



**RUDD & COMPANY** PLLC  
*certified public accountants* | *business consultants*

**REXBURG URBAN RENEWAL AGENCY  
(A Component Unit of the City of Rexburg, Idaho)**

**Financial Statements  
and  
Supplementary Information  
with  
Independent Auditors' Report**

**September 30, 2010**

*giving direction to your future*

**REXBURG URBAN RENEWAL AGENCY**  
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**September 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Rexburg Urban Renewal Agency  
Rexburg, Idaho

We have audited the accompanying financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Rexburg Urban Renewal Agency (the Agency), a component unit of the City of Rexburg, Idaho, as of and for the year ended September 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rexburg Urban Renewal Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

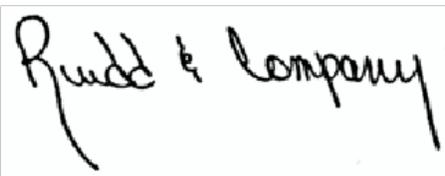
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of each major fund, and the aggregate remaining fund information of Rexburg Urban Renewal Agency, as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2011, on our consideration of Rexburg Urban Renewal Agency's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 14 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the require supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive style and is contained within a rectangular box.

June 8, 2011

**REXBURG URBAN RENEWAL AGENCY**  
**Statement of Net Assets**  
**September 30, 2010**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and investments	\$ 5,746,285
Bond issuance costs	39,092
Net property, plant and equipment	<u>830,872</u>
 Total Assets	 <u>6,616,249</u>
 <b>Liabilities</b>	
Long-term liabilities	
Due within one year	242,000
Due after one year	<u>4,414,000</u>
 Total Liabilities	 <u>4,656,000</u>
 <b>Net Assets</b>	
Invested in Capital Assets, net of Related Debt	830,872
Unrestricted	<u>1,129,377</u>
 Total Net Assets	 <u>\$ 1,960,249</u>

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

**REXBURG URBAN RENEWAL AGENCY**  
**Statement of Activities**  
**Year Ended September 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for services</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
			<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Total Governmental activities</u>
Governmental Activities					
Administrative	\$ 11,619	\$ -	\$ -	\$ -	\$ (11,619)
Construction	665,149	-	-	-	(665,149)
Professional services	43,992	-	-	-	(43,992)
Office and other	1,119	-	-	-	(1,119)
	<u>721,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(721,879)</u>
General revenues					
Property taxes					1,003,467
Interest on investments					<u>1,907</u>
					<u>1,005,374</u>
Change in net assets					283,495
Net assets beginning of year					<u>1,676,754</u>
Net assets end of year					<u>\$ 1,960,249</u>

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

**REXBURG URBAN RENEWAL AGENCY**  
**Governmental Fund Types**  
**Balance Sheet**  
**September 30, 2010**

	<b>University Boulevard Fund</b>	<b>North Highway Fund</b>	<b>Washington School Fund</b>	<b>Downtown Fund</b>	<b>Yellowstone Trejo Fund</b>	<b>North Interchange Fund</b>	<b>Debt Service Reserve Fund</b>	<b>Total</b>
<b>Assets</b>								
Cash and investments	\$ 62,066	\$ 4,730,786	\$ 193,996	\$ 498,738	\$ (4,479)	\$ (6,419)	\$ 271,597	\$ 5,746,285
Property	-	830,872	-	-	-	-	-	830,872
Total Assets	\$ 62,066	\$ 5,561,658	\$ 193,996	\$ 498,738	\$ (4,479)	\$ (6,419)	\$ 271,597	\$ 6,577,157
<b>Liabilities</b>								
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balances</b>								
Unreserved	62,066	5,561,658	193,996	498,738	(4,479)	(6,419)	271,597	6,577,157
Total Fund Balances	62,066	5,561,658	193,996	498,738	(4,479)	(6,419)	271,597	6,577,157
Total Liabilities and Fund Balances	\$ 62,066	\$ 5,561,658	\$ 193,996	\$ 498,738	\$ (4,479)	\$ (6,419)	\$ 271,597	\$ 6,577,157
Total Governmental Funds								\$ 6,577,157
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds								
Bonds payable								(4,656,000)
Bond issuance costs								39,092
Net assets of governmental activities								\$ 1,960,249

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

**REXBURG URBAN RENEWAL AGENCY**  
**Governmental Fund Types**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**September 30, 2010**

