$ 10,482	\$ 20,282	\$ 1,550	\$ -	\$ 9,066	\$ -	\$ 1,114
Accounts Payable	37	(323)	-	(90)	34	4,154	311
Salaries and Benefits Payable	18,798	32,141	2,342	8,799	2,129	15,215	(1)
Due to Other Funds	-	-	-	-	-	-	-
Total Liabilities	29,317	52,100	3,892	8,709	11,229	19,369	1,424
Fund Equity							
Fund Balances:							
Nonspendable							
	-	-	-	-	-	-	-
Restricted:							
Capital projects	-	-	-	-	-	-	-
Federal Programs	-	4,621	-	-	-	-	-
State Programs	-	-	-	21,687	-	79,426	-
School Lunch Program	-	-	-	-	-	-	-
Committed:							
Assigned:							
Capital Projects	-	-	-	-	-	-	-
Unassigned	(11)	-	-	-	-	-	254
Total Fund Equity	<u>(11)</u>	<u>4,621</u>	<u>-</u>	<u>21,687</u>	<u>-</u>	<u>79,426</u>	<u>254</u>
Total Liabilities and Fund Equity	<u>\$ 29,306</u>	<u>\$ 56,721</u>	<u>\$ 3,892</u>	<u>\$ 30,396</u>	<u>\$ 11,229</u>	<u>\$ 98,795</u>	<u>\$ 1,678</u>

See accountants' report.

<u>Child Nutrition</u>	<u>Title III LEP</u>	<u>Perkins III</u>	<u>Driver's Ed</u>	<u>Professional Technical</u>	<u>Special Ed. Billing</u>	<u>Title IID</u>	<u>Plant Facilities</u>	<u>Totals</u>
\$ 123,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,350
-	-	-	13,752	-	-	-	35,121	177,781
-	-	-	-	-	-	-	-	-
-	-	12,920	-	13,893	35,091	-	-	165,013
-	-	-	-	-	-	-	-	-
<u>\$ 123,350</u>	<u>\$ -</u>	<u>\$ 12,920</u>	<u>\$ 13,752</u>	<u>\$ 13,893</u>	<u>\$ 35,091</u>	<u>\$ -</u>	<u>\$ 35,121</u>	<u>\$ 466,144</u>
\$ -	\$ -	\$ 12,844	\$ -	\$ 9,641	\$ 111,364	\$ -	-	\$ 176,343
-	-	76	15	317	178	-	-	4,709
-	-	-	-	3,935	12,991	-	-	96,349
-	-	-	-	-	-	-	-	-
-	-	12,920	15	13,893	124,533	-	-	277,401
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	4,621
-	-	-	13,737	-	-	-	-	114,850
123,350	-	-	-	-	-	-	-	123,350
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	35,121	35,121
-	-	-	-	-	(89,442)	-	-	(89,199)
<u>123,350</u>	<u>-</u>	<u>-</u>	<u>13,737</u>	<u>-</u>	<u>(89,442)</u>	<u>-</u>	<u>35,121</u>	<u>188,743</u>
<u>\$ 123,350</u>	<u>\$ -</u>	<u>\$ 12,920</u>	<u>\$ 13,752</u>	<u>\$ 13,893</u>	<u>\$ 35,091</u>	<u>\$ -</u>	<u>\$ 35,121</u>	<u>\$ 466,144</u>

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Title I-A</u>	<u>IDEA School Age</u>	<u>IDEA Pre- School</u>	<u>Schoolnet</u>	<u>Title II-A</u>	<u>Technology</u>	<u>Title I-C Migrant</u>
Revenues							
Local	\$ 75	\$ 400	\$ 10,759	\$ -	\$ 200	\$ 89,717	\$ -
State	-	-	-	103,644	-	55,687	-
Federal	134,047	264,575	23,355	-	36,031	-	21,975
Total Revenues	134,122	264,975	34,114	103,644	36,231	145,404	21,975
Expenditures							
Instructional	127,849	265,598	35,520	-	32,404	229,832	18,964
Support	-	-	-	92,136	-	77,819	-
Non-Instructional	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	127,849	265,598	35,520	92,136	32,404	307,651	18,964
Other Sources (Uses)							
Advance Refunding Escrow							
Transfers In (Out)	(7,443)	-	-	-	(2,469)	259,919	-
Total Other Sources (Uses)	(7,443)	-	-	-	(2,469)	259,919	-
Excess Revenues Over (Under) Expenditures	(1,170)	(623)	(1,406)	11,508	1,358	97,672	3,011
Fund Balance - July 1, 2012	1,159	5,244	1,406	10,179	(1,358)	(18,246)	(2,757)
Fund Balance - June 30, 2013	<u>\$ (11)</u>	<u>\$ 4,621</u>	<u>\$ -</u>	<u>\$ 21,687</u>	<u>\$ -</u>	<u>\$ 79,426</u>	<u>\$ 254</u>

