

Financial Statements and
Independent Auditor's Report

City of Ammon, Idaho
Bonneville County

September 30, 2013

City of Ammon, Idaho

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September 30, 2013

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City of Ammon, Idaho

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Ammon
Ammon, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ammon, Idaho, (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ammon, Idaho, as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, 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 Management's Discussion and Analysis, budgetary comparison information, and required supplementary information on pages 4 through 10 and pages 45 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules listed in the table of contents and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other schedules listed in the table of contents 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2014, on our consideration of the City's internal control over financial reporting and 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 the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Galusha Higgins and Galusha PC

GALUSHA, HIGGINS & GALUSHA, P.C.
Certified Public Accountants

Idaho Falls, Idaho
January 28, 2014

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2013

This discussion and analysis of the City of Ammon, Idaho's (the City's) financial performance provides an overall review of the City's financial activities for the fiscal year ended September 30, 2013. The intent of the discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City of Ammon exceeded its liabilities at the close of fiscal year 2013 by \$34,147,421 (net position). Of this amount, \$3,486,816 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,322,634 in comparison with the prior year mainly due to transferring assets to the Eastern Idaho Regional Waste Water Authority countered by an increase in fees for utilities.
- As of the close of fiscal year 2013, the City of Ammon's governmental funds reported combined ending fund balances of \$8,756,243, an increase of \$964,488 in comparison with the prior year. Approximately \$5,464,642 of this total amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of fiscal year 2013, unassigned fund balance for the general fund was \$5,778,542.
- During fiscal year 2013, the City of Ammon incurred long-term debt in the amount of \$1,080,395. The revenue bond for wastewater was closed April 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements.

Government-Wide Financial Statements

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

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

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

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2013

Both of the government-wide financial statements distinguish functions of the City of Ammon that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities.)

The governmental activities of the City of Ammon include general government, public safety, streets, parks and recreation, building, and technology (an internal service fund). The business-type activities of the City of Ammon include water, wastewater, sanitation, and broadband services.

The government-wide financial statements include not only the City of Ammon itself (known as the primary government), but also the legally separate Ammon Urban Renewal Agency for which the City of Ammon is financially accountable. Financial information of this component unit is reported separately from the financial information presented for the primary government itself. The water, wastewater, and sanitation services function as departments of the City of Ammon, and have been included as an integral part of the primary government.

Fund Financial Statements

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Ammon maintains two major individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in balances for the general fund, and the street fund which are major governmental funds. There is one internal service fund for technology.

The City of Ammon adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget for the major funds.

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

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2013

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, sanitation, and broadband operations, each of which are considered to be major funds of the City of Ammon.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$34,147,421 as of September 30, 2013.

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

The following table provides a summary of the City's net position for 2013 compared to 2012:

	<u>2013</u>	<u>2012</u>
Assets		
Current and other assets	23,955,405	22,239,111
Capital assets	47,303,424	48,025,760
Total assets	71,258,829	70,264,871
Liabilities		
Current and other liabilities	777,275	1,355,927
Long-term liabilities	36,334,133	36,084,157
Total liabilities	37,111,408	37,440,084
Net position		
Net investment in capital assets	28,338,848	28,255,679
Restricted	2,321,757	1,253,234
Unrestricted	3,486,816	3,315,874
Total net position	34,147,421	32,824,787

The restricted portion of the City's net position, \$2,321,757, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$3,486,816, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position, for the government as a whole, but not for business-type activities due to the net amount invested in capital assets. As most of the assets for the wastewater project were transferred to EIRWWA the associated debt carried by the city outweighs the remaining value of assets in that fund.

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2013

The prior year the City reported positive balances in all three categories for governmental but only for two categories for the business-type activities.

The net position of the City, as a whole, increased \$1,322,634 from \$32,824,787 at September 30, 2012, to \$34,147,421 at September 30, 2013. Governmental activities increased \$108,598 over the prior year while business-type activities increased \$1,214,036 over the same period.

Governmental Activities. Governmental activities increased the City's net position by \$108,598. Key elements of this increase are as follows:

- Increase in revenues such as property taxes, charged fees, and collections for licenses and permits issued by the City for buildings or repairs.

The following table shows the changes in net position for fiscal years 2013 and 2012.

	2012 Governmental Activities	2013 Governmental Activities	2012 Business-type Activities	2013 Business-type Activities
Revenues				
Program revenues				
Fees, fines, and charges for services	452,731	708,623	5,891,191	6,294,482
Operating grants and contributions	562,007	462,533		
Capital grants and contributions		544,972	51,375	332,729
General revenues				
Property taxes	1,839,848	1,909,515		
Intergovernmental revenues	1,203,878	1,323,418		
Miscellaneous	425,439	514,896	161,197	118,974
Total revenues	<u>4,483,903</u>	<u>5,463,957</u>	<u>6,103,763</u>	<u>6,746,185</u>
Expenses				
General government	729,603	838,501		
Law enforcement	1,261,923	1,282,725		
Fire protection	599,599	671,202		
Planning and zoning	41,036	41,437		
Engineering	50,701	34,565		
Building	254,304	241,184		
Parks	313,221	271,261		
Recreation	28,476	29,033		
Pool	112,977	91,633		
Highway and streets	1,692,738	1,831,902		
Capital outlay	8,075	21,916		
Water			2,208,762	2,153,812
Wastewater			22,633,422	2,552,017
Sanitation			572,333	632,901
Broadband			137,843	193,419
Total expenses	<u>5,092,653</u>	<u>5,355,359</u>	<u>25,552,360</u>	<u>5,532,149</u>
Transfers				
Changes in net position	<u>(608,750)</u>	<u>108,598</u>	<u>(19,448,597)</u>	<u>1,214,036</u>

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2013

Business-type Activities. Business-type operating activities increased the City's net position by \$1,214,036. Key elements of this increase are as follows:

- Total revenues increased by \$403,291 for the year ended September 30, 2013, due to approved increases in fees charged for utility services.
- Total expenses decreased by \$20,020,211 for the year ended September 30, 2013. This reflects the final transfer of remaining wastewater assets to the Eastern Idaho Regional Waste Water Authority as the wastewater project came to a close in April, however the transfer is significantly less than the bulk of the project which was transferred in the prior year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$8,756,243, an increase of \$964,488 in comparison with the prior year. Approximately 62% of this total amount, \$5,464,642, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been obligated for a variety of restricted purposes.

The General Fund is the chief operating fund of the City. At September 30, 2013, unassigned fund balance of the General Fund was \$5,778,542, while total fund balance is \$5,996,931. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The fund balance of the City's General Fund increased by \$757,796 during the current fiscal year. The key factors in this are:

- Revenues increased by \$201,310 primarily due to increased property tax receipts and intergovernmental revenues.

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

Net position of the Water, Wastewater, Sanitation, and Broadband Funds at September 30, 2013, amounted to \$5,715,192. The total increase in net position for the funds was \$1,214,036. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2013

Budgetary Highlights. The City did not amend the 2012 - 2013 Governmental Fund budget.

