



CITY OF REXBURG, IDAHO

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2007



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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rexburg, Idaho's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not included the LID 31 Debt Service Fund as a major fund in the City's financial statements. Accounting principles generally accepted in the United States of America require the LID 31 Service Fund to be presented as a major governmental fund in the governmental funds statements. 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.

In our opinion, except for not including the LID 31 Debt Service Fund as a major fund as stated in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rexburg, Idaho as of September 30, 2007, 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 14, 2008 on our consideration of the City of Rexburg, Idaho's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

February 14, 2008



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

Our discussion and analysis of the City of Rexburg's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2007. 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, 2007 by \$47,811,785. Of this amount, \$2,351,171 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased \$7,655,664 as a result of this year's operations. The governmental net assets increased by \$4,717,685 and the business-type net assets increased by \$2,937,979.
- At fiscal year end, the City's governmental funds reported combined ending fund balances of \$5,253,793, an decrease of \$162,460 from last year
- The General Fund unreserved fund balance was \$1,763,921 or 31% of the total General Fund Expenditures. Of this balance, \$209,722 was appropriated in the budget of the following fiscal year, leaving \$1,554,198 or 28% of total General Fund Expenditures in the General Fund Balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

For the years ended September 30, 2007 and September 30, 2006, Net Assets changed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets 9/30/06	\$ 19,600,748	\$ 20,555,373	\$ 40,156,121
Increase in Net Assets	\$ 4,717,685	\$ 2,937,979	\$ 7,655,664
Net Assets 9/30/07	\$ 24,318,433	\$ 23,493,352	\$ 47,811,785
Percent Increase	24.1%	14.3%	19.1%

Large item increases came from:

Streets contributed by developers	\$ 2,764,509
LID Improvements	\$ 1,522,151
Street Repairs	\$ 1,083,373
Wastewater Plant Improvements	\$ 875,400
Airport Land Purchases	\$ 668,652
Fire Department fire equipment	\$ 306,131
Utility lines & related assets contributed by developers	\$ 294,432
Garbage Truck	\$ 157,364
New Streets Cost Share	\$ 108,561
Legacy Flight Museum Airplane	\$ 101,000

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

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, 2007, is as follows:

	Long-Term Obligations September 30, 2006	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2007
Accrued Compensated Absences (Note 6)	\$ 301,860	\$ 30,352	\$ --	\$ 332,212
Local Improvement District Warrants Payable (Note 9)	800,000	--	(146,000)	654,000
Wastewater Revenue Bonds Payable (Note 10)	1,452,123	--	(392,592)	1,059,531
Obligations Under Capital Leases (Note 11)	473,607	--	(316,853)	156,754
	<u>\$ 3,027,590</u>	<u>\$ 30,352</u>	<u>\$ (855,445)</u>	<u>\$ 2,202,497</u>

There are currently no outstanding General Obligation Bonds.

Governmental Activities

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

The City attempts to maintain a balance of cash in the General Fund of 25-33% of actual expenditures for the necessary cash flow and unforeseen emergencies.

General and Administrative

(Mayor & City Council, Customer Services, Financial Management, Planning and Zoning, Public Works Director, Engineering, GIS, Building Safety, and miscellaneous other departments)
A majority of these departments' expenditures is offset by related revenues.

Public Safety

(Police and Emergency Services)

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

Parks, Recreation and Cultural Arts

The Parks Department is mostly funded by General Revenues. Only about \$5,000 is taken in as reservation fees. The Recreation Administrative expenses are heavily subsidized by General Revenues, while the Recreation Programs are self sufficient. Cultural Arts includes the Tabernacle Civic Center and Teton Flood Museum, the Legacy Flight Museum and the Westwood (Romance) Theater.

Streets

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

Statement of Changes in Net Assets (2007 vs. 2006)

	Governmental		Business-type		Total		Favorable (Unfavorable) Change	Percent Change	
	Activities	Activities	Activities	Activities	2007	2006			
	2007	2006	2007	2006	2007	2006			
Revenues:									
Program Revenues:									
Charges for Services									
General &									
Administratral	2,455,143	2,208,839	-	-	2,455,143	2,208,839	246,304	11%	
Public Safety	273,109	264,274	-	-	273,109	264,274	8,835	3%	(1)
Parks, Rec. &									
Cultural Ari	400,868	236,905	-	-	400,868	236,905	163,963	69%	
Streets	2,308,327	611,211	-	-	2,308,327	611,211	1,697,116	278%	
Water	-	-	1,609,486	1,407,450	1,609,486	1,407,450	202,036	14%	
Waste Water	-	-	2,506,847	2,117,496	2,506,847	2,117,496	389,351	18%	
Sanitation	-	-	1,277,466	1,078,831	1,277,466	1,078,831	198,635	18%	
Golf Courses	-	-	463,748	379,640	463,748	379,640	84,108	22%	
Total	5,437,447	3,321,229	5,857,547	4,983,417	11,294,994	8,304,646	2,990,348	36%	
Operating Grants and Contributions									
General &									
Administratral	296,298	275,567	-	-	296,298	275,567	20,731	8%	(1)
Public Safety	1,332,387	1,235,196	-	-	1,332,387	1,235,196	97,191	8%	(2)
Parks, Rec. &									
Cultural Ari	65,323	3,075	-	-	65,323	3,075	62,248	2024%	(2)
Streets	-	1,420,690	-	-	-	1,420,690	(1,420,690)	-100%	
Total	1,694,008	2,934,528	-	-	1,694,008	2,934,528	(1,240,520)	-42%	
Capital Grants & Contributions									
General &									
Administratral	646,368	45,947	-	-	646,368	45,947	600,421	1307%	(2)
Public Safety	88,448	146,045	-	-	88,448	146,045	(57,597)	-39%	(2)
Parks, Rec. &									
Cultural Ari	133,421	931,168	-	-	133,421	931,168	(797,747)	-86%	(3)
Streets	3,546,490	1,380,363	-	-	3,546,490	1,380,363	2,166,127	157%	(3)
Water	-	-	643,089	571,688	643,089	571,688	71,401	12%	(3)
Waste Water	-	-	2,335,426	1,247,393	2,335,426	1,247,393	1,088,033	87%	(3)
Total	4,414,727	2,503,523	2,978,515	1,819,081	7,393,242	4,322,604	3,070,638	71%	
General Revenues:									
Property Taxes	2,050,586	1,840,844	-	-	2,050,586	1,840,844	209,742	11%	(4)
Franchise Fees	404,649	391,404	-	-	404,649	391,404	13,245	3%	(4)
State Taxes	1,126,028	1,121,666	-	-	1,126,028	1,121,666	4,362	0%	(4)
Investment									
Earnings	132,558	120,635	153,867	89,201	286,425	209,836	76,589	36%	(3)
Miscellaneous	15,770	19,729	-	-	15,770	19,729	(3,959)	-20%	(3)
Total	3,729,591	3,494,278	153,867	89,201	3,883,458	3,583,479	299,979	8%	
Total Revenues	15,275,773	12,253,558	8,989,929	6,891,699	24,265,702	19,145,257	5,120,445	27%	

Statement of Changes in Net Assets (2007 vs. 2006) (Continued)

	Governmental Activities		Business-type Activities		Total		Favorable (Unfavorable) Percent Change Change	
	2007	2006	2007	2006	2007	2006	Change	Change
Expenses:								
General &								
Administrative	3,174,719	3,396,590	-	-	3,174,719	3,396,590	221,871	7%
Public Safety	4,057,993	3,726,921	-	-	4,057,993	3,726,921	(331,072)	-9%
Parks, Rec. &								
Cultural Arts	720,316	632,152	-	-	720,316	632,152	(88,164)	-14%
Streets	2,605,059	1,083,785	-	-	2,605,059	1,083,785	(1,521,274)	-140% (5)
Water	-	-	1,409,491	1,237,276	1,409,491	1,237,276	(172,215)	-14%
Waste Water	-	-	3,019,004	1,993,340	3,019,004	1,993,340	(1,025,664)	-51% (5)
Sanitation	-	-	1,220,064	1,071,618	1,220,064	1,071,618	(148,446)	-14%
Golf Course	-	-	403,391	339,415	403,391	339,415	(63,976)	-19%
Total Expenses	10,558,087	8,839,448	6,051,950	4,641,649	16,610,037	13,481,097	(3,128,940)	-10%
Increase in								
Net Assets	4,717,685	3,414,110	2,937,979	2,250,050	7,655,664	5,664,160	1,991,504	35%
Net Assets -Beginning	19,600,748	16,190,386	20,555,373	18,305,323	40,156,121	34,495,709	5,660,412	16%
Net Assets -Ending	24,318,433	19,604,496	23,493,352	20,555,373	47,811,785	40,159,869	7,651,916	19%

Notes to Statement of Changes in Net Assets

- (1) Parks, Recreation and Arts have expanded their facilities and programs.
- (2) Grant amounts vary from year to year.
- (3) Classification of category was changed from last year.
- (4) These increases are due to additional LID's.
- (5) Mostly due to streets and sewer lines that were contributed by developers.

Business-type Activities

Utility Fund

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

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

Sewer, sanitation and water usage rates were last increased on October 1, 2007.

Golf Fund

The golf courses, Teton Lakes of 18 holes and the Municipal Course of 9 holes, are jointly owned and managed by the City of Rexburg and Madison County. Their governing boards appoint a Golf Board consisting of 6 citizens and a member of each of the governing boards acts as a liaison to the Board. At the end of the fiscal year the Golf Fund had a cash balance of \$105,119. An additional \$68,000 was transferred to the Golf Course Construction Fund at the end of the fiscal year. The Board is attempting to increase the net income of the courses so that it can finance an addition of 9 holes at the Teton Lakes Course.

FUND FINANCIAL STATEMENTS ANALYSIS

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

Governmental Funds

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

The General Fund Balance (see page 46) decreased by \$47,433 during the year, mainly due budgeted use of prior year fund balance on current expenditures.