	<b>University Boulevard Fund</b>	<b>North Highway Fund</b>	<b>Washington School Fund</b>	<b>Downtown Fund</b>	<b>Yellowstone Trejo Fund</b>	<b>North Interchange Fund</b>	<b>Debt Service Reserve Fund</b>	<b>Total</b>
<b>Revenues</b>								
Property taxes	\$ 76,984	\$ 541,450	\$ 135,820	\$ 249,213	\$ -	\$ -	\$ -	\$ 1,003,467
Interest Income	-	(1,391)	1,110	2,188	-	-	-	1,907
Total Revenues	76,984	540,059	136,930	251,401	-	-	-	1,005,374
<b>Expenditures</b>								
Administrative	2,587	3,859	2,586	2,587	-	-	-	11,619
Professional services	726	24,623	726	17,273	644	-	-	43,992
Office and other	200	520	199	200	-	-	-	1,119
Cost of construction	-	641,917	-	23,232	-	-	-	665,149
Total Expenditures	3,513	670,919	3,511	43,292	644	-	-	721,879
<b>Other Financing Sources/(Uses)</b>								
Proceeds from bonds	-	4,656,000	-	-	-	-	-	4,656,000
Bond issuance costs	-	(39,092)	-	-	-	-	-	(39,092)
Transfers in	-	-	-	-	-	-	271,597	271,597
Transfers out	-	(271,597)	-	-	-	-	-	(271,597)
Total Other Financing Sources/Uses	-	4,345,311	-	-	-	-	271,597	4,616,908
Net Change in Fund Balances	73,471	4,214,451	133,419	208,109	(644)	-	271,597	4,900,403
Fund Balance October 1, 2009	(11,405)	1,347,207	60,577	290,629	(3,835)	(6,419)	-	1,676,754
Fund Balance September 30, 2010	\$ 62,066	\$5,561,658	\$ 193,996	\$ 498,738	\$ (4,479)	\$ (6,419)	\$271,597	\$ 6,577,157

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

**REXBURG URBAN RENEWAL AGENCY**  
**Reconciliation of the Governmental Funds**  
**Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities**  
**Year Ended September 30, 2010**

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Net change in fund balances - total governmental funds	\$ 4,900,403
Issuance of long-term debt is recorded as an other financing source in the funds but the issuance of long-term debt increases liabilities in the statement of net assets	(4,656,000)
Issuance of long-term debt bond costs is recorded as an other financing souce in the funds but the issuance of long-term debt bond costs increases assets in the statement of net assets	<u>39,092</u>
Change in net assets of governmental activities	<u>\$ 283,495</u>

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

**REXBURG URBAN RENEWAL AGENCY**  
**Notes to Financial Statements**  
**September 30, 2010**

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**1. Summary of Significant Accounting Policies**

**The Reporting Entity**

The Rexburg Urban Renewal Agency (the Agency) was created for the purpose of making improvements to infrastructure in specific areas of the City. It derives its revenues from the incremental tax increase that all taxing districts forfeit from increase in value of the land and buildings in the new construction areas.

The Agency is a component unit, as defined by generally accepted accounting principles, of the City of Rexburg, Idaho, because of its operational or financial relationship with the City. The City appoints the governing body of the Agency.

The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for the state and local governments through its pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Agency are discussed below.

**Government-Wide and Fund Financial Statements**

The Agency's basic financial statements include both government-wide (reporting the Agency as a whole) and fund financial statements (reporting the Agency's major funds) in combined statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Agency's activities and general administrative services are classified as governmental activities. The Agency has no business-type activities.

The financial transactions of the Agency are reported in individual funds in the combined financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the Agency:

- The Special Revenue Funds consists of the University Boulevard Fund, the North Highway Fund, The Washington School Fund, the Downtown Fund, The Yellowstone Trejo Fund and the North Interchange Fund used to account for the property taxes received by the Agency and to disburse payments on the obligations of the Agency.

**REXBURG URBAN RENEWAL AGENCY**  
**Notes to Financial Statements**  
**September 30, 2010**

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**1. Summary of Significant Accounting Policies (continued)**

- The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

*Accrual.* Governmental activities in the combined government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

*Modified Accrual.* The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

**Budget**

Budgets for the Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The budgets were not amended during the year. The Agency did not adopt budgets for the North Exchange Fund nor the Debt Service Reserve Fund during the fiscal year.

