



RUDD & COMPANY PLLC
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CITY OF REXBURG, IDAHO

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2008

giving direction to your future

CITY OF REXBURG, IDAHO

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-16
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets – Government Wide.....	17
Statement of Activities – Government Wide	18
Balance Sheet – Governmental Funds.....	19
Reconciliation of the Balance Sheet of Governmental Funds to The Statement of Net Assets.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Net Assets – Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	24
Statement of Cash Flows--Proprietary Funds	25
Notes to Financial Statements:	
1 Summary of Significant Accounting Policies.....	26-29
2 Cash and Short-term Investments	29-31
3 Capital Assets.....	31-32
4 Revolving Loans Receivable	33-34
5 Property Taxes	34
6 Accrued Compensated Absences	34
7 Local Improvement Assessments.....	35

CITY OF REXBURG, IDAHO

TABLE OF CONTENTS (Continued)

8	LID Guarantee Fund.....	35
9	Local Improvement District Warrants Payable.....	35-36
10	Wastewater Revenue Bonds Payable	36
11	Obligations Under Capital Leases	36-37
12	Changes in Long-term Obligations	38
13	Bonded Debt Repayment Requirements	38
14	Retirement Plans	39-40
15	Other Required Individual Fund Disclosures	40-41
16	Component Unit--Rexburg Urban Renewal Agency	41-42
17	Interfund Transactions.....	43-44

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule – General Fund.....	45
Budgetary Comparison Schedule – Street Fund.....	46
Budgetary Comparison Schedule – Emergency Services Fund.....	47
Budgetary Comparison Schedule – Revolving Loan Fund.....	48

SUPPLEMENTARY INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds	49-53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	54-58

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... 59

NOTE TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS..... 60

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..... 61-62

CITY OF REXBURG, IDAHO

TABLE OF CONTENTS (Continued)

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	63-65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	66-67
REXBURG URBAN RENEWAL AGENCY	68



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Rexburg, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rexburg, Idaho as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rexburg, Idaho's management. Our responsibility is to express an opinion on these basic 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not included the LID 31 Debt Service Fund as a major fund in the City's financial statements. Accounting principles generally accepted in the United States of America require the LID 31 Service Fund to be presented as a major governmental fund in the governmental funds statements. It is included with the nonmajor governmental funds of those statements. The City's management does not feel the inclusion of this fund as a major fund is pertinent to the financial statements as a whole.

In our opinion, except for not including the LID 31 Debt Service Fund as a major fund as stated in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rexburg, Idaho as of September 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2009, on our consideration of the City of Rexburg, Idaho's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Rexburg, Idaho basic financial statements. The accompanying combining and individual nonmajor fund financial statements and supplementary information listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

February 25, 2009



Management's Discussion and Analysis **Richard R. Horner, Chief Financial Officer**

Our discussion and analysis of the City of Rexburg's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2008. Please read this in conjunction with the City's financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at September 30, 2008 by \$58,813,154.

- Of this amount, \$3,412,978 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased \$11,001,369 as a result of this year's operations. The governmental net assets increased by \$8,780,951 and the business-type net assets increased by \$2,220,418.
- At fiscal year end, the City's governmental funds reported combined ending fund balances of \$4,816,185, an decrease of \$437,608 from last year
- The General Fund unreserved fund balance was \$1,710,244 or 28% of the total General Fund Expenditures and Fund Transfers. Of this balance, \$150,000 was appropriated in the budget of the following fiscal year, leaving \$1,560,244 or 25% of total General Fund Expenditures and Fund Transfers in the General Fund Balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Government-wide Financial Statements are presented in a new format designed to provide a broad overview in a business-like manner. These statements include all assets and liabilities using full accrual accounting, which is similar to accounting used by most large businesses. Full accrual accounting reports all of the current year's revenues and expenses when they are obligated, regardless of whether or not cash has yet been received or paid out. You will also need to consider non-financial factors, such as changes in the City's property tax base and the condition of its streets, to assess its overall health.

These statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are supported by user fees (business-type activities). Governmental activities include: general administration, public safety, streets, recreation and community development. The business-type activities include: water, wastewater (sewer), sanitation (garbage) and the golf courses.

The government-wide financial statements also include separately the financial information of the Rexburg Redevelopment Agency as a component unit.

The Statement of Net Assets presents information on all of the City's assets and liabilities, and the difference between the two, called the Net Assets. Over time, increases or decreases in net

assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities defines the change in Net Assets by reporting expenses of the different functions of the City and related revenues. Here expenses are listed before revenues in order to emphasize that in City government, revenues are generated to support the different functions and are not the driving force, service needs or functions are. The City is not here to make a profit, unlike business; it first identifies the service needs of its citizens and then raises the resources to meet those needs.

Fund Financial Statements are used to maintain control over resources that have been segregated for specific activities, objectives or as may be required by law or grant or bond agreements. Major funds are shown in separate columns and include the General Fund, Street Fund, Emergency Services and the Utility Fund; all other funds are non-major funds and are summarized in one column. Details of the non-major funds are shown under Other Supplementary Information on pages 50 to 59 of this report. All of the funds of the City are also divided into two categories, governmental or enterprise (business-type).

Governmental Funds Financial Statements focus more on current inflows, outflows and balances (reporting more on a cash/partial accrual accounting basis instead of a full accrual basis) rather than on long term effects on net assets, such as depreciation might have, which is included in the Government-wide Statements. The City maintains 49 individual governmental funds which include all funds except eight that are categorized as Enterprise Funds, which are the Golf and Utility Funds.

Enterprise Funds Financial Statements are used to report the business-type activities (supported by user fees) of the City that include the Utility Fund and the Golf Course Fund. These funds are reported on a full accrual basis, which is the same as the business-type accounting used in the Government-wide Financial Statements for all funds, but include more detail here.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

For the years ended September 30, 2008 and September 30, 2007, Net Assets changed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets 9/30/07	\$ 24,318,433	\$ 23,493,352	\$ 47,811,785
Increase in Net Assets	\$ 8,780,950	\$ 2,220,418	\$ 11,001,368
Net Assets 9/30/08	\$ 33,099,384	\$ 25,713,770	\$ 58,813,154
Percent Increase	36.1%	9.5%	23.0%

Large item increases came from:

Streets contributed by developers & State of Idaho	\$ 5,758,590
Interoperability Grant for Radios, etc.	\$ 856,947
LID Improvements	\$ 806,253
Golf Course Construction	\$ 798,840
Street Repairs Contacted	\$ 743,572
Fire Department fire equipment	\$ 560,933
Utility lines & related assets contributed by developers	\$ 386,912
Wastewater Plant Improvements	\$ 338,613

Also, see Note #3 on page 31 to 32.

Statement of Net Assets Comparison (2008 vs. 2007)								
	Governmental		Business-type		Total		Favorable	Percent
	Activities		Activities		Activities		(Unfavorable)	
	2008	2007	2008	2007	2008	2007	Change	
Current Assets	\$ 7,028,228	\$ 6,876,976	\$ 3,385,133	\$ 3,038,152	\$ 10,413,361	\$ 9,915,128	\$ 498,233	5%
Capital and Other								
Non-current	29,510,546	20,677,588	23,684,563	21,966,566	53,195,109	42,644,154	10,550,955	25% (1)
Total Assets	36,538,774	27,554,564	27,069,696	25,004,718	63,608,470	52,559,282	11,049,188	21%
Current Liabilities	2,689,705	2,599,689	1,129,922	860,287	3,819,627	3,459,976	(359,651)	-10%
Noncurrent								
Liabilities	749,686	636,442	226,004	651,079	975,690	1,287,521	311,831	24% (2)
Total liabilities	3,439,391	3,236,131	1,355,926	1,511,366	4,795,317	4,747,497	(47,820)	-1%
Net Assets:								
Capital Assets, Net of								
Related Debt	28,399,301	19,483,250	24,335,521	20,907,034	52,734,822	40,390,284	12,344,538	31% (3)
Restricted	603,695	678,805	3,363,576	3,331,994	3,967,271	4,010,799	(43,528)	-1%
Unrestricted	4,096,387	4,156,378	(1,985,327)	(745,676)	2,111,060	3,410,702	(1,299,642)	-38%
Total								
Net Assets	\$ 33,099,383	\$ 24,318,433	\$ 25,713,770	\$ 23,493,352	\$ 58,813,153	\$ 47,811,785	\$ 11,001,368	23%
Notes to Statement of Net Assets Comparison								
(1) For more detail, see Note 4.								
(2) See Lease Payment Schedule in Note 12.								
(3) This is a product of the increase in assets and the decrease in noncurrent liabilities.								

Because the City has not been required to list streets and storm sewers acquired before October 1, 2003, those items are not included in the Beginning Net Asset amounts under Governmental Activities. All acquisitions of streets and storm sewers on or after that date will be included. The City may decide in the future to estimate the historical cost of those previously acquired streets and storm sewers and adjust the beginning balances at that time.

Outstanding Long-Term Debt

Changes In Long-Term Obligations

A summary of long-term transactions of the City for the year ended September 30, 2008, is as follows:

	Long-Term Obligations September 30, 2007	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2008
Accrued Compensated Absences (Note 6)	\$ 332,212	\$	\$ (7,559)	\$ 324,653
Local Improvement District Warrants Payable (Note 9)	654,000	425,000	(282,000)	797,000
Wastewater Revenue Bonds Payable (Note 10)	1,059,531	--	(408,574)	650,958
Obligations Under Capital Leases (Note 11)	156,754	--	(28,311)	128,443
	<u>\$ 2,202,497</u>	<u>\$ 425,000</u>	<u>\$ (726,443)</u>	<u>\$ 1,901,054</u>

There are currently no outstanding General Obligation Bonds.

Governmental Activities

Notice that the format of the Statement of Activities lists the expenses first and then the revenues with a resulting Net Expense. The reason for this kind of format is to highlight the relative financial burden or subsidy of each of the functions on the general revenues of the City, including property tax, after that function's specific revenues are subtracted.

The City attempts to maintain a balance of cash in the General Fund of at least 25% of actual expenditures for the necessary cash flow and unforeseen emergencies.

General and Administrative

(Mayor & City Council, Customer Services, Financial Management, Planning and Zoning, Public Works Director, Engineering, GIS, Building Safety , and miscellaneous other departments)

A majority of these departments' expenditures is offset by related revenues.

Public Safety

(Police and Emergency Services)

It is important to note that the Police and Fire functions create the most financial burden on the general revenues, but, customarily, that is what property tax is for. Madison County reimburses the City for Ambulance expenses and its portion of shared expenses.

Parks, Recreation and Cultural Arts

The Parks Department is mostly funded by General Revenues. Only about \$9,500 is taken in as reservation fees. The Recreation Administrative expenses are heavily subsidized by General Revenues, while the Recreation Programs are self sufficient. Cultural Arts includes the Tabernacle Civic Center and Teton Flood Museum, the Legacy Flight Museum and the Westwood (Romance) Theater.

Streets

The Street Department is funded by State, County and other charges and is not subsidized by General Revenues, except for Utah Power franchise fees that have been allocated to that fund.

Statement of Changes in Net Assets (2008 vs. 2007)

	Governmental		Business-type		Total		Favorable (Unfavorable) Change	Percent Change	
	Activities	Activities	Activities	Activities	2008	2007			
	2008	2007	2008	2007	2008	2007			
Revenues:									
Program Revenues:									
Charges for Services & Taxes									
General &									
Administrative	3,366,555	2,455,143			3,366,555	2,455,143	911,412	37%	(1)
Public Safety	820,450	273,109			820,450	273,109	547,341	200%	(1)
Parks, Rec. &									
Cultural Arts	339,893	400,868			339,893	400,868	(60,975)	-15%	(2)
Streets	2,374,873	2,308,327			2,374,873	2,308,327	66,546	3%	
Water			1,709,007	1,609,486	1,709,007	1,609,486	99,521	6%	
Waste Water			2,552,840	2,506,847	2,552,840	2,506,847	45,993	2%	
Sanitation			1,468,294	1,277,466	1,468,294	1,277,466	190,828	15%	
Golf Courses			1,194,423	463,748	1,194,423	463,748	730,675	158%	(3)
Total	6,901,771	5,437,447	6,924,564	5,857,547	13,826,335	11,294,994	2,531,341	22%	
Operating Grants and Contributions									
General &									
Administrative	338,732	296,298			338,732	296,298	42,434	14%	
Public Safety	923,250	1,332,387			923,250	1,332,387	(409,137)	-31%	(1)
Parks, Rec. &									
Cultural Arts	73,985	65,323			73,985	65,323	8,662	13%	
Streets									
Total	1,335,967	1,694,008			1,335,967	1,694,008	(358,041)	-21%	
Capital Grants & Contributions									
General &									
Administrative	330,766	646,368			330,766	646,368	(315,602)	-49%	(4)
Public Safety	1,004,436	88,448			1,004,436	88,448	915,988	1036%	(5)
Parks, Rec. &									
Cultural Arts	206,993	133,421			206,993	133,421	73,572	55%	(6)
Streets	6,885,961	3,546,490	-	-	6,885,961	3,546,490	3,339,471	94%	(7)
Water			438,108	643,089	438,108	643,089	(204,981)	-32%	(8)
Waste Water			1,557,818	2,335,426	1,557,818	2,335,426	(777,608)	-33%	(8)
Total	8,428,156	4,414,727	1,995,926	2,978,515	10,424,082	7,393,242	3,030,840	41%	
General Revenues:									
Property Taxes	2,278,619	2,050,586			2,278,619	2,050,586	228,033	11%	
Franchise Fees	436,827	404,649			436,827	404,649	32,178	8%	
State Taxes	1,233,668	1,126,028			1,233,668	1,126,028	107,640	10%	
Investment									
Earnings	155,342	132,558	100,319	153,867	255,661	286,425	(30,764)	-11%	
Miscellaneous	26,069	15,770			26,069	15,770	10,299	65%	
Total	4,130,525	3,729,591	100,319	153,867	4,230,844	3,883,458	347,386	9%	
Total Revenues	20,796,419	15,275,773	9,020,809	8,989,929	29,817,228	24,265,702	5,551,526	23%	