The Street Fund Balance (see page 47) increased by \$14,793, leaving a fund balance of \$509,083. That fund balance is reserved for street expenditures and is already allocated to ongoing street repair projects. The Street Fund remains the most revenue deficient fund of the City of Rexburg.

The Emergency Services Fund (see page 48) is financed by three entities: the City of Rexburg (for fire suppression services), the Madison County Fire District, and the Madison County Ambulance District. All expenditures are billed to the three entities based on the benefit received by each. The fund balance is always zero because the three entities reimburse all expenditures.

The Business Park Fund will be closed out after the final sale of the remaining lots in 2008.

Police, Fire, Parks and Street Development Impact Fees were collected in the amounts of \$28,009, \$37,974, \$80,461, and \$176,464 respectively, totaling \$322,908 for capital improvements for those departments.

The Joint Fire Equipment Fund made payments on some equipment and still holds a healthy fund balance of \$150,156 for future planned purchases of 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 Fund includes the Sanitation, Water and Wastewater Departments. This fund ended the year with net income of \$3,269,814, of which \$2,535,312 was due to contributed assets. The Utility Fund increased in cash by \$206,049, ending the year with a deficit of \$516,060 in cash.

The Golf Course Fund also had net income for the year of \$102,658, of which \$68,000 was transferred to the Golf Course Construction Fund, ending the year with \$104,919 in cash.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total Budget	\$ 5,775,600
Budgeted Cash Carryover	\$ 220,936
Budgeted Revenues Expected Net of Carryover	\$ 5,554,664
Actual Revenues received	\$ 5,555,937
Surplus (Deficit) of Revenues vs. Budget	\$ 1,273

However, some individual revenue accounts showed variations that are notable:

Property Tax overage	\$ 23,918
Franchise Fees overage	\$ 52,469
Sales & Liquor Taxes overage	\$ 105,628
Interest Earnings overage	\$ 52,186
Engineering Fees Charged shortage	\$ (142,557)

Building & P&Z Revenues and Expenses were transferred out of the General Fund to a separate fund in FY2006.

Property Tax revenues are usually over budget, due to the way Madison County estimates its sub-roles. The State Sales Tax overage is due to a change in census estimate on which part of the state formula is based.

General Fund actual Revenues less actual Expenses resulted in an overall deficit of \$47,433, but General Fund Expenses ended up \$172,340 under budget, which is why most of the Budgeted Cash Carryover was not used.

STREET FUND BUDGETARY HIGHLIGHTS

Street Fund Revenues exceeded Expenses by \$14,793, leaving a fund balance of \$509,083.

Notable overages of cash revenue compared to budget were:

Contributed Capital (new finished streets)	\$ 2,764,509
Developer Cash Contributions	\$ 97,409
State Highway Users Distributions (Gas Tax)	\$ 57,118
Madison County Road & Bridge Property Tax Allocation	\$ 201,014
Franchise Fees	\$ 90,531

EMERGENCY SERVICES DEPARTMENT FUND BUDGETARY HIGHLIGHTS

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

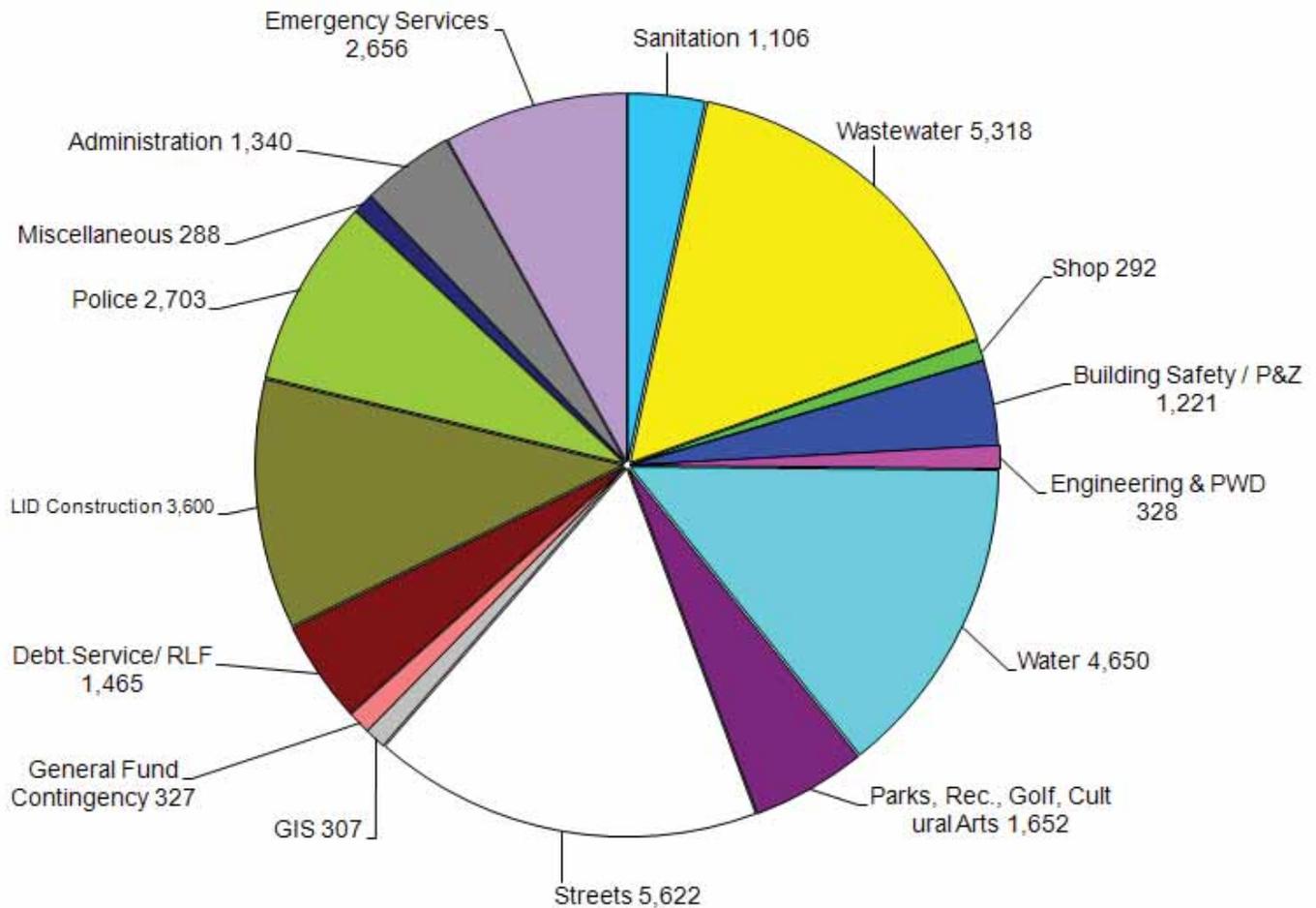
ESD Fund Revenues are almost all provided by the sharing of costs by three entities: the City of Rexburg and the Madison Fire Protection District through an Operating Transfer In, and the Madison Ambulance District through warrants paid to the City. Costs are reimbursed based on benefits received by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

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

ESD Fund Revenues and Expenses were both \$272,254 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 largest part of the savings this year was due to not purchasing equipment that was budgeted for \$215,000.

Total Expense Budget

FY 2007 (in thousands) Total: \$32,876,700

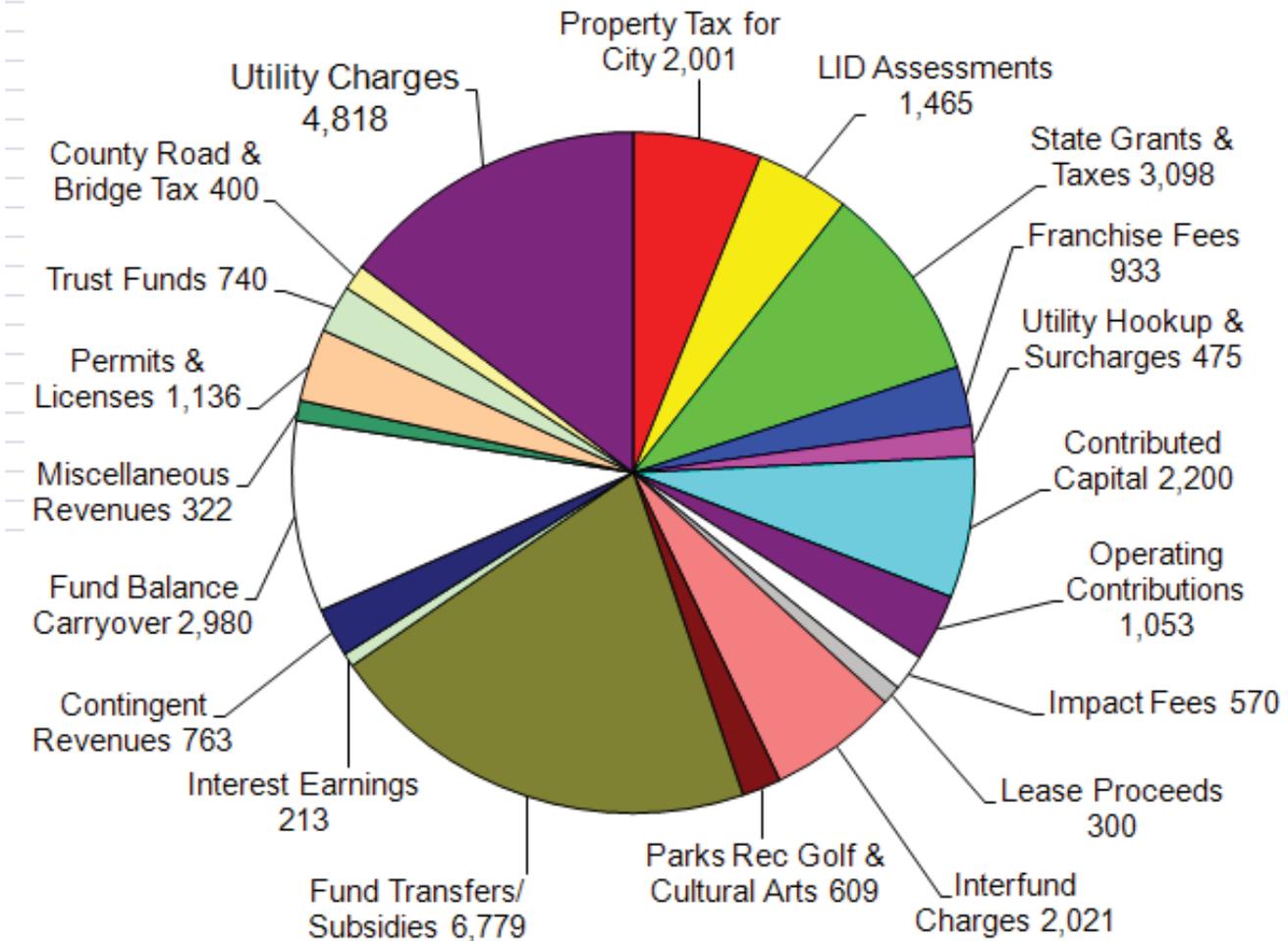


The Total Expense Budget pie chart shows the relative size of the departments or categories of expense budgets. Each Total Expense category includes both operating expense and capital purchase expense. Operating Expense does not include capital expense and is the amount needed to fund the day to day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

