



CITY OF
REXBURG
America's Family Community



CITY OF REXBURG, IDAHO

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED SEPTEMBER 30, 2011

CITY OF REXBURG, IDAHO

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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, 2011, 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.

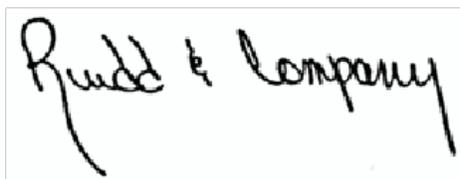
Management has not included the Riverside Park Fund as a major fund in the City's financial statements. Management has also not included negative fund balances as unassigned fund balances in the City's financial statements as outlined in footnote 22 to the financial statements. Accounting principles generally accepted in the United States of America require the Riverside Park Fund to be presented as a major governmental funds in the governmental funds statements and that all negative fund balances be classified as unassigned funds in the governmental funds statements. They are 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 and that it is more consistent and useful to show the negative fund balances in the appropriate fund type for the construction funds.

In our opinion, except for not including the Riverside Park Fund as a major fund and not classifying negative fund balances as unassigned funds 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, 2011, 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 24, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 48 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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.

February 24, 2012



Management's Discussion and Analysis

Richard R. Horner, Chief Financial Officer

Matthew K. Nielson, Deputy 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, 2011. 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, 2011 by \$78,410,377.

- Of this amount, \$8,228,499 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased \$7,130,222 as a result of this year's operations, which included an increase of governmental type net assets by \$5,309,793 and of business-type net assets by \$1,820,429.
- At fiscal year end, the City's governmental funds reported combined ending fund balances of \$5,536,836, an increase of \$180,885 from last year.
- The General Fund fund balance was \$2,487,632 or 34.25% of the total General Fund Expenditures and Fund Transfers. This is a 3.25% increase over the prior year. Of this balance, \$13,600 was appropriated in the budget of the following fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Government-wide Financial Statements are presented in a 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 inter-governmental 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 56 to 63 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 59 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, 2011 and September 30, 2010, Net Assets changed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>All Activities</u>
Net Assets 9/30/10	\$ 41,344,778	\$ 29,935,377	\$ 71,280,155
Increase in Net Assets	\$ 5,309,793	\$ 1,820,429	\$ 7,130,222
Net Assets 9/30/11	\$ 46,654,571	\$ 31,755,806	\$ 78,410,377
Percent Increase	12.8%	6.1%	10.0%

Large item increases came from:

Completion of the Sugar City Fire Station construction	\$ 382,572
7 th South street reconstruction/widening	\$ 212,596
6 th South & 3 rd West street construction	\$ 240,141
Pioneer Road reconstruction/widen	\$ 446,167
Contributed streets by developers	\$ 845,000
Utility lines & related assets contributed by developers	\$ 111,000
Pressure sewer Line-7 th S to Plant-phase 1	\$ 627,372
7 th South sewer pipe/upgrade lift station	\$ 505,866
Wastewater Plant improvements	\$ 1,185,562
New irrigation system-Riverside Park	\$ 136,000
Riverside Park Aquatic Center construction	\$ 3,967,378

Also, see Note #3 on page 33 to 34.

Statement of Net Assets Comparison (2011 vs. 2010)

	Governmental Activities		Business-type Activities		Total Activities		Favorable (Unfavorable) Change	Percent Change
	2011	2010	2011	2010	2011	2010		
Current Assets	\$ 6,943,108	\$ 8,353,694	\$ 14,187,511	\$ 5,169,795	\$ 21,130,619	\$ 13,523,489	\$ 7,607,130	56% (1)
Capital and Other								
Non-current	41,956,819	36,711,421	28,148,735	26,283,952	70,105,554	62,995,373	7,110,181	11% (2)
Total Assets	48,899,927	45,065,115	42,336,246	31,453,747	91,236,173	76,518,862	14,717,311	19%
Current Liabilities	1,805,356	3,214,293	1,685,440	1,518,370	3,490,796	4,732,663	1,241,867	26% (3)
Noncurrent								
Liabilities	440,000	506,044	8,895,000	-	9,335,000	506,044	(8,828,956)	-1745% (4)
Total liabilities	2,245,356	3,720,337	10,580,440	1,518,370	12,825,796	5,238,707	(7,587,089)	-145%
Net Assets:								
Capital Assets, Net of								
Related Debt	40,927,886	35,696,218	18,690,968	26,283,952	59,618,854	61,980,170	(2,361,316)	-4%
Restricted	1,940,852	487,063	8,622,172	1,616,797	10,563,024	2,103,860	8,459,164	402% (5)
Unrestricted	3,785,833	5,161,497	4,442,666	2,034,628	8,228,499	7,196,125	1,032,374	14%
Total								
Net Assets	\$ 46,654,571	\$ 41,344,778	\$ 31,755,806	\$ 29,935,377	\$ 78,410,377	\$ 71,280,155	\$ 7,130,222	10%

Notes to Statement of Net Assets Comparison

- (1) This increase in current assets is due mostly to the sale of bonds to improve the sewer treatment plant and collection system.
The decrease in governmental current assets was due to the improvements paid for at Riverside Aquatic Center.
- (2) The increase in capital assets was mainly due to improvements made to the cities new aquatic center and the sewer treatment plant.
- (3) The decrease in current liabilities is mostly due to the payoff of construction contracts owing at the end of the prior fiscal year.
- (4) The major part of this increase in Noncurrent liabilities is due to the sell of the sewer bonds.
- (5) See note 4.

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, 2011, is as follows:

	Long-Term Obligations September 30, 2010	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2011
Accrued Compensated Absences (Note 6)	\$ 331,859	\$ --	\$ (9,259)	\$ 322,600
Local Improvement District Warrants Payable (Note 10)	675,000	--	(117,500)	557,500
Wastewater Revenue Bonds Payable (Note 11)	--	10,000,000	(550,000)	9,450,000
Obligations Under Capital Leases (Note 13)	67,413	--	(32,868)	34,545
	<u>\$ 1,074,272</u>	<u>\$ 10,000,000</u>	<u>\$ (709,627)</u>	<u>\$ 10,364,645</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 strives to maintain a total general fund committed fund balance equal to a minimum of 25%, or greater, of general fund budgeted expenditures for the last ended fiscal year for the necessary cash flow, for unforeseen emergencies, and to mitigate current and future risks.

General and Administrative

(Mayor & City Council, Economic Development, Customer Services, Information Systems, Financial Management, Legal, 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 \$6,200 is taken in as parks reservation fees. The Recreation Administrative expenses are heavily subsidized by General Revenues, while the Recreation Programs and the operations of the new water park Rexburg Rapids are self-sufficient. Cultural Arts includes the Tabernacle Civic Center and Teton Flood Museum, the Legacy Flight Museum, the Westwood (Romance) Theater, the Rexburg Orchestra and the Rexburg Arts Council. The Cultural Arts Funds are also heavily subsidized by general revenues and taxes.

Streets

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

Statement of Changes in Net Assets (2011 vs. 2010)

	Governmental		Business-type		Total		Favorable (Unfavorable) Change	Percent Change	
	Activities		Activities						
	2011	2010	2011	2010	2011	2010			
Revenues:									
Program Revenues:									
Charges for Services & Taxes									
General &									
Administrative	2,645,105	2,828,748			2,645,105	2,828,748	(183,643)	-6%	(1)
Public Safety	1,280,637	1,119,448			1,280,637	1,119,448	161,189	14%	
Parks, Rec. &									
Cultural Arts	615,752	345,137			615,752	345,137	270,615	78%	(2)
Streets	2,650,683	2,459,988			2,650,683	2,459,988	190,695	8%	
Water			2,029,599	1,898,606	2,029,599	1,898,606	130,993	7%	
Waste Water			3,359,475	3,020,412	3,359,475	3,020,412	339,063	11%	(3)
Sanitation			1,595,037	1,604,137	1,595,037	1,604,137	(9,100)	-1%	
Golf Courses			401,188	419,743	401,188	419,743	(18,555)	-4%	
Total	7,192,177	6,753,321	7,385,299	6,942,898	14,577,476	13,696,219	881,257	6%	
Operating Grants and Contributions									
General &									
Administrative	453,145	333,927			453,145	333,927	119,218	36%	(4)
Public Safety	1,569,443	1,615,453			1,569,443	1,615,453	(46,010)	-3%	
Parks, Rec. &									
Cultural Arts	111,559	32,300			111,559	32,300	79,259	245%	(5)
Streets									
Total	2,134,147	1,981,680			2,134,147	1,981,680	152,467	8%	
Capital Grants & Contributions									
General &									
Administrative	(94,786)	1,478,764			(94,786)	1,478,764	(1,573,550)	-106%	(6)
Public Safety	302,868	204,735			302,868	204,735	98,133	48%	(7)
Parks, Rec. &									
Cultural Arts	4,387,620	2,032,162			4,387,620	2,032,162	2,355,458	116%	(8)
Streets	1,481,013	1,752,913			1,481,013	1,752,913	(271,900)	-16%	
Water			190,153	488,307	190,153	488,307	(298,154)	-61%	(9)
Waste Water			921,485	3,199,540	921,485	3,199,540	(2,278,055)	-71%	(10)
Golf Courses									
Total	6,076,715	5,468,574	1,111,638	3,687,847	7,188,353	9,156,421	(1,968,068)	-21%	
General Revenues:									
Property Taxes	2,729,424	2,775,388			2,729,424	2,775,388	(45,964)	-2%	
Franchise Fees	462,643	438,613			462,643	438,613	24,030	5%	
State Taxes	1,017,682	949,541			1,017,682	949,541	68,141	7%	
Investment									
Earnings	220,222	125,776	91,822	(9,026)	312,044	116,750	195,294	167%	(11)
Miscellaneous	40,648	24,290			40,648	24,290	16,358	67%	
Total	4,470,619	4,313,608	91,822	(9,026)	4,562,441	4,304,582	257,859	6%	
Total Revenues	19,873,658	18,517,183	8,588,759	10,621,719	28,462,417	29,138,902	(676,485)	-2%	

Statement of Changes in Net Assets (2011 vs. 2010) (Continued)

	Governmental		Business-type		Total		Favorable (Unfavorable) Change	Percent Change
	Activities		Activities					
	2011	2010	2011	2010	2011	2010		
Expenses:								
General &								
Administrative	3,856,197	3,892,998			3,856,197	3,892,998	36,801	1%
Public Safety	6,004,750	5,450,415			6,004,750	5,450,415	(554,335)	-10%
Parks, Rec. & Arts	1,538,752	929,282			1,538,752	929,282	(609,470)	-66% (12)
Streets	3,164,166	3,140,345			3,164,166	3,140,345	(23,821)	-1%
Water			1,661,379	1,661,122	1,661,379	1,661,122	(257)	0%
Waste Water			3,204,326	5,207,778	3,204,326	5,207,778	2,003,452	38% (10)
Sanitation			1,483,274	1,533,916	1,483,274	1,533,916	50,642	3%
Golf Course	-	-	419,351	421,766	419,351	421,766	2,415	1%
Total Expenses	14,563,865	13,413,040	6,768,330	8,824,582	21,332,195	22,237,622	905,427	4%
Increase in								
Net Assets	5,309,793	5,104,143	1,820,429	1,797,137	7,130,222	6,901,280	228,942	3%
Net Assets -Beginning	41,344,778	36,240,635	29,935,377	28,138,240	71,280,155	64,378,875	6,901,280	11%
Net Assets -Ending	46,654,571	41,344,778	31,755,806	29,935,377	78,410,377	71,280,155	7,130,222	10%

Notes to Statement of Changes in Net Assets

- (1) Reimbursements increased from partner agencies for increased expenses.
- (2) Opened new Aquatic Center Rexburg Rapids.
- (3) Rate increase to cover additional maintenance costs and bond payback.
- (4) Additional private grants
- (5) Federal Grant to Aquatic Center Operations
- (6) Prior total due to City Hall construction contributions, which did not occur this year.
- (7) Miscellaneous small grants
- (8) Contributions from URD for the Riverside Aquatic Center construction
- (9) Large decrease in contributed capital from outsiders
- (10) Reclassification of Sewer Purchases-Did not include internal contributed capital
- (11) Increased cash reserves and higher return on investments
- (12) Large increase due to addition of operations and depreciation expense from Rexburg Rapids

Business-type Activities

Utility Fund

The Utility Departments include the Sanitation, Water, and Waste Water departments. The City maintains separate Capital Reserve Funds for Water and Wastewater that are funded through hook-up fees and used for large construction projects to expand capacity. In 2010 the City started a project to expand the Wastewater Treatment plant and wastewater lines to increase capacity and to also address some other maintenance concerns at the existing plant, which work has continued through 2011. In order to pay for the construction maintenance upgrades and expansion of the plant, the city secured a revenue bond of 10 million dollars on December 8, 2010, which will be paid back with capital reserve funds and increases in utility fees which took effect on October 1, 2010 and 2011.