Statement of Changes in Net Assets (2008 vs. 2007) (Continued)

	Governmental		Business-type		Total		Favorable	Percent
	Activities		Activities				(Unfavorable)	Change
	2008	2007	2008	2007	2008	2007	Change	Change
Expenses:								
General & Administrative	3,844,206	3,178,468	-	-	3,844,206	3,178,468	(665,738)	-21%
Public Safety	4,564,133	4,057,993	-	-	4,564,133	4,057,993	(506,140)	-12%
Parks, Rec. & Arts	894,781	720,316	-	-	894,781	720,316	(174,465)	-24%
Streets	2,712,348	2,605,059	-	-	2,712,348	2,605,059	(107,289)	-4%
Water			1,353,009	1,409,491	1,353,009	1,409,491	56,482	4%
Waste Water			2,960,871	3,019,004	2,960,871	3,019,004	58,133	2%
Sanitation			1,302,611	1,220,064	1,302,611	1,220,064	(82,547)	-7%
Golf Course	-	-	1,183,900	403,391	1,183,900	403,391	(780,509)	-193%
Total Expenses	12,015,468	10,561,836	6,800,391	6,051,950	18,815,859	16,613,786	(2,202,073)	-13%
Increase in								
Net Assets	8,780,951	4,713,937	2,220,418	2,937,979	11,001,369	7,651,916	3,349,453	44%
Net Assets -Beginning	24,318,433	19,604,496	23,493,352	20,555,373	47,811,785	40,159,869	7,651,916	19%
Net Assets -Ending	33,099,384	24,318,433	25,713,770	23,493,352	58,813,154	47,811,785	11,001,369	23%

(3)

Notes to Statement of Changes in Net Assets

- (1) General taxes, LID charges and Building Permits have increased. Madison Fire Protection District taxes were reclassified.
- (2) Recreation revenues were reduced due to a deferment of Fall Session revenues to the following fiscal year.
- (3) Golf Courses are constructing a new 9-holes with loan from City and County and transfers from operations.
- (4) Reduction due to 2007 FAA grant for property purchase.
- (5) A large Interoperability Grant was obtained in 2008.
- (6) Madison Trails Fund received State Grants.
- (7) University Blvd. Contributed Capital received in 2008.
- (8) Less Contributed Capital was received in Utility Fund in 2008.

Business-type Activities

Utility Fund

The Utility Departments (Sanitation, Water, and Waste Water) receive sufficient revenues to meet all current expenses. The City maintains separate Capital Reserve Funds for Water and Wastewater that appear to provide sufficient capital through hook-up fees for large construction projects for those departments.

The City of Rexburg provides wastewater treatment services to the City of Sugar City and the City of Teton at a per gallon charge that includes operating costs. Both cities have provided their share of capital up front through the payment of capitalization fees that reserve certain amounts of capacity for their usage. Those two cities together provide about 6% of the total monthly billed revenue for the department.

Sewer, sanitation and water usage rates were last increased on October 1, 2008.

Golf Fund

The golf courses, Teton Lakes of 18 holes and the Municipal Course of 9 holes, are jointly owned and managed by the City of Rexburg and Madison County. Their governing boards appoint a Golf

Board consisting of 6 citizens and a member of each of the governing boards acts as a liaison to the Board. At the end of the fiscal year, together, the Golf Fund and Golf Construction Fund had a cash deficit of \$316,843, which was covered by a loan from the City and County. An additional \$48,000 was transferred to the Golf Course Construction Fund at the end of the fiscal year from the Golf Operations Fund. The Board is attempting to increase the net income of the courses so that it can finance an addition of 9 holes at the Teton Lakes Course.

FUND FINANCIAL STATEMENTS ANALYSIS

As noted earlier, the City of Rexburg uses fund accounting to ensure and demonstrate compliance with legal, grant and budget requirements.

Governmental Funds

The focus of the City of Rexburg Governmental Funds is to provide information on current year cash flows and balances. Such information is useful in assessing the City's current year financing requirements. In particular, unreserved fund balances that are not held for emergencies or cash flow purposes, may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year that could be added to expected revenues for the following fiscal year.

The General Fund Balance (see page 45) decreased by \$53,677 during the year, mainly due to budgeted use of prior year fund balance on current expenditures.

The sum of all Street Fund Balances (see page 46) decreased by \$814,522, leaving a fund balance deficit of \$305,437. That fund balance is reserved for street expenditures and is already allocated to ongoing street projects.

The Emergency Services Fund (see page 47) is financed by three entities: the City of Rexburg (for fire suppression services), the Madison County Fire District, and the Madison County Ambulance District. All expenditures are billed to the three entities based on the benefit received by each. The fund balance is always zero because the three entities reimburse all expenditures.

The Business Park Fund will be closed out after the final sale of the remaining lots in 2009.

Police, Fire, Parks and Street Development Impact Fees were collected in the amounts of \$30,615, \$28,899, \$57,988, and \$270,896 respectively, totaling \$388,398 for capital improvements for those departments.

The Joint Fire Equipment Fund purchased a new ladder truck and has a fund deficit of \$107,446, which will be nearly completely offset by revenues in 2009.

The GIS (Geographic Information System) Fund was first created in 2004 to track the funding of the joint City/County GIS Department on a 50/50 financing split.

Proprietary Funds

The City of Rexburg proprietary funds provide the same type of information found in the government-wide statements, but in more detail.

The Utility Operations Fund includes the Sanitation, Water and Wastewater Departments. This fund ended the year with net income of \$2,208,583, of which \$510,960 was due to contributed

assets. The Utility Operations Fund increased in cash by \$949,877, ending the year with a balance of \$3,058,798 in cash and investments.

The Golf Course Fund also had net income for the year of \$13,891.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

Total Budget of Revenues	\$ 6,268,700
Budgeted Cash Carryover	\$ <u>209,722</u>
Budgeted Revenues Expected Net of Carryover	\$ 6,058,978
Actual Revenues received	\$ 6,070,555
Surplus (Deficit) of Revenues vs. Budget	\$ 11,577

Expenditures

Total Budget of Expenditures	\$ 6,268,700
Actual Expenditures	\$ <u>6,124,232</u>
Under (Over) Budget	\$ 144,468
Net Revenues over Expenditures	\$ (53,677)

However, some individual accounts showed variations that are notable:

Revenues Overage (Shortage)

Property Tax	\$ (25,493)
Sales & Liquor Taxes	\$ 24,182
Contributions of Police equipment	\$ 60,000
Engineering Fees Charged	\$ (86,816)

Expenditures (Overage) Shortage

Customer Service	\$ 15,381
Emergency Services Subsidy	\$ 8,981
Public Works Director & Engineering	\$ 34,962
Financial Management	\$ 9,375
Legal	\$ 5,400
Mayor and Council & Economic Development	\$ 14,465
Parks & Ball Diamonds	\$ 2,509
Police Administration & Drug Enforcement Fund	\$ 21,272
Police Community Policing, DARE, Animal Control	\$ 12,955
Police Detectives	\$ (50,977)
Police Patrol Division	\$ (16,222)
Recreation Administration	\$ (820)
Romance Theater	\$ 7,210
Shop	\$ 10,007
Tabernacle	\$ (7,102)

Note: Police & Tabernacle expenditure budget overages were actually covered by grants that were not amended in the budget.

STREET FUND BUDGETARY HIGHLIGHTS

Revenues

Total Budget of Revenues	\$ 4,593,600
Budgeted Cash Carryover	\$ (500,000)
Budgeted Transfers between Street Funds	<u>\$ (762,400)</u>
Net Budgeted Revenues	\$ 3,331,200

Actual Revenues received	\$ 9,075,114
Transfers between Street Funds	\$ (600,977)
Contributed Capital (State Funding of University Blvd.)	<u>\$(5,200,000)</u>
Net Actual Revenues	\$ 3,274,137
Surplus (Deficit) of Revenues vs. Budget	\$ (57,063)

Expenditures

Total Budget of Expenditures	\$ 4,593,600
Transfers between Street Funds	<u>\$ (762,400)</u>
Net Budgeted Expenditures	\$ 3,831,200

Actual Expenditures	\$ 9,889,611
Contributed Capital (State Funding of University Blvd.)	\$(5,200,000)
Transfers between Street Funds	<u>\$ (600,977)</u>
Net Actual Expenditures	\$ 4,088,634

Budgeted Carryover (Deficit)	\$ (500,000)
Actual Net Revenues over Expenditures	\$ (814,520)

Beginning Fund Balance	\$ 509,060
Ending Fund Balance	\$ (305,460)

However, some individual accounts showed variations that are notable:

Notable overages of revenue compared to budget were:

Contributed Capital (new finished streets)	\$ 4,758,590
Developer Cash Contributions	\$ 228,059
State Highway Users Distributions (Gas Tax)	\$ (17,580)
Madison County Road & Bridge Property Tax Allocation	\$ 141,127
Franchise Fees	\$ 82,484

EMERGENCY SERVICES DEPARTMENT FUND BUDGETARY HIGHLIGHTS

The City of Rexburg, through an agreement with Madison County Fire Protection District and the Madison Ambulance District is responsible for the administration and accounting of the Emergency Services Department (ESD) operations. A governing board made up of one elected official from each entity plus a doctor, sets policies as needed for the department.

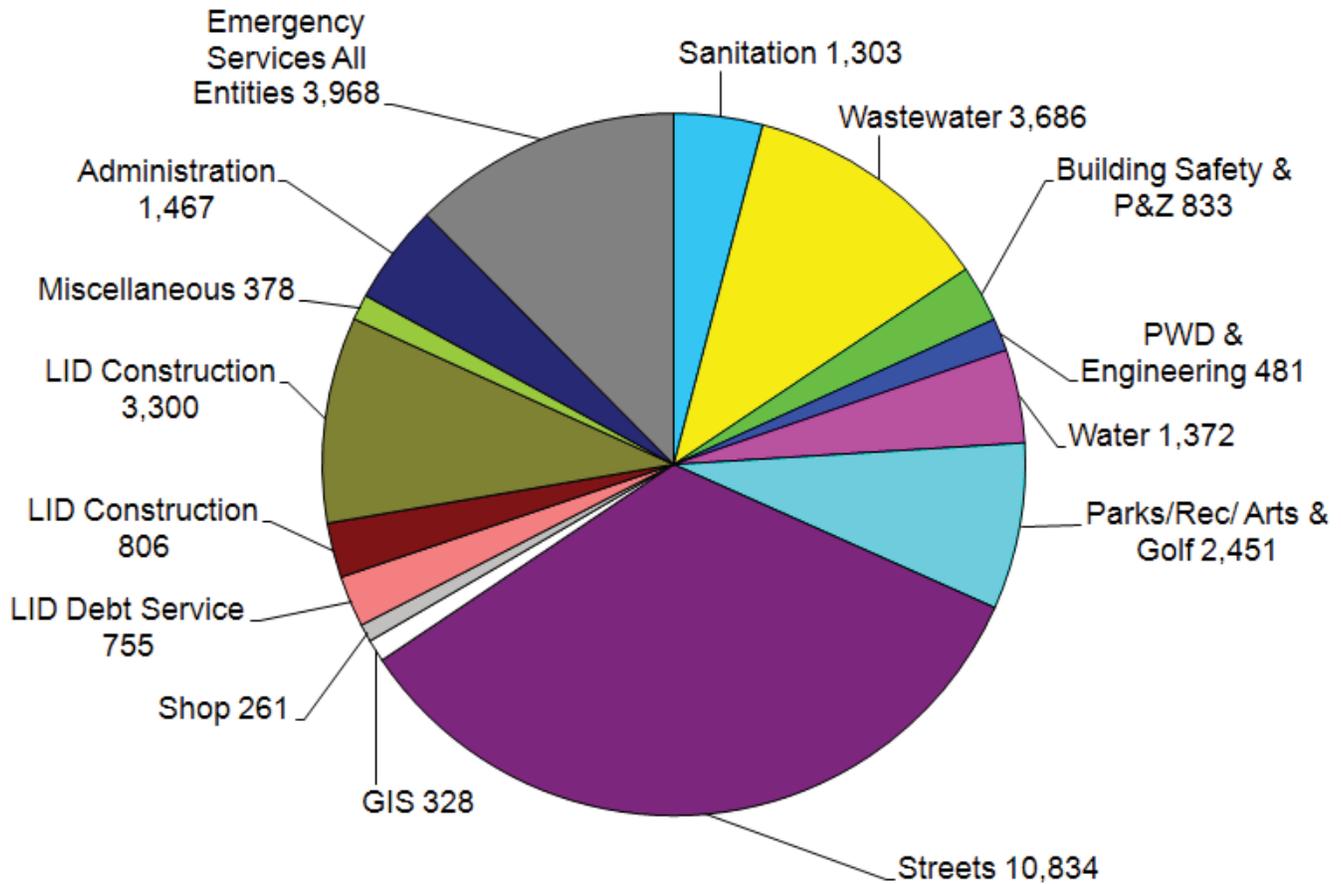
ESD Fund Revenues are almost all provided by the sharing of costs by three entities: the City of Rexburg and the Madison Fire Protection District through an Operating Transfer In, and the Madison Ambulance District through warrants paid to the City. Costs are reimbursed based on benefits received by the three entities.