	Budgeted	Expended
General Government	1,550,464	1,163,771
Enforcement	1,322,358	1,282,728
Fire	817,714	506,567
Building	241,574	237,011
Parks & Recreation	537,129	363,714
Sanitation	1,348,125	653,538
Wastewater	2,835,163	2,762,824
Street	3,012,523	1,259,064
Water	2,886,687	2,190,647
Technology	456,588	336,197
Broadband	325,023	193,419
Total Expenditures	<u>15,333,348</u>	<u>10,949,480</u>

The General Government category includes transfers, but excludes the budgetary expense category for interest transferred to the various funds based on the cash allocation of those funds as this is reflected in revenues.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$47,303,424 (net of accumulated depreciation.) Capital assets include land, infrastructure, buildings, improvements other than buildings, machinery and equipment, and when applicable, construction in process.

Major capital transactions during the year were:

- Built a fuel station for fueling City vehicles and equipment and emergency preparedness.
- The City now has just under 30 miles of fiber in the ground.
- The City connected four of School District 93 schools with our fiber with 10 GB links.
- The City is moving all of the water and wastewater infrastructure to a single System Control and Data Acquisition (SCADA) system that all utilizes City fiber.
- The City acquired hardware and software to assume responsibility for our own GeoSpatial Information Systems (GIS), we are now in the process of inputting data.
- Updated the road on 17th Street from the railroad tracks to Crowley Road.
- The City has continued to install water meters throughout the City, and we are gathering the usage information. We have completed the second year of a five year plan to have meters at all water connections.
- The City closed out the wastewater bond and started making payments.
- Purchased a new automated residential sanitation truck.
- Installed playground equipment at Woodland Hills Park.

Additional information about the City's capital assets can be found in Note D of the financial statements.

City of Ammon, Idaho

Management's Discussion and Analysis *September 30, 2013*

Debt Administration. The City of Ammon incurred \$1,080,395 in notes payable related to the wastewater project. The City continued repaying the revenue bond on the water and paid \$572,562 of principle during the year. The City began repaying the revenue bond on the wastewater and paid \$257,857 of principle during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Ammon is continuing to build and strengthen its tax base and economy not only by expanding existing businesses, but by attracting new businesses. New home construction is increasing and the City is optimistic that new subdivisions will bring new businesses and residents. Because of sound financial planning, good judgment, and restraint, City leadership has positioned itself to be able to continue to provide quality services as well as continue to work on planned capital improvements. In short, we are cautiously optimistic in our economic outlook for 2014.

COMPONENT UNIT

The financial statements include the Ammon Urban Renewal Agency, a component unit of the City. The financial statements for the Agency are available at the City office. The City also has a Lighting District with minimal activity that started in 2009.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jennifer Belfield, Treasurer, City of Ammon, 2135 South Ammon Road, Ammon, ID 83406.

City of Ammon, Idaho

Government-wide Statement of Net Position September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	8,964,646	13,839,140	22,803,786	23,377
Receivables				
Property taxes	60,194		60,194	4,801
Intergovernmental	286,127		286,127	
Accounts receivable		592,539	592,539	
Other	36,278		36,278	
Internal balances	(152,685)	152,685	0	
Prepaid insurance	8,399		8,399	
Real estate held for sale	168,082		168,082	
Capital assets				
Depreciable assets, net	19,575,771	27,727,653	47,303,424	
Total assets	28,946,812	42,312,017	71,258,829	28,178
LIABILITIES				
Current liabilities				
Accounts payable	500,590		500,590	500
Accrued salaries and benefits	50,498	29,282	79,780	
Accrued taxes payable	84,015		84,015	
Compensated absences	32,165		32,165	
Customer deposits		80,725	80,725	
Accrued interest			0	192
Noncurrent liabilities				
Due within one year		1,358,509	1,358,509	
Due in more than one year		34,975,624	34,975,624	5,202,613
Total liabilities	667,268	36,444,140	37,111,408	5,203,305
NET POSITION (DEFICIT)				
Net investment in capital assets	19,575,771	8,763,077	28,338,848	
Restricted				
East Hills	14,341		14,341	
Development commitments	283,591		283,591	
Debt services		2,023,825	2,023,825	2
Unrestricted	8,405,841	(4,919,025)	3,486,816	(5,175,129)
Total net position (deficit)	28,279,544	5,867,877	34,147,421	(5,175,127)

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Activities
For the Year Ended September 30, 2013

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	838,501	127,948		
Law enforcement	1,282,725	24,479		
Fire protection	671,202	34,244		21,130
Planning and zoning	41,437	4,009		
Engineering	34,565			
Building	241,184	221,612		
Parks	271,261			
Recreation	29,033	31,378		
Pool	91,633	110,600		
Highway and streets	1,831,902	154,353	462,533	523,842
Capital outlay	21,916			
Total governmental activities	5,355,359	708,623	462,533	544,972
Business-type activities				
Water	2,153,812	2,533,672		102,000
Wastewater	2,552,017	2,681,263		149,588
Sanitation	632,901	838,320		
Broadband	193,419	241,227		81,141
Total business-type activities	5,532,149	6,294,482	0	332,729
Total primary government	10,887,508	7,003,105	462,533	877,701
Component unit	335,432	0	0	0

General revenues
Property taxes
Franchise fees
Intergovernmental revenues
Other revenue
Earnings on investments

Total general revenues

Change in net position

Net position (deficit) - beginning

Net position (deficit) - ending

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Activities For the Year Ended September 30, 2013

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Unit
(710,553)		(710,553)	
(1,258,246)		(1,258,246)	
(615,828)		(615,828)	
(37,428)		(37,428)	
(34,565)		(34,565)	
(19,572)		(19,572)	
(271,261)		(271,261)	
2,345		2,345	
18,967		18,967	
(691,174)		(691,174)	
(21,916)		(21,916)	
(3,639,231)	0	(3,639,231)	0
	481,860	481,860	
	278,834	278,834	
	205,419	205,419	
	128,949	128,949	
0	1,095,062	1,095,062	
(3,639,231)	1,095,062	(2,544,169)	
			(335,432)
1,909,515		1,909,515	240,062
410,855		410,855	
1,323,418		1,323,418	
29,915		29,915	
74,126	118,974	193,100	
3,747,829	118,974	3,866,803	240,062
108,598	1,214,036	1,322,634	(95,370)
28,170,946	4,653,841	32,824,787	(5,079,757)
28,279,544	5,867,877	34,147,421	(5,175,127)

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Balance Sheet Governmental Funds September 30, 2013