The utility funds, which includes the utility operations, water capital reserve, sewer capital reserve, water well construction, sewer/water line extension, and the sewer plant construction funds, increased in cash by \$8,943,508, ending the year with a balance of \$12,905,979 in cash and investments, mostly due to the sale of the sewer bonds.

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 8.8% of the total monthly billed revenue for the department.

Sewer rates were last increased on October 1, 2011. Water rates were last increased on October 1, 2010. Sanitation rates were last increased on October 1, 2009.

Golf Fund

The golf courses, Teton Lakes of 27 holes (operation of additional 9 holes opened to public September 2010) 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 \$527,870, which was covered by a loan from the City, half of which is guaranteed by the County. An additional \$26,500 was transferred to the Golf Course Construction Fund at the end of the fiscal year from the Golf Operations Fund.

FUND FINANCIAL STATEMENT 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 52) increased by \$348,852 during the year, mainly due to the receipt of higher actual revenues and lower actual expenditures than budgeted.

The Street Funds' Balances (see page 53) increased by \$587,085, leaving a fund balance carryover of \$778,837. That fund balance is reserved for street expenditures and is already allocated to ongoing street projects.

The Emergency Services Fund (see page 54) 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. In 2011 the Madison County Fire District substantially completed the construction of a new station located in Sugar City, which will be partially funded with a federal grant.

Police, Fire, Parks and Street Development Impact Fees were collected in the amounts of \$27,796, \$24,589, \$271,808, and \$231,855 respectively, totaling \$556,048 for capital improvements in those departments.

The Joint Fire Equipment Fund has a positive fund balance of \$265,905, which comes from contributions by the City and the Madison County Fire Protection District. These funds are for future purchases of fire equipment.

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 (Fund 25) includes the Sanitation, Water and Wastewater Departments. This fund ended the year with net income of \$3,529,032, of which \$3,022,723 was due to contributed assets. The Utility Operations Fund increased in cash by \$1,859,624 ending the year with a balance of \$4,190,366 in cash and investments.

The Golf Course Fund (Operations Fund) had net loss for the year of (\$41,755) after transferring \$26,500 to the Golf Course Construction Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

Total Budget of Revenues	\$ 7,263,300
Budgeted Cash Carryover (Deficit)	\$ <u>0</u>
Budgeted Revenues Expected Net of Carryover	\$ 7,263,300

Actual Revenues received	\$ 7,646,904
Surplus (Deficit) of Revenues vs. Budget	\$ 383,604

Expenditures

Total Budget of Expenditures	\$ 7,263,300
Actual Expenditures	\$ <u>7,298,052</u>
Under (Over) Budget	\$ (34,755)

Net Revenues over Expenditures	\$ 348,852
--------------------------------	------------

However, some individual accounts showed variations that are notable:

Significant Revenues Overage (Shortage)

Sales & Liquor Taxes	\$ 78,482
Fines-Court	\$ 18,384
Interest Earnings	\$ 137,701
Rent Income-Tower Rent	\$ 15,350

Significant Expenditures (Over Budget) Under Budget

Mayor and Council	\$ 12,387
Economic Development	\$ 32,191
Customer Service	\$ 13,232
Police (All Divisions in General Fund)	\$ (57,833)
Engineering	\$ 28,579
Shop	\$ 41,409
Parks	\$ 58,744
Ball Diamonds	\$ (9,456)
Recreation Administration	\$ 20,141
Charges for Services-Planning and Zoning	\$ (57,932)
Police Impact Fee Subsidy	\$ (150,000)
Tabernacle Subsidy	\$ (11,441)

STREET FUND BUDGETARY HIGHLIGHTS

Revenues

Total Budget of Revenues	\$ 5,655,800
Actual Revenues received	\$ 4,862,139
Surplus (Deficit) of Revenues vs. Budget	\$ (793,661)

Expenditures

Total Budget of Expenditures	\$ 5,655,800
Actual Expenditures	\$ 4,275,054
Surplus (Deficit) of Expenses vs. Budget	\$ 1,380,746

Excess (Deficiency) of Revenues vs. Expenses \$ 587,085

Fund Balance

Beginning Fund Balance	\$ 191,752
Ending Fund Balance	\$ 778,837

However, some individual accounts showed variations that are notable:

Significant Revenues Overage (Shortage)

State Highway Users Distributions (Gas Tax)	\$ 21,538
Other Grants and Donations	\$ 594,614
Contributed Capital (new finished streets)	\$ (1,475,000)
Federal Revenues	\$ 47,223
Franchise Fees & Right of Way Fees	\$ 96,453
Interest Income	\$ 26,400
Development Impact Fee Fund Transfers In	\$ 31,855

Significant Expenditures (Over Budget) Under Budget

Street Maintenance	\$ 512,960
Capital Improvements	\$ 1,621,854
Transfers Out-Internal	\$ (71,019)
Transfers to Other Street Projects	\$ (706,464)

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 31% and 19% respectively.

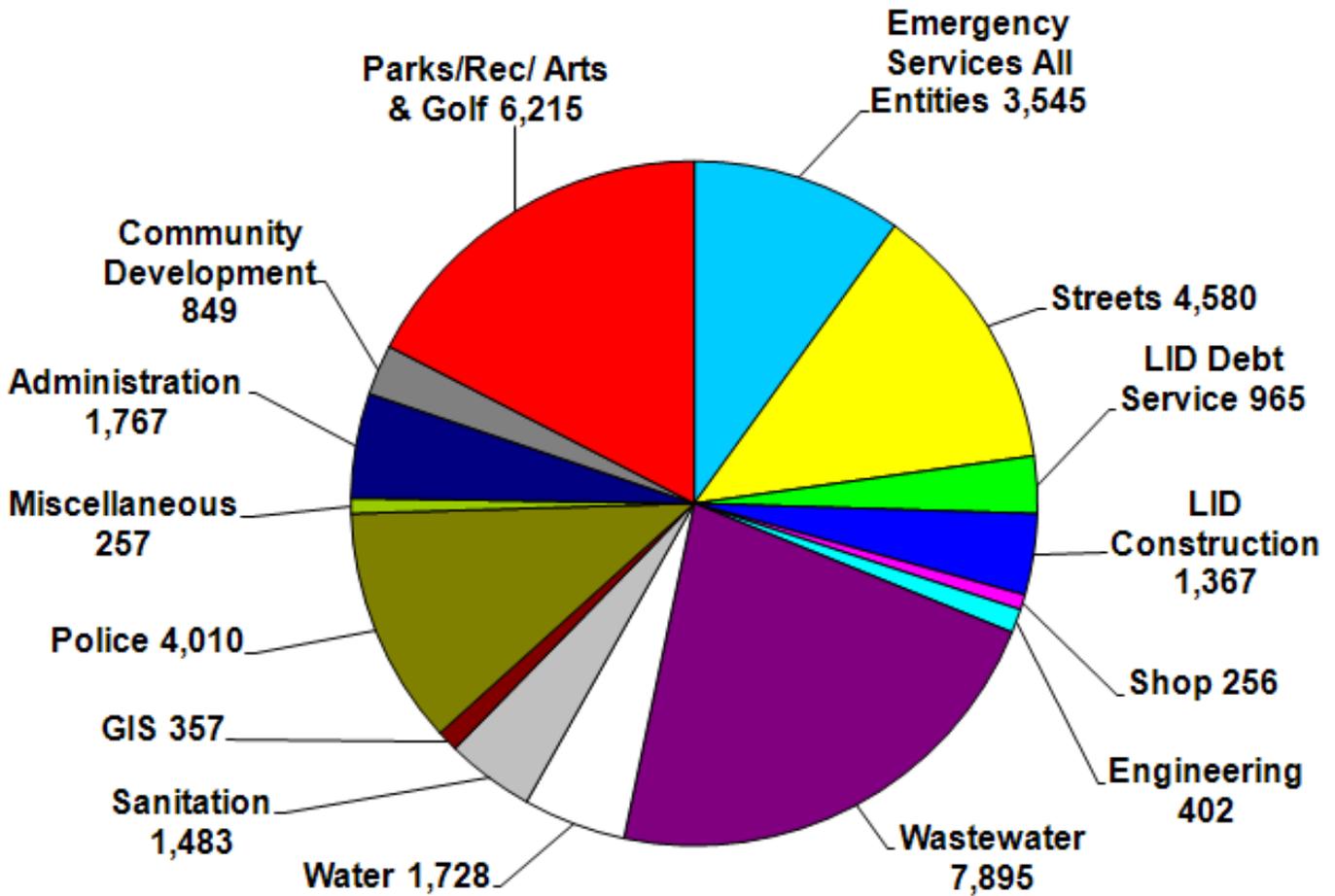
ESD Fund Revenues and Expenses were both about \$70,000 under budget – both because this fund is usually zeroed out at the end of the year and any savings or overruns are shared by the three entities immediately. The City's share of expenses was \$555,759 of a \$548,200 budget, or \$7,559 over budget.

REXBURG URBAN RENEWAL AGENCY

Separately issued financial statements for the Rexburg Urban Renewal Agency, a component unit of the City of Rexburg are available at the City offices.

Total Actual Expenses

FY 2011 Total: \$35,675,765 (Chart in thousands)

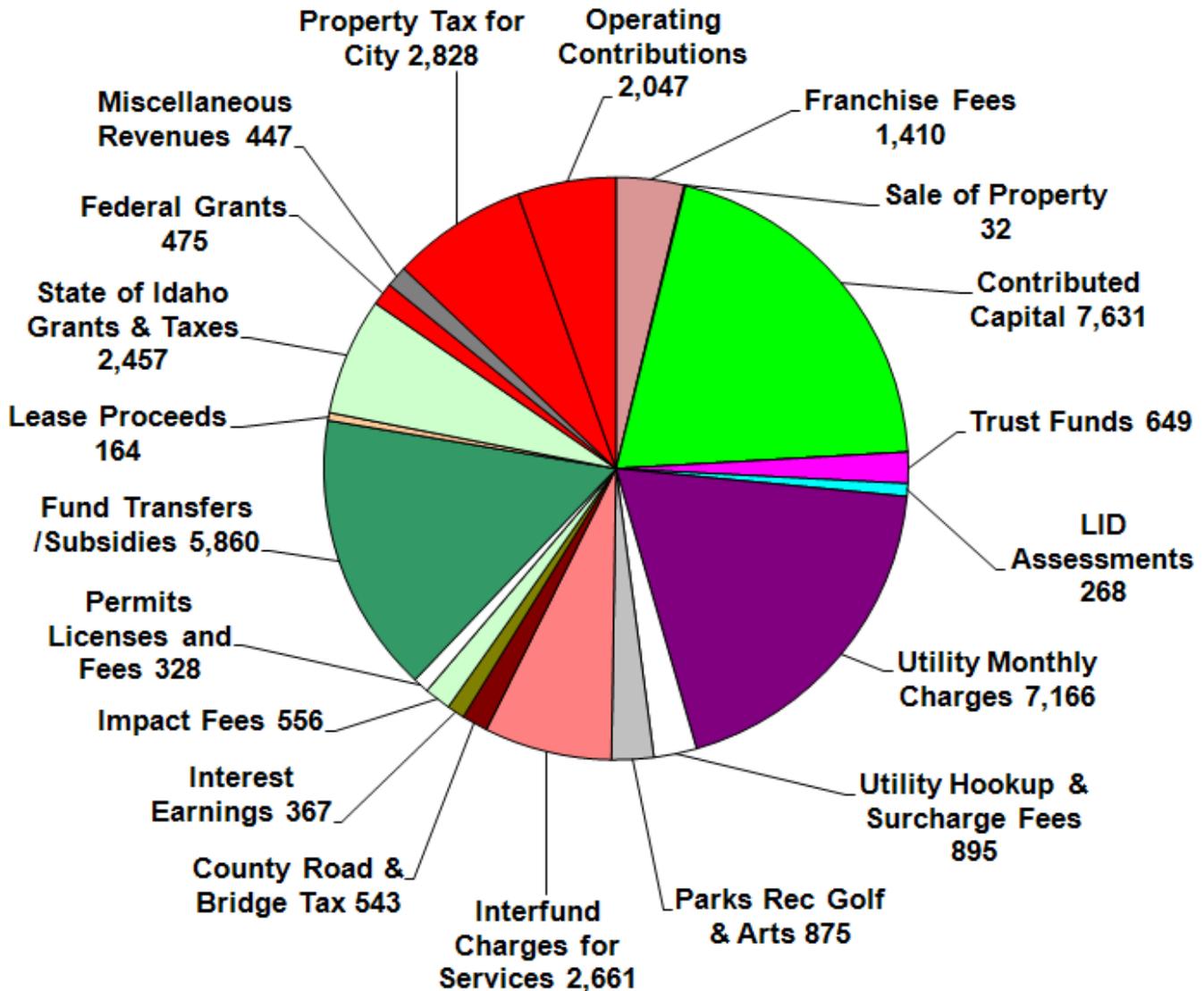


The Total Expense Budget pie chart shows the relative size of the departments or categories of expense budgets. Each Total Expense category includes both operating expense and capital purchase expense. Operating Expense does not include capital expense and is the amount needed to fund the day to day operations of the City. Capital Expense is usually defined as an expense if 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 Actual Revenues