See accountants' report.

Child Nutrition	Title III LEP	Perkins III	Driver's Ed	Professional Technical	Special Ed. Billing	Title IID	Plant Facilities	Totals
\$ 139,265	\$ -	\$ -	\$ 7,800	\$ -	\$ -	\$ -	\$ -	\$ 248,216
-	-	-	9,251	46,310	-	-	-	214,892
379,003	6,639	12,920	-	-	184,359	-	-	1,062,904
518,268	6,639	12,920	17,051	46,310	184,359	-	-	1,526,012
-	7,747	12,920	18,155	46,310	224,402	-	-	1,019,701
-	-	-	-	-	-	-	-	169,955
550,893	-	-	-	-	-	-	-	550,893
-	-	-	-	-	-	-	181,491	181,491
550,893	7,747	12,920	18,155	46,310	224,402	-	181,491	1,922,040
-	-	-	-	-	-	-	-	-
39,517	-	-	-	-	56,007	-	45,741	391,272
39,517	-	-	-	-	56,007	-	45,741	391,272
6,892	(1,108)	-	(1,104)	-	15,964	-	(135,750)	(4,756)
116,458	1,108	-	14,841	-	(105,406)	-	170,871	193,499
<u>\$ 123,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,737</u>	<u>\$ -</u>	<u>\$ (89,442)</u>	<u>\$ -</u>	<u>\$ 35,121</u>	<u>\$ 188,743</u>

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Title I-A			IDEA School-Age		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local	\$ -	\$ 75	\$ 75	\$ 400	\$ 400	\$ -
State	-	-	-	-	-	-
Federal	146,356	134,047	(12,309)	261,469	264,575	3,106
Total Revenues	146,356	134,122	(12,234)	261,869	264,975	3,106
Expenditures						
Instructional:						
Salaries	93,335	92,991	344	184,353	184,200	153
Benefits	33,142	31,657	1,485	61,208	55,299	5,909
Purchased Services	2,000	1,225	775	13,403	18,403	(5,000)
Supplies and Materials	11,595	1,976	9,619	8,149	7,696	453
Equipment	-	-	-	-	-	-
Total Instructional	140,072	127,849	12,223	267,113	265,598	1,515
Support:						
Equipment and Other Expenses	-	-	-	-	-	-
Total Support	-	-	-	-	-	-
Non-Instructional	-	-	-	-	-	-
Total Non-Instructional	-	-	-	-	-	-
Total Expenditures	140,072	127,849	12,223	267,113	265,598	1,515
Other Sources (Uses)						
Transfers In (Out)	(7,443)	(7,443)	-	-	-	-
Total Other Sources (Uses)	(7,443)	(7,443)	-	-	-	-
Excess Revenues Over (Under) Expenditures	(1,159)	(1,170)	(11)	(5,244)	(623)	4,621
Fund Balance - July 1, 2012	1,159	1,159	-	5,244	5,244	-
Fund Balance - June 30, 2013	\$ -	\$ (11)	\$ (11)	\$ -	\$ 4,621	\$ 4,621