	General	Street	Nonmajor funds	Total Governmental Funds
ASSETS				
Cash	3,120,855		(89,350)	3,031,505
Investments	3,043,958	2,799,587		5,843,545
Receivables				
Property taxes	60,194			60,194
Intergovernmental	172,350	113,777		286,127
Other	10,508	25,770		36,278
Real estate held for sale	168,082			168,082
Prepaid expenses	8,399			8,399
	Total assets	2,939,134	(89,350)	9,434,130
LIABILITIES				
Accounts payable	500,590			500,590
Accrued salaries and benefits	43,456	5,477	980	49,913
Developer bonds payable		84,015		84,015
	Total liabilities	89,492	980	634,518
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	43,369			43,369
FUND BALANCE				
Restricted for				
East Hill	14,341			14,341
Development commitments		283,591		283,591
Committed for				
Street projects		2,566,051		2,566,051
Parks and recreation			223,570	223,570
Assigned for				
Asset replacement	53,800			53,800
Fire Department	150,248			150,248
Unassigned	5,778,542		(313,900)	5,464,642
	Total fund balances	2,849,642	(90,330)	8,756,243
	Total liabilities, deferred inflows of resources, and fund balances	2,939,134	(89,350)	9,434,130

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position *September 30, 2013*

Total fund balances - governmental funds	8,756,243
Amounts reported for governmental activities in the statement of net position are different due to the following items:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
The cost of the assets excluding the internal service fund is \$44,467,306 and the accumulated depreciation is \$25,037,207.	19,430,099
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are shown as unavailable in the funds.	
	43,369
Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year end consisted of :	
Compensated absences	(32,165)
Internal service funds are used by management to charge the costs of information technology to individual funds. The governmental portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	
	<u>81,998</u>
Total net position - governmental activities	<u><u>28,279,544</u></u>

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2013

	General	Street	Nonmajor funds	Total Governmental Funds
REVENUES				
Property taxes	1,943,474			1,943,474
Franchise fees	155,149	255,706		410,855
Licenses and permits	86,118		221,612	307,730
Intergovernmental revenue	1,323,418	462,533		1,785,951
Planning	4,009			4,009
Recreation fees			141,978	141,978
Earnings on investments	49,483	24,332	311	74,126
Grants and donations	21,130	523,842		544,972
Miscellaneous revenue	128,081	152,103	4,637	284,821
Total revenues	3,710,862	1,418,516	368,538	5,497,916
EXPENDITURES				
General government	808,341			808,341
Law enforcement	1,282,725			1,282,725
Fire protection	485,153			485,153
Planning and zoning	41,437			41,437
Engineering	34,565			34,565
Building			236,511	236,511
Parks			243,049	243,049
Recreation			29,033	29,033
Pool			91,633	91,633
Highway and streets		1,259,065		1,259,065
Capital outlay	21,416		500	21,916
Total expenditures	2,673,637	1,259,065	600,726	4,533,428
Revenues over (under) expenditures	1,037,225	159,451	(232,188)	964,488
OTHER FINANCING SOURCES (USES)				
Operating transfers	(279,429)		279,429	0
Revenues and other financing sources over (under) expenditures	757,796	159,451	47,241	964,488
Fund balance at October 1, 2012	5,239,135	2,690,191	(137,571)	7,791,755
Fund balance at September 30, 2013	5,996,931	2,849,642	(90,330)	8,756,243

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities *September 30, 2013*

Total net change in fund balances - governmental funds	964,488
Amounts reported for governmental activities in the statement of activities are different due to the following:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense \$1,512,604 exceeded capital outlays \$804,047 in the current period. In addition land and other items sold or disposed had a carrying value of \$162,472	(871,029)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues increased by this amount this year.	(33,959)
In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year vacation leave earned exceeded vacation leave used by this amount.	5,638
Internal service funds are used by management to charge the costs of information technology to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	<u>43,460</u>
Total change in net position - governmental activities	<u><u>108,598</u></u>

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Net Position Proprietary Funds September 30, 2013

	Business-type Activities Enterprise Funds	
	Water	Wastewater
ASSETS		
Current assets		
Investments	5,457,364	6,363,071
Accounts receivable	110,920	227,187
Total current assets	5,568,284	6,590,258
Non-current assets		
Capital assets		
Net of accumulated depreciation	20,220,502	6,237,513
Total assets	25,788,786	12,827,771
LIABILITIES		
Current		
Accrued salaries and benefits	11,095	8,598
Customer deposits	80,725	
Bonds payable-current	650,993	707,516
Total current liabilities	742,813	716,114
Long-term debt	12,727,063	22,248,561
Total liabilities	13,469,876	22,964,675
NET POSITION		
Net investment in capital assets	7,493,439	
Restricted	955,302	1,068,523
Unrestricted	3,870,169	(11,205,427)
Total net position	12,318,910	(10,136,904)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		
Net position of business-type activities		

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Net Position Proprietary Funds September 30, 2013

Business-type Activities Enterprise Funds			Governmental Activities
Sanitation	Nonmajor Broadband	Total	Internal Service Funds
1,881,129	137,576	13,839,140	89,596
89,230	165,202	592,539	
1,970,359	302,778	14,431,679	89,596
438,782	830,856	27,727,653	145,672
2,409,141	1,133,634	42,159,332	235,268
9,469	120	29,282	585
		80,725	
		1,358,509	
9,469	120	1,468,516	585
		34,975,624	
9,469	120	36,444,140	585
438,782	830,856	8,763,077	
		2,023,825	
1,960,890	302,658	(5,071,710)	234,683
2,399,672	1,133,514	5,715,192	234,683
		152,685	
		5,867,877	

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended September 30, 2013

	Business-type Activities Enterprise Funds	
	Water	Wastewater
OPERATING REVENUES		
Charges for services	2,335,465	2,605,096
Connection fees	165,118	70,885
Penalties	22,105	
Miscellaneous	10,984	5,282
Total operating revenues	2,533,672	2,681,263
 OPERATING EXPENSES		
Power	349,056	5,686
Treatment		4,964
Operation and maintenance	643,071	1,109,463
Salaries and benefits	270,769	234,029
Depreciation	545,007	239,152
Total operating expenses	1,807,903	1,593,294
Income (loss) from operations	725,769	1,087,969
 NON-OPERATING REVENUES (EXPENSES)		
Transfer to EIRWWA		(809,659)
Grants		56,588
Earnings on investments	46,980	53,444
Interest expense	(382,744)	(187,371)
Total non-operating revenues (expenses)	(335,764)	(886,998)
 OTHER FINANCING SOURCES (USES)		
Donated assets	102,000	93,000
Total other financing sources (uses)	102,000	93,000

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended September 30, 2013

Business-type Activities Enterprise Funds			Governmental Activities
Sanitation	Nonmajor Broadband	Total	Internal Service Funds
838,320	241,227	6,020,108	472,818
		236,003	
		22,105	
		16,266	
838,320	241,227	6,294,482	472,818
		354,742	
		4,964	
323,693	118,609	2,194,836	152,575
222,628	38,932	766,358	163,657
107,218	35,878	927,255	19,965
653,539	193,419	4,248,155	336,197
184,781	47,808	2,046,327	136,621
		(809,659)	
	81,141	137,729	
16,865	1,685	118,974	2,617
		(570,115)	
16,865	82,826	(1,123,071)	2,617
		195,000	
0	0	195,000	0