FY 2011 Total: \$37,657,442 (Chart in thousands)

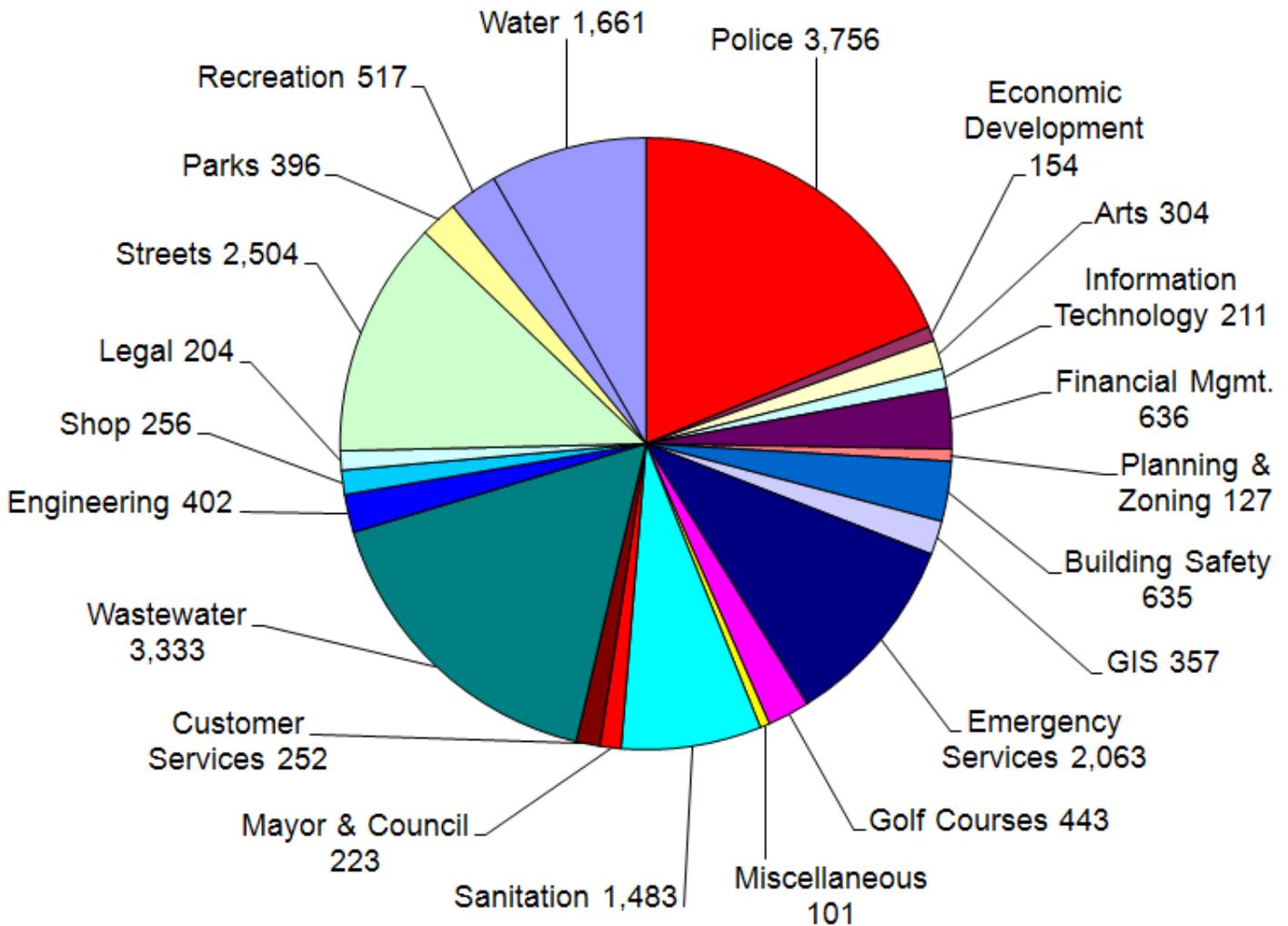


The Total Revenue Budget pie chart shows the relative size of the categories of revenue budget by source. Total Revenue categories include both operating revenue and revenue that is restricted to capital purchases. Operating Revenue does not include revenue reserved for capital purchases and is the amount 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.

Actual Operating Expenses

FY 2011 (Chart in thousands) Total \$20,017,542

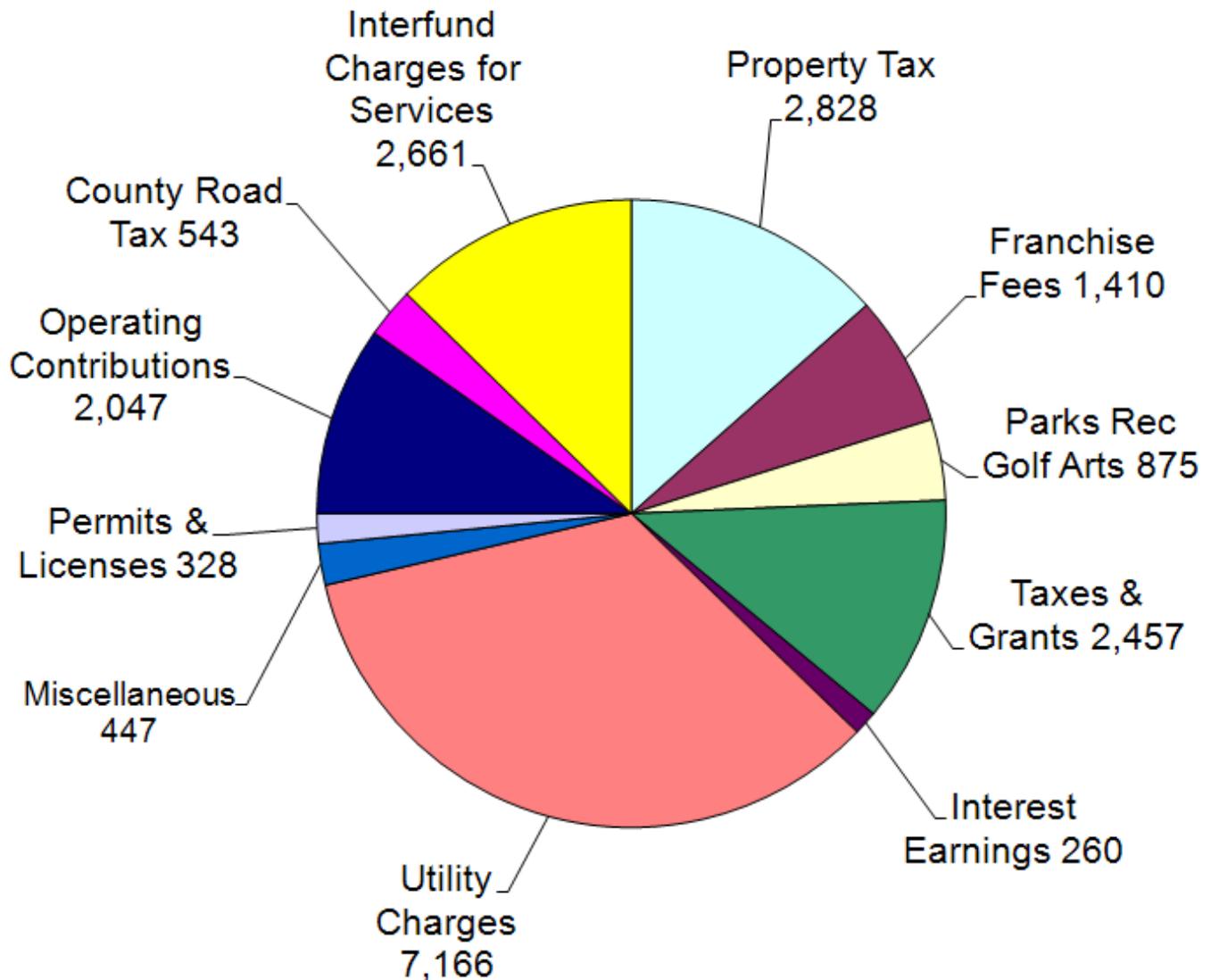


The Operating Expense Budget pie chart shows the relative size of the departments or categories of operating expense budgets. Operating Expense does not include capital expense and is the amount needed to fund the day to day operations of the City.

Public Safety expense, which includes the Police, Fire, and Ambulance Departments, comprises about 29% of the operating expenses. The Utility Fund, which includes the Wastewater, Sanitation, and Water Departments, is about a 32% of the operating expenses of the budget, leaving about a 39% for the rest of the departments or categories.

Actual Operating Revenue

FY 2011 (Chart is in thousands) \$21,021,040



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, 2011

	Primary Government			Component Unit (Rexburg Urban Renewal Agency)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Short-term Investments	\$ 3,881,792	\$ 12,905,979	\$ 16,787,771	\$ 1,568,013
Receivables	3,036,695	1,281,532	4,318,227	-
Supplies	24,621	-	24,621	-
Total Current Assets	6,943,108	14,187,511	21,130,619	1,568,013
Noncurrent Assets:				
Revolving Loan Receivable	994,388	-	994,388	-
Bond Issuance Costs	-	-	-	35,834
Capital Assets:				
Capital Assets	55,092,463	41,658,058	96,750,521	830,872
Accumulated Depreciation	(14,130,032)	(13,509,323)	(27,639,355)	-
Net Capital Assets	40,962,431	28,148,735	69,111,166	830,872
Total Noncurrent Assets	41,956,819	28,148,735	70,105,554	866,706
TOTAL ASSETS	48,899,927	42,336,246	91,236,173	2,434,719
LIABILITIES:				
Current Liabilities:				
Accounts Payable	1,312,664	744,032	2,056,696	-
Accrued Compensated Absences	279,883	42,717	322,600	-
Accrued Interest Payable	14,193	7,767	21,960	-
Bond Premium	-	274,539	274,539	-
Other	46,572	61,385	107,957	-
Current Portion of Long-term Obligations	152,044	555,000	707,044	288,000
Total Current Liabilities	1,805,356	1,685,440	3,490,796	288,000
Noncurrent Liabilities:				
Noncurrent Portion of Long-term Obligations	440,000	8,895,000	9,335,000	4,126,000
TOTAL LIABILITIES	2,245,356	10,580,440	12,825,796	4,414,000
NET ASSETS (DEFICIT):				
Invested In Capital Assets, Net of Related Debt	40,927,886	18,690,968	59,618,854	830,872
Restricted for:				
Capital projects	1,791,769	8,513,612	10,305,381	-
Debt service	(699,897)	-	(699,897)	-
Intergovernmental Agreement	800,295	108,560	908,855	-
Other purposes	48,685	-	48,685	-
Unrestricted	3,785,833	4,442,666	8,228,499	(2,810,153)
TOTAL NET ASSETS	\$ 46,654,571	\$ 31,755,806	\$ 78,410,377	\$ (1,979,281)

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

CITY OF REXBURG, IDAHO
STATEMENT OF ACTIVITIES
 GOVERNMENT WIDE
 Year Ended September 30, 2011