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	IDEA - Pre School			SchoolNet		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local	\$ 10,331	\$ 10,759	\$ 428	\$ -	\$ -	\$ -
State	-	-	-	100,945	103,644	2,699
Federal	24,611	23,355	(1,256)	-	-	-
Total Revenues	34,942	34,114	(828)	100,945	103,644	2,699
Expenditures						
Instructional:						
Salaries	25,307	24,469	838	-	-	-
Benefits	3,327	3,328	(1)	-	-	-
Purchased Services	5,552	5,552	-	-	-	-
Supplies and Materials	2,162	2,171	(9)	-	-	-
Equipment	-	-	-	-	-	-
Total Instructional	36,348	35,520	828	-	-	-
Support:						
Equipment and Other Expenses	-	-	-	111,124	92,136	18,988
Total Support	-	-	-	111,124	92,136	18,988
Non-Instructional	-	-	-	-	-	-
Total Non-Instructional	-	-	-	-	-	-
Total Expenditures	36,348	35,520	828	111,124	92,136	18,988
Other Sources (Uses)						
Transfers In (Out)	-	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	-	-	-
Excess Revenues Over (Under) Expenditures	(1,406)	(1,406)	-	(10,179)	11,508	21,687
Fund Balance - July 1, 2012	1,406	1,406	-	10,179	10,179	-
Fund Balance - June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ 21,687	\$ 21,687

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Title II-A			Technology		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local	\$ -	\$ 200	\$ 200	\$ 99,121	\$ 89,717	\$ (9,404)
State	-	-	-	53,699	55,687	1,988
Federal	55,747	36,031	(19,716)	-	-	-
Total Revenues	55,747	36,231	(19,516)	152,820	145,404	(7,416)
Expenditures						
Instructional:						
Salaries	39,121	25,451	13,670	159,290	156,272	3,018
Benefits	10,052	4,496	5,556	54,095	48,490	5,605
Purchased Services	2,062	2,404	(342)	16,491	16,330	161
Supplies and Materials	685	53	632	136,770	(9,223)	145,993
Equipment	-	-	-	27,847	17,963	9,884
Total Instructional	51,920	32,404	19,516	394,493	229,832	164,661
Support:						
Equipment and Other Expenses	-	-	-	-	77,819	(77,819)
Total Support	-	-	-	-	77,819	(77,819)
Non-Instructional	-	-	-	-	-	-
Total Non-Instructional	-	-	-	-	-	-
Total Expenditures	51,920	32,404	19,516	394,493	307,651	86,842
Other Sources (Uses)						
Transfers In (Out)	(2,469)	(2,469)	-	259,919	259,919	-
Total Other Sources (Uses)	(2,469)	(2,469)	-	259,919	259,919	-
Excess Revenues Over (Under) Expenditures	1,358	1,358	-	18,246	97,672	79,426
Fund Balance - July 1, 2012	(1,358)	(1,358)	-	(18,246)	(18,246)	-
Fund Balance - June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ 79,426	\$ 79,426

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Title I-C Migrant			Child Nutrition		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local	\$ -	\$ -	\$ -	\$ 130,500	\$ 139,265	\$ 8,765
State	-	-	-	-	-	-
Federal	23,662	21,975	(1,687)	250,000	379,003	129,003
Total Revenues	23,662	21,975	(1,687)	380,500	518,268	137,768
Expenditures						
Instructional:						
Salaries	13,321	12,428	893	-	-	-
Benefits	5,613	5,597	16	-	-	-
Purchased Services	500	394	106	-	-	-
Supplies and Materials	1,471	545	926	-	-	-
Equipment	-	-	-	-	-	-
Total Instructional	20,905	18,964	1,941	-	-	-
Support:						
Equipment and Other Expenses	-	-	-	-	-	-
Total Support	-	-	-	-	-	-
Non-Instructional	-	-	-	496,958	550,893	(53,935)
Total Non-Instructional	-	-	-	496,958	550,893	(53,935)
Total Expenditures	20,905	18,964	1,941	496,958	550,893	(53,935)
Other Sources (Uses)						
Transfers In (Out)	-	-	-	-	39,517	(39,517)
Total Other Sources (Uses)	-	-	-	-	39,517	(39,517)
Excess Revenues Over (Under) Expenditures	2,757	3,011	254	(116,458)	6,892	123,350
Fund Balance - July 1, 2012	(2,757)	(2,757)	-	116,458	116,458	-
Fund Balance - June 30, 2013	\$ -	\$ 254	\$ 254	\$ -	\$ 123,350	\$ 123,350