The Madison Ambulance District paid approximately 50% of the costs during the past fiscal year. The City and the Madison Fire District each paid about 28% and 22% respectively.

ESD Fund Revenues and Expenses were both \$110,616 under budget – both because this fund is usually zeroed out at the end of the year and any savings or overruns are shared by the three entities immediately. The City's share of expenses was \$409,119 of a \$418,100 budget, or \$8,981 under budget.

Total Expenses

FY 2008 (in thousands) Total: \$31,954,318

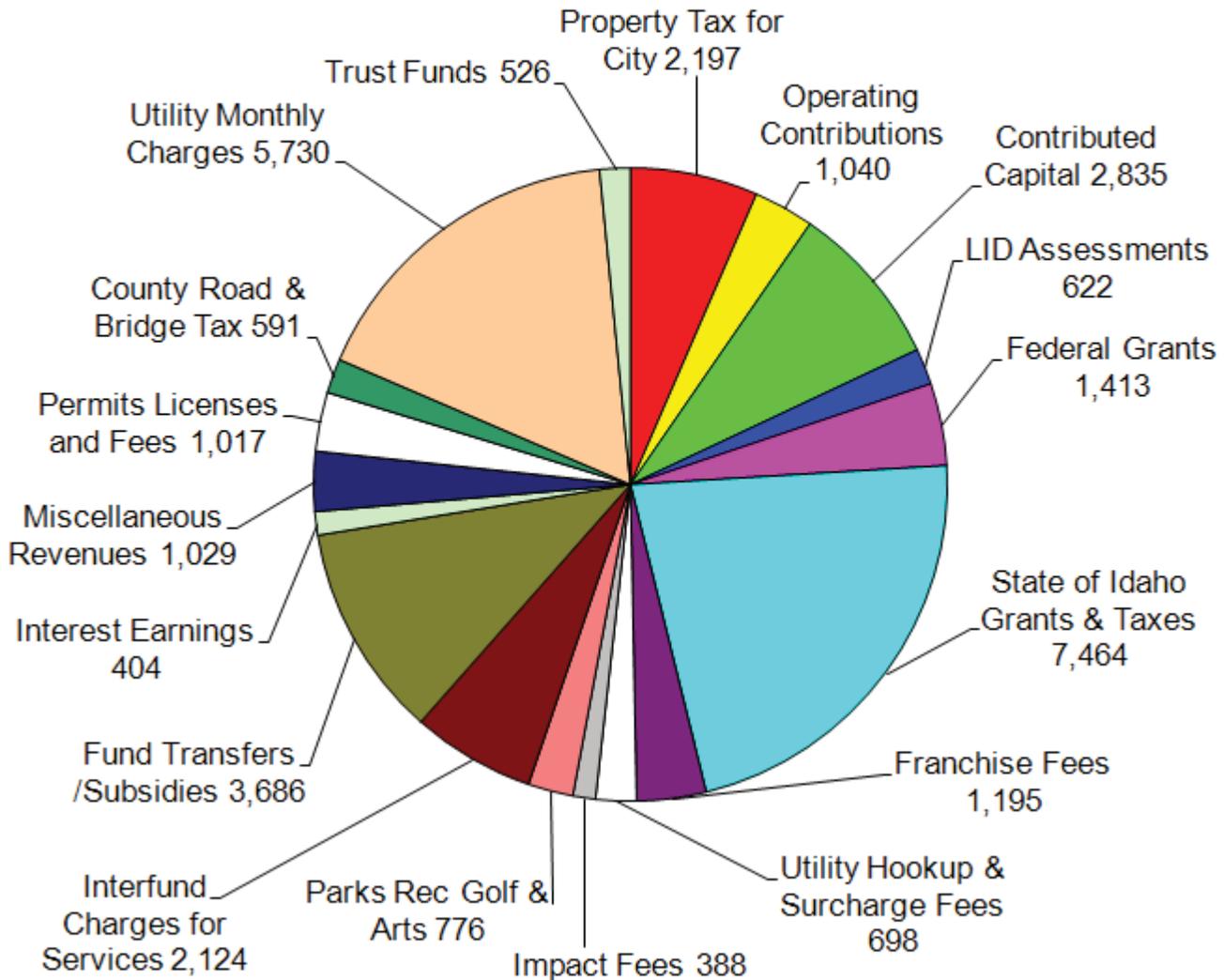


The Total Expense Budget pie chart shows the relative size of the departments or categories of expense budgets. Each Total Expense category includes both operating expense and capital purchase expense. Operating Expense does not include capital expense and is the amount needed to fund the day to day operations of the City. Capital Expense is usually defined as an expense where the benefit or item purchased is expected to last two or more years.

Construction is generally the largest piece of the pie each year and is capital in nature, but varies widely from year to year in amount, due to the available funding and the particular needs of that year. Fund and Overhead Transfers are made between different funds to pay for charges for services given or to fund the deficit position of particular funds with a transfer from the General Fund.

Total Revenues

FY 2008 (in thousands) Total: \$33,737,127

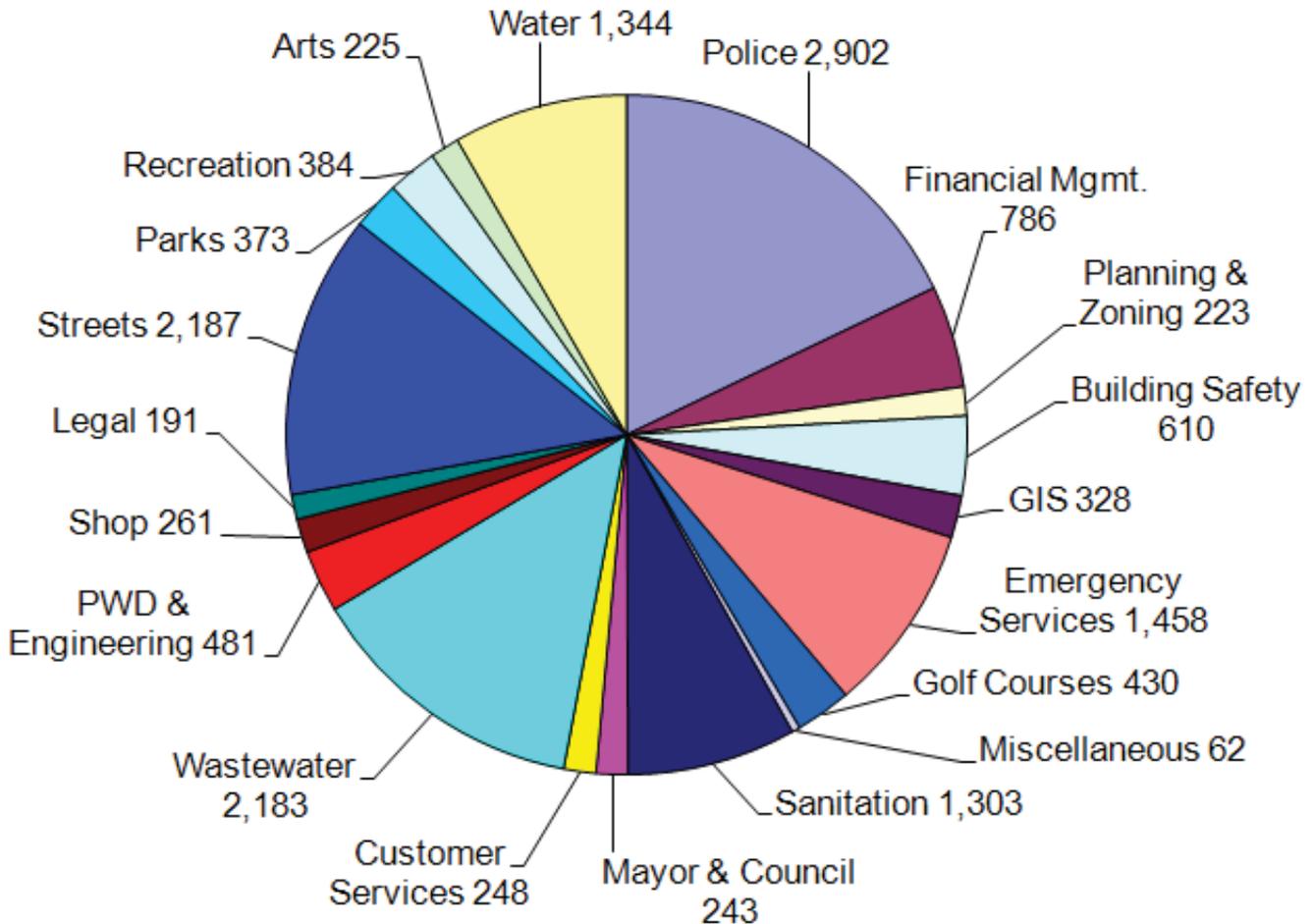


The Total Revenue Budget pie chart shows the relative size of the categories of revenue budget by source. Total Revenue categories include both operating revenue and revenue that is restricted to capital purchases. Operating Revenue does not include revenue reserved for capital purchases and is the amount needed to fund the day to day operations of the City. Capital Revenue is usually defined as: revenue reserved to be used on purchases that are expected to last two or more years.

Fund and Overhead Transfers are made between different funds to pay for charges for services given or to fund the deficit position of particular funds with a transfer from the General Fund. Assessments are revenues charged against particular benefited properties for improvements made by the City through a Local Improvement District (LID). State Taxes include Sales Tax and Liquor Tax Revenues that are distributed to the City by the State of Idaho. It is relevant to point out that Property Tax, however important it is to the financial well being of the City, is a relatively small part of the Total Revenue Budget. Road & Bridge Tax is property taxes levied by the County for their Road & Bridge Fund that are turned over by state law to the City. The amount of tax transferred is equal to half of the Road & Bridge Tax collected on properties within the City limits.

Operating Expenses

FY 2008 (in thousands) Total \$16,218,274

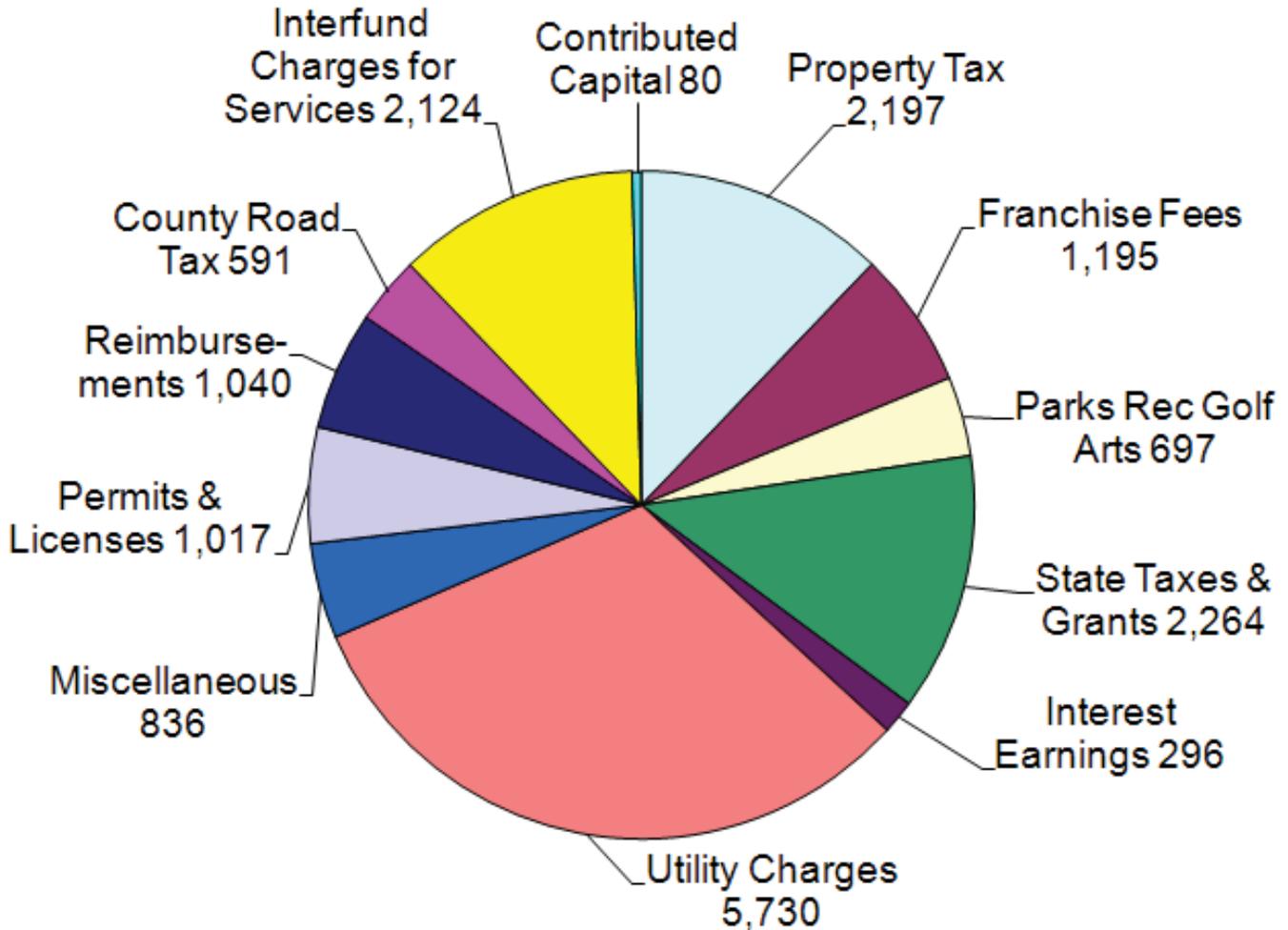


The Operating Expense Budget pie chart shows the relative size of the departments or categories of operating expense budgets. Operating Expense does not include capital expense and is the amount needed to fund the day to day operations of the City.