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2013

	Business-type Activities Enterprise Funds	
	Water	Wastewater
Change in net position	<u>492,005</u>	<u>293,971</u>
Net position at October 1, 2012	<u>11,826,905</u>	<u>(10,430,875)</u>
Net position at September 30, 2013	<u><u>12,318,910</u></u>	<u><u>(10,136,904)</u></u>
Change in net position - enterprise funds		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		
Change in net position of business-type activities		

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended September 30, 2013

Business-type Activities Enterprise Funds			Governmental Activities
Sanitation	Broadband	Total	Internal Service Funds
201,646	130,634	1,118,256	139,238
2,198,026	1,002,880	4,596,936	95,445
2,399,672	1,133,514	5,715,192	234,683
		1,118,256	
		95,780	
		1,214,036	

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2013

	Business-type Activities Enterprise Funds	
	Water	Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	2,590,949	2,658,150
Cash payments to suppliers for goods and services	(992,127)	(1,147,113)
Cash payments to employees for services provided	(274,527)	(234,454)
Net cash flows provided (used) by operating activities	1,324,295	1,276,583
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant, and equipment	(325,312)	(833,149)
Proceeds from long-term debt		1,080,395
Interest paid on long-term debt	(382,744)	(187,371)
Payments on long-term debt	(572,562)	(257,857)
Cash received from grants restricted for capital purposes		56,588
Net cash flows provided (used) by capital and related financing activities	(1,280,618)	(141,394)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(90,657)	(1,188,633)
Interest income	46,980	53,444
Net cash flows provided (used) by investing activities	(43,677)	(1,135,189)
Net increase (decrease) in cash and cash equivalents	0	0
Cash and cash equivalents at beginning of year	0	0
Cash and cash equivalents at end of year	0	0

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statements of Cash Flows Proprietary Funds For the Year Ended September 30, 2013

Business-type Activities Enterprise Funds			Governmental Activities Internal
Sanitation	Broadband	Total	Service Funds
823,267	76,025	6,148,391	472,818
(323,693)	(118,609)	(2,581,542)	(152,575)
(220,161)	(41,810)	(770,952)	(174,213)
279,413	(84,394)	2,795,897	146,030
(351,549)	(124,449)	(1,634,459)	(76,109)
		1,080,395	
		(570,115)	
		(830,419)	
	81,141	137,729	
(351,549)	(43,308)	(1,816,869)	(76,109)
55,271	126,017	(1,098,002)	(72,538)
16,865	1,685	118,974	2,617
72,136	127,702	(979,028)	(69,921)
0	0	0	0
0	0	0	0
0	0	0	0

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2013

	Business-type Activities Enterprise Funds	
	Water	Wastewater
	RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Income (loss) from operations	725,769	1,087,969
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase (decrease) in accounts payable		(27,000)
Depreciation	545,007	239,152
Decrease (increase) in accounts receivable	45,573	(23,113)
Increase (decrease) in accrued liabilities	(3,758)	(425)
Increase (decrease) in customer deposits	11,704	
Net cash flows provided (used) by operating activities	1,324,295	1,276,583
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donation of capital assets to the City	102,000	93,000
Distribution of capital assets to EIRWWA	0	809,659

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2013

Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
Sanitation	Broadband	Total	
184,781	47,808	2,046,327	136,621
107,218	35,878	(27,000)	19,965
(15,053)	(165,202)	927,255	(157,795)
2,467	(2,878)	(4,594)	(10,556)
279,413	(84,394)	11,704	
279,413	(84,394)	2,795,897	146,030
0	0	195,000	
0	0	809,659	0

The accompanying notes are an integral part of this statement.

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City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

1. General. The City of Ammon (the City) is a municipal corporation governed by an elected mayor and a six-member council.

The financial statements listed in the table of contents have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial position.

2. Discretely Presented Component Unit. In conformity with generally accepted accounting principles, the basic financial statements of Ammon Urban Renewal Agency have been included in the financial reporting entity as a discretely presented component unit, emphasizing their nature as a legally separate entity from the City. It is presented as a separate column within the basic financial statements.

Ammon Urban Renewal Agency (the Agency). This component unit has a board, which is appointed by the Mayor of the City with the advice and consent of the Ammon City Council. The Ammon Urban Renewal Agency rehabilitates deteriorating or deteriorated areas. It has a fiscal year end of September 30.

For financial reporting purposes, the City of Ammon, Idaho, combines the general maintenance and operating accounts of the Agency with all other funds which the management of the City has oversight responsibility and the governing authority to significantly influence operations.

A copy of the Ammon Urban Renewal Agency audit may be obtained at the City office.

3. Government-wide and Fund Financial Statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Statement of Net Position presents the reporting entity's assets and liabilities, with the difference reported as net position (net investment in capital assets; restricted net position; or unrestricted net position). Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt. Restricted net position results when constraints placed on net position use are imposed by third parties through constitutional provisions, or enabling legislation.

Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net position are available. Restricted net position balance will fluctuate as related accounting transactions occur. Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position may have constraints or designations placed upon them by management, but they can be unilaterally removed.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

4. Fund Financial Statements. The City fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Types

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds focus is on the sources, uses, and balance of current financial resources.

The City has presented the following major governmental funds:

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Fund - The Street Fund is used to account for funds received and expended for the construction and renovation of thoroughfares, arterial streets, and other improvements in the City.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position.

The City has presented the following major proprietary funds:

Water Fund - The Water Fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water system, and billing and collection activities.

Wastewater Fund - The Wastewater Fund is used to account for the provision of wastewater services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the wastewater system, administration of the debt related to providing wastewater services, and billing and collection activities.

Sanitation Fund - The Sanitation Fund is used to account for operations of solid waste collection and disposal services. All costs are financed through charges to sanitation customers.

The City has one nonmajor proprietary fund:

Broadband Fund - The Broadband Fund is used to account for operations of the City's fiber optic system. All costs will be financed through charges to broadband customers, or as an inter-entity service provided to the Water and General Funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports the following fund type:

Internal service funds account for data processing provided to other departments of the City on a cost reimbursement basis.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to /from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financials statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

5. Measurement Focus / Basis of Accounting. The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

6. Budgetary Control. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds. All annual appropriations lapse at fiscal year end. The department heads submit the budget to the City Council and a public hearing is held prior to adoption of the budget. Prior to October 1, the budget is enacted through passage of an appropriation ordinance. The budget includes the general, special revenue, and enterprise funds. The level of control (level at which expenditures should not exceed budget) is the fund. The legal level of control is the appropriation ordinance.

Encumbrances represent commitments related to unperformed contracts for goods or services. The City did not have any encumbrances at September 30, 2013.

The General, and Street statements of revenues, expenditures, and changes in fund balance present a comparison of budgetary data to actual results. These reports utilize the same basis of accounting for both budgetary purposes and actual results.

7. Cash and Investments. Cash includes amounts in demand deposits as well as short-term investments with original maturities of three months or less. Cash also includes amounts held in the local government investment pool and money market accounts. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements. Investments of the primary government consist of certificates of deposits with original maturities of greater than three months, government agency bonds, corporate bonds, amounts held in the state's diversified bond fund. Investments in the component unit consist of obligations of the United States Government and are stated at amortized cost, which approximates market value.
8. Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical information is not available. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater.