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	\$ 3,856,197	\$ 2,645,105	\$ 453,145	\$ (94,786)	\$ (852,733)
Public Safety	6,004,750	1,280,637	1,569,443	302,868	(2,851,802)
Parks, Recreation and Arts	1,538,752	615,752	111,559	4,387,620	3,576,179
Streets	3,164,166	2,650,683	-	1,481,013	967,530
Total Governmental Activities	14,563,865	7,192,177	2,134,147	6,076,715	839,174
GENERAL REVENUES:					
Property Taxes Levied for General Purposes		2,729,424			2,729,424
Franchise Fees		462,643			462,643
State Taxes		1,017,682			1,017,682
Investment Earnings		220,222			220,222
Miscellaneous		40,648			40,648
Total General Revenue		4,470,619			4,470,619
Total Governmental Activities					5,309,793
NET GOVERNMENTAL ASSETS - BEGINNING BALANCE					41,344,778
NET GOVERNMENTAL ASSETS - ENDING BALANCE					\$ 46,654,571
BUSINESS-TYPE ACTIVITIES					
Water	\$ 1,661,379	\$ 2,029,599	\$ -	\$ 190,153	\$ 558,373
Waste Water	3,204,326	3,359,475	-	921,485	1,076,634
Sanitation	1,483,274	1,595,037	-	-	111,763
Golf Course	419,351	401,188	-	-	(18,163)
Total Business-type Activities	6,768,330	7,385,299	-	1,111,638	1,728,607
GENERAL REVENUES:					
Investment Earnings		91,822			91,822
Total Business Type Activities					1,820,429
NET BUSINESS-TYPE ASSETS - BEGINNING BALANCE					29,935,377
NET BUSINESS-TYPE ASSETS - ENDING BALANCE					\$ 31,755,806
TOTAL PRIMARY GOVERNMENT					
	\$ 21,332,195	\$ 14,577,476	\$ 2,134,147	\$ 7,188,353	\$ 7,130,222
TOTAL PRIMARY GOVERNMENT NET ASSETS - BEGINNING BALANCE					71,280,155
TOTAL PRIMARY GOVERNMENT NET ASSETS - ENDING BALANCE					\$ 78,410,377
COMPONENT UNIT (REXBURG URBAN RENEWAL AGENCY):					
General and Administrative	\$ 14,177	\$ -	\$ -	\$ -	\$ (14,177)
Bond interest	229,613	-	-	-	(229,613)
Construction - transfer to City	5,111,636	-	-	-	(5,111,636)
Total Component Units	\$ 5,355,426	\$ -	\$ -	\$ -	(5,355,426)
GENERAL REVENUES:					
Property taxes levied for general purposes					1,390,357
Investment Earnings					25,539
Total General Revenue					1,415,896
TOTAL COMPONENT UNIT ACTIVITIES					(3,939,530)
TOTAL COMPONENT UNIT - BEGINNING BALANCE					1,960,249
TOTAL COMPONENT UNIT - ENDING BALANCE					\$ (1,979,281)

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

CITY OF REXBURG, IDAHO
BALANCE SHEET
 GOVERNMENTAL FUNDS
 September 30, 2011

ASSETS	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Cash and Short Term Investments	\$ 528,483	\$ -	\$ 35,085	\$ 597,528	\$ 2,720,696	\$ 3,881,792
Receivables	517,856	1,068,578	19,474	994,388	1,430,787	4,031,083
Inventory	24,621	-	-	-	-	24,621
Due from Other Funds	2,579,854	-	-	-	-	2,579,854
TOTAL ASSETS	\$ 3,650,814	\$ 1,068,578	\$ 54,559	\$ 1,591,916	\$ 4,151,483	\$ 10,517,350
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 993,111	\$ 38,699	\$ 54,983	\$ -	\$ 225,871	\$ 1,312,664
Deferred Revenue	165,071	-	-	-	876,353	1,041,424
Due to Other Funds	-	223,642	-	-	2,356,212	2,579,854
Other	5,000	27,400	-	-	14,172	46,572
TOTAL LIABILITIES	1,163,182	289,741	54,983	-	3,472,608	4,980,514
FUND BALANCES:						
Nonspendable	24,621	-	-	-	-	24,621
Restricted	1,815,825	778,837	(424)	-	(266,915)	2,327,323
Committed	-	-	-	1,591,916	945,790	2,537,706
Assigned	-	-	-	-	-	-
Unassigned	647,186	-	-	-	-	647,186
TOTAL FUND BALANCES	2,487,632	778,837	(424)	1,591,916	678,875	5,536,836
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,650,814	\$ 1,068,578	\$ 54,559	\$ 1,591,916	\$ 4,151,483	\$ 10,517,350

CITY OF REXBURG, IDAHO
**RECONCILIATION OF THE
BALANCE SHEET OF GOVERNMENTAL FUNDS**
to the
TO THE STATEMENT OF NET ASSETS
Year Ended September 30, 2011

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 5,536,836

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

Cost of Assets	\$ 55,092,463	
Accumulated Depreciation	<u>(14,130,032)</u>	40,962,431
Net Cost of Assets		

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

Property tax deferred revenue	138,078
Special Assessment deferred revenue	843,938
Deferred recreation revenues	6,181
Deferred capital project grants and contributions	-
Deferred rent income	53,227

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	(592,044)
Accrued compensated absences	(279,883)
Accrued interest payable	<u>(14,193)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 46,654,571

CITY OF REXBURG, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended September 30, 2011

	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 3,844,979	\$ 1,505,655	\$ -	\$ -	\$ 602,966	\$ 5,953,600
Grants and Contributions	598,783	1,166,836	1,006,636	-	4,937,943	7,710,198
Fees and Charges	2,983,045	954,550	1,000	-	2,058,236	5,996,831
Interest Earned	179,752	26,400	-	61,262	67,092	334,506
Miscellaneous	40,345	20,124	21,617	-	15,654	97,740
TOTAL REVENUES	7,646,904	3,673,565	1,029,253	61,262	7,681,891	20,092,875
EXPENDITURES:						
General and Administrative	2,380,742	-	-	10,513	1,114,168	3,505,423
Public Safety	3,221,293	-	1,822,782	-	406,967	5,451,042
Parks and Recreation	413,203	-	-	-	601,431	1,014,634
Streets	-	1,527,025	-	-	68,417	1,595,442
Interest on Bonds and Other Debt	-	-	-	-	37,678	37,678
Principal on Bonds and Other Debt	-	-	-	-	117,500	117,500
Capital Improvements	385,543	1,074,846	108,932	-	6,620,950	8,190,271
TOTAL EXPENDITURES	6,400,781	2,601,871	1,931,714	10,513	8,967,111	19,911,990
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,246,123	1,071,694	(902,461)	50,749	(1,285,220)	180,885
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	231,855	902,037	-	2,120,394	3,254,286
Operating Transfers Out	(897,271)	(716,464)	-	(141,691)	(1,498,860)	(3,254,286)
TOTAL OTHER FINANCING SOURCES (USES)	(897,271)	(484,609)	902,037	(141,691)	621,534	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	348,852	587,085	(424)	(90,942)	(663,686)	180,885
FUND BALANCE AT BEGINNING OF YEAR	2,138,780	191,752	-	1,682,858	1,342,561	5,355,951
FUND BALANCE AT END OF YEAR	\$ 2,487,632	\$ 778,837	\$ (424)	\$ 1,591,916	\$ 678,875	\$ 5,536,836

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, 2011

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 180,885
<p>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:</p>	
Capital expenditures capitalized as fixed assets	8,039,884
Depreciation expense	(2,622,617)
Basis in Assets disposed of	(235,135)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Property tax deferrals	(101,802)
Recreation revenue deverral	4,978
<p>Deferred Revenue not in Statement of Net Assets:</p>	
Special assesement deferred revenue	(122,432)
Compensated absences accrual adjustment	12,696
<p>Governmental funds report principal repayment on debt as an expenditure. However, in the statement of activities debt payment is not an expense:</p>	
Principal payments on long-term liabilities	150,368
Changes in accrued interest	2,968
	153,336
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 5,309,793

CITY OF REXBURG, IDAHO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2011

	Business-type Activities - Proprietary Funds		
	Utility	Golf Course	Total
ASSETS			
Current Assets:			
Cash and Short-term Investments	\$ 12,905,979	\$ -	\$ 12,905,979
Due from Other Funds	527,871	-	527,871
Receivables	1,281,532	-	1,281,532
Total Current Assets	14,715,382	-	14,715,382
Noncurrent Assets:			
Capital Assets:			
Capital Assets	39,576,916	2,081,142	41,658,058
Accumulated Depreciation	(12,817,327)	(691,996)	(13,509,323)
Total Noncurrent Assets	26,759,589	1,389,146	28,148,735
TOTAL ASSETS	41,474,971	1,389,146	42,864,117
LIABILITIES:			
Current Liabilities:			
Accounts Payable	738,123	5,909	744,032
Accrued Compensated Absences	42,717	-	42,717
Accrued Interest Payable	7,767	-	7,767
Bond Premium Deferred	274,539	-	274,539
Due to Other Funds	-	527,871	527,871
Other	61,385	-	61,385
Current Portion of Long-term Obligations	555,000	-	555,000
Total Current Liabilities	1,679,531	533,780	2,213,311
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Obligations	8,895,000	-	8,895,000
TOTAL LIABILITIES	10,574,531	533,780	11,108,311
NET ASSETS:			
Invested in Capital Assets Net of Related Debt	17,301,822	1,389,146	18,690,968
Restricted for:			
Capital Projects	9,155,952	(642,340)	8,513,612
Intergovernmental Agreement	-	108,560	108,560
Unrestricted	4,442,666	-	4,442,666
TOTAL NET ASSETS	\$ 30,900,440	\$ 855,366	\$ 31,755,806

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, 2011

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
OPERATING REVENUES:			
Monthly Utility Services	\$ 6,857,649	\$ -	\$ 6,857,649
One Time Fees	73,770	-	73,770
Golf Course Fees	-	400,745	400,745
Miscellaneous	52,689	441	53,130
TOTAL OPERATING REVENUES	6,984,108	401,186	7,385,294
OPERATING EXPENSES:			
Utility Expenses	4,818,270	-	4,818,270
Greens Maintenance	-	369,785	369,785
Depreciation and Amortization	1,233,661	46,658	1,280,319
TOTAL OPERATING EXPENSES	6,051,931	416,443	6,468,374
OPERATING INCOME	932,177	(15,257)	916,920
NON-OPERATING REVENUES / EXPENSES:			
Contributed Capital	216,536	-	216,536
Sale of Capacity and Contributions	895,103	-	895,103
Disposal of Assets	(59,845)	-	(59,845)
Interest Income	91,823	-	91,823
Interest Expense	(237,202)	(2,906)	(240,108)
TOTAL NON-OPERATING REVENUES / EXPENSES	906,415	(2,906)	903,509
CHANGE IN NET ASSETS	1,838,592	(18,163)	1,820,429
TOTAL NET ASSETS - BEGINNING BALANCE	29,061,848	873,529	29,935,377
TOTAL NET ASSETS - ENDING BALANCE	\$ 30,900,440	\$ 855,366	\$ 31,755,806

CITY OF REXBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 6,879,438	\$ 401,186	\$ 7,280,624
Payments to Suppliers	(1,815,990)	(123,228)	(1,939,218)
Payments to Employees	(1,168,138)	-	(1,168,138)
Payments for Labor Contracts	-	(227,399)	(227,399)
Internal Activity - Payments to Other Funds for Services	(1,803,578)	(23,100)	(1,826,678)
Other Payments	(220)	-	(220)
Other Receipts	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,091,512	27,459	2,118,971
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Loan Paid to Other Funds	24,553	(24,553)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Sale of Bonds	10,294,149	-	10,294,149
Acquisitions of Property, Plant and Equipment	(3,204,948)	-	(3,204,948)
Sale of Capacity and Contributions	895,103	-	895,103
Increase (Decrease) in Accounts Payable on Capital	(692,168)	-	(692,168)
(Increase) Decrease in Accounts Receivable for Capital	25,988	-	25,988
Interest Income	91,823	-	91,823
Principal Payments on Revenue Bonds	(550,000)	-	(550,000)
Interest Payments on Bonds and Leases	(249,045)	(2,906)	(251,951)
Contributed Capital	216,541	-	216,541
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	6,827,443	(2,906)	6,824,537
NET INCREASE IN CASH AND INVESTMENTS	8,943,508	-	8,943,508
CASH AND INVESTMENTS AT BEGINNING OF YEAR	3,962,471	-	3,962,471
CASH AND INVESTMENTS AT END OF THE YEAR	\$ 12,905,979	\$ -	\$ 12,905,979
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 932,177	\$ (15,257)	\$ 916,920
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	1,233,661	46,658	1,280,319
Changes in Assets and Liabilities:			
Increase in accounts receivable	(100,196)	-	(100,196)
Increase(Decrease) in accounts payable	23,055	(3,942)	19,113
Increase in accrued compensated absences	3,438	-	3,438
Increase in deposits payable	(623)	-	(623)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,091,512	\$ 27,459	\$ 2,118,971

CITY OF REXBURG, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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. Street Fund resources are restricted by law to be used only to benefit city streets.