Public Safety expense, which includes the Police, Fire, and Ambulance Departments, comprises almost half the operating budget. The Utility Fund, which includes the Wastewater, Sanitation, and Water Departments, is about a quarter of the budget, leaving about a quarter for the rest of the departments or categories.

Operating Revenues

FY 2008 (in thousands) \$18,068,760



The Operating Revenue Budget pie chart shows the relative size of the categories of operating revenue budgets. Operating Revenue does not include moneys meant for capital expense and is the amount provided to fund the day to day operations of the City.

Utility Charges, which include the Wastewater, Sanitation, and Water user fees are about a third of the budget. Property Tax, State Taxes, Franchise Fees and Overhead Transfers are general purpose revenues and can be used at the City Council's discretion. The other categories specified are each for a special purpose and must be spent according to state law or agreements signed.

BASIC FINANCIAL STATEMENTS

CITY OF REXBURG, IDAHO
STATEMENT OF NET ASSETS
GOVERNMENT WIDE
September 30, 2008

	Primary Government			Component Unit (Rexburg Redevelopment Agency)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Short-term Investments	\$ 3,852,425	\$ 3,058,798	\$ 6,911,223	\$ 266,365
Receivables	2,785,181	643,180	3,428,361	
Supplies	944	-	944	-
Due from Other Funds	316,843	(316,843)	-	
Due From Component Unit	72,836	-	72,836	-
Total Current Assets	7,028,229	3,385,135	10,413,364	266,365
Noncurrent Assets:				
Revolving Loan Receivable	982,802	-	982,802	-
Capital Assets:				
Capital Assets	36,599,204	34,093,731	70,692,935	801,757
Accumulated Depreciation	(8,071,460)	(10,409,169)	(18,480,629)	-
Net Capital Assets	28,527,744	23,684,562	52,212,306	801,757
Total Noncurrent Assets	29,510,546	23,684,562	53,195,108	801,757
TOTAL ASSETS	36,538,775	27,069,697	63,608,472	1,068,122
LIABILITIES:				
Current Liabilities:				
Accounts Payable	2,160,798	609,171	2,769,969	2,906
Accrued Compensated Absences	297,079	27,574	324,653	-
Accrued Interest Payable	21,647	5,786	27,433	4,536
Other	34,425	62,438	96,863	-
Due to Primary Government	-	-	-	72,836
Current Portion of Long-term Obligations	215,756	424,954	640,710	100,000
Total Current Liabilities	2,729,705	1,129,923	3,859,628	180,278
Noncurrent Liabilities:				
Noncurrent Portion of Long-term Obligations	709,686	226,004	935,690	-
TOTAL LIABILITIES	3,439,391	1,355,927	4,795,318	180,278
NET ASSETS (DEFICIT):				
Invested In Capital Assets, Net of Related Debt	28,399,301	23,033,604	51,432,905	-
Restricted for:				
Capital projects	(377,418)	1,819,271	1,441,853	-
Debt service	(449,351)	-	(449,351)	-
Intergovernmental Agreement	897,399	1,544,305	2,441,704	-
Other purposes	533,065	-	533,065	-
Unrestricted	4,096,388	(683,410)	3,412,978	887,844
TOTAL NET ASSETS	\$ 33,099,384	\$ 25,713,770	\$ 58,813,154	\$ 887,844

The Accompanying Notes are an Integral Part of the Financial Statements.

CITY OF REXBURG, IDAHO
STATEMENT OF ACTIVITIES
 GOVERNMENT WIDE
 Year Ended September 30, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Total
		Charges for Services and Taxes	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
General and Administrative	\$ 3,844,206	\$ 3,366,555	\$ 338,732	\$ 330,766	\$ 191,847
Public Safety	4,564,133	820,450	923,250	1,004,436	(1,815,997)
Parks, Recreation and Arts	894,781	339,893	73,985	206,993	(273,910)
Streets	2,712,348	2,374,873	-	6,885,961	6,548,486
Total Governmental Activities	\$ 12,015,468	\$ 6,901,771	\$ 1,335,967	\$ 8,428,156	4,650,426
GENERAL REVENUES:					
Property taxes levied for general purposes					2,278,619
Franchise fees					436,827
State taxes					1,233,668
Investment Earnings					155,342
Miscellaneous					26,069
Total General Revenue					4,130,525
Total Governmental Activities					8,780,951
NET GOVERNMENTAL ASSETS - BEGINNING BALANCE					24,318,433
NET GOVERNMENTAL ASSETS - ENDING BALANCE					\$ 33,099,384
BUSINESS-TYPE ACTIVITIES					
Water	\$ 1,353,009	\$ 1,709,007	\$ -	\$ 438,108	\$ 794,106
Waste Water	2,960,871	2,552,840	-	1,557,818	1,149,787
Sanitation	1,302,611	1,468,294	-	-	165,683
Golf Course	1,183,900	1,194,423	-	-	10,523
Total Business-type Activities	\$ 6,800,391	\$ 6,924,564	\$ -	\$ 1,995,926	2,120,099
GENERAL REVENUES:					
Investment Earnings					100,319
Total Business Type Activities					2,220,418
NET BUSINESS-TYPE ASSETS - BEGINNING BALANCE					23,493,352
NET BUSINESS-TYPE ASSETS - ENDING BALANCE					\$ 25,713,770
TOTAL PRIMARY GOVERNMENT	\$ 18,815,859	\$ 13,826,335	\$ 1,335,967	\$ 10,424,082	\$ 58,813,154
TOTAL PRIMARY GOVERNMENT NET ASSETS - BEGINNING BALANCE					47,811,785
TOTAL PRIMARY GOVERNMENT NET ASSETS - ENDING BALANCE					\$ 58,813,154
COMPONENT UNIT (REXBURG REDEVELOPMENT AGENCY):					
General and Administrative	\$ 84,039	\$ 12,000	\$ -	\$ -	\$ (72,039)
Interest on Long-term Debt	100,736				(100,736)
Total Component Units	\$ 184,775	\$ 12,000	\$ -	\$ -	(172,775)
GENERAL REVENUES:					
Property taxes levied for general purposes					690,637
Investment Earnings					5,245
Total General Revenue					695,882
TOTAL COMPONENT UNIT ACTIVITIES					523,107
TOTAL COMPONENT UNIT - BEGINNING BALANCE					364,737
TOTAL COMPONENT UNIT - ENDING BALANCE					\$ 887,844

CITY OF REXBURG, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2008

	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
CASH AND SHORT-TERM INVESTMENTS	\$ -	\$ -	\$ -	\$ 773,635	\$ 3,078,790	\$ 3,852,425
RECEIVABLES	700,744	328,730	122,742	982,802	1,632,966	3,767,984
SUPPLIES	944	-	-	-	-	944
DUE FROM OTHER FUNDS	1,703,823	-	-	645,596	-	2,349,419
DUE FROM COMPONENT UNIT	-	-	-	72,836	-	72,836
TOTAL ASSETS	\$ 2,405,511	\$ 328,730	\$ 122,742	\$ 2,474,869	\$ 4,711,756	\$ 10,043,608
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 520,263	\$ 360,104	\$ 47,381	\$ -	\$ 1,239,175	\$ 2,166,923
Deferred Revenue	175,004	-	-	-	824,620	999,624
Due to Other Funds	-	245,763	75,361	-	1,711,452	2,032,576
Other	-	28,300	-	-	-	28,300
TOTAL LIABILITIES	695,267	634,167	122,742	-	3,775,247	5,227,423
FUND BALANCES:						
Reserved	-	(305,437)	-	2,474,869	936,509	3,105,941
Unreserved	1,710,244	-	-	-	-	1,710,244
TOTAL FUND BALANCES	1,710,244	(305,437)	-	2,474,869	936,509	4,816,185
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,405,511	\$ 328,730	\$ 122,742	\$ 2,474,869	\$ 4,711,756	\$ 10,043,608

CITY OF REXBURG, IDAHO
**RECONCILIATION OF THE
BALANCE SHEET OF GOVERNMENTAL FUNDS**
to the
TO THE STATEMENT OF NET ASSETS
Year Ended September 30, 2008

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 4,816,185

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Cost of Assets	\$ 36,599,204	
Accumulated Depreciation	<u>(8,071,460)</u>	28,527,744
Net Cost of Assets		

Certain receivables are not financial resources and are reported as deferred revenues

Property tax deferred revenue	203,774
Special Assessment deferred revenue	790,811
Deferred recreation revenues	5,038

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds

Long-term debt	(925,442)
Accrued compensated absences	(297,079)
Accrued interest payable	<u>(21,647)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 33,099,384

CITY OF REXBURG, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended September 30, 2008

	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property Taxes	\$ 2,197,385	\$ -	\$ -	\$ -	\$ 442,388	\$ 2,639,773
Other County Revenues	-	591,127	763,758	-	175,478	1,530,363
State Liquor Tax	74,914	-	-	-	-	74,914
State Sales Tax	1,158,168	-	-	-	30,739	1,188,907
State Highway Users Fund	-	1,022,420	-	-	-	1,022,420
Other State Revenue	587	5,200,000	-	-	33,176	5,233,763
Federal Revenue	12,168	16,000	7,439	-	1,377,328	1,412,935
Other Grants and Donations	79,382	786,650	-	-	500,311	1,366,343
Licenses, Permits and Franchise Tax	462,945	429,022	-	-	995,948	1,887,915
Charges for Services	1,772,427	326,362	-	-	600,002	2,698,791
Interest Earned	109,790	-	-	173,290	48,284	331,364
Fines, Rent and other Assessments	145,300	54,894	-	-	405,373	605,567
LID Assessments	-	-	-	-	174,784	174,784
Miscellaneous	51,528	-	5,358	-	128,639	185,525
TOTAL REVENUES	6,064,594	8,426,475	776,555	173,290	4,912,450	20,353,364
EXPENDITURES:						
General and Administrative	2,146,358	-	-	6,811	1,251,728	3,404,897
Public Safety	2,561,058	-	1,413,459	-	112,184	4,086,701
Parks and Recreation	392,035	-	-	-	381,798	773,833
Streets	-	1,516,407	-	-	-	1,516,407
Interest on Bonds and Other Debt	-	-	-	-	85,957	85,957
Principal on Bonds and Other Debt	-	-	-	-	318,307	318,307
Capital Improvements	397,169	6,865,695	44,123	-	3,722,883	11,029,870
TOTAL EXPENDITURES	5,496,620	8,382,102	1,457,582	6,811	5,872,857	21,215,972
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	567,974	44,373	(681,027)	166,479	(960,407)	(862,608)
OTHER FINANCING SOURCES (USES):						
Proceeds from Borrowing	-	-	-	-	425,000	425,000
Operating Transfers In	5,961	47,664	681,027	-	1,810,474	2,545,126
Operating Transfers Out	(627,612)	(906,557)	-	-	(1,010,957)	(2,545,126)
TOTAL OTHER FINANCING SOURCES (USES)	(621,651)	(858,893)	681,027	-	1,224,517	425,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(53,677)	(814,520)	-	166,479	264,110	(437,608)
FUND BALANCE AT BEGINNING OF YEAR	1,763,921	509,083	-	2,308,390	672,399	5,253,793
FUND BALANCE AT END OF YEAR	\$ 1,710,244	\$ (305,437)	\$ -	\$ 2,474,869	\$ 936,509	\$ 4,816,185

The Accompanying Notes are an Integral Part of the Financial Statements.

CITY OF REXBURG, IDAHO
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
to the
STATEMENT OF ACTIVITIES
Year Ended September 30, 2008

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (437,608)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are reduced by depreciation in the current period:

Capital expenditures capitalized as fixed assets	10,679,133
Depreciation expense	(1,734,931)
Basis in Assets disposed of	(56,462)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Special assessments levied	519,920
Property tax deferrals	92,470
Recreation revenue deerral	5,037

Deferred Revenue not in Statement of Net Assets:

Special assesement deferred revenue	(174,199)
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Compensated absences accrual adjustment	6,256
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Governmental funds report principal repayment on debt as an expenditure. However, in the statement of activities debt payment are not an expense:

Proceeds from borrowing	(425,000)
Principal payments on long-term liabilities	310,312
Changes in accrued interest	<u>(3,977)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 8,780,951**

CITY OF REXBURG, IDAHO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2008

	Business-type Activities - Proprietary Funds		
	Utility	Golf Course	Total
ASSETS			
Current Assets:			
Cash and Short-term Investments	\$ 3,058,798	\$ -	\$ 3,058,798
Receivables	643,180	-	643,180
<hr/>			
Total Current Assets	3,701,978	-	3,701,978
<hr/>			
Noncurrent Assets:			
Capital Assets:			
Capital Assets	32,082,207	2,011,524	34,093,731
Accumulated Depreciation	(9,847,021)	(562,148)	(10,409,169)
<hr/>			
Total Noncurrent Assets	22,235,186	1,449,376	23,684,562
<hr/>			
TOTAL ASSETS	25,937,164	1,449,376	27,386,540
<hr/>			
LIABILITIES:			
Current Liabilities:			
Accounts Payable	350,576	258,595	609,171
Accrued Compensated Absences	27,574	-	27,574
Accrued Interest Payable	5,786	-	5,786
Due to Other Funds	-	316,843	316,843
Other	62,438	-	62,438
Current Portion of Long-term Obligations	424,954	-	424,954
<hr/>			
Total Current Liabilities	871,328	575,438	1,446,766
<hr/>			
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Obligations	226,004	-	226,004
<hr/>			
TOTAL LIABILITIES	1,097,332	575,438	1,672,770
<hr/>			
NET ASSETS:			
Invested in Capital Assets Net of Related Debt	21,584,228	1,449,376	23,033,604
Restricted for:			
Capital Projects	2,489,638	(670,367)	1,819,271
Intergovernmental Agreement	1,544,305		1,544,305
Unrestricted	(778,339)	94,929	(683,410)
<hr/>			
TOTAL NET ASSETS	\$ 24,839,832	\$ 873,938	\$ 25,713,770

The Accompanying Notes are an Integral Part of the Financial Statements.