Donated capital assets are recorded at estimated fair value at the date of donation. Renewals and betterments are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. The City accepted \$718,842 in donated assets during the year ended September 30, 2013.

Land and construction in progress are not depreciated.

Buildings and improvements and equipment assets are depreciated using the straight-line depreciation method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Equipment	3-15
Vehicles	5-7
Infrastructure	15-60

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

9. Transactions Between Funds. Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds. The City generally has eliminated the interfund activity from the government-wide financial statements.
10. Compensated Absences. Government Accounting Standards Board codification specifies that a liability should be accrued for leave benefits that meet the following conditions:
 - a. The employer's obligation relative to employee rights to receive compensation for future absences is attributable to employee services already rendered.
 - b. The obligation related to rights that vest or accumulate.
 - c. Payment of the obligation is probable.
 - d. The amount can be reasonably estimated.

The City records a liability for accrued vacation and sick time when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City uses the vesting method to calculate the compensated absence liability.

In proprietary funds, compensated absences are expended when earned. The entire amount of compensated absences is reported as a liability.

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

In addition to liabilities, the statement of 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 City only has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

12. Net Position Flow Assumption. Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. Fund Balance Flow Assumptions. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.
14. Fund Balance Policies. Fund balance of governmental funds is reported in various categories based on the nature of any limitation requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by council action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized management to assign fund balance. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

15. Program revenues. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.
16. Property Taxes. Property taxes attach as an enforceable lien on property as of the second Monday in January. Taxes are levied on the second Monday in September and are payable in two installments on December 20, and June 20, of the following year. The City receives remittances from the county on a monthly basis. The City's property tax revenues are recognized when they become available.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

17. Proprietary Fund Operating and Nonoperating Revenues and Expenses. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Water Fund, Wastewater Fund, Sanitation Fund, Broadband Fund, and Internal Service Funds are charges to customers for sales and services. The Water and Wastewater Funds also recognize as operating revenue the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.
18. Risk Management. The City is exposed to a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) employee torts; (c) professional liability, i.e. errors and omissions; (d) environmental damage; (e) workers' compensation, i.e. employee injuries; and (f) medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.
19. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B DEPOSITS AND INVESTMENTS

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has reduced its concentration of credit risk by using several financial institutions. The formal policy as of September 30, 2013, was to limit deposits with any one bank or credit union to the maximum FDIC/NCUA insurable amount. As of September 30, 2013, \$2,225,273 of the City's deposits were exposed to custodial credit risk because it was uninsured and uncollateralized.

As of September 30, 2013, the City had the following investments:

<u>Investment type</u>	<u>Fair Value</u>
Government agencies	2,604,056
Corporate bonds	12,282,306
Certificates of deposit	4,482,985
Municipal Bonds	307,388
State Diversified Bond Fund	95,542
Total	<u>19,772,277</u>

The City's bank and investment balances as of September 30, 2013, were \$22,803,786.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE B DEPOSITS AND INVESTMENTS, continued

Interest rate risk: The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk: The City's investment policy requires investments to be in conformity with Idaho Statue Title 50 Chapter 10 section 13.

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Of the deposits and investments, \$701,834 and \$90,770 were held in the State Treasurer's Investment Pool and Diversified Bond Fund, respectively, which are not insured or guaranteed by the FDIC.

Concentration of credit risk: The City's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the City's total investments with the exception of U.S. Treasury Securities and authorized pools.

The City has elected to invest in the LGIP through the Idaho State Treasurer. The Idaho State Treasurer provides oversight for investments by or through any department or institute of the State of Idaho. Amounts held by the LGIP were held in the following investments: government agency notes, commercial paper, corporate bonds, money markets, U.S. treasury notes, Idaho repurchase agreements, and purchased accrued interest. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). These investments are subject to risk from market and interest rate fluctuations. The weighted average maturity at September 30, 2013, was 143 days.

The City invests in the DBF through the Idaho State Treasurer. Amounts held by the DBF were held in the following investments: corporate securities, mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, U.S. Government agency securities, U.S. Treasury securities money market funds, and accrued interest.

The investments held by the DBF are carried at fair value (determined by the Idaho State Treasurer's office). These investments are subject to risk from market and rate fluctuations. The weighted average duration was 4.1 years at September 30, 2013.

The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

The City's investment accounts, including government agencies, commercial paper, corporate bonds, certificates of deposit, and money market funds, are held with two different investment advisors. The money market funds are included as cash in the financial statements. The balance with Moreton Financial Solutions was \$4,332,173 at September 30, 2013, and the weighted average duration was 1.51 years. The balance with Zions Wealth Advisors was \$16,682,307 with an average duration of 1.42 years. The City follows the investment policy when investing that was adopted in accordance with Idaho state law.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE C RETIREMENT SYSTEM

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% (2.3% police / firefighter) of the average monthly salary for the highest consecutive 42 months.

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

The actuarially determined contribution requirements of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2013, the required contribution rates as a percentage of covered payrolls for members was 6.79% for general members, and 8.36% for police / firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members, and 11.66% for police / firefighter members. The City's contributions required and paid were \$184,456, \$163,950, and \$152,398, for the three years ended September 30, 2013, 2012, and 2011, respectively.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE D CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 10/01/12	Capital Acquisitions	Capital Disposals	Balance 09/30/13
Governmental Activities				
Land	967,651		59,000	908,651
Buildings and improvements	1,881,121	10,526		1,891,647
Infrastructure	38,198,805	694,524	135,542	38,757,787
Machinery and equipment	2,999,566	175,106	65,558	3,109,114
Accumulated depreciation	(23,656,487)	(1,532,569)	(97,628)	(25,091,428)
Governmental activities capital assets, net	<u>20,390,656</u>	<u>(652,412)</u>	<u>162,472</u>	<u>19,575,771</u>
Business-type activities				
Water				
Land and water rights	124,687	135,600		260,287
Construction in progress				
Buildings and improvements	6,989,229			6,989,229
Infrastructure	15,721,274	102,000		15,823,274
Machinery and equipment	907,126	189,712		1,096,838
Accumulated depreciation	(3,404,119)	(545,007)		(3,949,126)
Water capital assets, net	<u>20,338,197</u>	<u>(117,695)</u>	<u>0</u>	<u>20,220,502</u>
Sewer				
Construction in progress		809,659	809,659	0
Buildings and improvements	543,227			543,227
Infrastructure	7,540,518	93,000		7,633,518
Machinery and equipment	545,789	23,490		569,279
Accumulated depreciation	(2,269,356)	(239,152)		(2,508,508)
Sewer capital assets, net	<u>6,360,178</u>	<u>686,997</u>	<u>809,659</u>	<u>6,237,516</u>
Sanitation				
Machinery and equipment	801,543	351,553		1,153,096
Accumulated depreciation	(607,096)	(107,218)		(714,314)
Sanitation capital assets, net	<u>194,447</u>	<u>244,335</u>	<u>0</u>	<u>438,782</u>
Broadband				
Infrastructure	748,392	119,449		867,841
Machinery and equipment	61,193	5,000		66,193
Accumulated depreciation	(67,300)	(35,878)		(103,178)
Broadband capital assets, net	<u>742,285</u>	<u>88,571</u>	<u>0</u>	<u>830,856</u>
Business-type activities	<u>27,635,107</u>	<u>902,208</u>	<u>809,659</u>	<u>27,727,656</u>