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

Total Revenue Budget

FY 2007 (in thousands) Total: \$32,876,700

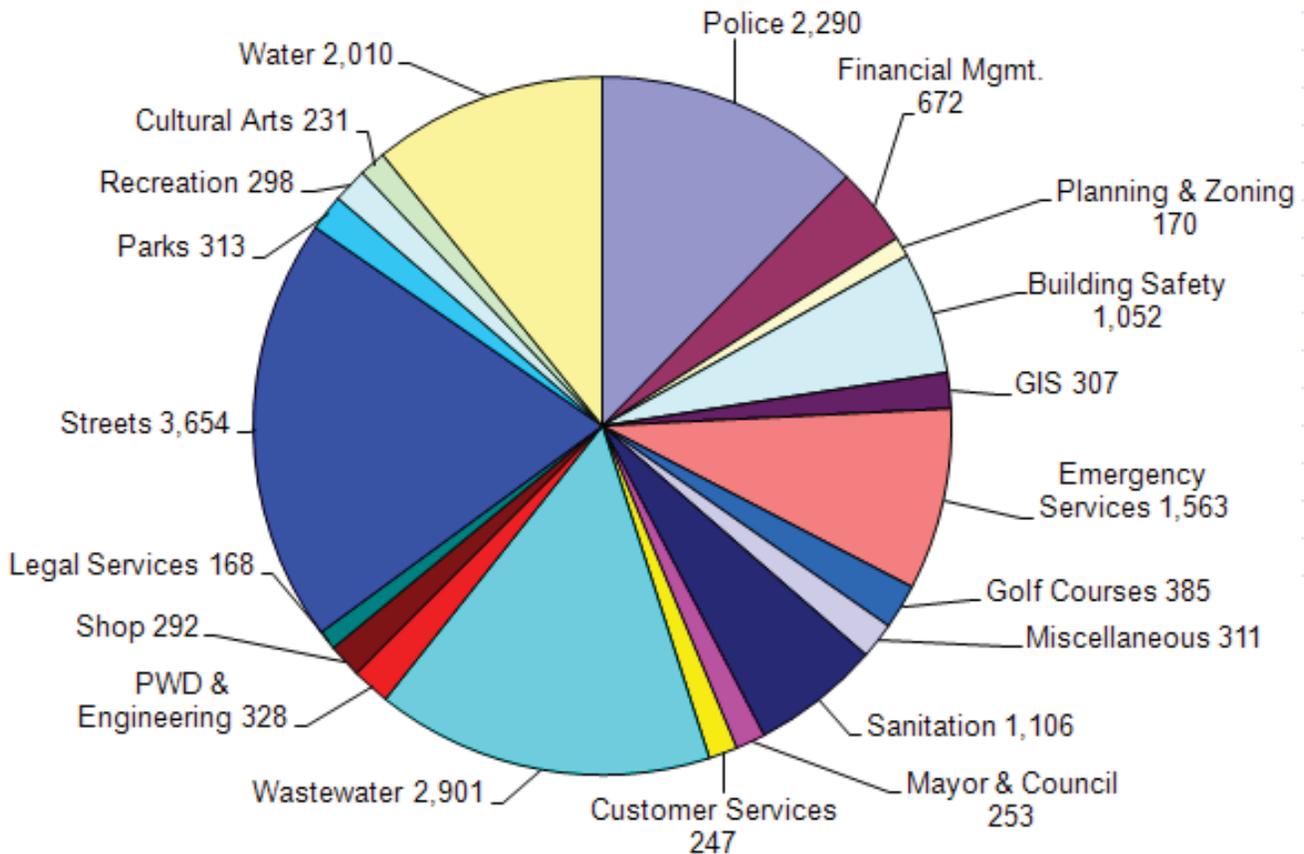


The Total Revenue Budget pie chart shows the relative size of the categories of revenue budget by source. Total Revenue categories include both operating revenue and revenue that is restricted to capital purchases. Operating Revenue does not include revenue reserved for capital purchases and is the amount 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 fund 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. Contingency Revenue is possible revenue, but may not materialize. It is relevant to point out that Property Tax, however important it is to the financial well being of the City, is a relatively small part of the Total Revenue Budget. Road & Bridge Tax is property taxes levied by the County for their Road & Bridge Fund that are turned over by state law to the City. The amount of tax transferred is equal to half of the Road & Bridge Tax collected on properties within the City limits.

Operating Expense Budget

FY 2007 (in thousands) Total \$18,551,100

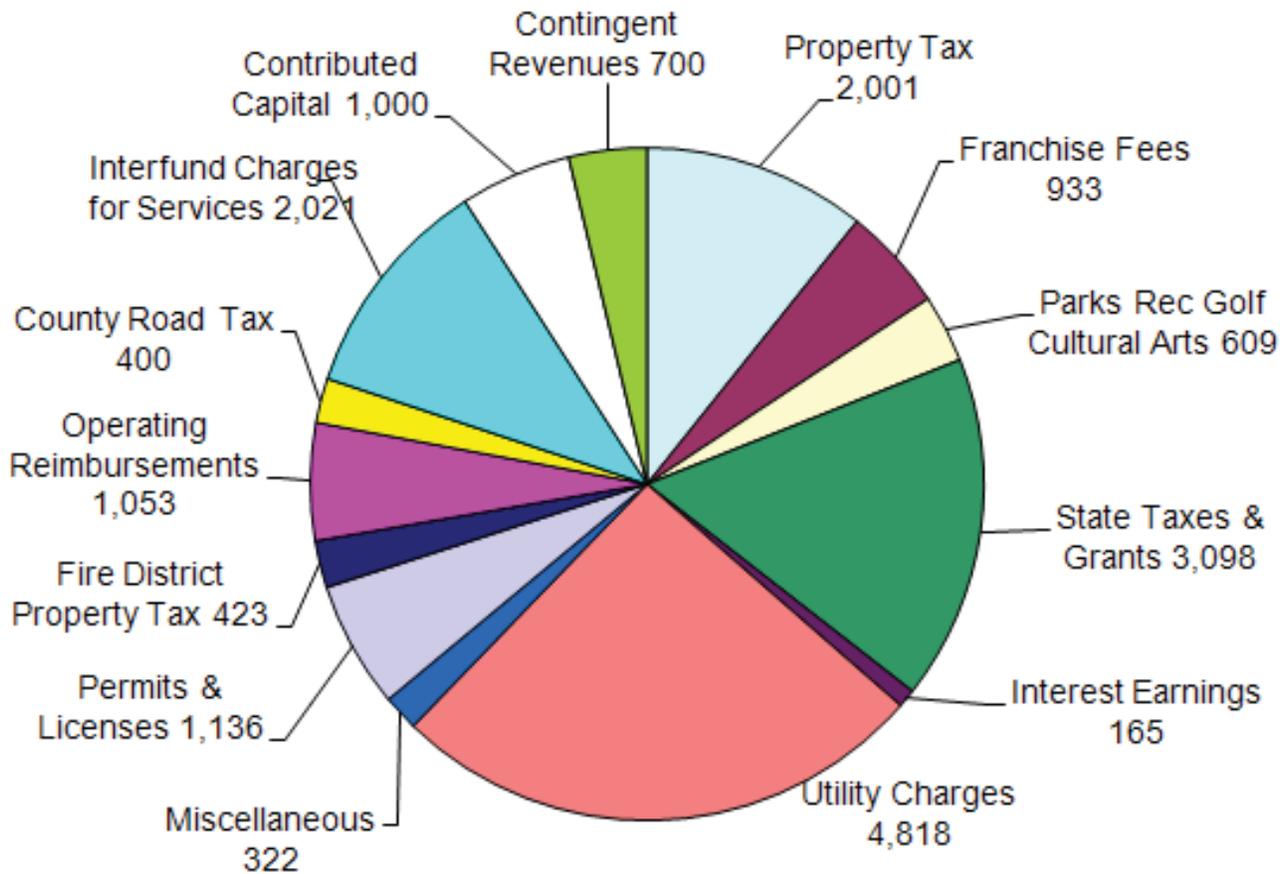


The Operating Expense Budget pie chart shows the relative size of the departments or categories of operating expense budgets. Operating Expense does not include capital expense and is the amount needed to fund the day to day operations of the City.