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.

Component Unit

Component units are organizations which are legally separated from the City, which are financially accountable to the City, or their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Discretely presented component units are reported in a separate column to emphasize that they are legally separate from the primary government and are governed by separate boards. The City has one discretely presented component unit. A brief description of the discretely presented component unit follows:

Rexburg Urban Renewal Agency – was organized to make improvements to infrastructure in specific areas of the City. 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on going operations. The principle operating revenues of water, wastewater, sanitation and golf course services enterprise funds are charges to customers and users for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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	3 years
Office Equipment	10 years
Furniture	10 years
Vehicles	7 years
Light Equipment.....	10 years
Heavy Equipment	20 years
Buildings	30 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, 2011 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.

Inventory

Inventory is stated at the lower of cost or market. Inventory for all funds consists of expendable supplies held for consumption and is recorded when consumed (consumption method).

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.

Subsequent Events

In preparing these financial statements, the management of the City has evaluated events and transactions for potential recognition or disclosure through February 24, 2012, the date of the financial statements were available to be issued.

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.

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, 2011, the carrying amount of the City's deposits was \$1,562,449 and the respective bank balances totaled \$1,565,841. The bank balances of \$590,695 were FDIC insured with the remaining being collateralized.
- 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, 2011, \$975,146 of the City's total deposits of \$1,565,841 was not covered by federal depository insurance, but was collateralized.
- Investments – As of September 30, 2011, 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	N/A	\$ 6,590,661	\$ -	\$ 6,590,661	\$ -	\$ -
State Investment Pool	N/A	204,885	204,885	-	-	-
Certificates of Deposit	N/A	504,850	504,850	-	-	-
CDARS Program	N/A	5,923,640	5,923,640	-	-	-
Collateralized Municipal MM Fund	N/A	1,936,019	1,936,019	-	-	-
		\$ 15,160,055	\$ 8,569,394	\$ 6,590,661	\$ -	\$ -

2. CASH AND INVESTMENTS (Continued)

- 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, 2011 was 114 days.
- Other investments include the state diversified bond fund that is invested in longer type investments and is intended to be held on a longer term basis. This is invested in State of Idaho approved investments and has a rating that exceeds the Barclay's Capital Intermediate A+ Aggregate Fixed Income Index. The average weighted maturity of the fund at September 30, 2011 is 3.29 years. The CDARS program is through a local bank and invests the funds in \$250,000 increments in different banks to keep below the FDIC insurance amounts for coverage. The Collateralized Municipal MM Fund is also through a local bank that invests in money market accounts that the bank collateralizes with underlying investments.

The following is a reconciliation of the City's deposit and investment balance as of September 30, 2011:

Petty Cash	\$	850
Bank Deposits		1,562,449
State and Bank Investments		15,160,055
Other Investments		<u>64,417</u>
Total		<u>\$ 16,787,771</u>

3. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2011, was as follows:

	September 30, 2010	Increases	Decreases	September 30, 2011
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
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	2,692,409	114,490	(1,990)	2,804,909
Legal	5,437	-	-	5,437
Archer station	809,258	622,869	-	1,432,127
Police	2,504,104	236,836	(51,023)	2,689,917
Dare	16,898	-	-	16,898
Fire	4,339,830	139,064	(307,549)	4,171,345
Inspection	427,293	-	(17,557)	409,736
GIS	106,710	4,175	-	110,885
Community development	16,754	36,362	-	53,116
Streets	27,107,565	2,443,853	(220,787)	29,330,631
Shop	257,784	11,292	-	269,076
Parks	2,547,171	371,132	(8,650)	2,909,653
Merry-go-round	139,032	4,059	-	143,091
Ball diamond	37,193	-	-	37,193
Airport	1,817,463	65,521	-	1,882,984
Recreation	1,915,433	3,969,163	-	5,884,596
Theatre	137,105	188,516	-	325,621
Legacy of Flight Museum	1,146,898	-	-	1,146,898
Tabernacle	435,391	34,101	(12,629)	456,863
Total capital assets, being depreciated	46,459,728	8,241,433	(620,185)	54,080,976
Less accumulated depreciation	(11,707,581)	(2,622,618)	200,167	(14,130,032)
Total capital assets, being depreciated, net	34,752,147	5,618,815	(420,018)	39,950,944
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 35,763,634	\$ 5,618,815	\$ (420,018)	\$ 40,962,431

3. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government activities as follows:

General and Administrative	\$ 260,817
Public Safety	550,174
Parks and Recreation	412,404
Street	<u>1,399,223</u>
Total	<u>\$ 2,622,618</u>

	September 30, 2010	Increases	Decreases	September 30, 2,011
PRIMARY GOVERNMENT:				
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 352,811	\$ -	\$ -	\$ 352,811
Total capital assets, not being depreciated	352,811	-	-	352,811
Capital assets, being depreciated:				
Sanitation	1,737,897	41,500	-	1,779,397
Water	11,043,511	145,660	-	11,189,171
Wastewater	23,692,964	3,017,790	(102,403)	26,608,351
Golf Course	1,728,328	-	-	1,728,328
Total capital assets, being depreciated	38,202,700	3,204,950	(102,403)	41,305,247
Less accumulated depreciation:				
Sanitation	(831,614)	(101,440)	-	(933,054)
Water	(3,435,489)	(299,342)	-	(3,734,831)
Wastewater	(7,359,119)	(832,880)	42,557	(8,149,442)
Golf Course	(645,337)	(46,659)	-	(691,996)
Total accumulated depreciation	(12,271,559)	(1,280,321)	42,557	(13,509,323)
Total capital assets, being depreciated, net	25,931,141	1,924,629	(59,846)	27,795,924
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 26,283,952	\$ 1,924,629	\$ (59,846)	\$ 28,148,735

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, 2011 are as follows:

Recipient	Repayment Terms	Amount
East Central Idaho Planning and Development	Terms of repayment not finalized.	\$ 30,500
Thane Siddoway	Receivable in annual installments of \$4,039 including interest at 5.5% through 2018.	26,603
David and Tarri Leonardson	Receivable in monthly installments of \$998 including interest at 5.5% through 2024.	107,652
Smith Family Properties	Receivable in monthly installments of \$422 including interest at 6.0% through 2019.	32,248
Eagle Vision Center	Receivable in monthly installments of \$557 including interest at 6.5% through 2027.	33,471
Robertson Taylor, LLC	Receivable in monthly installments of \$1,111 including interest at 7.0% through 2028.	132,264
Smakelijk, Inc. dba Great Harvest Bread	Receivable in monthly installments of \$668 including interest at 6.5% through 2024.	122,562
Smakelijk, Inc. dba Great Harvest Bread	Receivable in monthly installments of \$159 including interest at 3.5% through 2019.	13,688
AMX Loan	Receivable in monthly installments of \$1,750 including interest at 7% through 2012.	300,000
E.W. Limited Liability Comp.	Receivable in monthly installments of \$200 including interest at 5% through 2025.	24,315
Appible, LLC	Receivable in monthly installments of \$1,405 including interest at 6.5% through 2014.	39,396
Waste Butlers, LLC	Receivable in monthly installments of \$205 including interest at 6% through 2014.	6,689
East Central Idaho Planning and Development	Terms of repayment not finalized.	125,000
		<u>\$ 994,388</u>

4. REVOLVING LOANS RECEIVABLE (Continued)

ECIPDA is holding \$40,553 in an interest bearing account for the City, which is available for future revolving loan projects. The City guaranteed a Regional Development Alliance (RDA) Revolving Loan for \$149,500 to FFF, Inc., who borrowed this money for remodeling expenses at Ferrin Square at 30 College Avenue in Rexburg. The guarantee will reduce proportionately as the \$299,000 loan from RDA is paid off.

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, 2011, are based on the assessed values and tax revenues established in 2010.

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 elected to show its normal sick leave benefits as compensated absences. In 1990, the City established individual sick leave banks whereby an employee could 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. From 2001 and thereafter, the employees no longer accumulates sick days at the end of the year in the sick bank and will eventually phase out the sick bank as those with remaining balances become eligible for full retirement. Unused sick leave at the end of each year is sent to a third party administrator to hold for the employee upon their retirement. Upon retirement eligibility, the employee's sick bank and sick leave balance may be converted to cash at a rate of 35% of the employees hourly rate at the time of retirement eligibility and deposited into the City's Post Employment Health Plan (PEHP) or Health Reimbursement Account Plan (HRA) in that employee's name. If the employee does not retire with a full state retirement, the balance in their accounts will be remitted back to the city.

7. POST EMPLOYMENT HEALTH PLAN (PEHP)

The City maintains a PEHP where certain amounts of accumulated sick leave above a minimum will be converted to cash at a rate of 35% of the employee's current hourly rate and deposited in the City's Post Employment Health Plan (PEHP) in that employee's name. This amount is available to the employees after they terminate employment with the City to offset eligible medical expenses. The City contributes the amount of this liability every year to an account in the employee's name in the custody of a third party administrator so that there is no outstanding unfunded liability.

8. HEALTH REIMBURSEMENT ACCOUNT PLAN (HRA)

The City contributes a certain amount to an HRA for each eligible employee in order to offset the employee's share of costs related to a high deductible health insurance plan. This amount is available to the employees at the start of each calendar year and can be carried over to future years to offset eligible medical expenses. The City contributes the amount of this liability every year to an account in the employee's name in the custody of a third party administrator so that there is no outstanding unfunded liability.

9. 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.

10. 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, 2011, was as follows:

Description	Interest Rate	Fiscal Years	Balance
LID No. 32 Warrant 2004 (original amount - \$200,000)	5.0%	2012 to 2014	\$ 40,000
LID No. 33 Warrant 2004 (original amount - \$300,000)	5.0%	2012 to 2014	30,000
LID No. 35 Warrant 2008 (original amount - \$350,000)	5.5%	2012 to 2018	245,000
LID No. 36 Warrant 2009 (original amount - \$275,000)	4.5%	2012 to 2019	192,500
LID No. 38 Warrant 2008 (original amount - \$75,000)	5.5%	2012 to 2023	50,000
			<u>\$ 557,500</u>

11. WASTEWATER REVENUE BONDS PAYABLE

Wastewater Revenue Bonds outstanding at September 30, 2011, were as follows:

Description	Interest Rate	Fiscal Years	Balance
Wastewater Revenue Bonds - Series 2010C (original amount \$10,000,000)	2% to 4%	2012 to 2025	<u>\$ 9,450,000</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. There were bond costs of \$230,195 relating to the sale of the bonds and the bonds sold at a premium of \$294,149. The costs and the premium are being amortized over the life of the bond.

12. OBLIGATIONS UNDER CAPITAL LEASES

The City has entered into agreement to purchase their police building through capital lease agreement. 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:

	Fixed Assets	Capital Leases Payable
<u>Building</u>	\$ 450,503	\$ 36,307

The following is a schedule by year of future lease payments the present value of the net minimum lease payments as of September 30, 2011.

Year Ending September 30,	Governmental Funds
<u>2012</u>	<u>36,307</u>
Total Minimum Lease Payments	36,307
<u>Less Amount Representing Interest</u>	<u>(1,762)</u>
Present Value of Minimum Lease Paymer	34,545
<u>Current Portion of Present Value</u>	<u>(34,545)</u>
<u>Long-Term Portion of Present Value</u>	<u>\$ -</u>

Interest expense of \$3,437 on this lease is expended in the public safety activity in the statement of activities and the statement of revenues, expenditures and changes in fund balances.