CITY OF REXBURG, IDAHO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended September 30, 2008

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
OPERATING REVENUES:			
Monthly Utility Services	\$ 5,547,683	\$ -	\$ 5,547,683
One Time Fees	798,664	-	798,664
Golf Course Fees	-	395,306	395,306
Miscellaneous	48,070	277	48,347
TOTAL OPERATING REVENUES	6,394,417	395,583	6,790,000
OPERATING EXPENSES:			
Utility Expenses	3,882,403	-	3,882,403
Clubhouse Management	-	-	-
Greens Maintenance	-	331,492	331,492
Depreciation and Amortization	896,138	50,199	946,337
TOTAL OPERATING EXPENSES	4,778,541	381,691	5,160,232
OPERATING INCOME	1,615,876	13,892	1,629,768
NON-OPERATING REVENUES / EXPENSES:			
Contributed Capital	510,960	-	510,960
Interest Income	132,322	1,311	133,633
Interest Expense	(50,575)	(3,368)	(53,943)
TOTAL NON-OPERATING REVENUES / EXPENSES	592,707	(2,057)	590,650
NET INCOME	2,208,583	11,835	2,220,418
TOTAL NET ASSETS - BEGINNING BALANCE	22,631,249	862,103	23,493,352
TOTAL NET ASSETS - ENDING BALANCE	\$ 24,839,832	\$ 873,938	\$ 25,713,770

CITY OF REXBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2008

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 6,273,478	\$ 395,373	\$ 6,668,851
Payments to Suppliers	(1,429,041)	(91,618)	(1,520,659)
Payments to Employees	(1,001,182)	-	(1,001,182)
Payments for Labor Contracts	-	(188,616)	(188,616)
Internal Activity - Payments to Other Funds for Services	(1,436,273)	(58,900)	(1,495,173)
Other Receipts (Payments)	76,568	277	76,845
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,483,550	56,516	2,540,066
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Loan from Other Funds	-	316,843	316,843
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisitions of Property, Plant and Equipment	(1,877,241)	(567,051)	(2,444,292)
Interest Income	132,322	1,311	133,633
Principal Payments on Revenue Bonds	(408,573)	-	(408,573)
Interest Payments on Bonds and Leases	(54,245)	(3,368)	(57,613)
Contributed Capital	510,960	-	510,960
Payment from Component Unit	163,104	-	163,104
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,533,673)	(569,108)	(2,102,781)
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	949,877	(195,749)	754,128
CASH AND INVESTMENTS AT BEGINNING OF YEAR	2,108,921	195,749	2,304,670
CASH AND INVESTMENTS AT END OF THE YEAR	\$ 3,058,798	\$ -	\$ 3,058,798
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income	\$ 1,615,876	\$ 13,892	\$ 1,629,768
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	896,138	50,199	946,337
Loss on Disposal of Assets	28,498	-	28,498
Changes in Assets and Liabilities:			
(Increase)Decrease in accounts receivable	(72,869)	-	(72,869)
Decrease in other receivables	-	67	67
Increase(Decrease) in accounts payable	15,785	(7,642)	8,143
Increase in accrued compensated absences	(1,301)	-	(1,301)
Increase in other current liabilities	1,423	-	1,423
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,483,550	\$ 56,516	\$ 2,540,066

CITY OF REXBURG, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Rexburg, Idaho (the City) was incorporated in 1883 under the provisions of the State of Idaho. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, general administrative, utilities, and airport operations. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

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

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Primary Government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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, early retirement, arbitrage rebates, and post employment healthcare benefits, are recorded only when payment is due.

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It is used for all financial resources of the general government, except those required to be accounted for in another fund.
- The Street Fund accounts for the resources accumulated and payments made for street and bridge maintenance, street lighting, traffic engineering, snow removal, street sweeping and storm sewer maintenance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The Emergency Services Fund accounts for the operations of the fire and ambulance service in and surrounding the City.
- The Revolving Loan Fund accounts for lending and repayments of low interest loans the City offers to small businesses in the community.

The City reports the following major enterprise fund:

- The utility fund is the fund that accounts for the activities provided to the residents of the City for its utilities. These utilities include water, wastewater and sanitation.

Property, Plant and Equipment

Property, plant and equipment used in governmental fund type operations (those items which relate to the general activities and services of the City) are accounted for in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000, with an estimated useful life in excess of two years. Property, plant and equipment used in proprietary fund type operations (i.e., the Utility and the Golf Course Funds) is accounted for within the proprietary funds and on the government-wide financial statements. Depreciation is provided on property, plant and equipment using the straight-line method over the estimated useful lives of the related assets:

Computers	5 years
Office Equipment	10 years
Furniture	20 years
Vehicles	7 years
Light Equipment.....	15 years
Heavy Equipment	20 years
Buildings	40 years
Water and Wastewater Systems.....	20-100 years

Budgetary Policy

The City prepares one combined budget which includes the operations of all funds. The combined statement of revenues and expenditures budget and actual--all budgetary funds presents comparisons of legally adopted budgets with actual data on a budgetary basis. Under Idaho Code, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, except as allowed by the Code for certain events. During the fiscal year ended September 30, 2008 the City amended the budget for several of the funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Cash Equivalents

For the purpose of the statement of cash flows for the proprietary funds, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Funds invested with the State Treasurer's Pool are classified as investments on the combined balance sheet and are considered to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND SHORT-TERM INVESTMENTS

The City is authorized under Idaho Code to invest in cash, certificates of deposit, U.S. Government securities, commercial paper and repurchase agreements. All investments must be held by or registered in the name of the City.

Cash balances of most of the City's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's cash balance. The City maintains two primary checking accounts and other miscellaneous accounts with local banks where a minimum balance is maintained. All excess funds are then invested with the State Treasurer's pooled cash investment account and the State's Diversified Bond Funds. These accounts invest in time certificates of deposit, local government tax anticipation notes, federal loans, U.S. treasury notes and other U.S. governmental securities. Information regarding insurance or collateralization of amounts invested in the pooled accounts is not available.

2. CASH AND INVESTMENTS (Continued)

The City has adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement establishes and modifies disclosure requirements related to investment and deposit risk; accordingly, the note disclosures on cash and investments are in conformity with the provisions of GASB Statement No. 40.

- Deposits – At September 30, 2008, the carrying amount of the City’s deposits was \$1,436,766 and the respective bank balances totaled \$1,554,907. The bank balances of \$394,457 were insured. Of the remaining balances \$220,081 were collateralized through repurchase agreements and \$940,369 was not covered.
- Custodial Credit Risk, Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the government’s deposits may not be returned. As of September 30, 2008, \$1,160,450 of the City’s total deposits of \$1,554,907 was not covered by federal depository insurance, and thus was exposed to custodial credit risk. \$220,081 of these balances were collateralized through repurchase agreements.
- Investments – As of September 30, 2008, the City had the following investments:

Investment Type	S&P Rating	Fair Value	Investment Maturity (in Years)			
			Less Than 1	1-5	6-10	More Than 10
State Diversified Bond Fund	AAAf	\$ 2,306,377	\$ --	\$ 2,306,377	\$ --	\$ --
State Investment Pool	AAAf	\$ 2,053,013	\$ 2,053,013	\$ --	\$ --	\$ --
Certificates of Deposit		\$1,000,000	\$1,000,000	\$ --	\$ --	\$ --
		\$ 5,359,390	\$ 3,053,013	\$ 2,306,377	\$ --	\$ --

- Custodial Credit Risk, Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investments. The State diversifies these funds to reduce this risk.
- Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from changes in interest rates, the City structures its portfolio so that securities mature to meet cash requirements for ongoing operations. The State investment pool is a short-term investment fund. Participants have overnight availability to their funds and the weighted average maturity of investments at September 30, 2007 was 84 days.

2. CASH AND INVESTMENTS (Continued)

- The following is a reconciliation of the City's deposit and investment balance as of September 30, 2008:

Petty Cash	\$	650
Bank Deposit		1,436,766
State Investments		5,359,390
Other Investments		<u>114,417</u>
Total	\$	<u>6,911,223</u>

3. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2008 was as follows:

PRIMARY GOVERNMENT:	September 30,	Increases	Decreases	September 30,
GOVERNMENTAL ACTIVITIES:	2007			2008
Capital Assets, not being depreciated:				
Land	\$ 1,011,487	\$ --	\$ --	\$ 1,011,487
Total Capital Assets, not being depreciated	1,011,487	--	--	1,011,487
Capital Assets, being depreciated:				
Office	509,558	59,280	--	568,838
Legal	3,688	2,633	--	6,321
Archer Station	658,038	113,204	--	771,242
Police	2,358,442	224,536	(292,257)	2,290,721
Dare	32,698	--	--	32,698
Fire	2,430,495	1,464,912	(75,349)	3,820,058
Inspection	645,742	56,034	--	701,776
GIS	92,726	19,403	--	112,129
Community Development	26,393	--	--	26,393
Streets	13,188,284	8,381,228	(20,004)	21,549,508
Shop	275,864	2,187	(18,277)	259,774
Parks	1,885,418	234,698	(25,516)	2,094,600
Merry-Go-Round	128,949	10,083	--	139,032
Ball Diamond	20,516	9,478	--	29,994
Airport	1,544,774	9,735	--	1,554,509
Recreation	121,162	2,160	--	123,322
Theatre	98,357	23,779	--	122,136
Legacy of Flight Museum	950,416	20,000	--	970,416
Tabernacle	368,467	45,783	--	414,250
Total Capital Assets, being depreciated	25,339,987	10,679,133	(431,403)	35,587,717
Less Accumulated Depreciation	(6,711,470)	(1,734,931)	374,941	(8,071,460)
Total Capital Assets, being depreciated, net	18,628,517	8,944,202	(56,462)	27,516,257
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 19,640,004	\$ 8,944,202	\$ (56,462)	\$ 28,527,744

3. CAPITAL ASSETS (Continued)

Total capital improvements on the financial statements of \$11,029,870 is \$350,737 more than assets added to capital assets. This is due to assets below the capitalization amount and assets belonging to property holders in the LID capital improvement funds.

Depreciation expense was charged to the government activities as follows:

General and Administrative	\$ 178,143
Public Safety	414,470
Parks and Recreation	131,709
Street and Highway	<u>1,010,609</u>
 Total	 <u>\$ 1,734,931</u>

	September 30, 2007	Increases	Decreases	September 30, 2008
PRIMARY GOVERNMENT:				
BUSINESS-TYPE ACTIVITIES:				
Capital Assets, not being depreciated:				
Land	\$ 352,811	\$ --	\$ --	\$ 352,811
Total Capital Assets, not being depreciated	<u>352,811</u>	<u>--</u>	<u>--</u>	<u>352,811</u>
Capital Assets, being depreciated:				
Sanitation	1,534,040	46,733	--	1,580,773
Water	9,777,543	422,125	--	10,199,668
Wastewater	18,922,170	1,408,383	(28,785)	20,301,768
Golf Course	859,192	815,590	(16,071)	1,658,711
Total Capital Assets, being depreciated	<u>31,092,945</u>	<u>2,692,831</u>	<u>(44,856)</u>	<u>33,740,920</u>
Less Accumulated Depreciation:				
Sanitation	(704,871)	(84,743)	--	(789,614)
Water	(2,692,019)	(273,861)	--	(2,965,880)
Wastewater	(5,554,279)	(537,534)	288	(6,091,525)
Golf Course	(528,022)	(50,199)	16,071	(562,150)
Total Accumulated Depreciation	<u>(9,479,191)</u>	<u>(946,337)</u>	<u>16,359</u>	<u>(10,409,169)</u>
Total Capital Assets, being depreciated, net	<u>21,613,754</u>	<u>1,746,494</u>	<u>(28,497)</u>	<u>23,331,751</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET				
	<u>\$ 21,966,565</u>	<u>\$ 1,746,494</u>	<u>\$ (28,497)</u>	<u>\$ 23,684,562</u>

4. REVOLVING LOANS RECEIVABLE

The City received a grant from the United States Department of Housing and Urban Development, the proceeds of which have been designated to be used as a revolving loan fund for small businesses within the community. Repayments on the initial loan have been used to finance other projects at the discretion of the City. The East Central Idaho Development Company (ECIDC) is currently administering these funds for the City. The balances of outstanding loans at September 30, 2008 are as follows:

Recipient	Repayment Terms	Amount
Madison Senior Citizen Center	Receivable in monthly installments of \$1,280 including interest at 4.0% through 2017	\$ 22,705
East Central Idaho Planning and Development	Terms of repayment not finalized	30,500
AMET, Inc.	Receivable in monthly installments of \$4,652 including interest at 7.0% through 2008	396,067
Pro-Fusion Technologies	Receivable in monthly installments of \$1,673 including interest at 6% through 2008	21,530
Thane Siddoway	Receivable in yearly installments of \$4,039 including interest at 5.5% through 2018	33,507
David and Tarri Leonardson	Receivable in monthly installments of \$998 including interest at 5.5% through 2024	124,288
Smith Family Properties	Receivable in monthly installments of \$422 including interest at 6% through 2019	40,947
Eagle Vision Center	Receivable in monthly installments of \$557 Including interest at 6.5% through 2027	45,727
Robertson Taylor, LLC	Receivable in monthly installments of \$1,111 including interest at 7.0% through 2028	142,531
East Central Idaho Planning and Development	Terms of repayment not finalized	<u>125,000</u>
		<u>\$ 982,802</u>

4. REVOLVING LOANS RECEIVABLE (Continued)

<u>Recipient</u>	<u>Repayment Terms</u>	<u>Amount</u>
Rexburg Redevelopment Agency	3% interest with no set repayment terms	<u>\$ 72,836</u>

The terms of the East Central Idaho Planning and Development and redevelopment agency were not finalized at September 30, 2008, and are shown in the financial statements as an interfund receivable/payable. ECIPDA is holding \$91,231 in an interest bearing account for the City, which is available for future revolving loan projects.