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

Operating Revenue Budget

FY 2007 (in thousands) \$18,679,200



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, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Short-term Investments	\$ 4,238,120	\$ 2,304,670	\$ 6,542,790	\$ 289,671
Receivables	2,407,673	570,378	2,978,051	
Supplies	1,183	-	1,183	-
Due From Component Unit	230,000	163,104	393,104	-
Total Current Assets	6,876,976	3,038,152	9,915,128	289,671
Noncurrent Assets:				
Revolving Loan Receivable	1,037,583	-	1,037,583	-
Capital Assets:				
Capital Assets	26,351,474	31,445,756	57,797,230	801,757
Accumulated Depreciation	(6,711,469)	(9,479,190)	(16,190,659)	-
Net Capital Assets	19,640,005	21,966,566	41,606,571	801,757
Total Noncurrent Assets	20,677,588	21,966,566	42,644,154	801,757
TOTAL ASSETS	27,554,564	25,004,718	52,559,282	1,091,428
LIABILITIES:				
Current Liabilities:				
Accounts Payable	1,270,044	352,489	1,622,533	6,303
Accrued Compensated Absences	303,336	28,875	332,211	-
Accrued Interest Payable	17,670	9,456	27,126	7,284
Other	834,327	61,015	895,342	-
Due to Primary Government	-	-	-	393,104
Current Portion of Long-term Obligations	174,312	408,452	582,764	320,000
Total Current Liabilities	2,599,689	860,287	3,459,976	726,691
Noncurrent Liabilities:				
Noncurrent Portion of Long-term Obligations	636,442	651,079	1,287,521	-
TOTAL LIABILITIES	3,236,131	1,511,366	4,747,497	726,691
NET ASSETS (DEFICIT):				
Invested In Capital Assets, Net of Related Debt	19,483,250	21,966,565	41,449,815	-
Restricted for:				
Capital projects	(19,421)	2,552,421	2,533,000	-
Other purposes	(519,562)	-	(519,562)	-
Intergovernmental Agreement	863,977	779,573	1,643,550	-
Other purposes	353,811	-	353,811	-
Unrestricted	4,156,378	(1,805,207)	2,351,171	364,737
TOTAL NET ASSETS	\$ 24,318,433	\$ 23,493,352	\$ 47,811,785	\$ 364,737

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

CITY OF REXBURG, IDAHO
STATEMENT OF ACTIVITIES
 GOVERNMENT WIDE
 Year Ended September 30, 2007

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	\$ 3,178,468	\$ 2,455,143	\$ 296,298	\$ 646,368	\$ 219,341
Public Safety	4,057,993	273,109	1,332,387	88,448	(2,364,049)
Parks, Recreation and Cultural Art	720,316	400,868	65,323	133,421	(120,704)
Streets	2,605,059	2,308,327	-	3,546,490	3,249,758
Total Governmental Activities	\$ 10,561,836	\$ 5,437,447	\$ 1,694,008	\$ 4,414,727	984,346
GENERAL REVENUES:					
Property taxes levied for general purposes					2,050,586
Franchise fees					404,649
State taxes					1,126,028
Investment Earnings					132,558
Miscellaneous					15,770
Total General Revenue					3,729,591
Total Governmental Activities					4,713,937
NET GOVERNMENTAL ASSETS - BEGINNING BALANCE					19,604,496
NET GOVERNMENTAL ASSETS - ENDING BALANCE					\$ 24,318,433
BUSINESS-TYPE ACTIVITIES					
Water	\$ 1,409,491	\$ 1,609,486	\$ -	\$ 643,089	\$ 843,084
Waste Water	3,019,004	2,506,847	-	2,335,426	1,823,269
Sanitation	1,220,064	1,277,466	-	-	57,402
Golf Course	403,391	463,748	-	-	60,357
Total Business-type Activities	\$ 6,051,950	\$ 5,857,547	\$ -	\$ 2,978,515	2,784,112
GENERAL REVENUES:					
Investment Earnings					153,867
Total Business Type Activities					2,937,979
NET BUSINESS-TYPE ASSETS - BEGINNING BALANCE					20,555,373
NET BUSINESS-TYPE ASSETS - ENDING BALANCE					\$ 23,493,352
TOTAL PRIMARY GOVERNMENT					
	\$ 16,613,786	\$ 11,294,994	\$ 1,694,008	\$ 7,393,242	\$ 47,811,785
TOTAL PRIMARY GOVERNMENT NET ASSETS - BEGINNING BALANCE					40,159,869
TOTAL PRIMARY GOVERNMENT NET ASSETS - ENDING BALANCE					\$ 47,811,785
COMPONENT UNITS:					
General and Administrative	\$ 16,074	\$ -	\$ -	\$ -	\$ (16,074)
Interest on Long-term Debt	61,749				(61,749)
Total Component Units	\$ 77,823	\$ -	\$ -	\$ -	(77,823)
GENERAL REVENUES:					
Property taxes levied for general purposes					657,960
Investment Earnings					15,791
Miscellaneous					13,521
Total General Revenue					687,272
TOTAL COMPONENT UNIT ACTIVITIES					
					609,449
TOTAL COMPONENT UNIT - BEGINNING BALANCE					(244,712)
TOTAL COMPONENT UNIT - ENDING BALANCE					\$ 364,737

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

CITY OF REXBURG, IDAHO
BALANCE SHEET
 GOVERNMENTAL FUNDS
 September 30, 2007

ASSETS	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
CASH AND SHORT-TERM INVESTMENTS	\$ (256,359)	\$ 264,740	\$ -	\$ 961,601	\$ 3,268,138	\$ 4,238,120
RECEIVABLES	633,410	279,837	329,257	1,037,583	1,165,167	3,445,254
SUPPLIES	1,183	-	-	-	-	1,183
DUE FROM OTHER FUNDS	1,897,581	-	-	79,206	-	1,976,787
DUE FROM COMPONENT UNIT	-	-	-	230,000	-	230,000
TOTAL ASSETS	\$ 2,275,815	\$ 544,577	\$ 329,257	\$ 2,308,390	\$ 4,433,305	\$ 9,891,344
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 418,124	\$ 9,494	\$ 19,419	\$ -	\$ 1,631,331	\$ 2,078,368
Deferred Revenue	93,770	-	-	-	462,626	556,396
Due to Other Funds	-	-	309,838	-	1,666,949	1,976,787
Other	-	26,000	-	-	-	26,000
TOTAL LIABILITIES	511,894	35,494	329,257	-	3,760,906	4,637,551
FUND BALANCES:						
Reserved	-	509,083	-	2,308,390	672,399	3,489,872
Unreserved	1,763,921	-	-	-	-	1,763,921
TOTAL FUND BALANCES	1,763,921	509,083	-	2,308,390	672,399	5,253,793
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,275,815	\$ 544,577	\$ 329,257	\$ 2,308,390	\$ 4,433,305	\$ 9,891,344

The Accompanying Notes are an Integral Part of the Financial Statements

CITY OF REXBURG, IDAHO
**RECONCILIATION OF THE
BALANCE SHEET OF GOVERNMENTAL FUNDS**
to the
TO THE STATEMENT OF NET ASSETS
Year Ended September 30, 2007

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	\$ 5,253,793
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of Assets	\$ 26,351,474
Accumulated Depreciation	<u>(6,711,470)</u>
Net Cost of Assets	19,640,004
Certain receivables are not financial resources and are reported as deferred revenues	
Property tax deferred revenue	111,303
Special Assessment deferred revenue	445,093
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	(810,754)
Accrued compensated absences	(303,336)
Accrued interest payable	<u>(17,670)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 24,318,433</u>

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

CITY OF REXBURG, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended September 30, 2007

	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property Taxes	\$ 2,025,281	\$ -	\$ -	\$ -	\$ 425,266	\$ 2,450,547
Other County Revenues	-	601,014	650,517	-	150,173	1,401,704
State Liquor Tax	74,914	-	-	-	31,316	106,230
State Sales Tax	1,050,527	-	-	-	194,558	1,245,085
State Highway Users Fund	-	1,027,117	-	-	-	1,027,117
Other State Revenue	587	-	-	-	-	587
Federal Revenue	-	-	-	-	600,000	600,000
Other Grants and Donations	62,907	2,861,918	2,512	-	496,271	3,423,608
Licenses, Permits and Franchise Tax	430,526	376,257	-	-	835,181	1,641,964
Charges for Services	1,606,139	291,272	-	-	528,093	2,425,504
Interest Earned	107,185	-	-	101,526	75,244	283,955
Fines, Rent and other Assessments	139,914	8,416	-	-	334,727	483,057
LID Assessments	-	-	-	-	141,972	141,972
Miscellaneous	57,956	4,555	8,060	-	89,017	159,588
TOTAL REVENUES	5,555,936	5,170,549	661,089	101,526	3,901,818	15,390,918
EXPENDITURES:						
General and Administrative	1,992,897	-	-	10,207	915,499	2,918,603
Public Safety	2,354,052	-	1,241,619	-	93,447	3,689,118
Parks and Recreation	338,995	-	-	-	328,208	667,203
Streets	-	1,277,027	-	-	-	1,277,027
Interest on Bonds and Other Debt	-	-	-	-	78,926	78,926
Principal on Bonds and Other Debt	-	-	-	-	172,938	172,938
Capital Improvements	386,000	2,944,165	37,368	-	3,382,030	6,749,563
TOTAL EXPENDITURES	5,071,944	4,221,192	1,278,987	10,207	4,971,048	15,553,378
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	483,992	949,357	(617,898)	91,319	(1,069,230)	(162,460)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	-	628,292	-	2,057,643	2,685,935
Operating Transfers Out	(531,425)	(934,564)	(11,384)	-	(1,208,562)	(2,685,935)
TOTAL OTHER FINANCING SOURCES (USES)	(531,425)	(934,564)	616,908	-	849,081	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(47,433)	14,793	(990)	91,319	(220,149)	(162,460)
FUND BALANCE AT BEGINNING OF YEAR	1,811,354	494,290	990	2,217,071	892,548	5,416,253
FUND BALANCE AT END OF YEAR	\$ 1,763,921	\$ 509,083	\$ -	\$ 2,308,390	\$ 672,399	\$ 5,253,793

The Accompanying Notes are an Integral Part of the Financial Statements

CITY OF REXBURG, IDAHO
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
to the
STATEMENT OF ACTIVITIES
Year Ended September 30, 2007