13. CHANGES IN LONG-TERM OBLIGATIONS

A summary of long-term transactions of the City for the year ended September 30, 2011, is as follows:

	Long-Term Obligations September 30, 2010	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2011	Due Within One Year
Governmental activities:					
Local improvement district warrants payable (Note 10)	\$ 675,000	\$ -	\$ (117,500)	\$ 557,500	\$ 117,500
Obligations under capital leases (Note 12)	67,413		(32,868)	34,545	34,545
Accrued compensated absences (Note 7)	292,581	-	(12,698)	279,883	279,883
Governmental activity long-term liabilities	\$ 1,034,994	\$ -	\$ (163,066)	\$ 871,928	\$ 431,928
Business-type activities:					
Wastewater revenue bonds payable (Note 11)	\$ -	\$ 10,000,000	\$ (550,000)	\$ 9,450,000	\$ 555,000
Accrued compensated absences (Note 7)	39,278	3,439	-	42,717	42,717
Business-type activity long-term liabilities	\$ 39,278	\$ 10,003,439	\$ (550,000)	\$ 9,492,717	\$ 597,717

14. BONDED DEBT REPAYMENT REQUIREMENTS

The annual requirements to amortize all bonded debt outstanding as of September 30, 2011, including interest, are as follows:

Year Ending September 30,	Local Improvement Warrants	Wastewater Revenue Bonds	Total
2012	\$ 151,825	\$ 865,950	\$ 1,017,775
2013	145,888	864,850	1,010,738
2014	109,950	867,900	977,850
2015	85,513	865,350	950,863
2016	82,075	867,350	949,425
Thereafter	242,250	7,785,000	8,027,250
Total Commitment	\$ 817,501	\$ 12,116,400	\$ 12,933,901
Interest Portion	\$ 260,001	\$ 2,666,400	\$ 2,926,401

The local improvement warrant interest expenditures are recorded in the LID Debt Service Funds.

15. RETIREMENT PLANS

Public Employee Retirement System of Idaho

The Public Employee Retirement System of Idaho (PERSI) – the PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is 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. 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.

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

The actuarially determined contribution requirements for the City of Rexburg, Idaho and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2011, 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 \$636,649, \$617,182, and \$638,027 for the three years ended September 30, 2011, 2010, and 2009 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.

15. RETIREMENT PLANS (Continued)

The City's total 2011 fiscal year payroll for all employees was \$6,396,500 of which \$4,125,706 was for covered payroll for employees who were members of the Plan. Employer and employee contributions to the Plan were 1.87% and 4.77% respectively, of covered payroll. Total contributions to the Plan for the fiscal year by the City and the employees were \$74,235 and \$186,932 respectively. The Plan had \$2,299,597 in net assets at September 30, 2011.

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The City expenditures exceeded the budgeted amounts in the following funds during the year ended September 30, 2011:

Fund	Amount Exceeded
General Fund	\$ 34,752
Street Operations Fund	80,667
Revolving Loan Fund	55,204
Police Small Grants Fund	18,506
Revolving Loan Fund	55,204
City Hall Construction Fund	26,508
Street Impact Fee Fund	31,855
Street Repair Fund	246,500
LID 41 Construction Fund	1,036,463
LID 39 Construction Fund	2,592
LID 41 Debt Service Fund	178,934

The following individual funds had fund deficits on September 30, 2011:

Recreation Fund--There is a fund deficit of \$22,444. The City expects to eliminate this deficit with future revenues and transfers from the General Fund.

Police Impact Fee Fund --There is a fund deficit of \$225,275. The City expects to eliminate this deficit as police impact fees are received and with transfers from the general fund.

Police Small Grants Fund --There is a fund deficit of \$30,432. The City expects to eliminate this deficit as police grants are received and with transfers from the general fund.

Fire Impact Fee Fund—There is a fund deficit of \$10,505. The City expects to eliminate this deficit as fire impact fees are received and with transfers from the general fund.

ESD Paramedic Care Unit Fund -- There is a fund deficit of \$125,504.

16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (Continued)

Trails of Madison County Fund – There is a fund deficit of \$41.

Romance Theatre Fund – There is a fund deficit of \$84,369. The City expects to eliminate this deficit as grants and contributions are received.

Riverside Park Construction Fund-- There is a fund deficit of \$404,384. The City expects to eliminate this deficit as grants and contributions are received.

Airport Operation Fund-- There is a fund deficit of \$30,498. The City expects to eliminate this deficit as grants and fees are received.

LID Debt Service Fund-- There is a fund deficit of \$986,352. The City expects to eliminate this deficit as assessments are collected on the LID projects.

17. 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.

Included with the reporting entity:

Rexburg Urban Renewal Agency. This component unit was organized to make improvements to infrastructure. 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.

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

Cash and Investments – The component unit had cash deposits with a book balance of \$891,468 and a bank balance of \$891,468, which was all covered by FDIC insurance. The remainder of its funds of \$676,545 were invested in the Idaho State Investment Pool.

Long-term debt - Revenue Allocation (Tax Increment) Bonds, Series 2010 do 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. There were bond issuance costs of \$39,094.

Revenue Bonds outstanding at September 30, 2011, were as follows:

Description	Interest Rate	Fiscal Years	Balance
Revenue Allocation Bonds, Series 2010			
Series 2010, Dated June 2, 2010 (original amount - \$4,656,000)	3.17% to 4.06%	2012 to 2022	<u>\$ 4,414,000</u>

Bonded Debt Repayment Requirements -The annual requirements to amortize the bonded debt of the Rexburg Urban Renewal Agency as of September 30, 2010, including interest, is as follows:

Year Ending September 30,	Revenue Allocation Bonds
2012	\$ 476,685
2013	485,354
2014	496,521
2015	509,992
2016	525,619
Thereafter	3,142,811
<u>Total Commitment</u>	<u>\$ 5,636,982</u>
<u>Interest Portion</u>	<u>\$ 1,222,982</u>

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

Changes in long-term debt – A summary of changes in long-term obligations of the Agency at September 30, 2011:

	Long-Term Obligations September 30, 2010	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2011
Revenue Allocation Bonds Series 2010	\$ 4,656,000	\$ -	\$ (242,000)	\$ 4,414,000

All significant bond covenants have been complied with. Separately issued financial statements for the Rexburg Urban Renewal Agency are available at the City offices.

18. INTERFUND TRANSACTIONS

Transfers between funds during the year were as follows:

	Operating Transfers In	Operating Transfers Out
Governmental:		
General Fund	\$ -	\$ 897,271
Street Fund	231,855	716,464
Emergency Services Fund	902,037	-
Revolving Loan Fund	-	141,691
Tabernacle Fund	49,941	-
Orchestra Fund	3,500	-
Business Park Fund	101,489	-
Police Impact Fee Fund	150,000	-
Police Animal Control Fund	65,994	-
Joint Fire Equipment Fund	150,000	-
Madison County Fire District Fund	-	421,277
Fire Impact Fee Fund	-	30,000
Legacy Flight Museum Fund	6,735	-
Beautification Committee Fund	10,000	-
City Hall Construction Fund	40,202	-
Street Impact Fee Fund	-	231,855
Parks Impact Fee Fund	-	2,165
Trails of Madison County Fund	2,165	-
Romance Theatre Fund	20,341	-
LID Construction Funds	1,478,986	-
LID Debt Service Funds	41,041	813,563
	<u>\$ 3,254,286</u>	<u>\$ 3,254,286</u>

18. INTERFUND TRANSACTIONS (Continued)

The General Fund transfers cash to cover deficits in the Tabernacle Fund, Rexburg Orchestra Fund, Police Grant Fund, Police Impact Fee Fund, Animal Control Fund, and Romance Theatre Fund. The General Fund also transfers cash to Legacy Flight Museum Fund for half the insurance cost, the Joint Fire Equipment for its assessment for new fire equipment, the Rexburg Orchestra Fund for a fixed contribution to its operations and the Emergency Services Operations Fund for its allocation of costs for the year.

Street Fund transfers cash to cover street expenses in the LID funds and a fixed contribution to the Beautification Fund.

The Revolving Loan Fund transferred the equivalent of the loan receivable due from AMET to the New City Hall Construction Fund.

Madison County Fire District Fund transfers cash to the Emergency Services Operations Fund to cover its allocation of costs for the year.

The Street Impact Fee Fund transfers cash to the New Street Construction Fund to help cover the costs of new streets that added capacity to the city's circulation system.

The Parks Impact Fee Fund transfers cash to the Madison Trails Committee Fund to cover additions to capacity in parks and pathways.

The LID Debt Service Funds transfer cash to the LID Construction Funds to provide for local property owners share of the construction within the LIDs.

18. INTERFUND TRANSACTIONS (Continued)

The following is a schedule of interfund receivables and payables as of September 30, 2011:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Primary Government:		
General Fund*	\$ 2,579,854	\$ -
Street Fund	-	223,642
Recreation Fund	-	15,135
Police Impact Fee Fund	-	253,865
Police Small Grants Fund	-	25,392
Fire Impact Fee Fund	-	11,581
Geographic Information Systems Fund	-	37,498
Street Impact Fee Fund	-	10,137
ESD Paramedic Care Unit Fund	-	143,185
Trails of Madison County Fund	-	41
Romance Theatre Fund	-	173,456
Riverside Park Fund	-	580,170
Airport Operation Fund	-	96,908
LID Debt Service Funds	-	1,008,844
Utility Fund	527,871	-
Golf Course Fund	-	527,871
	<u>\$ 3,107,725</u>	<u>\$ 3,107,725</u>

*The above amounts were loaned from the General Fund and Revolving Loan Fund to the various other funds to cover cash deficits. The Utility fund also loaned funds to the Golf Course Fund to cover cash deficits in that fund.

19. SEGMENT INFORMATION

The City issues separate revenue bonds to finance its water, wastewater and sanitation departments. The three departments are accounted for in a single fund, but investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each department is presented below. The Water Department operates the City's water supply system. The Wastewater Department operates the City's sewage treatment plant, sewage pumping stations, and collection systems. The Sanitation Department operates the garbage collection services for the City. The segment information for the City at September 30, 2011 is:

	Sanitation Department	Water Department	Wastewater Department	Shared
CONDENSED STATEMENT OF NET ASSETS				
Assets:				
Current assets	\$ -	\$ -	\$ -	\$ 14,187,511
Capital assets	846,343	7,454,343	18,458,903	-
Total assets	<u>846,343</u>	<u>7,454,343</u>	<u>18,458,903</u>	<u>14,187,511</u>
Liabilities:				
Current liabilities	-	-	837,306	314,354
Noncurrent liabilities	-	-	8,895,000	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>9,732,306</u>	<u>314,354</u>
Net assets:				
Invested in capital assets, net of related debt	846,343	7,454,343	9,001,136	-
Restricted for capital projects	-	-	-	9,155,952
Unrestricted	-	-	-	4,442,666
Total net assets	<u>\$ 846,343</u>	<u>\$ 7,454,343</u>	<u>\$ 9,001,136</u>	<u>\$ 13,598,618</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS				
Operating revenues	\$ 1,595,037	\$ 2,029,599	\$ 3,359,472	\$ -
Depreciation expense	(101,440)	(299,342)	(832,879)	-
Other operating expenses	(1,381,834)	(1,362,037)	(2,074,399)	-
Operating income	<u>111,763</u>	<u>368,220</u>	<u>452,194</u>	<u>-</u>
Nonoperating revenues (expenses):				
Sale of Capacity and Contributions	-	175,334	719,769	-
Investment income	-	18,910	72,913	-
Interest expense	-	-	(237,202)	-
Disposal of assets	-	-	(59,845)	-
Capital contributions	-	14,820	201,716	-
Change in net assets	<u>111,763</u>	<u>577,284</u>	<u>1,149,545</u>	<u>-</u>
Beginning Net Assets	906,284	7,608,026	16,333,837	4,213,701
Reallocation of cash	(171,704)	(730,967)	(8,482,246)	9,384,917
Ending Net Assets	<u>\$ 846,343</u>	<u>\$ 7,454,343</u>	<u>\$ 9,001,136</u>	<u>\$ 13,598,618</u>
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by:				
Operating activities	\$ 213,203	\$ 667,562	\$ 1,285,075	\$ (74,328)
Noncapital financing activities	-	-	-	24,553
Capital and related financing activities	(41,499)	44,494	6,205,580	527,045
Investing activities	-	18,910	72,913	-
Net increase (decrease) in Cash	<u>\$ 171,704</u>	<u>\$ 730,966</u>	<u>\$ 7,563,568</u>	<u>\$ 477,270</u>

20. LEASE WITH HOSPITAL

In 2009 the City entered into a lease agreement, effective October 1, 2009, with Madison Memorial Hospital to lease a portion of the City building to the Hospital. The lease has an initial term of five years and payments are in monthly installments of \$6,533 or \$78,400 annually. Lease income from the Hospital was \$78,400 for the year ended September 30, 2011. Future lease income is expected to be \$78,400 for 2012, 2013 and 2014.