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE D CAPITAL ASSETS, continued

Depreciation expense was charged to current function of the primary government as follows:

Governmental activities	
General government	23,033
Fire protection	215,582
Building	5,100
Parks and recreation	43,547
Highways and streets	1,225,342
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	19,965
Total governmental activities	<u>1,532,569</u>
Business-type activities	
Water	545,007
Wastewater	239,152
Sanitation	107,218
Broadband	35,878
Total business-type activities	<u>927,255</u>

NOTE E NET POSITION

Enterprise Funds. The total unrestricted net position was (\$5,071,710) at September 30, 2013. The City has started accumulating assets collected from the increase in water and wastewater rates for the repayment of debt and to establish the reserve accounts for the bond repayments. At September 30, 2013, the City has accumulated \$955,302 in the Water Fund and \$1,068,523 in the Sewer Fund. The City has also committed \$955,302 from the Water Fund, and \$1,068,523 in the Sewer Fund for emergencies.

NOTE F AMMON URBAN RENEWAL AGENCY

1. Reporting Entity. The component unit in the government-wide financial statements includes the financial data of the Ammon Urban Renewal Agency (Agency), the City's only discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the City in accordance with state urban renewal law.
2. Summary of Significant Accounting Policies. The basis of accounting for the government-wide financial statements is the accrual basis of accounting.
3. Cash and Investments. At September 30, 2013, the carrying amount and bank balance of the Agency's deposits was \$25,377. The entire balance was covered by federal depository insurance.
4. Bonds Payable. The Agency issued \$2,935,000 of Multi-mode Variable Rate Revenue Allocation (Tax Increment) Bonds, Series 1999A in July 1999. The payment on these bonds is interest only, until maturity at August 1, 2024. The interest rate on these bonds is variable. The Agency exercised their optional redemption rights and redeemed \$1,390,000 of these bonds since original issue bringing the principal remaining balance to \$1,545,000.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE F **AMMON URBAN RENEWAL AGENCY, continued**

5. Restricted Fund Balance. A portion of the fund balance of the Debt Service Reserve Fund was created to segregate a portion of fund balance for debt service, including both principal and interest payments.
6. Notes Payable. On January 28, 1998, the Agency entered into a Limited Recourse Promissory Note (Phase I Note, Series 1997A Project Note) payable in the amount of \$917,150 to CPI / Ammon Limited Partnership. The note bears interest at 9.0%. The principal balance on the note at September 30, 2013, is \$917,150. Future debt service payments on the note are not specified.

On January 28, 1998, the Agency entered into a Limited Recourse Promissory Note (Phase I Note, Bond Project Series 1997B Project) payable in the amount of \$46,915 to CPI / Ammon Limited Partnership. The note bears interest at 5.88%. The principal balance on the note at September 30, 2013, is \$46,915. Future debt service payments on the note are not specified.

The recourse of CPI / Ammon Limited Partnership for payment on these notes is limited solely to the funds in the Revenue Allocation Fund, after payment of interest and principal on the bonds and payments to fund the Administrative Fund. The Agency's obligation to make revenue allocation payments to CPI / Ammon Limited Partnership terminates for taxes collected and paid to the Agency for the calendar year beginning January 1, 2024.

Interest accrued on these notes through September 30, 2013, was approximately \$2,694,000.

7. Changes in General Long-Term Debt. A summary of the changes in the General Long-term Debt is as follows:

	Series 1999A Bonds	Notes Payable
Balance, October 1, 2012	1,755,000	964,065
Net principal payment	210,000	
Balance, September 30, 2013	1,545,000	964,065

8. Letter-of-Credit. The Agency entered into an irrevocable direct-pay letter-of-credit dated July 21, 1999, with Wells Fargo Bank in order to secure and facilitate payment of principal and interest on the Series 1999 Bonds (the Bonds). The agreement amount is not to exceed the outstanding principal amount of the Bonds and 45 days' interest calculated at 12% per annum. The letter-of-credit has been extended until August 1, 2015. The letter-of-credit fee is due in advance on August 1 of each year and is equal to 1.125% of the outstanding principal of the Bonds plus 45 days' interest. The letter-of-credit fees incurred and paid during the year ended September 30, 2013, was \$18,852.
9. Economic Dependency. The Agency receives approximately 90% of its tax revenue from three entities.
10. Property Tax Revenue. Current property tax revenue is not meeting original expectations. When the Series 1999 Bonds were entered into, property tax revenue was expected to have increased significantly enough to make the principal payments as well as the interest. Although the required interest payments are being made, the Agency will not be able to make the principal payment in 2024 when it becomes due if property tax revenues do not increase significantly.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE G NOTES PAYABLE

The City entered into a \$15,000,000 loan with the Department of Environmental Quality (DEQ) for improvements to the water system on March 8, 2008. This loan was closed for \$14,287,000 on January 5, 2012, and the City began repaying the loan. The loan is secured by a revenue bond in the amount of \$14,287,000. Within five years of project completion, the City is required to establish a reserve account in an amount equal to 1 year's payment of principal and interest and the City has established this reserve as of the year ended September 30, 2013, for \$955,302. The loan requires biannual payments of principal and interest at 3.00% to be amortized over 20 years from the completion of the project. The required payments are \$477,651 due July 5 and January 5 but the City has elected to make monthly payments of \$79,609 to pay the loan down as the revenue is collected. Beginning October 1, 2013, the City has elected to use the entire water rate increase to fund the monthly payments; because of fluctuations in collections the City sets this amount at the beginning of each fiscal year. For the 2013-2014 fiscal year the payment amount has been set at \$86,944 per month.

The City entered into a \$15,000,000 loan with the Department of Environmental Quality (DEQ) to fund the City's portion of the regionalization project (Eastern Idaho Regional Wastewater Authority) on April 24, 2008. This loan will be secured by a revenue bond in the amount of \$10,000,000. The loan has been increased to \$25,000,000 as confirmed by judicial review. The City is required to establish at the time of the issuance of the bond a reserve fund in an amount equal to 1 year's payment of principal and interest and the City has established this reserve as of the year ended September 30, 2013, for \$1,068,523. The loan requires biannual payments of principal and interest at 2.25% to be amortized over 30 years from the completion of the project. The required payments are \$534,261 due October 24 and April 24 but the City has elected to make monthly payments of \$89,046 to pay the loan down as the revenue is collected. Beginning October 1, 2013 the City has elected to use the entire sewer rate increase to fund the monthly payments; because of fluctuations in collections the City sets this amount at the beginning of each fiscal year. For the 2013-2014 fiscal year the payment amount has been set at \$100,298 per month.