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Title III			Perkins III		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-	-	-
Federal	6,639	6,639	-	12,920	12,920	-
Total Revenues	6,639	6,639	-	12,920	12,920	-
Expenditures						
Instructional:						
Salaries	-	-	-	-	-	-
Benefits	-	-	-	-	-	-
Purchased Services	6,200	6,000	200	2,600	2,647	(47)
Supplies and Materials	1,547	1,747	(200)	-	-	-
Equipment	-	-	-	10,320	10,273	47
Total Instructional	7,747	7,747	-	12,920	12,920	-
Support:						
Equipment and Other Expenses	-	-	-	-	-	-
Total Support	-	-	-	-	-	-
Non-Instructional	-	-	-	-	-	-
Total Non-Instructional	-	-	-	-	-	-
Total Expenditures	7,747	7,747	-	12,920	12,920	-
Other Sources (Uses)						
Transfers In (Out)	-	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	-	-	-
Excess Revenues Over (Under) Expenditures	(1,108)	(1,108)	-	-	-	-
Fund Balance - July 1, 2012	1,108	1,108	-	-	-	-
Fund Balance - June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Drivers Education			Professional Technical		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local	\$ 8,000	\$ 7,800	\$ (200)	\$ -	\$ -	\$ -
State	10,000	9,251	(749)	46,310	46,310	-
Federal	-	-	-	-	-	-
Total Revenues	18,000	17,051	(949)	46,310	46,310	-
Expenditures						
Instructional:						
Salaries	16,000	12,790	3,210	19,782	19,806	(24)
Benefits	3,180	2,472	708	3,797	3,670	127
Purchased Services	2,370	900	1,470	9,140	8,652	488
Supplies and Materials	11,291	1,993	9,298	9,575	13,200	(3,625)
Equipment	-	-	-	4,016	982	3,034
Total Instructional	32,841	18,155	14,686	46,310	46,310	-
Support:						
Equipment and Other Expenses	-	-	-	-	-	-
Total Support	-	-	-	-	-	-
Non-Instructional	-	-	-	-	-	-
Total Non-Instructional	-	-	-	-	-	-
Total Expenditures	32,841	18,155	14,686	46,310	46,310	-
Other Sources (Uses)						
Transfers In (Out)	-	-	-	-	-	-
Total Other Sources (Uses)	-	-	-	-	-	-
Excess Revenues Over (Under) Expenditures	(14,841)	(1,104)	13,737	-	-	-
Fund Balance - July 1, 2012	14,841	14,841	-	-	-	-
Fund Balance - June 30, 2013	\$ -	\$ 13,737	\$ 13,737	\$ -	\$ -	\$ -

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Ed. Billing			Title IID		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-	-	-
Federal	255,000	184,359	(70,641)	-	-	-
Total Revenues	255,000	184,359	(70,641)	-	-	-
Expenditures						
Instructional:						
Salaries	163,360	148,207	15,153	-	-	-
Benefits	74,795	76,195	(1,400)	-	-	-
Purchased Services	-	-	-	-	-	-
Supplies and Materials	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Total Instructional	238,155	224,402	13,753	-	-	-
Support:						
Equipment and Other Expenses	-	-	-	-	-	-
Total Support	-	-	-	-	-	-
Non-Instructional	-	-	-	-	-	-
Total Non-Instructional	-	-	-	-	-	-
Total Expenditures	238,155	224,402	13,753	-	-	-
Other Sources (Uses)						
Transfers In (Out)	-	56,007	56,007	-	-	-
Total Other Sources (Uses)	-	56,007	56,007	-	-	-
Excess Revenues Over (Under) Expenditures	16,845	15,964	(881)	-	-	-
Fund Balance - July 1, 2012	(105,406)	(105,406)	-	-	-	-
Fund Balance - June 30, 2013	\$ (88,561)	\$ (89,442)	\$ (881)	\$ -	\$ -	\$ -