21. FUND BALANCES

Beginning in Fiscal year 2011, in accordance with GASB 54, The City began to classify fund balances depending on the relative strength of the spending constraints placed on the purposes for which resources can be used as follows:

Nonspendable fund balance- Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted fund balance- Amounts constrained for a specific purpose by external creditors, grantors, laws, or regulations of other governments.

Committed fund balance- Amounts that can be used only for the specific purposes determined by a formal action of the City Council.

Assigned fund balance- Amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In the case of the City, this authority is not delegated, which is why there is no assigned fund balance.

Unassigned fund balance- Amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Positive unassigned amount are only reported in the general fund. GASB 54 states that if another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. In the case of Rexburg, we have left negative fund balances in the fund balance category where they would have been classified if they had a positive fund balance to provide consistency from year to year on the governmental financial statements and because those deficits will be paid back with future revenues from those specific funds and not the revenues of other governmental funds.

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which multiple classifications may be included in a fund balance. For example, restricted amounts are used first, followed by committed, assigned, and unassigned amounts in that order, for purposes of reporting fund balance.

21. FUND BALANCES (Continued)

For explanation of fund deficits see Note 16.

	Major Funds					
	General	Streets	Emergency Services	Revolving Loan	Non-Major Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	\$ 24,621	\$ -	\$ -	\$ -	\$ -	\$ 24,621
Restricted for:						
Streets	-	778,837	-	-	-	778,837
Emergency Services	-	-	(424)	-	-	(424)
Police Impact	-	-	-	-	(252,275)	(252,275)
DARE	-	-	-	-	2,470	2,470
Police Drug Enforcement	-	-	-	-	23,615	23,615
Police Small Grants	-	-	-	-	(30,432)	(30,432)
Joint Fire Equipment	-	-	-	-	265,905	265,905
Madison County Fire Protection District	-	-	-	-	919,721	919,721
Fire Impact	-	-	-	-	(10,505)	(10,505)
ESD Rexburg Employees	-	-	-	-	22,289	22,289
ESD Paramedic Care	-	-	-	-	(125,504)	(125,504)
Parks Impact	-	-	-	-	315,425	315,425
Trails of Madison County	-	-	-	-	(41)	(41)
Riverside Park Construction	-	-	-	-	(404,384)	(404,384)
Airport Operations	-	-	-	-	(30,498)	(30,498)
LID Debt Service	-	-	-	-	(986,352)	(986,352)
Veterans Memorial	-	-	-	-	13,720	13,720
ESD Archer Employees	-	-	-	-	8,611	8,611
ESD Pipes and Drums	-	-	-	-	1,320	1,320
Committed to:						
Stabilization	1,815,825	-	-	-	-	1,815,825
Revolving Loans	-	-	-	1,591,916	-	1,591,916
Recreation	-	-	-	-	(22,444)	(22,444)
Tabernacle Windows	-	-	-	-	82,057	82,057
Orchestra	-	-	-	-	10,427	10,427
Police Animal Control	-	-	-	-	56,749	56,749
Aquatic Center Operations	-	-	-	-	132,331	132,331
Legacy Flight Museum	-	-	-	-	12,243	12,243
Community Development	-	-	-	-	49,178	49,178

21. FUND BALANCES (Continued)

	Major Funds					Total
	General	Streets	Emergency Services	Revolving Loan	Non-Major Funds	
Downtown Revitalization	-	-	-	-	349,157	349,157
Beautification	-	-	-	-	29,685	29,685
Arts Promulgation	-	-	-	-	96,260	96,260
Romance Theatre	-	-	-	-	(84,369)	(84,369)
Mayors Youth Advisory	-	-	-	-	2,547	2,547
Rexburg Arts Council	-	-	-	-	3,820	3,820
Eastern Idaho Business Competition	-	-	-	-	5,023	5,023
Community Safety Lighting	-	-	-	-	223,126	223,126
Assigned to:						
Unassigned:	647,186	-	-	-		647,186
Total Fund Balances	\$ 2,487,632	\$ 778,837	\$ (424)	\$ 1,591,916	\$ 678,875	\$ 5,536,836

The City Council has established a minimum fund balance guideline for the general fund. As a general practice, the City will strive to maintain a total general fund committed fund balance equal to a minimum of 25% or greater of general fund budgeted expenditures for the last ended fiscal year. The City Council strives to maintain a minimum committed fund balance in the general fund to mitigate current and future risks (e.g., revenue shortfalls, unanticipated expenditures, and natural disasters or emergencies). Fund balance levels are affected by actual revenues and expenditures and will be used to achieve and maintain the City’s minimum fund balance goals and to meet the next year’s budget expenditure requirements. In the event there is excess fund balance in the general fund over the 25% minimum reserve, good management of public monies would suggest that the surplus be designated to future expenses to provide service levels that are currently deficient and to maintain or increase current service levels.

22. FUND BALANCES CLASSIFICATIONS

Beginning in Fiscal year 2011, in accordance with GASB 54, The City began to classify fund balances depending on the relative strength of the spending constraints placed on the purposes for which resources can be used. GASB 54 also requires that negative fund balances be classified as unassigned. The management of the City feels that this is misleading and inconsistent in the way the City handles its funds. The following restricted funds had negative fund balances – Emergency Services Fund, Police Impact Fund, Police Small Grants Fund, Fire Impact Fund, ESD Paramedic Care Fund, Trails of Madison County Fund, Riverside Park Construction Fund, Airport Operations Fund, and LID Debt Service Funds. The following committed funds had negative fund balances – Recreation Fund and Romance Theatre Fund.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2011

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Property Taxes	\$ 2,800,100	\$ 2,800,100	\$ 2,827,884	\$ 27,784
State Taxes	939,200	939,200	1,017,682	78,482
Federal Revenue	-	-	113,946	113,946
Grants and Donations	485,000	489,000	484,250	(4,750)
Licenses, Permits and Franchise Tax	529,700	529,700	568,523	38,823
Charges for Services	2,189,000	2,189,000	2,175,526	(13,474)
Interest Earned	42,400	42,400	179,752	137,352
Fines, Rent and Other Assessments	252,700	252,700	257,440	4,740
Sale of Property and Equipment	6,900	6,900	2,737	(4,163)
Miscellaneous	14,300	14,300	19,164	4,864
TOTAL REVENUES	7,259,300	7,263,300	7,646,904	383,604
EXPENDITURES:				
General and Administrative Operations	2,441,500	2,445,700	2,380,742	64,958
Public Safety Operations	3,254,300	3,254,300	3,221,293	33,007
Parks and Recreation	483,800	483,600	413,203	70,397
Capital Improvements	234,000	287,900	385,543	(97,643)
Transfers	744,000	744,000	897,271	(153,271)
Contingency	101,700	47,800	-	47,800
TOTAL EXPENDITURES	7,259,300	7,263,300	7,298,052	(34,752)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	348,852	348,852
FUND BALANCE AT BEGINNING OF YEAR	-	-	2,138,780	2,138,780
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 2,487,632	\$ 2,487,632

See Independent Auditors' Report.

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
STREET FUND
Year Ended September 30, 2011

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
County Road Funds	\$ 450,000	\$ 550,000	\$ 543,017	\$ (6,983)
State Highway Users Fund	941,100	941,100	962,637	21,537
Other Grants and Donations	-	-	594,614	594,614
Contributed Capital	2,000,000	2,000,000	525,000	
Federal Revenues	-	-	47,223	47,223
Franchise Tax	848,000	848,000	944,453	96,453
Interest Income	-	-	26,400	26,400
Miscellaenous	6,000	6,000	10,097	4,097
Sale of Property and Equipment	-	50,000	20,124	(29,876)
Transfers In-Internal	710,700	1,010,700	956,719	(53,981)
Contingency	-	-	-	-
Fund Balance Carryover	-	50,000	-	(50,000)
Transfers In From Other Funds	200,000	200,000	231,855	31,855
TOTAL REVENUES	5,155,800	5,655,800	4,862,139	681,339
EXPENDITURES:				
Streets Maintenance	1,740,000	2,040,000	1,527,025	512,975
Capital Improvements	2,671,700	2,696,700	1,074,846	1,621,854
Contingency	23,400	23,400	-	23,400
Transfers Out-Internal	710,700	885,700	956,719	(71,019)
Transfers to Other Street Projects	10,000	10,000	716,464	(706,464)
TOTAL EXPENDITURES	5,155,800	5,655,800	4,275,054	1,380,746
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	587,085	(699,407)
FUND BALANCE AT BEGINNING OF YEAR	-	-	191,752	191,752
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 778,837	\$ (507,655)

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
EMERGENCY SERVICES FUND
Year Ended September 30, 2011

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
County Contributions	\$ 967,200	\$ 969,800	\$ 906,437	\$ (63,363)
Federal Revenue	63,200	77,800	100,197	22,397
Miscellaneous	6,900	26,300	22,619	(3,681)
Transfers	901,800	928,000	902,037	(25,963)
TOTAL REVENUES	1,939,100	2,001,900	1,931,290	(70,610)
EXPENDITURES:				
Public Safety Operations	1,871,800	1,879,600	1,822,782	56,818
Capital Improvements	67,300	122,300	108,932	13,368
TOTAL EXPENDITURES	1,939,100	2,001,900	1,931,714	70,186
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	(424)	(424)
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ (424)	\$ (424)

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
Year Ended September 30, 2011

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Interest Earned	\$ 95,000	\$ 95,000	\$ 61,262	\$ (33,738)
Miscellaneous	2,000	2,000	-	(2,000)
TOTAL REVENUES	97,000	97,000	61,262	(35,738)
EXPENDITURES:				
General and Administrative	6,000	6,000	10,513	(4,513)
Contingency	91,000	91,000	-	91,000
Transfers	-	-	141,691	(141,691)
TOTAL EXPENDITURES	97,000	97,000	152,204	(55,204)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(90,942)	(90,942)
FUND BALANCE AT BEGINNING OF YEAR	-	-	1,682,858	1,682,858
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 1,591,916	\$ 1,591,916

OTHER SUPPLEMENTARY INFORMATION

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011

Fund Number	03	04	05	06	07	08	09	13
	Recreation Fund	Tabernacle Fund	Orchestra Fund	Business Park Fund	Police Impact Fee Fund	DARE Fund	Police Drug Enforcement Fund	Police Small Grants Fund
ASSETS								
Cash and Short Term Investments	\$ -	\$ 86,734	\$ 11,035	\$ -	\$ -	\$ 2,470	\$ 23,615	\$ -
Receivables	-	500	-	-	1,590	-	-	1,456
TOTAL ASSETS	\$ -	\$ 87,234	\$ 11,035	\$ -	\$ 1,590	\$ 2,470	\$ 23,615	\$ 1,456
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts Payable	\$ 1,127	\$ 3,602	\$ 608	\$ -	\$ -	\$ -	\$ -	\$ 6,496
Deferred Revenue	6,182	-	-	-	-	-	-	-
Due to Other Funds	15,135	-	-	-	253,865	-	-	25,392
Other	-	1,575	-	-	-	-	-	-
TOTAL LIABILITIES	22,444	5,177	608	-	253,865	-	-	31,888
FUND BALANCES (DEFICIT):								
Restricted	-	-	-	-	(252,275)	2,470	23,615	(30,432)
Committed	(22,444)	82,057	10,427	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 87,234	\$ 11,035	\$ -	\$ 1,590	\$ 2,470	\$ 23,615	\$ 1,456

14	18	19	20	21	23	24	28	29	30	31
Police Animal Control Fund	Joint Fire Equipment Fund	Madison County Fire Protection District Fund	Fire Impact Fee Fund	ESD Rexburg Employee Fund	Rexburg Rapids Operations Fund	Legacy Flight Museum Fund	Community Development Fund	Geographic Information Systems Fund	Downtown Revitalization Fund	Beautification Committee Fund
\$ 59,663	\$ 265,905	\$ 888,408	\$ -	\$ 22,416	\$ 134,593	\$ 9,138	\$ 60,666	\$ -	\$ 349,280	\$ 29,685
-	-	58,417	1,076	-	11,869	6,735	3,451	41,358	-	-
\$ 59,663	\$ 265,905	\$ 946,825	\$ 1,076	\$ 22,416	\$ 146,462	\$ 15,873	\$ 64,117	\$ 41,358	\$ 349,280	\$ 29,685
\$ 2,914	\$ -	\$ 889	\$ -	\$ 127	\$ 14,131	\$ 3,630	\$ 3,887	\$ 3,860	\$ 123	\$ -
-	-	26,215	-	-	-	-	-	-	-	-
-	-	-	11,581	-	-	-	-	37,498	-	-
-	-	-	-	-	-	-	11,052	-	-	-
2,914	-	27,104	11,581	127	14,131	3,630	14,939	41,358	123	-
56,749	265,905	919,721	(10,505)	22,289	132,331	12,243	49,178	-	349,157	-
\$ 59,663	\$ 265,905	\$ 946,825	\$ 1,076	\$ 22,416	\$ 146,462	\$ 15,873	\$ 64,117	\$ 41,358	\$ 349,280	\$ 29,685