5. PROPERTY TAXES

Property taxes of the City are based on the assessments against property owners as of the first Monday in January of the calendar year in which the fiscal year commences. Tax levies on such assessed values are certified to the County prior to the commencement of the fiscal year.

Taxes are collected by Madison County and remitted to the City primarily in January and July of the fiscal year. Accordingly, the tax revenues for the fiscal year ended September 30, 2008, are based on the assessed values and tax revenues established in 2007.

The City defers recognition of property taxes assessed but not collected within 60 days of the fiscal year-end. Such amounts will be recognized as revenues in the fiscal year they become available.

6. ACCRUED COMPENSATED ABSENCES

The City has elected to show its normal sick leave benefits as compensated absences. In 1990, the City established individual sick leave banks whereby an employee may contribute any days accumulated over the 60 day maximum at the end of the calendar year. In 1995, the City adjusted the allowable contribution to the sick bank to include any sick days accumulated at the end of the calendar year. Upon retirement, the employee will be paid one quarter of the remaining balance in his bank at his normal hourly rate.

7. LOCAL IMPROVEMENT ASSESSMENTS

Assessments are made against property owners within the City for each owner's pro-rata share of the costs of Local Improvement District construction. Such assessments represent a lien against the related property and are generally payable in ten equal payments of principal and interest.

Special assessments are recognized as revenue only to the extent that individual installments are currently due. The balance of such assessments is shown as deferred revenue. The collection of revenues for special assessments and the payment of special assessment bonds are accounted for in the Debt Service Fund.

Liabilities for special assessment bonds payable are accounted for in the General Long-term Debt Account Group.

8. LID GUARANTEE FUND

The City maintains an LID Guarantee Fund (with a balance of \$24,795 as of September 30, 2008) to provide a reserve for potential unpaid assessments. Under the terms of the City ordinances and Idaho law, the Fund is funded by an annual one mill property tax levy; however, the annual levy may not exceed five percent of total LID obligations, nor may there be a levy when the fund balance equals or exceeds ten percent of such obligations. The fund is restricted to use until all LID Bonds and Warrants guaranteed by it are paid in full, all of which were paid as of September 30, 2008.

9. LOCAL IMPROVEMENT DISTRICT WARRANTS PAYABLE

Each year, as needed the City authorizes warrants to finance the improvements of certain streets along with constructing or reconstructing sidewalks, curbs, gutters, drainage facilities and other work incidental to improvements along streets and issues warrants to finance the construction. The balance of warrants outstanding at September 30, 2008, was as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
Local Improvement District No. 30 1999 Issue (original amount – \$400,000)	5.5%	2008 to 2009	\$ 40,000
Local Improvement District No. 31 2001 Issue (original amount – \$560,000)	6.0%	2008 to 2011	112,000

9. LOCAL IMPROVEMENT DISTRICT WARRANTS PAYABLE (Continued)

Promissory Note (LID No. 32) 2004 Issue (original amount – \$200,000)	5.0%	2008 to 2014	100,000
Promissory Note (LID No. 33) 2004 Issue (original amount – \$300,000)	5.0%	2008 to 2014	120,000
Promissory Note (LID No. 35) 2008 Issue (original amount – \$350,000)	5.5%	2008 to 2018	350,000
Promissory Note (LID No. 38) 2008 Issue (original amount – \$75,000)	5.5%	2008 to 2023	<u>75,000</u>
Totals			<u>\$ 797,000</u>

10. WASTEWATER REVENUE BONDS PAYABLE

Wastewater Revenue Bonds outstanding at September 30, 2008, were as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
Wastewater Revenue Bonds – Series 1995 (Original amount \$5,000,000)	4.0%	2008 to 2010	<u>\$ 650,958</u>

The bond ordinance for the revenue bonds provides for the establishment of certain accounts and reserves, and further provides that all revenues of the wastewater system are to be used initially for payment of operation and maintenance costs of the system, principal and interest on the bonds, and establishment of certain defined debt repayment reserves.

11. OBLIGATIONS UNDER CAPITAL LEASES

The City has entered into agreements to purchase equipment, street lights, vehicles and their police building through capital lease agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for in the General Fixed Assets and General Long-term Debt Account Groups. Assets and liabilities related to proprietary funds are accounted for within the proprietary funds.

The following is a schedule of fixed assets and outstanding liabilities relating to capital lease agreements:

11. OBLIGATIONS UNDER CAPITAL LEASES (Continued)

	<u>FIXED ASSETS</u>	<u>CAPITAL LEASES PAYABLE</u>
Equipment	\$ 3,299,819	\$ --
Building	450,503	128,443
	<u>\$ 4,040,236</u>	<u>\$ 128,443</u>

The following is a schedule by year of future lease payments with the present value of the net minimum lease payments as of September 30, 2008.

<u>Year Ending September 30,</u>	<u>Governmental Funds</u>
2009	\$ 36,307
2010	36,307
2011	36,307
2012	36,307
Total Minimum Lease Payments	145,228
<u>Less Amount Representing Interest</u>	<u>(16,785)</u>
Present Value of Minimum Lease Payments	128,443
<u>Current Portion of Present Value</u>	<u>(29,756)</u>
<u>Long-Term Portion of Present Value</u>	<u>\$ 98,687</u>

12. CHANGES IN LONG-TERM OBLIGATIONS

A summary of long-term transactions of the City for the year ended September 30, 2007, is as follows:

	Long-Term Obligations September 30, 2007	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2008
Accrued Compensated Absences (Note 7)	\$ 332,212	\$ --	\$ 7,559	\$ 324,653
Local Improvement District Warrants Payable (Note 10)	654,000	425,000	282,000	797,000
Wastewater Revenue Bonds Payable (Note 11)	1,059,532	--	408,574	650,958
Obligations Under Capital Leases (Note 12)	156,753	--	28,311	128,442
	<u>\$ 2,202,497</u>	<u>\$ 425,000</u>	<u>\$ 726,443</u>	<u>\$ 1,901,054</u>

13. BONDED DEBT REPAYMENT REQUIREMENTS

The annual requirements to amortize all bonded debt outstanding as of September 30, 2008, including interest, are as follows:

Year Ending September 30,	Local Improvement Warrants	Wastewater Revenue Bonds	Total
2009	\$ 238,551	\$ 448,509	\$ 687,060
2010	186,395	225,259	411,654
2011	178,335	--	178,335
2012	114,275	--	114,275
2013	109,575	--	109,575
Thereafter	321,500	--	321,500
<u>Total Commitment</u>	<u>\$ 1,148,631</u>	<u>\$ 673,768</u>	<u>\$ 1,822,399</u>
<u>Interest Portion</u>	<u>\$ 351,631</u>	<u>\$ 22,810</u>	<u>\$ 374,441</u>

14. RETIREMENT PLANS

Public Employee Retirement System of Idaho

The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring 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 provided in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements for the City of Rexburg and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2008, the required contribution rate as a percentage of covered payroll for members was 6.23% for general employees and 7.65% for police/firefighters. The employer rate as a percent of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The City of Rexburg contributions required and paid were \$570,976, \$597,394, and \$471,205 for the three years ended September 30, 2008, 2007, and 2006 respectively.

401(k) Plan

The City has a single employer defined contribution 401(k) pension plan (the Plan), established by ordinance and in compliance with Internal Revenue Service Regulations. The Plan covers substantially all city employees who meet defined age and service requirements. The Plan is a salary reduction contribution plan with employees contributing up to 15% of their salary and the employer matching 50% of the first four percent of the employee's contribution. Employees are 100% vested immediately on their salary reduction amounts and become 100% vested after five years of service with the City on the employer's contribution portion.

14. RETIREMENT PLANS (Continued)

The City's total 2008 fiscal year payroll for all employees was \$5,399,507 of which \$3,379,395 was for covered payroll for employees who were members of the Plan. Employer and employee contributions to the Plan were 1.86% and 4.63% respectively, of covered payroll. Total contributions to the Plan for the fiscal year by the City and the employees were \$63,679 and \$167,196 respectively. The Plan had \$2,526,309 in net assets at September 30, 2008.

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The City expenditures exceeded the budgeted amounts in the following funds during the year ended September 30, 2008:

Fund	Amount Exceeded
Streets Fund.....	\$5,457,459
Recreation Fund.....	27,758
Tabernacle Fund	5,442
Business Park Operation Fund	129,601
Police Impact Fee Fund	12,528
Police Small Grants Fund	6,166
Animal Control Fund	13,240
Joint Fire Equipment Fund	206,133
Fire Impact Fee Fund.....	31,676

The following individual funds had fund deficits on September 30, 2008:

The Street Fund--There is a fund deficit of \$305,437. The City expects to eliminate this deficit as revenues are received.

Business Park Operation Fund--There is a fund deficit of \$101,290. The City expects to eliminate this deficit with sales of the remaining lots.

Police Impact Fee Fund --There is a fund deficit of \$581,998. The City expects to eliminate this deficit as police impact fees are received and with transfers from the general fund.

Joint Fire Equipment Fund --There is a fund deficit of \$107,446.

Fire Impact Fee Fund -- There is a fund deficit of \$29,837.

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (Continued)

Parks Impact Fee Fund -- There is a fund deficit of \$48,493. The City expects to eliminate this deficit by the end of 2008, as parks impact fees are received.

Trails of Madison County Fund-- There is a fund deficit of \$88,363. The City expects to eliminate this deficit with the receipt of state grants and Rexburg Redevelopment Agency contributions.

Riverside Park Construction Fund-- There is a fund deficit of \$5,199. The City expects to eliminate this deficit as grants are received.

Airport Operation Fund-- There is a fund deficit of \$63,516. The City expects to eliminate this deficit as grants and fees are received.

LID Debt Service Fund-- There is a fund deficit of \$467,957. The City expects to eliminate this deficit as assessments come in on the LID projects.

LID Construction Fund-- There is a fund deficit of \$66. The City expects to eliminate this deficit as the projects are completed.

16. COMPONENT UNIT – REXBURG URBAN RENEWAL AGENCY

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Generally Accepted Accounting Principles. The basic, but not the only, criterion for including a potential component within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity include the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of the component units addressed in defining the government's reporting entity.

16. COMPONENT UNIT – REXBURG URBAN RENEWAL AGENCY (Continued)

Included with the reporting entity:

Rexburg Urban Renewal Agency. This component unit was organized to make improvements to infrastructure on Second East, First West and the downtown area. It derives its revenues from the incremental tax increases that all taxing districts forfeit from increase in value of the land and buildings in the new construction areas.

Revenue Allocation (Tax Increment) Bonds, Series 1992

This bond does not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute a general obligation or debt of the City of Rexburg, Idaho, or of any municipality, the State of Idaho, or any of its political subdivisions. In no event does this bond give rise to a general obligation or liability of the Agency, any municipality, the State of Idaho, or any of its political subdivisions, or give rise to a charge against their general credit or taxing powers, or be payable out of any funds or properties other than those of the Agency specifically pledged therefore.

These bonds were redeemed in full on February 1, 2008, prior to the required due date.