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Plant Facilities			Total		
	Final Budget	Actual	Favorable (Unfavorable)	Final Budget	Actual	Favorable (Unfavorable)
Revenues						
Local	\$ -	\$ -	\$ -	\$ 248,352	\$ 248,216	\$ (136)
State	-	-	-	210,954	214,892	3,938
Federal	-	-	-	1,036,404	1,062,904	26,500
Total Revenues	-	-	-	1,495,710	1,526,012	30,302
Expenditures						
Instructional:						
Salaries	-	-	-	713,867	676,614	37,253
Benefits	-	-	-	249,209	231,204	18,005
Purchased Services	-	-	-	60,318	62,507	(2,189)
Supplies and Materials	-	-	-	183,245	20,158	163,087
Equipment	-	-	-	42,183	29,218	12,965
Total Instructional	-	-	-	1,248,822	1,019,701	229,121
Support:						
Equipment and Other Expenses	-	-	-	111,124	169,955	(58,831)
Total Support	-	-	-	111,124	169,955	(58,831)
Non-Instructional	-	-	-	496,958	550,893	(53,935)
Total Non-Instructional	-	-	-	496,958	550,893	(53,935)
Capital Outlay	216,613	181,491	35,122	216,613	181,491	35,122
Total Capital Outlay	216,613	181,491	35,122	216,613	181,491	35,122
Total Expenditures	216,613	181,491	35,122	2,073,517	1,922,040	116,355
Other Sources (Uses)						
Transfers In (Out)	45,741	45,741	-	295,748	391,272	95,524
Total Other Sources (Uses)	45,741	45,741	-	295,748	391,272	95,524
Excess Revenues Over (Under) Expenditures	(170,872)	(135,750)	35,122	(282,059)	(4,756)	277,303
Fund Balance - July 1, 2012	170,872	170,871	-	193,498	193,499	-
Fund Balance - June 30, 2013	\$ -	\$ 35,121	\$ 35,122	\$ (88,561)	\$ 188,743	\$ 277,303

See accountants' report.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
CONTINUING DISCLOSURE STATEMENT

Continuing Disclosure

The General Obligation Bonds, Series 2007A (Bank Qualified) bonds are subject to the requirements of Continuing Disclosure under S.E.C Rule 15c2-12. The following information is provided in compliance with this requirement.

Continuing Disclosure Bond Information

General Obligation Debt Capacity

	As of September 2013	As of September 2012	As of September 2011	As of September 2010	As of September 2009
Full Market Value	\$433,107,768	\$ 436,699,213	\$ 446,374,728	\$ 454,592,894	\$ 440,509,209
General Obligation Debt Capacity:					
(5% of Full Market Value)	\$ 21,655,388	\$ 21,834,961	\$ 22,318,736	\$ 22,729,645	\$ 22,025,460
Less: Outstanding Debt Subject to limit (1)	(14,560,000)	(12,320,000)	(12,775,000)	(13,195,000)	(13,575,000)
Remaining Legal General Obligation Debt Capacity	\$ 7,095,388	\$ 9,514,961	\$ 9,543,736	\$ 9,534,645	\$ 8,450,460
Percent of Capacity Issued	67.23%	56.42%	57.24%	58.05%	61.63%
(1) Represents voter-approved general obligations of the District					

Overlapping Debt

The District does not have any overlapping debt to report.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
CONTINUING DISCLOSURE STATEMENT

Ad Valorem Tax Levy Rates of the District

Tax Year	Supplemental M&O	Emergency	Tort	Bond	Total Levy Rate
2012	0.910914	0.433061	0.851460	2.881464	5.076899
2011	0.893269	0.418708	0.076818	2.884165	4.272960
2010	0.889294	0.276556	0.072175	2.884164	4.122189
2009	0.842133	0.275601	0.060830	2.884165	4.062729
2008	0.896888	0.264174	0.059619	2.884165	4.104846

District Property Values

Tax Year	Full Market Value (1)	% Annual Change in Full Market Value	Homeowner's Exemption (2)	Taxable Assessed Value (3)	% Annual Change in Net Market Value
2012	436,699,213	-2.17%	107,359,729	329,339,484	-1.94%
2011	446,374,728	-1.81%	110,529,506	335,845,222	-0.44%
2010	454,592,894	3.20%	117,246,599	337,346,295	3.31%
2009	440,509,209	6.16%	113,957,557	326,551,652	6.50%
2008	414,954,138	-	108,338,230	306,615,908	-

- (1) Each year all taxable property must be assessed at 100 percent of the current market value.
- (2) Homeowner's Exemption adjusts annually by the percentage change in the Idaho Housing Price Index. See "Homeowner's Exemption" herein.
- (3) Taxable Assessed Value is the Full Market Value less statutory exemption. Statutory exemptions include homeowner's exemption and property tax reductions, known as the Circuit Breaker Property Tax Relief Program. The Taxable Assessed Value is the value against which tax levies are applied. The District does not have URA.