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET SCHEDULE
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2011
(Continued)

Fund Number	32	33	36	37	38	39	40	41
	City Hall Construction Fund	Street Impact Fee Fund	Arts Promulgation Fund	ESD Paramedic Care Unit Fund	Parks Impact Fee Fund	Trails of Madison County Fund	Romance Theatre Fund	Riverside Park Fund
ASSETS								
Cash and Short Term Investments	\$ 12,680	\$ -	\$ 96,260	\$ -	\$ 323,525	\$ -	\$ -	\$ -
Receivables	-	10,137	-	19,218	20,645	-	93,094	195,012
TOTAL ASSETS	\$ 12,680	\$ 10,137	\$ 96,260	\$ 19,218	\$ 344,170	\$ -	\$ 93,094	\$ 195,012
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts Payable	\$ 12,680	\$ -	\$ -	\$ 1,537	\$ 28,745	\$ -	\$ 2,462	\$ 19,226
Deferred Revenue	-	-	-	-	-	-	-	-
Due to Other Funds	-	10,137	-	143,185	-	41	173,456	580,170
Other	-	-	-	-	-	-	1,545	-
TOTAL LIABILITIES	12,680	10,137	-	144,722	28,745	41	177,463	599,396
FUND BALANCES (DEFICIT):								
Reserved Fund Balances	-	-	96,260	(125,504)	315,425	(41)	(84,369)	(404,384)
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,680	\$ 10,137	\$ 96,260	\$ 19,218	\$ 344,170	\$ -	\$ 93,094	\$ 195,012

45 Mayor's Youth Advisory Board Fund	47 Airport Operation Fund	53-58 LID Construction Funds	59-79 LID Debt Service Funds	80 Farmer's Market Fund	81 Rexburg Arts Council Fund	83 Eastern Idaho Business Competition Fund	85 Community Safety Lighting Fund	90 Veterans Memorial Fund	92 ESD Archer Employee Fund	93 ESD Pipes & Drums Fund	Total Nonmajor Governmental Funds
\$ 2,739	\$ -	\$ 80,712	\$ -	\$ -	\$ 3,820	\$ 5,023	\$ 228,528	\$ 13,720	\$ 8,611	\$ 1,470	\$ 2,720,696
-	66,495	1,079	898,655	-	-	-	-	-	-	-	1,430,787
\$ 2,739	\$ 66,495	\$ 81,791	\$ 898,655	\$ -	\$ 3,820	\$ 5,023	\$ 228,528	\$ 13,720	\$ 8,611	\$ 1,470	\$ 4,151,483
\$ 192	\$ 85	\$ 81,791	\$ 32,207	\$ -	\$ -	\$ -	\$ 5,402	\$ -	\$ -	\$ 150	\$ 225,871
-	-	-	843,956	-	-	-	-	-	-	-	876,353
-	96,908	-	1,008,844	-	-	-	-	-	-	-	2,356,212
-	-	-	-	-	-	-	-	-	-	-	14,172
192	96,993	81,791	1,885,007	-	-	-	5,402	-	-	150	3,472,608
2,547	(30,498)	-	(986,352)	-	3,820	5,023	223,126	13,720	8,611	1,320	(266,915)
\$ 2,739	\$ 66,495	\$ 81,791	\$ 898,655	\$ -	\$ 3,820	\$ 5,023	\$ 228,528	\$ 13,720	\$ 8,611	\$ 1,470	\$ 4,151,483

CITY OF REXBURG, IDAHO
**COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2011

Fund Number	03	04	05	06	07	08	09	13
	Recreation Fund	Tabernacle Fund	Orchestra Fund	Business Park Fund	Police Impact Fee Fund	DARE Fund	Police Drug Enforcement Fund	Police Small Grants Fund
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and Contributions	250	1,924	945	-	-	13,411	-	79,977
Fees and Charges	119,972	10,985	-	-	27,796	-	-	-
Interest Earned	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	15,004	-
TOTAL REVENUES	120,222	12,909	945	-	27,796	13,411	15,004	79,977
EXPENDITURES:								
General and Administrative	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	17,788	10,268	153,520
Parks and Recreation	157,964	61,016	2,096	-	-	-	-	-
Streets	-	-	-	-	-	-	-	-
Interest on Debt	-	-	-	-	1,760	-	-	-
Principal on Debt	-	-	-	-	-	-	-	-
Capital Improvements	1,785	9,702	-	-	36,306	-	10,261	10,470
TOTAL EXPENDITURES	159,749	70,718	2,096	-	38,066	17,788	20,529	163,990
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(39,527)	(57,809)	(1,151)	-	(10,270)	(4,377)	(5,525)	(84,013)
OTHER FINANCING SOURCES (USES):								
Transfers In	-	49,941	3,500	101,489	150,000	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	49,941	3,500	101,489	150,000	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(39,527)	(7,868)	2,349	101,489	139,730	(4,377)	(5,525)	(84,013)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	17,083	89,925	8,078	(101,489)	(392,005)	6,847	29,140	53,581
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ (22,444)	\$ 82,057	\$ 10,427	\$ -	\$ (252,275)	\$ 2,470	\$ 23,615	\$ (30,432)

14	18	19	20	21	23	24	28	29	30	31
Police Animal Control Fund	Joint Fire Equipment Fund	Madison County Fire Protection District Fund	Fire Impact Fee Fund	ESD Paid Call Fund	Rexburg Rapids Operations Fund	Legacy Flight Museum Fund	Community Development Fund	Geographic Information Systems Fund	Downtown Revitalization Fund	Beautification Committee Fund
\$ -	\$ -	\$ 600,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
56,775	-	-	-	-	99,200	9,258	-	356,688	-	-
9,176	-	-	24,590	14,573	304,986	22,828	453,134	81	-	-
-	83	10,390	-	90	-	46	-	-	-	-
-	-	650	-	-	-	-	-	-	-	-
65,951	83	611,080	24,590	14,663	404,186	32,132	453,134	356,769	-	-
-	-	-	-	-	-	-	754,555	340,353	-	-
75,196	-	120	-	11,819	-	-	-	-	-	-
-	-	-	-	-	271,855	65,432	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	407,896	-	164	-	-	6,562	16,416	877	3,506
75,196	-	408,016	-	11,983	271,855	65,432	761,117	356,769	877	3,506
(9,245)	83	203,064	24,590	2,680	132,331	(33,300)	(307,983)	-	(877)	(3,506)
65,994	150,000	-	-	-	-	6,735	-	-	-	10,000
-	-	(421,277)	(30,000)	-	-	-	-	-	-	-
65,994	150,000	(421,277)	(30,000)	-	-	6,735	-	-	-	10,000
56,749	150,083	(218,213)	(5,410)	2,680	132,331	(26,565)	(307,983)	-	(877)	6,494
-	115,822	1,137,934	(5,095)	19,609	-	38,808	357,161	-	350,034	23,191
\$ 56,749	\$ 265,905	\$ 919,721	\$ (10,505)	\$ 22,289	\$ 132,331	\$ 12,243	\$ 49,178	\$ -	\$ 349,157	\$ 29,685

(Continued)

CITY OF REXBURG, IDAHO
**COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS

Year Ended September 30, 2011

(Continued)

Fund Number	32	33	36	37	38	39	40	41
	City Hall Construction Fund	Street Impact Fee Fund	Arts Promulgation Fund	ESD Paramedic Care Unit Fund	Parks Impact Fee Fund	Trails of Madison County Fund	Romance Theatre Fund	Riverside Park Fund
REVENUES:								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and Contributions	-	-	-	-	(15,919)	250	103,344	4,078,037
Fees and Charges	870	231,855	39,188	141,440	271,807	-	11,948	-
Interest Earned	-	-	-	-	801	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
TOTAL REVENUES	870	231,855	39,188	141,440	256,689	250	115,292	4,078,037
EXPENDITURES:								
General and Administrative	-	-	-	-	-	-	-	-
Public Safety	-	-	-	128,408	-	-	-	-
Parks and Recreation	-	-	-	-	-	-	31,231	-
Streets	-	-	-	-	-	-	-	-
Interest on Bonds and Other Debt	-	-	-	676	-	-	-	-
Principal on Bonds and Other Debt	-	-	-	-	-	-	-	-
Capital Improvements	86,508	-	24,398	2,064	53,077	2,415	188,515	4,324,488
TOTAL EXPENDITURES	86,508	-	24,398	131,148	53,077	2,415	219,746	4,324,488
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(85,638)	231,855	14,790	10,292	203,612	(2,165)	(104,454)	(246,451)
OTHER FINANCING SOURCES (USES):								
Transfers In	40,202	-	-	-	-	2,165	20,341	-
Transfers Out	-	(231,855)	-	-	(2,165)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	40,202	(231,855)	-	-	(2,165)	2,165	20,341	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(45,436)	-	14,790	10,292	201,447	-	(84,113)	(246,451)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	45,436	-	81,470	(135,796)	113,978	(41)	(256)	(157,933)
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ -	\$ -	\$ 96,260	\$ (125,504)	\$ 315,425	\$ (41)	\$ (84,369)	\$ (404,384)

45 Mayor's Youth Advisory Board Fund	47 Airport Operation Fund	53-58 Construction Funds	59-79 LID Debt Service Funds	80 Farmer's Market Fund	81 Rexburg Arts Council Fund	83 Eastern Idaho Business Competition Fund	85 Community Safety Lighting Fund	90 Veterans Memorial Fund	92 ESD Archer Employee Fund	93 ESD Pipes & Drums Fund	Total Nonmajor Governmental Funds
\$ -	\$ 2,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 602,966
-	43,675	82,320	-	-	3,288	4,950	-	3,090	9,335	7,145	4,937,943
1,999	18,319	-	171,379	1,539	6,154	73	170,350	-	-	3,194	2,058,236
-	-	-	55,682	-	-	-	-	-	-	-	67,092
-	-	-	-	-	-	-	-	-	-	-	15,654
1,999	64,920	82,320	227,061	1,539	9,442	5,023	170,350	3,090	9,335	10,339	7,681,891
2,488	16,772	-	-	-	-	-	-	-	-	-	1,114,168
-	-	-	-	-	-	-	-	-	724	9,124	406,967
-	-	-	-	5,058	6,779	-	-	-	-	-	601,431
-	-	-	-	-	-	-	68,417	-	-	-	68,417
-	917	-	34,325	-	-	-	-	-	-	-	37,678
-	-	-	117,500	-	-	-	-	-	-	-	117,500
-	65,521	1,367,002	-	-	-	-	-	3,017	-	-	6,620,950
2,488	83,210	1,367,002	151,825	5,058	6,779	-	68,417	3,017	724	9,124	8,967,111
(489)	(18,290)	(1,284,682)	75,236	(3,519)	2,663	5,023	101,933	73	8,611	1,215	(1,285,220)
-	-	1,478,986	41,041	-	-	-	-	-	-	-	2,120,394
-	-	-	(813,563)	-	-	-	-	-	-	-	(1,498,860)
-	-	1,478,986	(772,522)	-	-	-	-	-	-	-	621,534
(489)	(18,290)	194,304	(697,286)	(3,519)	2,663	5,023	101,933	73	8,611	1,215	(663,686)
3,036	(12,208)	(194,304)	(289,066)	3,519	1,157	-	121,193	13,647	-	105	1,342,561
\$ 2,547	\$ (30,498)	\$ -	\$ (986,352)	\$ -	\$ 3,820	\$ 5,023	\$ 223,126	\$ 13,720	\$ 8,611	\$ 1,320	\$ 678,875



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

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, 2011, which collectively comprise the City of Rexburg Idaho's basic financial statements and have issued our report thereon dated February 24, 2012. 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 the 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.

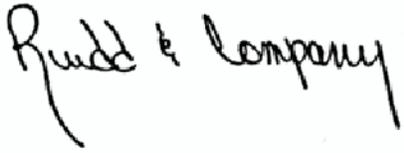
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 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.

A handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive, flowing style. The word "Rudd" is on the left, followed by an ampersand, and "Company" is on the right. The entire signature is contained within a thin black rectangular border.

February 24, 2012