Future debt service requirements are as follows on the water and sewer revenue bonds:

FY Ended September 30,	Total	Interest	Principal
2014	2,246,904	888,396	1,358,508
2015	2,246,904	838,374	1,408,530
2016	2,246,904	787,298	1,459,606
2017	2,246,904	735,716	1,511,188
2018	2,246,904	683,708	1,563,196
2019-2023	11,234,520	2,629,637	8,604,883
2024-2028	11,234,520	1,318,812	9,915,708
2029-2033	7,277,061	295,462	6,981,599
2034-2036	3,554,928	24,013	3,530,915
Total	44,535,549	8,201,416	36,334,133

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE G NOTES PAYABLE, continued

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

	Balance at October 1, 2012	Additions	Payments	Balance at September 30, 2013
Revenue Bond –Water	13,950,618		572,558	13,378,056
Construction loan - Sewer	22,133,539	1,080,395	23,213,934	
Revenue Bond –Sewer		23,213,934	257,857	22,956,077
Total	<u>36,084,157</u>	<u>24,294,329</u>	<u>24,044,349</u>	<u>36,334,133</u>

NOTE H COMMITMENTS AND CONTINGENCIES

A claim has been asserted against the City relative to the eastern interceptor of the Eastern Idaho Regional Wastewater Authority. The claim asserts entitlement to extra costs and violations of statutes. The claim has been asserted but no litigation has been filed. The amount of the claim is \$751,588. The claim may ultimately be against EIRWWA but is asserted against the City under privity of contract. No liability has been recorded at September 30, 2013.

NOTE I COMMITMENT TO REGIONAL SEWER PROJECT

The City is involved in the Eastern Idaho Regional Wastewater Authority (EIRWWA) with the City of Shelley, Bonneville County, and Bingham County that provides wastewater services for residents and businesses in the service area.

NOTE J INTERFUND TRANSFERS

The City transferred \$279,429 to Parks and Recreation from the General Fund to cover costs in excess of revenues. The City has elected to reflect Parks and Recreation in a separate fund and transfer up to the budgeted deficit from the General fund.

NOTE K DEFICIT FUND BALANCE

The Building Fund balance is in a deficit of \$313,900 at September 30, 2013. This amount is expected to be collected as soon as the Building Fund is able to generate a surplus. The Wastewater fund is in a deficit of \$10,136,904 at September 30, 2013. This amount is due to the City transferring the interceptor lines to EIRWWA and IBSD. The deficit will be eliminated as the City repays the bond.

NOTE L JOINT VENTURE – EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY

The City is participating in a joint venture with the City of Shelley, Bingham County, and Bonneville County for a new treatment plant for wastewater. The City entered into a joint powers agreement to provide joint financing, design, acquisition, construction, management, and operation of a regional wastewater treatment and disposal facility.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE L JOINT VENTURE – EASTERN IDAHO REGIONAL WASTEWATER AUTHORITY,
continued

A separate legal entity, Eastern Idaho Regional Wastewater Authority (EIRWWA), was created. It is governed by a board made up of representatives from each of the members of the joint powers agreement. Capitalized assets acquired by the members of the joint powers agreement for EIRWWA during the construction phase are donated to the Authority as that phase becomes operational.

The Board of the EIRWWA assesses and collects from each participating member discharge / hookup fees, operation and maintenance fees, and fees to pay for costs in excess of defined equivalent residential unit (ERU) allocations each year.

Each member must collect, as a minimum, discharge / hookup fees, and operation and maintenance fees established by the board and remit them to the Authority. Each member may also establish its own operation and maintenance fees and discharge / hookup fees in addition to those determined by the board as well as debt service fees. Each member of the joint powers agreement pays a percentage of the repair, operation, and maintenance of the facility and transmission lines. Currently, each member is individually responsible for repayment of any debt they incur during construction.

In the event of federal, state, or local court action concerning the facility, each member will assume responsibility for such litigation in a direct proportion to the percentage of use of the system. If the facility needs to expand in the future and the Authority does not have adequate funds in their reserve fund accumulated from the discharge / hookup fees, each member of the joint powers agreement will pay additional funds necessary to construct the complete next phase of the development of the facility.

During the fiscal year ended September 30, 2010, the facility began accepting flow from the City of Shelley, Bonneville County, and Bingham County. As per the joint powers agreement, the City of Ammon distributed the capitalized assets acquired during the construction of the treatment plant to the Authority (\$9,564,999). The initial capitalization of the EIRWWA as of September 30, 2010, was \$27,863,728. During the fiscal year ended September 30, 2012, the City connected to the treatment plant and distributed the capitalized assets acquired during the construction of the Eastern Interceptor line of \$17,480,587 and contributed an additional \$809,659 during the year ended September 30, 2013.

The costs of the operations of the Authority are being allocated based on the users of the system. Currently, this results in 67% being allocated to the City of Ammon. The City of Ammon paid \$515,079 to the Authority during the 2012-2013 fiscal year.

The Eastern Idaho Regional Wastewater Authority has a fiscal year end of September 30. Financial statements are available at:

EIRWWA
618 E 1250 N
Shelley, ID 83274

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2013

NOTE M RESTRICTED NET POSITION

As of September 30, 2013, the City had restricted net position for commitments to spend \$62,500 for a stoplight on the corner of Eagle Road and Sunnyside in Ammon, Idaho, and \$14,341 for East Hills. The City also has commitments of \$90,000 for the traffic signal at Ammon and Sunnyside, \$28,402 for First street road improvements, \$75,810 for Seventeenth street improvements, \$4,214 for a fence on a commercial lot, and \$22,665 for a bridge on Tildy.

NOTE N SUBSEQUENT EVENTS

Management of the City evaluated subsequent events through January 28, 2014, which was the date the financial statements were available to be issued. There were no subsequent type events, identified by management of the City, that are required to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ammon, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balance -Budget and Actual- Governmental Funds

For the Year Ended September 30, 2013

	General		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	1,897,883	1,943,474	45,591
Franchise fees	178,000	155,149	(22,851)
Licenses and permits	84,950	86,118	1,168
Intergovernmental revenue	1,245,898	1,323,418	77,520
Planning	1,900	4,009	2,109
Earnings on investments	62,728	49,483	(13,245)
Grants and awards	297,375	21,130	(276,245)
Miscellaneous revenues	62,975	128,081	65,106
	<u>3,831,709</u>	<u>3,710,862</u>	<u>(120,847)</u>
EXPENDITURES			
General government	899,788	808,341	91,447
Law enforcement	1,322,358	1,282,725	39,633
Fire protection	751,714	485,153	266,561
Planning and zoning	43,878	41,437	2,441
Engineering	48,969	34,565	14,404
Capital outlay	116,400	21,416	94,984
	<u>3,183,107</u>	<u>2,673,637</u>	<u>509,470</u>
Revenues over (under) expenditures	648,602	1,037,225	388,623
OTHER FINANCING SOURCES (USES)			
Operating transfers	(507,429)	(279,429)	228,000
Revenues and other financing sources over (under) expenditures and other uses	<u>141,173</u>	<u>757,796</u>	<u>616,623</u>
Fund balance at October 1, 2012		<u>5,239,135</u>	
Fund balance at September 30, 2013		<u>5,996,931</u>	