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (162,460)

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

Capital expenditures capitalized as fixed assets	6,067,922
Depreciation expense	(1,126,311)
Basis in Assets disposed of	(118,986)

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

Special assessments	(141,358)
Property taxes	26,222

Governmental funds report principal repayment on debt as an expenditure. However, in the statement of activities debt payment are not an expense:

Principal payments on long-term liabilities	172,938
Changes in accrued interest	<u>(4,030)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 4,713,937

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

CITY OF REXBURG, IDAHO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2007

	Business-type Activities - Proprietary Funds		
	Utility	Golf Course	Total
ASSETS			
Current Assets:			
Cash and Short-term Investments	\$ 2,108,921	\$ 195,749	\$ 2,304,670
Receivables	570,311	67	570,378
Due From Component Unit	163,104	-	163,104
Total Current Assets	2,842,336	195,816	3,038,152
Noncurrent Assets:			
Capital Assets:			
Capital Assets	30,233,751	1,212,005	31,445,756
Accumulated Depreciation	(8,951,170)	(528,020)	(9,479,190)
Total Noncurrent Assets	21,282,581	683,985	21,966,566
TOTAL ASSETS	24,124,917	879,801	25,004,718
LIABILITIES:			
Current Liabilities:			
Accounts Payable	334,791	17,698	352,489
Accrued Compensated Absences	28,875	-	28,875
Accrued Interest Payable	9,456	-	9,456
Other	61,015	-	61,015
Current Portion of Long-term Obligations	408,452	-	408,452
Total Current Liabilities	842,589	17,698	860,287
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Obligations	651,079	-	651,079
TOTAL LIABILITIES	1,493,668	17,698	1,511,366
NET ASSETS:			
Invested in Capital Assets Net of Related Debt	21,282,581	683,985	21,966,566
Restricted for:			
Capital Projects	2,469,891	82,530	2,552,421
Intergovernmental Agreement	779,573	-	779,573
Unrestricted	(1,900,796)	95,588	(1,805,208)
TOTAL NET ASSETS	\$ 22,631,249	\$ 862,103	\$ 23,493,352

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, 2007

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
OPERATING REVENUES:			
Monthly Utility Services	\$ 5,084,760	\$ -	\$ 5,084,760
One Time Fees	894,246	-	894,246
Golf Course Fees	-	463,384	463,384
Miscellaneous	45,387	364	45,751
TOTAL OPERATING REVENUES	6,024,393	463,748	6,488,141
OPERATING EXPENSES:			
Utility Expenses	3,603,318	-	3,603,318
Clubhouse Management	-	57,581	57,581
Greens Maintenance	-	260,177	260,177
Depreciation and Amortization	881,630	25,905	907,535
TOTAL OPERATING EXPENSES	4,484,948	343,663	4,828,611
OPERATING INCOME	1,539,445	120,085	1,659,530
NON-OPERATING REVENUES / EXPENSES:			
Contributed Capital	1,358,662	(42,300)	1,316,362
Disposal of Capital Assets	(68,736)	(17,427)	(86,163)
Interest Income	150,539	3,325	153,864
Interest Expense	(105,614)	-	(105,614)
TOTAL NON-OPERATING REVENUES / EXPENSES	1,334,851	(56,402)	1,278,449
NET INCOME	2,874,296	63,683	2,937,979
TOTAL NET ASSETS - BEGINNING BALANCE	19,756,953	798,420	20,555,373
TOTAL NET ASSETS - ENDING BALANCE	\$ 22,631,249	\$ 862,103	\$ 23,493,352

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

CITY OF REXBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2007

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 5,974,530	\$ 471,375	\$ 6,445,905
Payments to Suppliers	(1,268,006)	(140,633)	(1,408,639)
Payments to Employees	(929,520)	-	(929,520)
Payments for Labor Contracts		(181,429)	(181,429)
Internal Activity - Payments to Other Funds for Services	(1,223,677)	(10,700)	(1,234,377)
Other Receipts (Payments)	45,387	364	45,751
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,598,714	138,977	2,737,691
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisitions of Property, Plant and Equipment	(3,415,702)	(69,992)	(3,485,694)
Proceeds from sale of Assets	146,892	-	146,892
Interest Income	150,539	3,325	153,864
Principal Payments on Revenue Bonds	(682,506)	-	(682,506)
Interest Payments on Bonds and Leases	(120,551)	-	(120,551)
Contributed Capital	1,358,662	-	1,358,662
Payment from Component Unit	41,763	-	41,763
Transfer to Golf Course Capital Fund	-	(42,300)	(42,300)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,520,903)	(108,967)	(2,629,870)
NET INCREASE IN CASH AND INVESTMENTS	77,811	30,010	107,821
CASH AND INVESTMENTS AT BEGINNING OF YEAR	2,031,110	165,739	2,196,849
CASH AND INVESTMENTS AT END OF THE YEAR	\$ 2,108,921	\$ 195,749	\$ 2,304,670
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income	\$ 1,539,445	\$ 120,085	\$ 1,659,530
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	881,630	25,905	907,535
Loss on Disposal of Assets	-	-	-
Changes in Assets and Liabilities:			
(Increase)Decrease in accounts receivable	(4,476)	-	(4,476)
Increase in other receivables	-	7,991	7,991
Increase(Decrease) in accounts payable	181,484	(15,004)	166,480
Increase in accrued compensated absences	(1)	-	(1)
Increase in other current liabilities	632	-	632
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,598,714	\$ 138,977	\$ 2,737,691

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

CITY OF REXBURG, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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 so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be accrued as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major enterprise fund:

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

Property, Plant and Equipment

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

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

Budgetary Policy

The City prepares one combined budget which includes the operations of all funds. The combined statement of revenues and expenditures budget and actual--all budgetary funds presents comparisons of legally adopted budgets with actual data on a budgetary basis. Under Idaho Code, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, except as allowed by the Code for certain events. During the fiscal year ended September 30, 2007 the City amended the budget for several of the funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Cash Equivalents

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND SHORT-TERM INVESTMENTS

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

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

2. CASH AND INVESTMENTS (Continued)

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

- Deposits – At September 30, 2007, the carrying amount of the City’s deposits was \$1,306,671 and the respective bank balances totaled \$868,404. Of the bank balances \$282,075 were insured. The remaining balances were collateralized through repurchase agreements.
- 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, 2007, \$586,329 of the City’s total deposits of \$868,404 was not covered by federal depository insurance, and thus was exposed to custodial credit risk. These balances were collateralized through repurchase agreements.
- Investments – As of September 30, 2007, the City had the following investments:

Investment Type	S&P Rating	Fair Value	Investment Maturity (in Years)			
			Less Than 1	1-5	6-10	More Than 10
State Diversified Bond Fund	AAAf	\$ 2,201,079	\$ --	\$ 2,201,079	\$ --	\$ --
State Investment Pool	AAAf	\$ 2,969,675	\$ 2,969,675	\$ -	\$ --	\$ --
		\$ 5,170,754	\$ 2,969,675	\$ 2,201,079	\$ --	\$ --

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

2. CASH AND INVESTMENTS (Continued)

➤ The following is a reconciliation of the City's deposit and investment balance as of September 30, 2007:

Petty Cash	\$ 750
Bank Deposit	1,306,671
State Investments	5,170,754
Other Investments	<u>64,615</u>
 Total	 <u>\$ 6,542,790</u>

3. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2007 was as follows:

	September 30, 2006	Increases	Decreases	September 30, 2007
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
Capital Assets, not being depreciated:				
Land	\$ 611,487	\$ 400,000	\$ --	\$ 1,011,487
 Total Capital Assets, not being depreciated	 611,487	 400,000	 --	 1,011,487
Capital Assets, being depreciated:				
Office	506,814	48,653	(45,909)	509,558
Legal	6,778	--	(3,090)	3,688
Archer Station	523,123	134,915	--	658,038
Police	2,266,152	226,236	(133,946)	2,358,442
Dare	32,698	--	--	32,698
Fire	2,253,458	259,991	(82,954)	2,430,495
Inspection	574,375	114,663	(43,296)	645,742
GIS	88,040	4,686	--	92,726
Community Development	17,485	8,908	--	26,393
Streets	9,318,561	4,069,536	(199,813)	13,188,284
Shop	283,843	3,353	(11,332)	275,864
Parks	1,570,065	315,353	--	1,885,418
Merry-Go-Round	128,949	--	--	128,949
Ball Diamond	20,516	--	--	20,516
Airport	1,282,918	268,652	(6,796)	1,544,774
Recreation	93,745	27,417	--	121,162
Theatre	80,826	17,531	--	98,357
Legacy of Flight Museum	802,717	147,699	--	950,416
Tabernacle	348,138	20,329	--	368,467
 Total Capital Assets, being depreciated	 20,199,201	 5,667,922	 (527,136)	 25,339,987
 Less Accumulated Depreciation	 (5,997,061)	 (1,126,312)	 411,903	 (6,711,470)
 Total Capital Assets, being depreciated, net	 14,202,140	 4,541,610	 (115,233)	 18,628,517
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET				
	\$ 14,813,627	\$ 4,941,610	\$ (115,233)	\$ 19,640,004

3. CAPITAL ASSETS (Continued)

Total capital improvements on the financial statements are \$6,749,563 is \$681,641 more that assets added to capital assets. This is due to assets below the capitalization amount and assets belonging to property holders in the LID capital improvement funds.