Note Payable

The Agency purchased property in a prior year for \$800,000. The Agency paid \$400,000 down and is liable for the remaining \$400,000. A note is payable to an individual and carries an interest rate of 9 percent per annum and is payable at \$200,000 per year plus interest for two years. It is secured by the property. When the note is paid the property will be donated to the City of Rexburg. The note was delayed in the payoff because the note holders owed the agency rent. This was resolved subsequently to the end of the year and \$100,000 plus interest of \$4,536 was paid in December of 2008. The annual requirements for the note, are as follows:

Year Ending September 30,	Note	Interest
2009	\$ 100,000	\$ 4,536

17. INTERFUND TRANSACTIONS

Transfers between funds during the year were as follows:

Governmental:	Operating Transfers In	Operating Transfers Out
General Fund	\$ 5,961	\$ 627,612
Street Fund	47,664	906,557
Tabernacle Fund	79,502	--
Rexburg Arts Council Fund	3,000	--
Police Impact Fee Fund	--	18,239
Police Grant Fund	--	5,961
Animal Control Fund	79,946	--
Emergency Services Fund	681,027	--
Joint Fire Equipment Fund	294,000	--
Madison County Fire District Fund	--	418,909
Fire Impact Fee Fund	--	102,000
Legacy Flight Museum Fund	4,753	--
Downtown Revitalization Fund	555,660	--
Beautification Committee Fund	10,000	--
Street Impact Fee Fund	--	47,664
Romance Theatre Fund	23,690	--
Veterans Memorial Fund	842	--
LID Debt Service Funds	--	418,184
LID Construction Funds	759,081	--
	<u>\$ 2,545,126</u>	<u>\$ 2,545,126</u>

The General Fund transfers funds to the Tabernacle Fund, Rexburg Arts Fund, Police Grant Fund, Animal Control Fund, Legacy Flight Museum Fund, and Romance Theatre Fund. The General Fund also transfers donations received for the Veterans Memorial Fund to that fund. The City works jointly with Madison County in providing funding for the Emergency Services Fund and that transfer is the City's share of expenditures in that fund. The Police Impact Fee Fund transferred funds to the Animal Control Fund to assist in those expenses. Madison County Fire District Fund and Fire Impact Fee Fund transfers funds to the Emergency Services Fund to support that fund. The Street Fund and Street Impact Fee Fund transferred funds to the Downtown Revitalization Fund, the Beautification Committee Fund and LID Construction Funds to assist in construction that relates to the streets of the City. The LID Debt Service Funds transfer funds to the LID Construction Funds to provide for those funds out of the warrants issued to cover the construction of the LIDs.

17. INTERFUND TRANSACTIONS (Continued)

The following is a schedule of interfund receivables and payables as of September 30, 2008:

	Due From Other Funds	Due To Other Funds
Primary Government:		
General Fund	\$ 1,703,823	\$ --
Street Fund	--	245,763
Emergency Service Fund	--	75,361
Revolving Loan Fund	645,596	--
Business Park Operation Fund	--	101,290
Golf Course Fund	--	316,843
Police Impact Fee Fund	--	581,998
Police Small Grants Fund	--	6,379
Joint Fire Equipment Fund	--	107,446
Fire Impact Fee Fund	--	29,837
GIS Fund	--	33,435
Parks Impact Fee Fund	--	47,378
Trails of Madison County Fund	--	82,723
Riverside Park Construction Fund	--	5,059
Airport Operation Fund	--	223,752
LID Debt Service Funds	--	492,089
LID Construction Funds	--	66
	<u>\$ 2,349,419</u>	<u>\$ 2,349,419</u>

The above amounts were loaned from the General Fund to the various other funds to cover cash deficits.

Component Unit Interfund Receivables and Payables:

Governmental Funds:		
Revolving Loan Fund	\$ 72,836	\$ --
	<u>\$ 72,836</u>	<u>\$ --</u>
Component Unit:		
General Long-Term Debt	\$ --	\$ 72,836

The City loaned the Component Unit funds to assist with various projects that affected the City directly and will be paid off as taxes are collected.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2007

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Property Taxes	\$ 2,222,878	\$ 2,222,878	\$ 2,197,385	\$ (25,493)
State Liquor Fund	68,900	68,900	74,914	6,014
State Sales Tax	1,140,000	1,140,000	1,158,168	18,168
Other State Funds	500	500	587	87
Federal Revenue	-	-	12,168	12,168
Other Grants and Donations	12,000	12,000	79,382	67,382
Licenses, Permits and Franchise Tax	476,700	476,700	462,945	(13,755)
Charges for Services	1,856,000	1,856,000	1,772,427	(83,573)
Interest Earned	105,000	105,000	109,790	4,790
Fines, Rent and other Assessments	112,200	112,200	145,300	33,100
Miscellaneous	48,200	64,800	51,528	(13,272)
Transfers	-	-	5,961	5,961
TOTAL REVENUES	6,042,378	6,058,978	6,070,555	11,577
EXPENDITURES:				
General and Administrative Operations	2,273,200	2,273,200	2,146,358	126,842
Public Safety Operations	2,570,800	2,570,800	2,561,058	9,742
Parks and Recreation	415,900	415,900	392,035	23,865
Capital Improvements	361,500	378,100	397,169	(19,069)
Transfers	630,700	630,700	627,612	3,088
TOTAL EXPENDITURES	6,252,100	6,268,700	6,124,232	144,468
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(209,722)	(209,722)	(53,677)	156,045
FUND BALANCE AT BEGINNING OF YEAR	209,722	209,722	1,763,921	1,554,199
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 1,710,244	\$ 1,710,244

See Independent Auditors' Report.

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
STREET FUND
Year Ended September 30, 2007

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
County Road Funds	\$ 450,000	\$ 450,000	\$ 591,127	\$ 141,127
State Highway Users Fund	1,040,000	1,040,000	1,022,420	(17,580)
Other State Revenue	1,000,000	1,000,000	5,200,000	4,200,000
Federal Revenue	-	-	16,000	16,000
Other Grants and Donations	159,500	162,000	786,650	624,650
Licenses, Permits and Franchise Tax	370,000	370,000	429,022	59,022
Charges for Services	302,900	302,900	326,362	23,462
Fines, Rent and other Assessments	6,300	6,300	54,894	48,594
Contingency Carryover	500,000	500,000	-	(500,000)
Transfers	-	-	47,664	47,664
TOTAL REVENUES	3,828,700	3,831,200	8,474,139	4,642,939
EXPENDITURES:				
Streets Maintenance	1,368,500	1,371,000	1,516,407	(145,407)
Capital Improvements	2,350,200	2,350,200	6,865,695	(4,515,495)
Transfers to Other Street Projects	110,000	110,000	906,557	(796,557)
TOTAL EXPENDITURES	3,828,700	3,831,200	9,288,659	(5,457,459)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	(814,520)	10,100,398
FUND BALANCE AT BEGINNING OF YEAR	-	-	509,083	509,083
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ (305,437)	\$ 10,609,481

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
EMERGENCY SERVICES FUND
Year Ended September 30, 2007

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Other County Revenues	\$ 749,500	\$ 763,758	\$ 14,258
Federal Revenue	100,000	7,439	(92,561)
Miscellaneous	-	5,358	5,358
Transfers	718,700	681,027	(37,673)
TOTAL REVENUES	1,568,200	1,457,582	(110,618)
EXPENDITURES:			
Public Safety Operations	1,322,300	1,413,459	(91,159)
Capital Improvements	245,900	44,123	201,777
TOTAL EXPENDITURES	1,568,200	1,457,582	110,618
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	-
FUND BALANCE AT BEGINNING OF YEAR		-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
Year Ended September 30, 2007

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Interest Earned	\$ 95,000	\$ 173,290	\$ 78,290
Miscellaneous	2,000	-	(2,000)
TOTAL REVENUES	97,000	173,290	76,290
EXPENDITURES:			
General and Administrative	8,000	6,811	1,189
Contingency	89,000	-	89,000
TOTAL EXPENDITURES	97,000	6,811	90,189
EXCESS OF REVENUES OVER EXPENDITURES	-	166,479	166,479
FUND BALANCE AT BEGINNING OF YEAR	-	2,308,390	2,308,390
FUND BALANCE AT END OF YEAR	\$ -	\$ 2,474,869	\$ 2,474,869

OTHER SUPPLEMENTARY INFORMATION

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008

	Special Revenue Funds						Dare Grant Fund
	Recreation Fund	Tabernacle Fund	Rexburg Arts Council Fund	Business Park Operation Fund	Police Impact Fee Fund		
ASSETS							
CASH AND SHORT TERM INVESTMENTS	\$ 12,690	\$ 20,948	\$ 4,875	\$ -	\$ -	\$ -	644
RECEIVABLES	352	-	-	-	-	-	7,500
TOTAL ASSETS	\$ 13,042	\$ 20,948	\$ 4,875	\$ -	\$ -	\$ -	8,144
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts Payable	\$ 5,219	\$ 20,948	\$ 87	\$ -	\$ -	\$ -	357
Deferred Revenue	5,039	-	-	-	-	-	-
Due to Primary Government	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	101,290	581,998	-	-
Other	-	-	-	-	-	-	-
TOTAL LIABILITIES	10,258	20,948	87	101,290	581,998	-	357
FUND BALANCES (DEFICIT):							
Reserved Fund Balances	2,784	-	4,788	(101,290)	(581,998)	-	7,787
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,042	\$ 20,948	\$ 4,875	\$ -	\$ -	\$ -	8,144

Special Revenue Funds

	Drug Enforcement Fund	Police Small Grants Fund	Animal Control Fund	Joint Fire Equipment Fund	Madison County Fire District Fund	Fire Impact Fee Fund	ESD Paid Call Fund	Legacy Flight Museum Fund
\$	13,990	\$ -	\$ 3,040	\$ -	\$ 975,113	\$ -	\$ 35,374	\$ 82,148
	-	6,379	260	-	28,770	-	-	4,107
\$	13,990	\$ 6,379	\$ 3,300	\$ -	\$ 1,003,883	\$ -	\$ 35,374	\$ 86,255
<hr/>								
\$	-	\$ -	\$ 3,300	\$ -	\$ 141,213	\$ -	\$ 1,821	\$ 580
	-	-	-	-	28,770	-	-	-
	-	6,379	-	107,446	-	29,837	-	-
	-	-	-	-	-	-	-	-
	-	6,379	3,300	107,446	169,983	29,837	1,821	580
<hr/>								
	13,990	-	-	(107,446)	833,900	(29,837)	33,553	85,675
\$	13,990	\$ 6,379	\$ 3,300	\$ -	\$ 1,003,883	\$ -	\$ 35,374	\$ 86,255

(Continued)

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008

ASSETS	Special Revenue Funds					
	Building Safety and P & Z Fund	GIS Fund	Downtown Revitalization Fund	Beautification Committee Fund	Street Impact Fee Fund	Arts Promulgation Fund
CASH AND SHORT TERM INVESTMENTS	\$ 511,823	\$ -	\$ 362,617	\$ 14,221	\$ 381,538	\$ 22,804
RECEIVABLES	1,642	42,969	18,086	-	-	-
TOTAL ASSETS	\$ 513,465	\$ 42,969	\$ 380,703	\$ 14,221	\$ 381,538	\$ 22,804
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 13,674	\$ 9,534	\$ 30,669	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-	-	-
Due to Primary Government	-	-	-	-	-	-
Due to Other Funds	-	33,435	-	-	-	-
Other	-	-	-	-	-	-
TOTAL LIABILITIES	13,674	42,969	30,669	-	-	-
FUND BALANCES (DEFICIT):						
Reserved Fund Balances	499,791	-	350,034	14,221	381,538	22,804
TOTAL LIABILITIES AND FUND BALANCES	\$ 513,465	\$ 42,969	\$ 380,703	\$ 14,221	\$ 381,538	\$ 22,804

Special Revenue Funds

Parks Impact Fee Fund	Trails of Madison County Fund	Romance Theatre Fund	Riverside Park Construction Fund	Mayor's Youth Committee Fund	Airport Operation Fund	Inoperability Grant Fund	LID Guarantee Fund
\$ -	\$ -	\$ 19,879	\$ -	\$ 1,656	\$ -	\$ 340,041	\$ 24,795
-	-	-	-	-	160,445	516,907	-
\$ -	\$ -	\$ 19,879	\$ -	\$ 1,656	\$ 160,445	\$ 856,948	\$ 24,795
\$ 1,115	\$ 5,640	\$ 19,879	\$ 140	\$ 27	\$ 209	\$ 856,947	\$ -
-	-	-	-	-	-	-	-
47,378	82,723	-	5,059	-	223,752	-	-
-	-	-	-	-	-	-	-
48,493	88,363	19,879	5,199	27	223,961	856,947	-
(48,493)	(88,363)	-	(5,199)	1,629	(63,516)	1	24,795
\$ -	\$ -	\$ 19,879	\$ -	\$ 1,656	\$ 160,445	\$ 856,948	\$ 24,795

(Continued)

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2008

	Special Revenue		Debt Service Funds	Capital Projects Funds		Total Nonmajor Governmental Funds
	Veterans Memorial Fund	Clark Family Benefit Fund	LID Debt Service Funds	LID Construction Funds		
ASSETS						
CASH AND SHORT TERM INVESTMENTS	\$ 50,101	\$ 104,114	\$ 12,568	\$ 83,811	\$ 3,078,790	
RECEIVABLES	-	-	845,549	-	1,632,966	
TOTAL ASSETS	\$ 50,101	\$ 104,114	\$ 858,117	\$ 83,811	\$ 4,711,756	
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 831	\$ -	\$ 43,174	\$ 83,811	\$ 1,239,175	
Deferred Revenue	-	-	790,811	-	824,620	
Due to Primary Government	-	-	-	-	-	
Due to Other Funds	-	-	492,089	66	1,711,452	
Other	-	-	-	-	-	
TOTAL LIABILITIES	831	-	1,326,074	83,877	3,775,247	
FUND BALANCES (DEFICIT):						
Reserved Fund Balances	49,270	104,114	(467,957)	(66)	936,509	
TOTAL LIABILITIES AND FUND BALANCES	\$ 50,101	\$ 104,114	\$ 858,117	\$ 83,811	\$ 4,711,756	

See Independent Auditors' Report.