**Cash and Investments**

Cash includes amounts in demand deposit accounts as well as short-term investments with a maturity date within three months of the date acquired by the Agency. Under state law, the Agency may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under Idaho law and national banks having their principle offices in Idaho. State statutes authorize the Agency to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

**REXBURG URBAN RENEWAL AGENCY**  
**Notes to Financial Statements**  
**September 30, 2010**

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**1. Summary of Significant Accounting Policies (continued)**

The Agency has elected to deposit cash in excess of immediate needs into the State of Idaho Local Government Investment Pool (LGIP). The LGIP was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The LGIP is managed by the State of Idaho Treasurer's office. An annual audit of LGIP is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the LGIP. All other cash is deposited with local banks in checking or savings accounts.

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The Agency does not have a policy for custodial credit risk outside of the deposit and investment agreements. The Agency is authorized to invest in the LGIP. This pooling is intended to improve administrative efficiency and increase investment yield.

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by nationally recognized statistical rating organizations such as Moody's, Standard & Poor's, and Fitch's. The investments of the Agency held in the LGIP have been assigned an AAA fund credit quality rating and an S1+ volatility rating by Standard & Poor's Rating Services.

Investments are stated at cost which approximates fair value. Contractual provision requires that monies in the Debt Service Reserve Fund be invested in certain direct, guaranteed, or insured obligations of the United States of America.

**Revenues and Property Taxes**

Substantially all governmental fund revenues come from property taxes. Property taxes are billed and collected within the same period in which the taxes are levied. The Agency does not levy property taxes.

In accordance with Idaho State law, property taxes are levied in September for each calendar year. All of the personal taxes and half of the real property taxes are due by December 20. The second half of the real property taxes is due by June 20. Property taxes attach as an enforceable lien as of January 1 of the following year. Notice of foreclosure is filed by the county clerk three years from the date of delinquency.

**REXBURG URBAN RENEWAL AGENCY**  
**Notes to Financial Statements**  
**September 30, 2010**

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**1. Summary of Significant Accounting Policies (continued)**

**Expenditures**

Expenditures are recognized when the related fund liability is incurred. Administrative expenses reflect amounts paid or payable to the City of Rexburg. The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Capital Assets**

Capital assets such as streets, street improvements, water, sewer, and other capital improvements, which the Agency pays for, are donated to the City of Rexburg, Idaho.

**Insurance**

The Agency is exposed to certain risk of loss due to general liability, wrongful acts, faithful performance, and crime. The Agency has elected to transfer these risks through the purchase of insurance from a commercial enterprise. There have been no claims on insurance coverage for the past three years.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Agency 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 amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**2. Cash and Investments**

**Deposits**

At September 30, 2010, the carrying amount of the Agency's deposits was \$5,271,314 and the respective bank balances totaled \$5,272,901. Of the bank balances, \$5,272,901 was insured or collateralized with pooled securities held by the pledging financial institutions in the name of the Agency.

**Custodial Credit Risk, Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned. As of September 30, 2010, \$-- of the Agency's total deposits of \$5,272,901 were not covered by the Federal deposit insurance or the Securities Investor Protection Corporation, and thus were exposed to custodial credit risk.

**REXBURG URBAN RENEWAL AGENCY**  
**Notes to Financial Statements**  
**September 30, 2010**

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**2. Cash and Investments (continued)**

**Investments**

As of September 30, 2010, the Agency had the following investments:

	<u>Fair Value</u>	<u>Investment Maturities in Years</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State Investment					
Pool - AAAF	\$ 474,971	\$ 474,971	\$ -	\$ -	\$ -
	<u>\$ 474,971</u>	<u>\$ 474,971</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Custodial Credit Risk Investments**

As of September 30, 2010, the Agency's investments were covered by collateral held by the pledging financial institution's trust department or agent in the name of the Agency, and thus had no investments that were exposed to custodial credit risk.

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from changes in interest rates, the agency structures its portfolio so that securities mature to meet cash requirements for ongoing operations. The state investment pool is a short-term investment fund in which participants have overnight availability to their funds.

**Credit Risk**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. It is the Agency's policy to limit investments to the safest types and to diversify the Agency's investment portfolio so that potential losses on securities will be minimized. The Agency follows Idaho statute that outlines qualifying investment options.

**3. Long-term Liabilities**

Governmental long-term liability activity for the year ended September 30, 2010, was as follows:

	<u>Beginning</u>		<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>
		<u>Reductions</u>	
Promissory note 2010	\$ -	\$ 4,656,000	\$ 4,656,000

**REXBURG URBAN RENEWAL AGENCY**  
**Notes to Financial Statements**  
**September 30, 2010**

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**3. Long-term Liabilities (continued)**

The Agency sold revenue allocation (tax increment) bond, Series 2010, in the principle amount of \$4,656,000 on July 6, 2010. The note matures on September 1, 2022, and the interest rate averages 4.12%. The current portion of principal is \$242,000 and the long-term portion is \$4,414,000.