Source: Idaho State Tax Commission, September 30, 2013.

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
CONTINUING DISCLOSURE STATEMENT

District Property Tax Collection

Tax Year	Total Certified Levied	Taxes Collected	Percent Collected
2012	1,415,932	1,372,242	96.91%
2011	1,424,976	1,405,341	98.62%
2010	1,380,010	1,371,395	99.38%
2009	1,338,151	1,336,436	99.87%

District's Top Ten Tax Payers - (As of January 2013)

Lower Lowline Hydro	Hydro Power Plant	\$ 1,112,000	0.34%
Kimberly Seeds International	Fresh Produce Wholesale	1,088,491	0.33%
BetaSeed, Inc.	Surgarbeet Seed	1,009,526	0.31%
Funk & Funk	Development	868,152	0.26%
First Federal Savings Bank	Savings Bank	849,423	0.26%
Russell & Russell	Development	840,004	0.26%
Idaho Power Company	Power Plant	820,269	0.25%
Mountain View Care Center	Assisted Living	587,210	0.18%
CJM Limited Partnership	Development	469,544	0.14%
Red Cap, LLC	Kimberly Red Cap Subdivision	460,161	0.14%
Top 10 Taxpayers		8,104,780	2.46%
All other District Taxpayers		321,234,704	97.54%
Total District Taxpayers (Tax Year 2012)		<u>\$329,339,484</u>	100.00%

KIMBERLY SCHOOL DISTRICT No. 414

KIMBERLY, IDAHO

CONTINUING DISCLOSURE STATEMENT

State Support Programs

	2014	2013	2012	2011	2010
General Fund	\$ 1,308,365,400	\$ 1,279,818,600	\$ 1,223,580,400	\$ 1,214,280,400	\$ 1,148,615,300
Transfer - Public Education Stabilization Fund (3)	-	-	-	-	49,255,500
Dedicated Funds: (1)	74,567,600	66,873,400	68,547,400	91,054,700	64,146,200
Title 14 ARRA Stimulus Funds	-	-	-	7,406,300	179,248,800
Federal Funds	215,223,500	220,121,100	268,941,500	269,587,100	269,588,500
Total State Appropriation	\$ 1,598,156,500	\$ 1,566,813,100	\$ 1,561,069,300	\$ 1,582,328,500	\$ 1,710,854,300

(2)

- (1) Includes Lottery Receipts, Endowment Fund Receipts, Miscellaneous Receipt Balances, and Cigarette Taxes and Lottery Income.
- (2) Does not include \$59,934,000 of one-time funds received in July 2011 but attributed to Fiscal Year 2011 under Federal Education Maintenance of Effort Requirements. Districts could use these funds as discretionary funds and thus were able to restore their fund balances, but the additional funding was a one-time event resulting from a surplus in the General Fund at June 30, 2011. The Legislature made no provision for a similar contribution to public schools from the surplus in the General Fund at June 30, 2012 or Fiscal Year 2013. Rather, the Legislature indicated its intent to treat surpluses in future years in a manner consistent with prior practice, which was to make a deposit into the Stabilization Fund. The balance in the Stabilization Fund at June 30, 2012 was \$37,000,000, an increase from \$11,000,000 at June 30, 2011.
- (3) Based on revenue projections and appropriations by the 2013 Legislature, the expected balance in the Stabilization Fund at June 30, 2013 will be \$49,242,000.

Source: Idaho Legislature 2013 Sine Die Report "State of Idaho Major Reserve Fund Balances".