Depreciation expense was charged to the government activities as follows:

General and Administrative	\$ 161,091
Public Safety	278,101
Parks and Recreation	111,605
Street and Highway	<u>575,515</u>
 Total	 <u>\$ 1,126,312</u>

	September 30, 2006	Increases	Decreases	September 30, 2007
PRIMARY GOVERNMENT:				
BUSINESS-TYPE ACTIVITIES:				
Capital Assets, not being depreciated:				
Land	\$ 352,811	\$ --	\$ --	\$ 352,811
Total Capital Assets, not being depreciated	<u>352,811</u>	<u>--</u>	<u>--</u>	<u>352,811</u>
Capital Assets, being depreciated:				
Sanitation	1,304,979	229,061	--	1,534,040
Water	9,126,419	738,865	(87,741)	9,777,543
Wastewater	17,016,053	2,447,776	(541,659)	18,922,170
Golf Course	942,359	69,992	(153,159)	859,192
Total Capital Assets, being depreciated	<u>28,389,810</u>	<u>3,485,694</u>	<u>(782,559)</u>	<u>31,092,945</u>
Less Accumulated Depreciation:				
Sanitation	(620,218)	(84,653)	--	(704,871)
Water	(2,500,339)	(263,277)	71,597	(2,692,019)
Wastewater	(5,362,754)	(533,700)	342,175	(5,554,279)
Golf Course	(637,848)	(25,905)	135,731	(528,022)
Total Accumulated Depreciation	<u>(9,121,159)</u>	<u>(907,535)</u>	<u>549,503</u>	<u>(9,479,191)</u>
Total Capital Assets, being depreciated, net	<u>19,268,651</u>	<u>2,578,159</u>	<u>(233,056)</u>	<u>21,613,754</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 19,621,462</u>	<u>\$ 2,578,159</u>	<u>\$ (233,056)</u>	<u>\$ 21,966,565</u>

4. REVOLVING LOANS RECEIVABLE

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

4. City. The balances of outstanding loans at September 30, 2007 are as follows:
 REVOLVING LOANS RECEIVABLE (Continued)

Recipient	Repayment Terms	Amount
Madison Senior Citizen Center	Receivable in monthly installments of \$1,280 including interest at 4.0% through 2017	\$ 37,830
East Central Idaho Planning and Development	Terms of repayment not finalized	30,500
AMET, Inc.	Receivable in monthly installments of \$4,652 including interest at 7.0% through 2008	425,510
Pro-Fusion Technologies	Receivable in monthly installments of \$1,673 including interest at 6% through 2008	41,177
Thane Siddoway	Receivable in yearly installments of \$4,039 including interest at 5.5% through 2018	35,563
Robert Jones	Receivable in monthly installments of \$1,226 including interest at 5.5% through 2018	121,369
David and Tarri Leonardson	Receivable in monthly installments of \$998 including interest at 5.5% through 2024	128,690
Smith Family Properties	Receivable in monthly installments of \$422 including interest at 6% through 2019	42,944
Eagle Vision Center	Receivable in monthly installments of \$557 Including interest at 6.5% through 2027	49,000
East Central Idaho Planning and Development	Terms of repayment not finalized	<u>125,000</u>
		<u>\$ 1,037,583</u>

4. REVOLVING LOANS RECEIVABLE (Continued)

Recipient	Repayment Terms	Amount
Rexburg Redevelopment Agency	8% interest with no set repayment terms	<u>\$ 230,000</u>
Business Park Fund	6% interest with no set repayment terms	<u>\$ 79,206</u>

The terms of the East Central Idaho Planning and Development and redevelopment agency were not finalized at September 30, 2007, and are shown in the financial statements as an interfund receivable/payable. ECIPDA is holding \$64,294 in an interest bearing account for the City, which is available for future revolving loan projects.

5. PROPERTY TAXES

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

Taxes are collected by Madison County and remitted to the City primarily in January and July of the fiscal year. Accordingly, the tax revenues for the fiscal year ended September 30, 2006, are based on the assessed values and tax revenues established in 2005.

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

6. ACCRUED COMPENSATED ABSENCES

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

7. LOCAL IMPROVEMENT ASSESSMENTS

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

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

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

8. LID GUARANTEE FUND

The City maintains an LID Guarantee Fund (with a balance of \$24,795 as of September 30, 2007) to provide a reserve for potential unpaid assessments. Under the terms of the City ordinances and Idaho law, the Fund is funded by an annual one mill property tax levy; however, the annual levy may not exceed five percent of total LID obligations, nor may there be a levy when the fund balance equals or exceeds ten percent of such obligations. The fund is restricted to use until all LID Bonds and Warrants guaranteed by it are paid in full, all of which were paid as of September 30, 2007.

9. LOCAL IMPROVEMENT DISTRICT WARRANTS PAYABLE

Each year, as needed the City authorizes warrants to finance the improvements of certain streets along with constructing or reconstructing sidewalks, curbs, gutters, drainage facilities and other work incidental to improvements along streets and issues warrants to finance the construction. The balance of warrants outstanding at September 30, 2007, was as follows:

Description	Interest Rate	Fiscal Years	Balance
Local Improvement District No. 30 1999 Issue (original amount – \$400,000)	5.5%	2008 to 2009	\$ 80,000
Local Improvement District No. 31 2001 Issue (original amount – \$560,000)	6.0%	2008 to 2011	224,000

9. LOCAL IMPROVEMENT DISTRICT WARRANTS PAYABLE (Continued)

Promissory Note (LID No. 32) 2004 Issue (original amount – \$200,000)	5.0%	2008 to 2014	140,000
Promissory Note (LID No. 33) 2004 Issue (original amount – \$300,000)	5.0%	2008 to 2014	<u>210,000</u>
Totals			<u>\$ 654,000</u>

On September 30, 2007, the City has an \$800,000, five and one half percent per annum short-term note to finance various local improvement projects. When the projects are complete the City will obtain long-term notes and pay off the short term note.

10. WASTEWATER REVENUE BONDS PAYABLE

Wastewater Revenue Bonds outstanding at September 30, 2007, were as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
Wastewater Revenue Bonds – Series 1995 (Original amount \$5,000,000)	4.00%	2008 to 2010	<u>\$ 1,059,532</u>

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

11. OBLIGATIONS UNDER CAPITAL LEASES

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

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

11. OBLIGATIONS UNDER CAPITAL LEASES (Continued)

	<u>FIXED ASSETS</u>	<u>CAPITAL LEASES PAYABLE</u>
	All Funds	Governmental Funds
Equipment	\$ 3,299,819	\$ --
Building	450,503	183,693
	<u>\$ 4,040,236</u>	<u>\$ 183,693</u>

The following is a schedule by year of future lease payments with the present value of the net minimum lease payments as of September 30, 2007.

Year Ending September 30,	Governmental Funds
2008	\$ 36,307
2009	36,307
2010	36,307
2011	36,307
2012	36,307
Total Minimum Lease Payments	181,535
<u>Less Amount Representing Interest</u>	<u>(24,782)</u>
Present Value of Minimum Lease Payments	156,753
<u>Current Portion of Present Value</u>	<u>(28,312)</u>
Long-Term Portion of Present Value	<u>\$ 128,441</u>

12. CHANGES IN LONG-TERM OBLIGATIONS

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

	Long-Term Obligations September 30, 2006	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2007
Accrued Compensated Absences (Note 7)	\$ 301,860	\$ 30,352	\$ --	\$ 332,212
Local Improvement District Warrants Payable (Note 10)	800,000	--	146,000	654,000
Wastewater Revenue Bonds Payable (Note 11)	1,452,123	--	392,591	1,059,532
Obligations Under Capital Leases (Note 12)	473,607	--	316,854	156,753
	<u>\$ 3,027,590</u>	<u>\$ 30,352</u>	<u>\$ 855,445</u>	<u>\$ 2,202,497</u>

13. BONDED DEBT REPAYMENT REQUIREMENTS

The annual requirements to amortize all bonded debt outstanding as of September 30, 2007, including interest, are as follows:

Year Ending September 30,	Local Improvement Warrants	Wastewater Revenue Bonds	Total
2008	\$ 181,340	\$ 448,507	\$ 629,847
2009	173,280	448,509	621,789
2010	125,220	225,259	350,479
2011	119,360	--	119,360
2012	57,500	--	57,500
2013	55,000	--	55,000
2014	52,500	--	52,500
<u>Total Commitment</u>	<u>\$ 764,200</u>	<u>\$ 1,122,275</u>	<u>\$ 1,886,475</u>
<u>Interest Portion</u>	<u>\$ 110,200</u>	<u>\$ 62,743</u>	<u>\$ 172,943</u>

14. RETIREMENT PLANS

Public Employee Retirement System of Idaho

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

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

The contribution requirements for the City of Rexburg and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2006, 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 \$597,394, \$471,205, and \$473,947 for the three years ended September 30, 2007, 2006, and 2005 respectively.

401(k) Plan

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

14. RETIREMENT PLANS (Continued)

The City's total 2007 fiscal year payroll for all employees was \$4,925,387 of which \$2,695,126 was for covered payroll for employees who were members of the Plan. Employer and employee contributions to the Plan were 1.86% and 4.63% respectively, of covered payroll. Total contributions to the Plan for the fiscal year by the City and the employees were \$59,809 and \$147,934 respectively. The Plan had \$3,012,345 in net assets at September 30, 2007.

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The City expenditures exceeded the budgeted amounts in the following funds during the year ended September 30, 2007:

Fund	Amount Exceeded
Recreation Fund.....	\$ 22,503
Police Small Grants Fund.....	1,954
Joint Fire Equipment Fund	111,204
Legacy Flight Museum	57,509
Airport Operations Fund.....	11,995

The following individual funds had fund deficits on September 30, 2007:

Drug Enforcement Fund--There is a fund deficit of \$1,000. The City expects to eliminate this deficit as revenues are received.

Business Park Operation Fund--There is a fund deficit of \$78,243. The City expects to eliminate this deficit with sales of the remaining lots.

Police Impact Fee Fund --There is a fund deficit of \$543,785. The City expects to eliminate this deficit as police impact fees are received and with transfers from the general fund.

Parks Impact Fee Fund -- There is a fund deficit of \$71,085. The City expects to eliminate this deficit by the end of 2008, as parks impact fees are received.

Trails of Madison County Fund-- There is a fund deficit of \$107,466. The City expects to eliminate this deficit with the receipt of state grants and Rexburg Redevelopment Agency contributions.