Scheduled principal repayments on long-term obligations for the next five years are as follows:

Year Ending September 30,	Principal	Interest	Total
2011	\$ 242,000	\$ 226,355	\$ 468,355
2012	288,000	188,685	476,685
2013	306,000	179,354	485,354
2014	328,000	108,521	436,521
2015	354,000	155,992	509,992
Thereafter	3,138,000	650,429	3,788,429
	<u>\$ 4,656,000</u>	<u>\$ 1,509,336</u>	<u>\$ 6,165,336</u>

**4. Other Fund Disclosures**

The Yellowstone Trejo Fund's expenditures exceed budget by \$644.

Required Supplementary Information

**REXBURG URBAN RENEWAL AGENCY**  
**Budgetary Comparison Schedule**  
**University Boulevard Fund**  
**Year Ended September 30, 2010**

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	<b>Original and Final Budget Amount</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>	\$ 30,000	\$ 76,984	\$ 46,984
<b>EXPENDITURES</b>	<u>30,000</u>	<u>3,513</u>	<u>26,487</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	73,471	73,471
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>-</u>	<u>(11,405)</u>	<u>(11,405)</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ 62,066</u>	<u>\$ 62,066</u>

See Independent Auditors' Report

**REXBURG URBAN RENEWAL AGENCY**  
**Budgetary Comparison Schedule**  
**North Highway Fund**  
**Year Ended September 30, 2010**

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	<b>Original and Final Budget Amount</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>	\$ 6,850,000	\$ 5,196,059	\$ (1,653,941)
<b>EXPENDITURES</b>	<u>6,850,000</u>	<u>981,608</u>	<u>5,868,392</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	4,214,451	4,214,451
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>-</u>	<u>1,347,207</u>	<u>1,347,207</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,561,658</u>	<u>\$ 5,561,658</u>

See Independent Auditors' Report

**REXBURG URBAN RENEWAL AGENCY**  
**Budgetary Comparison Schedule**  
**Washington School Fund**  
**Year Ended September 30, 2010**

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	<b>Original and Final Budget Amount</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>	\$ 115,000	\$ 136,930	\$ 21,930
<b>EXPENDITURES</b>	<u>115,000</u>	<u>3,511</u>	<u>111,489</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	133,419	133,419
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>-</u>	<u>60,577</u>	<u>60,577</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ 193,996</u>	<u>\$ 193,996</u>

See Independent Auditors' Report

**REXBURG URBAN RENEWAL AGENCY**  
**Budgetary Comparison Schedule**  
**Downtown Fund**  
**Year Ended September 30, 2010**

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	<b>Original and Final Budget Amount</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>	\$ 402,000	\$ 251,401	\$ (150,599)
<b>EXPENDITURES</b>	<u>402,000</u>	<u>43,292</u>	<u>358,708</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	208,109	208,109
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>-</u>	<u>290,629</u>	<u>290,629</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ 498,738</u>	<u>\$ 498,738</u>

See Independent Auditors' Report

**REXBURG URBAN RENEWAL AGENCY**  
**Budgetary Comparison Schedule**  
**Yellowstone Trejo Fund**  
**Year Ended September 30, 2010**

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	<b>Original and Final Budget Amount</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>	<u>-</u>	<u>644</u>	<u>(644)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	(644)	(644)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>-</u>	<u>(3,835)</u>	<u>(3,835)</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ (4,479)</u>	<u>\$ (4,479)</u>

See Independent Auditors' Report



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

To the Board of Directors  
Rexburg Urban Renewal Agency  
Rexburg, Idaho

We have audited the financial statements of the governmental activities and the major fund of Rexburg Urban Renewal Agency, Idaho, a component unit of the City of Rexburg, Idaho, as of and for the year ended September 30, 2010, which collectively comprise the Rexburg Urban Renewal Agency's basic financial statements, and have issued our report thereon dated June 8, 2011. We conducted our audits 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 the Rexburg Urban Renewal Agency'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 Rexburg Urban Renewal Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rexburg Urban Renewal Agency's internal control over financial reporting.

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

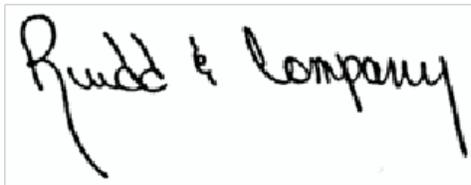
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or

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 Rexburg Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions or laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board, 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.

A rectangular box containing a handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive, flowing style.

June 8, 2011