State Support to the District - (Fiscal Years)

	2013	2012	2011	2010	2009	2008
State Support						
August	\$ 1,893,214	\$ 1,850,669	\$ 1,846,034	\$ 2,071,258	\$ 2,109,878	\$ 2,024,777
October	1,892,281	1,581,616	1,869,315	2,083,395	2,117,507	2,030,091
November	1,273,336	1,239,433	1,248,399	766,343	1,412,001	1,354,918
February	714,383	779,054	698,983	763,667	877,102	825,457
May/June	991,780	748,275	972,040	540,647	841,782	806,416
Total (1)	\$ 6,764,994	\$ 6,199,047	\$ 6,634,771	\$ 6,225,310	\$ 7,358,270	\$ 7,041,659

(1) Totals may not track due to rounding

KIMBERLY SCHOOL DISTRICT No. 414
KIMBERLY, IDAHO
CONTINUING DISCLOSURE STATEMENT

Enrollment

Fiscal Year	Elementary	Middle	Secondary	Total
2015 (1)	770	407	484	1,661
2014 (1)	754	401	465	1,620
2013 (2)	752	373	439	1,564
2012 (3)	723	341	418	1,482
2011 (3)	699	333	433	1,465
2010 (3)	667	330	435	1,432
2009 (3)	652	339	448	1,439
2008 (3)	629	340	448	1,417

- (1) Estimates based on District's projections. The District makes no assurance that the projections will be achieved; actual results may differ materially from the forecasts shown above.
- (2) Actual enrollment in September 2013.
- (3) Historical enrollments as of Fall each year

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Passed Through State Superintendent of Public Instruction			
School Breakfast Program	10.553	82-6000893W	\$ 37,014
National School Lunch Program	10.555	82-6000893W	323,353
Summer Food Service Program for Children	10.559	82-6000893W	<u>18,634</u>
Total U.S. Department of Agriculture			379,001
U.S. Department of Education			
Passed Through State Superintendent of Public Instruction			
Title 1 Grants to Local Educational Agencies	84.010	82-6000893W	127,849
Migrant Education Basic State Formula Grant Program	84.011	82-6000893W	21,721
Improving Teacher Quality	84.367	82-6000893W	32,404
English Language Acquisition Grants	84.365	82-6000893W	7,747
Assistance to States for Education of Handicapped Children:			
Special Education-Preschool Grants	84.173	82-6000893W	24,760
Special Education-Grants to States	84.027	82-6000893W	<u>265,598</u>
Total U.S. Department of Education			<u>480,079</u>
Total			<u><u>\$ 859,080</u></u>

See accountants' report.

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Kimberly School District No. 414 under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB-Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in net position of the District.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



Mahlke Hunsaker & Company PLLC
C e r t i f i e d P u b l i c A c c o u n t a n t s

**INDEPENDENT AUDITORS' 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***

Chairman and Board of Trustees
Kimberly School District No. 414
Kimberly, Id. 83341

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, each major fund, and the aggregate remaining fund information of Kimberly School District No. 414, Kimberly, Idaho (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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.

Mahlke Hunsaker & Co.

MAHLKE HUNSAKER & CO., pllc
September 20, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Chairman and Board of Trustees
Kimberly School District No. 414
Kimberly, ID 83341

Report on Compliance for Each Major Federal Program

We have audited Kimberly School District No. 414, Kimberly, Idaho's (the District)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Mahlke Hunsaker & Co.

MAHLKE HUNSAKER & CO., pllc
Twin Falls, Idaho
September 20, 2013

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I---Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *qualified*

Internal control over financial reporting:

* Material weakness(es) identified? yes x no

* Significant deficiency(s) identified
that are not considered to be
material weaknesses? yes x none reported

Noncompliance material to financial
statements noted? yes x no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified? yes x no

* Significant deficiency(s) identified
that are not considered to be material
weakness(es)? yes x none reported

Type of auditor's report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 and 10.559	Child Nutrition Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish
between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes x no

**KIMBERLY SCHOOL DISTRICT
KIMBERLY, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section II -- Financial Statement Findings

There were no reportable conditions, material weaknesses or instances of noncompliance related to the financial statements that were found during the course of the audit.

Section III -- Federal Award Findings and Questioned Costs

There were no reportable conditions, material weaknesses, or instances of noncompliance, including questioned costs related to Federal Awards that were found during the course of the audit.