Airport Operation Fund-- There is a fund deficit of \$86,715. The City expects to eliminate this deficit as grants and fees are received.

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (Continued)

Riverside Park Construction Fund-- There is a fund deficit of \$3,345. The City expects to eliminate this deficit as grants are received.

LID Construction Fund-- There is a fund deficit of \$14,745. The City expects to eliminate this deficit the projects are completed and debt is issued to cover the construction.

16. COMPONENT UNIT – REXBURG URBAN RENEWAL AGENCY

Reporting Entity

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

Included with the reporting entity:

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

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

Revenue Allocation (Tax Increment) Bonds, Series 1992

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

Revenue Bonds outstanding at September 30, 2006, were as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
Revenue Allocation Bonds, Series 1992, dated December 15, 1992, (original amount – \$1,200,000)	4.250% to 7.125%	2008	\$ 120,000

Bonded Debt Repayment Requirements

The annual requirements to amortize the bonded debt of the Rexburg Urban Renewal Agency as of September 30, 2007, including interest, is as follows:

<u>Year Ending September 30,</u>	<u>Revenue Bond</u>
2008	<u>\$ 128,550</u>
Interest Portion	<u>\$ 8,550</u>

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

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

Note Payable

The Agency purchased property during the year for \$800,000. The Agency paid \$400,000 down and is liable for the remaining \$400,000. A note is payable to an individual and carries an interest rate of 9 percent per annum and is payable at \$200,000 per year plus interest for two years. It is secured by the property. When the note is paid the property will be donated to the City of Rexburg. The annual requirements for the note, are as follows:

Year Ending September 30,	Note	Interest
2008	<u>\$ 200,000</u>	<u>\$ 18,000</u>

17. INTERFUND TRANSACTIONS

Transfers between funds during the year were as follows:

Governmental:	Operating Transfers In	Operating Transfers Out
General Fund	\$ --	\$ 531,425
Street Fund	--	934,564
Tabernacle Fund	41,620	--
Rexburg Arts Council Fund	3,000	--
Police Impact Fee Fund	--	426,977
Police Grant Fund	66	--
Animal Control Fund	488,190	--
Emergency Services Fund	628,292	11,384
Madison County Fire District Fund	--	262,823
Porter Spray Park Fund	--	1,449
Legacy Flight Museum Fund	40,224	--
Downtown Revitalization Fund	111,384	--
Beautification Committee Fund	10,000	--
Romance Theatre Fund	18,624	--
LID Construction Funds	1,341,877	--
Debt Service Funds	--	517,313
Veterans Memorial Fund	2,658	--
	<u>\$ 2,685,935</u>	<u>\$ 2,685,935</u>

17. INTERFUND TRANSACTIONS (Continued)

The General Fund transfers funds to the Legacy Flight Museum Fund, Romance Theatre Fund, Tabernacle Fund, Animal Control Fund, Police Grant Fund and Rexburg Arts Fund to help those funds meet revenue shortfalls. The General Fund also transfer donations received for the Veterans Memorial Fund to that fund. The Porter Spray Park transferred funds back to the General Fund its remaining fund balance to pay back for prior years transfers from the General Fund. The City works jointly with Madison County in providing funding for the Emergency Services Fund and that transfer is the City's share of expenditures in that fund. The Police Impact Fee Fund transferred funds to the Animal Control Fund to assist in those expenses. Madison County Fire District Fund transfers funds to the Emergency Services Fund to help fund that fund. The Emergency Services Fund transferred funds to the Down Revitalization Fund. The Street Fund transferred funds to the Downtown Revitalization Fund, the Beautification Committee Fund and LID Construction Funds to assist in construction that relate to the streets of the City.

The following is a schedule of interfund receivables and payable as of September 30, 2007:

	Due From Other Funds	Due To Other Funds
Primary Government:		
General Fund	\$ 1,897,581	\$ --
Emergency Service Fund	--	309,838
Revolving Loan Fund	79,206	--
Drug Enforcement Fund	--	1,000
Business Park Operation Fund	--	79,206
Police Impact Fee Fund	--	543,785
GIS Fund	--	34,471
Parks Impact Fee Fund	--	61,239
Trails of Madison County Fund	--	106,817
Airport Operation Fund	--	703,050
Riverside Park Construction Fund	--	3,345
LID Debt Service Fund	--	134,036
	<u>\$ 1,976,787</u>	<u>\$ 1,976,787</u>

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

17. INTERFUND TRANSACTIONS (Continued)

Component Unit Interfund Receivables and Payables:

Governmental Funds:			
Revolving Loan Fund	\$	230,000	\$ --
Business-Type Funds:			
Utility Fund		<u>163,104</u>	<u>--</u>
	\$	<u>393,104</u>	\$ <u>--</u>
Component Unit:			
General Long-Term Debt	\$	<u>--</u>	\$ <u>393,104</u>

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

18. PRIOR PERIOD ADJUSTMENT

The governmental fund balance of the Business Park Operation Fund was restated as of September 30, 2006. This is to include a liability due to the Revolving Loan Fund for \$137,583. Both the payable and fund balance were restated by decreasing the fund balance by \$137,583 and increasing the due to other funds by the same amount. This is not reflected in the government wide statements as the interfund receivable/payable is eliminated for those statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Property Taxes	\$ 2,001,364	\$ 2,025,281	\$ 23,917
State Liquor Fund	74,900	74,914	14
State Sales Tax	945,000	1,050,527	105,527
Other State Funds	500	587	87
Other Grants and Donations	3,500	62,907	59,407
Licenses, Permits and Franchise Tax	380,800	430,526	49,726
Charges for Services	1,813,400	1,606,139	(207,261)
Interest Earned	55,000	107,185	52,185
Fines, Rent and other Assessments	142,200	139,914	(2,286)
Miscellaneous	138,000	57,956	(80,044)
TOTAL REVENUES	5,554,664	5,555,936	1,272
EXPENDITURES:			
General and Administrative Operations	2,353,700	1,992,897	360,803
Public Safety Operations	2,393,900	2,354,052	39,848
Park Operations	204,400	338,995	(134,595)
Capital Improvements	311,200	386,000	(74,800)
Transfers	512,400	531,425	(19,025)
TOTAL EXPENDITURES	5,775,600	5,603,369	172,231
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(220,936)	(47,433)	173,503
FUND BALANCE AT BEGINNING OF YEAR	220,936	1,811,354	1,590,418
FUND BALANCE AT END OF YEAR	\$ -	\$ 1,763,921	\$ 1,763,921

See Independent Auditors' Report.

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

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
County Road Funds	\$ 400,000	\$ 400,000	\$ 601,014	\$ 201,014
State Highway Users Fund	970,000	970,000	1,027,117	57,117
Other Grants and Donations	1,000,000	2,000,000	2,861,918	861,918
Licenses, Permits and Franchise Tax	325,000	325,000	376,257	51,257
Charges for Services	252,000	252,000	291,272	39,272
Fines, Rent and other Assessments	6,800	6,800	8,416	1,616
Miscellaneous	-	-	4,555	4,555
Contingency Carryover	500,000	500,000	-	(500,000)
TOTAL REVENUES	3,453,800	4,453,800	5,170,549	1,216,749
EXPENDITURES:				
Streets Maintenance	1,606,200	1,606,200	1,277,027	329,173
Capital Improvements	2,037,600	3,237,600	2,944,165	293,435
Transfers to Other Street Projects	10,000	1,010,000	934,564	75,436
TOTAL EXPENDITURES	3,653,800	5,853,800	5,155,756	698,044
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(200,000)	(1,400,000)	14,793	518,705
FUND BALANCE AT BEGINNING OF YEAR	200,000	1,400,000	494,290	(905,710)
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 509,083	\$ (387,005)

See Independent Auditors' Report.

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

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Other County Revenues	\$ 782,200	\$ 650,517	\$ (131,683)
Other Grants and Donations	100,000	2,512	(97,488)
Miscellaneous	-	8,060	8,060
Transfers	680,400	628,292	(52,108)
TOTAL REVENUES	1,562,600	1,289,381	(273,219)
EXPENDITURES:			
Public Safety Operations	1,257,000	1,241,619	15,381
Capital Improvements	305,600	37,368	268,232
Transfers	-	11,384	(11,384)
TOTAL EXPENDITURES	1,562,600	1,290,371	272,229
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	(990)	(990)
FUND BALANCE AT BEGINNING OF YEAR		-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ (990)	\$ (990)

See Independent Auditors' Report.

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

	Original and Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:			
Interest Earned	\$ 97,000	\$ 101,526	\$ 4,526
Miscellaneous	2,000	-	(2,000)
TOTAL REVENUES	99,000	101,526	2,526
EXPENDITURES:			
General and Administrative	8,000	10,207	(2,207)
Contingency	91,000	-	91,000
TOTAL EXPENDITURES	99,000	10,207	88,793
EXCESS OF REVENUES OVER EXPENDITURES	-	91,319	91,319
FUND BALANCE AT BEGINNING OF YEAR	-	2,217,071	2,217,071
FUND BALANCE AT END OF YEAR	\$ -	\$ 2,308,390	\$ 2,308,390

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2007

	Special Revenue Funds					
	Recreation Fund	Tabernacle Fund	Rexburg Arts Council Fund	Drug Enforcement Fund	Dare Grant Fund	Legacy Flight Museum Fund
ASSETS						
CASH AND SHORT TERM INVESTMENTS	\$ 19,803	\$ 8,167	\$ 2,114	\$ -	\$ 7,735	\$ 55,689
RECEIVABLES	2,070	500	-	-	7,500	-
TOTAL ASSETS	\$ 21,873	\$ 8,667	\$ 2,114	\$ -	\$ 15,235	\$ 55,689
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 18,520	\$ 8,667	\$ -	\$ -	\$ 4,543	\$ 905
Deferred Revenue	-	-	-	-	-	-
Due to Other Funds	-	-	-	1,000	-	-
Other	-	-	-	-	-	-
TOTAL LIABILITIES	18,520	8,667	-	1,000	4,543	905
FUND BALANCES (DEFICIT):						
Reserved Fund Balances	3,353	-	2,114	(1,000)	10,692	54,784
TOTAL LIABILITIES AND FUND BALANCES	\$ 21,873	\$ 8,667	\$ 2,114	\$ -	\$ 15,235	\$ 55,689