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2008

	Special Revenue Funds					
	Recreation Fund	Tabernacle Fund	Rexburg Arts Council Fund	Business Park Operation Fund	Police Impact Fee Fund	Dare Grant Fund
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other County Revenues	-	-	-	-	-	7,500
State Sales Tax	-	-	-	-	-	-
Other State Revenue	-	-	500	-	-	-
Federal Revenue	-	-	-	-	-	-
Other Grants and Donations	2,620	18	3,228	-	-	5,000
Licenses, Permits and Franchise Tax	-	-	-	-	-	-
Charges for Services	247,090	13,222	-	-	-	-
Interest Earned	-	-	-	-	-	-
Fines, Rent and other Assessments	-	-	-	-	30,615	-
LID Assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	106,555	-	-
TOTAL REVENUES	249,710	13,240	3,728	106,555	30,615	12,500
EXPENDITURES:						
General and Administrative	-	-	-	-	-	-
Public Safety	-	-	-	-	-	15,405
Parks and Recreation	238,037	55,530	4,054	-	-	-
Interest on Bonds and Other Debt	-	-	-	2,943	14,282	-
Principal on Bonds and Other Debt	-	-	-	-	36,307	-
Capital Improvements	12,242	37,212	-	126,659	-	-
TOTAL EXPENDITURES	250,279	92,742	4,054	129,602	50,589	15,405
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(569)	(79,502)	(326)	(23,047)	(19,974)	(2,905)
OTHER FINANCING SOURCES (USES):						
Transfers In	-	79,502	3,000	-	-	-
Transfers Out	-	-	-	-	(18,239)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	79,502	3,000	-	(18,239)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(569)	-	2,674	(23,047)	(38,213)	(2,905)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	3,353	-	2,114	(78,243)	(543,785)	10,692
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 2,784	\$ -	\$ 4,788	\$ (101,290)	\$ (581,998)	\$ 7,787

Special Revenue Funds

Drug Enforcement Fund	Police Small Grants Fund	Animal Control Fund	Joint Fire Equipment Fund	Madison County Fire District Fund	Fire Impact Fee Fund	ESD Paid Call Fund	Legacy Flight Museum Fund
\$ -	\$ -	\$ -	\$ -	\$ 439,546	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	4,107
-	7,129	-	-	30,739	-	-	-
-	22,838	-	-	25,052	-	-	-
2,600	-	105	-	-	-	207	84,012
-	-	-	-	2,036	-	-	-
-	-	6,490	6,096	-	-	398	10,114
-	-	-	3,236	14,737	-	1,106	116
-	-	-	-	-	28,899	-	-
-	-	-	-	-	-	-	-
13,950	-	-	-	3,379	-	-	-
16,550	29,967	6,595	9,332	515,489	28,899	1,711	98,349
-	-	-	-	-	-	-	-
727	24,006	68,302	-	220	-	3,524	-
-	-	-	-	-	-	-	52,211
-	-	-	-	-	-	-	-
833	-	18,239	560,934	110,559	1,276	1,751	20,000
1,560	24,006	86,541	560,934	110,779	1,276	5,275	72,211
14,990	5,961	(79,946)	(551,602)	404,710	27,623	(3,564)	26,138
-	-	79,946	294,000	-	-	-	4,753
-	(5,961)	-	-	(418,909)	(102,000)	-	-
-	(5,961)	79,946	294,000	(418,909)	(102,000)	-	4,753
14,990	-	-	(257,602)	(14,199)	(74,377)	(3,564)	30,891
(1,000)	-	-	150,156	848,099	44,540	37,117	54,784
\$ 13,990	\$ -	\$ -	\$ (107,446)	\$ 833,900	\$ (29,837)	\$ 33,553	\$ 85,675

(Continued)

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2008

	Special Revenue Funds					
	Building Safety and P & Z Fund	GIS Fund	Downtown Revitalization Fund	Beautification Committee Fund	Street Impact Fee Fund	Arts Promulgation Fund
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other County Revenues	-	163,871	-	-	-	-
State Sales Tax	-	-	-	-	-	-
Other State Revenue	-	-	-	-	-	-
Federal Revenue	-	-	361,710	-	-	-
Other Grants and Donations	15,600	-	102,636	250	-	-
Licenses, Permits and Franchise Tax	991,223	-	-	-	-	-
Charges for Services	-	164,217	37,017	-	-	13,039
Interest Earned	-	-	-	-	-	-
Fines, Rent and other Assessments	-	-	-	-	270,896	-
LID Assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
TOTAL REVENUES	1,006,823	328,088	501,363	250	270,896	13,039
EXPENDITURES:						13,039
General and Administrative	745,818	308,685	-	-	-	-
Public Safety	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	-
Interest on Bonds and Other Debt	-	-	-	-	-	-
Principal on Bonds and Other Debt	-	-	-	-	-	-
Capital Improvements	87,126	19,403	892,123	4,304	-	-
TOTAL EXPENDITURES	832,944	328,088	892,123	4,304	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	173,879	-	(390,760)	(4,054)	270,896	13,039
OTHER FINANCING SOURCES (USES):						
Transfers In	-	-	555,660	10,000	-	-
Transfers Out	-	-	-	-	(47,664)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	555,660	10,000	(47,664)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	173,879	-	164,900	5,946	223,232	13,039
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	325,912	-	185,134	8,275	158,306	9,765
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 499,791	\$ -	\$ 350,034	\$ 14,221	\$ 381,538	\$ 22,804

Special Revenue Funds

Parks Impact Fee Fund	Trails of Madison County Fund	Romance Theatre Fund	Riverside Park Construction Fund	Mayor's Youth Committee Fund	Airport Operation Fund	Inoperability Grant Fund	LID Guarantee Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,842	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	495	-	-
-	90,000	-	-	-	45,832	856,948	-
7,500	7,823	7,899	-	150	-	-	-
-	-	-	-	-	2,689	-	-
-	2,245	20,113	-	-	1,000	-	-
-	-	-	-	-	-	-	-
57,988	-	4,318	-	-	12,657	-	-
-	-	-	-	-	-	-	-
-	-	-	-	4,755	-	-	-
65,488	100,068	32,330	-	4,905	65,515	856,948	-
-	-	-	-	5,172	18,256	-	-
-	-	-	-	-	-	-	-
-	525	31,441	-	-	-	-	-
-	-	-	-	-	14,326	-	-
-	-	-	-	-	-	-	-
42,896	80,440	24,579	1,854	-	9,734	856,947	-
42,896	80,965	56,020	1,854	5,172	42,316	856,947	-
22,592	19,103	(23,690)	(1,854)	(267)	23,199	1	-
-	-	23,690	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	23,690	-	-	-	-	-
22,592	19,103	-	(1,854)	(267)	23,199	1	-
(71,085)	(107,466)	-	(3,345)	1,896	(86,715)	-	24,795
\$ (48,493)	\$ (88,363)	\$ -	\$ (5,199)	\$ 1,629	\$ (63,516)	\$ 1	\$ 24,795

(Continued)

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2008

	Veterans Memorial Fund	Clark Family Benefit Fund	Debt Service Funds LID Debt Service Funds	Capital Projects Funds LID Construction Funds	Total Nonmajor Governmental Funds
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 442,388
Other County Revenues	-	-	-	-	175,478
State Sales Tax	-	-	-	-	30,739
Other State Revenue	-	-	-	-	33,176
Federal Revenue	-	-	-	-	1,377,328
Other Grants and Donations	5,793	193,019	-	61,851	500,311
Licenses, Permits and Franchise Tax	-	-	-	-	995,948
Charges for Services	-	78,961	-	-	600,002
Interest Earned	1,666	5,001	22,422	-	48,284
Fines, Rent and other Assessments	-	-	-	-	405,373
LID Assessments	-	-	174,784	-	174,784
Miscellaneous	-	-	-	-	128,639
TOTAL REVENUES	7,459	276,981	197,206	61,851	4,912,450
EXPENDITURES:					
General and Administrative	-	172,867	123	807	1,251,728
Public Safety	-	-	-	-	112,184
Parks and Recreation	-	-	-	-	381,798
Interest on Bonds and Other Debt	-	-	54,406	-	85,957
Principal on Bonds and Other Debt	-	-	282,000	-	318,307
Capital Improvements	8,326	-	-	805,446	3,722,883
TOTAL EXPENDITURES	8,326	172,867	336,529	806,253	5,872,857
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(867)	104,114	(139,323)	(744,402)	(960,407)
OTHER FINANCING SOURCES (USES):					
Proceeds from Capital Leases	-	-	425,000	-	425,000
Transfers In	842	-	-	759,081	1,810,474
Transfers Out	-	-	(418,184)	-	(1,010,957)
TOTAL OTHER FINANCING SOURCES (USES)	842	-	6,816	759,081	1,224,517
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(25)	104,114	(132,507)	14,679	264,110
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	49,295	-	(335,450)	(14,745)	672,399
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 49,270	\$ 104,114	\$ (467,957)	\$ (66)	\$ 936,509

See Independent Auditors' Report.

CITY OF REXBURG, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2008

	Federal CFDA Number	Expenditures	Revenues Cash Basis
Department of Labor and Commerce:			
* Community Development Block Grant	14.228	361,710	361,710
U.S. Department of Juvenile Corrections:			
Enforcing Underage Drinking Law Program	16.727	7,022	7,022
Department of Parks and Recreation:			
Recreational Trails Program	20.219	90,000	90,000
Federal Aviation Administration:			
Airport Improvement Program	20.106	45,832	45,832
Department of Transportation:			
Highway Planning and Construction Program	20.205	24,569	24,569
State and Community Highway Safety	20.600	2,130	6,841
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	3,898	5,418
Safety Incentive Grant for Use of Seatbelts	20.604	1,219	1,939
Total Department of Transportation		31,816	38,767
Military Division:			
* Assistance to Firefighters Grant Program - Operations and Safety	97.044	856,948	856,948
Homeland Security Grant Program	97.067	19,607	19,607
Total Military Division		876,555	876,555
TOTAL FEDERAL ASSISTANCE		\$ 1,412,935	\$ 1,419,886
* Major Program			

CITY OF REXBURG, IDAHO
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2008

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Rexburg, Idaho and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.



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

Honorable Mayor and City Council
City of Rexburg, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Rexburg, Idaho, as of and for the year ended September 30, 2008, which collectively comprise the City of Rexburg Idaho's basic financial statements and have issued our report thereon dated February 25, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Rexburg, Idaho's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rexburg, Idaho's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rexburg, Idaho's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Rexburg, Idaho's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Rexburg, Idaho's financial statements that is more than inconsequential will not be prevented or detected by the City of Rexburg, Idaho's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Rexburg, Idaho's internal control.

Our consideration of internal control over financial reporting 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rexburg, Idaho'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*.

This report is intended solely for the information and use of the management and City Council, and is not intended to be and should not be used by anyone other than these specified parties.

February 25, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Rexburg, Idaho

Compliance

We have audited the compliance of the City of Rexburg, Idaho with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City of Rexburg, Idaho's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Rexburg, Idaho's management. Our responsibility is to express an opinion on the City of Rexburg, Idaho's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rexburg, Idaho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Rexburg, Idaho's compliance with those requirements.

In our opinion, the City of Rexburg, Idaho complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2008-1.

Internal Control Over Compliance

The management of the City of Rexburg, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Rexburg, Idaho's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Rexburg, Idaho's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The City of Rexburg, Idaho's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Rexburg, Idaho's response and, accordingly, we express no opinion on it.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 25, 2009

CITY OF REXBURG, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended September 30, 2008

Section I - Summary of Auditors' Results

- Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

- Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? See 2008-1 below

Type of auditors' report issued on compliance for major programs: Qualified for significant deficiency

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes – See 2008-1 below

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.228 97.044	Community Development Block Grant Assistance to Firefighters Grant Program- Operations and Safety
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Finding

None

Section III – Federal Award Findings and Questioned Costs

MILITARY DIVISION

2008-1 Assistance to Firefighters Grant Program – Operations and Safety – CFDA No. 97.044; Grant Period: Year Ended September 30, 2008

Condition: The City did not meet the cash management requirements for federal programs due to receiving a payment approved grant disbursement on June 9, 2008 and not paying the vendor until October 15, 2008. The total amount of the expenditure was \$340,041.

Effect: The City held for more than four months federal funds that should have been disbursed to the vendor immediately.

Cause: The City has written policies and procedures governing the disbursing of funds. The department head, in error did not give the invoice to accounting and the vendor did not send out statements. It is the policy of the City to not pay invoices until the statement is received. When neither the statement nor the invoice was received by the accounting department it was not aware of the bill and was unable to pay the invoice. There was an error in the vendors accounting system and it was not aware of the problem until a

second project was done for the City. They immediately sent a statement and the City's accounting department promptly paid the bill once they received the proper support.

Recommendation: Department heads should be made aware of importance of following City policies and procedures and follow up should be done in regards to significant transactions, especially those that involving federal funding.

City of Rexburg, Idaho's Response: The City agrees with the auditors' findings and will follow up with direct training of supervisors and grant writers so that this does not happen again.



REXBURG URBAN RENEWAL AGENCY

Board of Trustees
Rexburg Urban Renewal Agency
City of Rexburg, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the general purpose financial statements of the City of Rexburg, Idaho, as of and for the year ended September 30, 2007, and have issued our report thereon dated February 25, 2009.

As part of our audit we reviewed the bond covenants, agreements and conditions of the bond resolution of the Rexburg Urban Renewal Agency's Revenue Allocation (Tax Investment) Bonds, Series 1992. To our knowledge the Agency is not in default with respect to any of the covenants, agreements, or conditions of the bond resolution. The bonds were paid off during the current fiscal year.

February 25, 2009