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balance
 -Budget and Actual-
 Governmental Funds
 For the Year Ended September 30, 2013

		Street	
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Franchise fees	110,000	255,706	145,706
Intergovernmental revenue	462,135	462,533	398
Earnings on investments	33,046	24,332	(8,714)
Grants and donations		523,842	523,842
Miscellaneous revenue	800	152,103	151,303
Total revenues	<u>605,981</u>	<u>1,418,516</u>	<u>812,535</u>
EXPENDITURES			
Highway and streets	<u>3,010,523</u>	<u>1,259,065</u>	<u>1,751,458</u>
Total expenditures	<u>3,010,523</u>	<u>1,259,065</u>	<u>1,751,458</u>
Revenues over (under) expenditures	(2,404,542)	159,451	2,563,993
OTHER FINANCING SOURCES (USES)			
Operating transfers	<u>178,000</u>		<u>(178,000)</u>
Revenues and other financing sources over (under) expenditures and other uses	<u>(2,226,542)</u>	159,451	<u>2,385,993</u>
Fund balance at October 1, 2012		<u>2,690,191</u>	
Fund balance at September 30, 2013		<u>2,849,642</u>	

The accompanying notes are an integral part of this statement.

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OTHER FINANCIAL INFORMATION

City of Ammon, Idaho

Nonmajor Governmental Funds

Special Revenue Funds

September 30, 2013

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Building Fund. The Building Fund is used to account for the operation and maintenance of the building department, the applications for licenses and permits, and payments for building permits in the City.

Parks and Recreation Fund. The Parks and Recreation Fund is used to account for the City pool and various grants received from federal, state, and local governments, and private contributions for youth programs that are designed to build skills and competencies among the City's youth. This fund is also used to account for the acquisition and/or development of recreational facilities and open space.

City of Ammon, Idaho

All Nonmajor Funds
Combining Balance Sheet
September 30, 2013

	<u>Building</u>	<u>Parks & Recreation</u>	<u>All Nonmajor Funds</u>
ASSETS			
Cash	(313,284)	223,934	(89,350)
Total assets	<u>(313,284)</u>	<u>223,934</u>	<u>(89,350)</u>
LIABILITIES			
Accrued salaries and benefits	616	364	980
Total liabilities	<u>616</u>	<u>364</u>	<u>980</u>
FUND BALANCES			
Committed for Parks / recreation		223,570	223,570
Unassigned	(313,900)		(313,900)
Total fund balances	<u>(313,900)</u>	<u>223,570</u>	<u>(90,330)</u>
Total liabilities and fund balances	<u>(313,284)</u>	<u>223,934</u>	<u>(89,350)</u>

City of Ammon, Idaho

All Nonmajor Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended September 30, 2013

	Building	Parks & Recreation	All Nonmajor Funds
REVENUES			
Licenses and permits	221,612		221,612
Recreation fees		141,978	141,978
Earnings on investments	311		311
Miscellaneous revenue		4,637	4,637
Total revenues	221,923	146,615	368,538
EXPENDITURES			
Building	236,511		236,511
Parks		243,049	243,049
Recreation		29,033	29,033
Pool		91,633	91,633
Capital outlay	500		500
Total expenditures	237,011	363,715	600,726
Revenues over (under) expenditures	(15,088)	(217,100)	(232,188)
OTHER FINANCING SOURCES (USES)			
Operating transfers	0	279,429	279,429
Revenues and other financing sources over (under) expenditures	(15,088)	62,329	47,241
Fund balance at October 1, 2012	(298,812)	161,241	(137,571)
Fund balance (deficit) at September 30, 2013	<u>(313,900)</u>	<u>223,570</u>	<u>(90,330)</u>

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Single Audit Section

City of Ammon, Idaho

September 30, 2013



GALUSHA
HIGGINS
& GALUSHA^{PC}
EST. 1919

A PROFESSIONAL CORPORATION OF
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mayor and City Council
City of Ammon
Ammon, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Ammon as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Ammon's basic financial statements, and have issued our report thereon dated January 28, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Ammon'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 City of Ammon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Ammon'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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Galusha Higgins and Galusha PC". The signature is written in a cursive, flowing style.

GALUSHA, HIGGINS & GALUSHA, P.C.
Certified Public Accountants

Idaho Falls, Idaho
January 28, 2014



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& GALUSHA^{PC}
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and City Council
City of Ammon
Ammon, Idaho

Report on Compliance for Each Major Federal Program

We have audited City of Ammon's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2013. City of Ammon's major federal program is identified in the summary of auditors' 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 each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for City of Ammon's major federal program 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 City of Ammon'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 the major federal program. However, our audit does not provide a legal determination on City of Ammon's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of City of Ammon 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, we considered City of Ammon's internal control over compliance with the types of compliance requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance the 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 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 City of Ammon'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 requirements 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 would not necessarily identify all deficiencies in internal control 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 on 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.



GALUSHA, HIGGINS & GALUSHA, P.C.
Certified Public Accountants

Idaho Falls, Idaho
January 28, 2014

City of Ammon, Idaho

Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 20133

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

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(ies) identified that are not considered to be material weaknesses? _____ Yes X No

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:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grants for Clean Water State Revolving Funds-loan

Dollar threshold used to distinguish between type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

City of Ammon, Idaho

Schedule of Findings and Questioned Costs
Fiscal Year Ended September 30, 20133

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS

None

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

City of Ammon, Idaho

Schedule of Expenditures of Federal Awards Fiscal Year Ended September 30, 20133

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Disbursements/ Expenditures
Environmental Protection Agency		
<hr/>		
Passed through the State of Idaho		
Capitalization Grants for Clean Water State Revolving Funds-loan	66.458	<u>1,080,395</u>
Total Environmental Protection Agency		<u>1,080,395</u>
U.S. Department of Homeland Security		
<hr/>		
Passed through the State of Idaho		
<hr/>		
Homeland Security Grant Program	97.067	<u>21,130</u>
Total U.S. Department of Homeland Security		<u>21,130</u>
National Science Foundation		
<hr/>		
Passed through the University of Idaho		
<hr/>		
NSF EAGER Network Slicing	47.070	<u>81,400</u>
Total National Science Foundation		<u>81,400</u>
Total Expenditures of Federal Awards		<u><u>1,182,925</u></u>

City of Ammon, Idaho

Notes to Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 20133

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented using the modified basis of accounting as described in Note A to the City's financial statements.

NOTE B LOANS OUTSTANDING

The City had the following loan balances outstanding at September 30, 2013. Loans made during the year are included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds - loan	66.458	<u>22,956,077</u>
Capitalization Grants for Drinking Water State Revolving Funds - loan	66.468	<u>13,378,056</u>

City of Ammon, Idaho

Summary of Schedule of Prior Audit Findings *Fiscal Year Ended September 30, 20133*

No prior year findings.