Business Park Operation Fund	Police Impact Fee Fund	Joint Fire Equipment Fund	Madison County Fire District Fund	ESD Impact Fee Fund	ESD Paid Call Fund	GIS Fund
\$ 963	\$ -	\$ 150,843	\$ 1,006,538	\$ 44,540	\$ 37,117	\$ -
-	-	-	17,533	-	-	37,080
\$ 963	\$ -	\$ 150,843	\$ 1,024,071	\$ 44,540	\$ 37,117	\$ 37,080
\$ -	\$ -	\$ 687	\$ 158,439	\$ -	\$ -	\$ 2,609
-	-	-	17,533	-	-	-
79,206	543,785	-	-	-	-	34,471
-	-	-	-	-	-	-
79,206	543,785	687	175,972	-	-	37,080
(78,243)	(543,785)	150,156	848,099	44,540	37,117	-
\$ 963	\$ -	\$ 150,843	\$ 1,024,071	\$ 44,540	\$ 37,117	\$ 37,080

(Continued)

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

	Special Revenue Funds							
	Downtown Revitalization Fund	Parks Impact Fee Fund	Trails of Madison County Fund	Airport Operation Fund	Building Safety and P & Z Fund	Romance Theatre Fund	LID Guarantee Fund	
ASSETS								
CASH AND SHORT TERM INVESTMENTS	\$ 186,006	\$ -	\$ -	\$ -	\$ 337,533	\$ 10,560	\$ 24,795	
RECEIVABLES:	-	-	-	616,771	5,162	8	-	
TOTAL ASSETS	\$ 186,006	\$ -	\$ -	\$ 616,771	\$ 342,695	\$ 10,568	\$ 24,795	
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts Payable	\$ 872	\$ 9,846	\$ 649	\$ 436	\$ 16,783	\$ 10,568	\$ -	
Deferred Revenue	-	-	-	-	-	-	-	
Due to Other Funds	-	61,239	106,817	703,050	-	-	-	
Other	-	-	-	-	-	-	-	
TOTAL LIABILITIES	872	71,085	107,466	703,486	16,783	10,568	-	
FUND BALANCES (DEFICIT):								
Reserved Fund Balances	185,134	(71,085)	(107,466)	(86,715)	325,912	-	24,795	
TOTAL LIABILITIES AND FUND BALANCES	\$ 186,006	\$ -	\$ -	\$ 616,771	\$ 342,695	\$ 10,568	\$ 24,795	

Special Revenue Funds

Animal Control Fund	Porter Spray Park Fund	Beautification Committee Fund	Street Impact Fee Fund	Arts Promulgation Fund	Riverside Park Construction Fund	Veterans Memorial Fund
\$ 1,570	\$ -	\$ 8,347	\$ 158,306	\$ 9,765	\$ -	\$ 49,295
-	-	-	-	-	-	-
\$ 1,570	\$ -	\$ 8,347	\$ 158,306	\$ 9,765	\$ -	\$ 49,295
<hr/>						
\$ 1,570	\$ -	\$ 72	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	3,345	-
-	-	-	-	-	-	-
1,570	-	72	-	-	3,345	-
<hr/>						
-	-	8,275	158,306	9,765	(3,345)	49,295
<hr/>						
\$ 1,570	\$ -	\$ 8,347	\$ 158,306	\$ 9,765	\$ -	\$ 49,295

(Continued)

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	Mayor's Youth Committee Fund	LID Debt Service Funds	LID Construction Funds	
ASSETS				
CASH AND SHORT TERM INVESTMENTS	\$ 1,396	\$ 597,394	\$ 549,662	\$ 3,268,138
RECEIVABLES:	500	478,043	-	1,165,167
TOTAL ASSETS	\$ 1,896	\$ 1,075,437	\$ 549,662	\$ 4,433,305
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ -	\$ 831,758	\$ 564,407	\$ 1,631,331
Deferred Revenue	-	445,093	-	462,626
Due to Other Funds	-	134,036	-	1,666,949
Other	-	-	-	-
TOTAL LIABILITIES	-	1,410,887	564,407	3,760,906
FUND BALANCES (DEFICIT):				
Reserved Fund Balances	1,896	(335,450)	(14,745)	672,399
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,896	\$ 1,075,437	\$ 549,662	\$ 4,433,305

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2007

	Special Revenue Funds					
	Recreation Fund	Tabernacle Fund	Rexburg Arts Council Fund	Drug Enforcement Fund	Dare Grant Fund	Legacy Flight Museum Fund
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other County Revenues	-	-	-	-	7,500	4,000
State Sales Tax	-	-	-	-	-	-
Other State Revenue	-	-	-	-	-	-
Federal Revenue	-	-	-	-	-	-
Other Grants and Donations	1,250	381	1,926	-	4,155	82,271
Licenses, Permits and Franchise Tax	-	-	-	-	-	-
Charges for Services	224,763	13,570	-	-	-	99,778
Interest Earned	-	-	-	-	-	155
Fines, Rent and other Assessments	-	-	-	-	-	-
LID Assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	801	-	-
TOTAL REVENUES	226,013	13,951	1,926	801	11,655	186,204
EXPENDITURES:						
General and Administrative	-	-	-	-	-	-
Public Safety	-	-	-	2,925	16,219	-
Parks and Recreation	208,770	35,243	4,004	-	-	49,219
Interest on Bonds and Other Debt	-	-	-	-	-	-
Principal on Bonds and Other Debt	-	-	-	-	-	-
Capital Improvements	559	20,328	-	-	-	147,699
TOTAL EXPENDITURES	209,329	55,571	4,004	2,925	16,219	196,918
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,684	(41,620)	(2,078)	(2,124)	(4,564)	(10,714)
OTHER FINANCING SOURCES (USES):						
Transfers In	-	41,620	3,000	-	-	40,224
Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	41,620	3,000	-	-	40,224
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	16,684	-	922	(2,124)	(4,564)	29,510
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	(13,331)	-	1,192	1,124	15,256	25,274
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 3,353	\$ -	\$ 2,114	\$ (1,000)	\$ 10,692	\$ 54,784

Special Revenue Funds

Police Small Grants Fund	Business Park Operation Fund	Police Impact Fee Fund	Joint Fire Equipment Fund	Madison County Fire District Fund	ESD Impact Fee Fund	ESD Paid Call Fund	GIS Fund
\$ -	\$ -	\$ -	\$ -	\$ 422,312	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	138,673
12,390	-	-	-	31,316	-	-	-
-	-	-	-	25,052	-	-	-
-	-	-	-	-	-	100	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	141,606
-	-	-	11,606	22,572	-	1,610	-
-	-	28,009	-	-	37,974	-	-
-	-	-	-	-	-	-	-
-	63,640	-	15,028	3,191	-	-	-
12,390	63,640	28,009	26,634	504,443	37,974	1,710	280,279
-	366	-	-	-	-	-	275,594
12,456	-	-	-	1,725	-	970	-
-	-	-	-	-	-	-	-
-	16,623	14,603	-	-	-	-	-
-	-	26,938	-	-	-	-	-
-	-	4,011	218,505	172,680	-	-	4,685
12,456	16,989	45,552	218,505	174,405	-	970	280,279
(66)	46,651	(17,543)	(191,871)	330,038	37,974	740	-
66	-	-	-	-	-	-	-
-	-	(426,977)	-	(262,823)	-	-	-
66	-	(426,977)	-	(262,823)	-	-	-
-	46,651	(444,520)	(191,871)	67,215	37,974	740	-
-	(124,894)	(99,265)	342,027	780,884	6,566	36,377	-
\$ -	\$ (78,243)	\$ (543,785)	\$ 150,156	\$ 848,099	\$ 44,540	\$ 37,117	\$ -

(Continued)

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2007

	Special Revenue Funds					
	Downtown Revitalization Fund	Parks Impact Fee Fund	Trails of Madison County Fund	Airport Operation Fund	Building Safety and P & Z Fund	Romance Theatre Fund
REVENUES:						
Property Taxes	\$ -	\$ -	\$ -	\$ 2,954	\$ -	\$ -
Other County Revenues	-	-	-	-	-	-
State Sales Tax	-	-	-	-	-	-
Other State Revenue	138,290	-	-	16,500	-	2,326
Federal Revenue	-	-	-	600,000	-	-
Other Grants and Donations	187,389	-	4,155	-	-	2,441
Licenses, Permits and Franchise Tax	-	-	-	3,119	832,062	-
Charges for Services	-	-	-	1,200	-	24,750
Interest Earned	-	1,210	-	-	-	-
Fines, Rent and other Assessments	-	80,461	-	7,832	-	3,987
LID Assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
TOTAL REVENUES	325,679	81,671	4,155	631,605	832,062	33,504
EXPENDITURES:						33,504
General and Administrative	-	-	-	14,372	620,206	-
Public Safety	-	-	-	-	-	-
Parks and Recreation	-	-	-	-	-	31,021
Interest on Bonds and Other Debt	-	-	-	1,876	-	-
Principal on Bonds and Other Debt	-	-	-	-	-	-
Capital Improvements	251,929	105,485	20,631	668,652	85,000	17,530
TOTAL EXPENDITURES	251,929	105,485	20,631	684,900	705,206	48,551
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	73,750	(23,814)	(16,476)	(53,295)	126,856	(15,047)
OTHER FINANCING SOURCES (USES):						-
Transfers In	111,384	-	-	-	-	18,624
Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	111,384	-	-	-	-	18,624
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	185,134	(23,814)	(16,476)	(53,295)	126,856	3,577
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	-	(47,271)	(90,990)	(33,420)	199,056	(3,577)
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 185,134	\$ (71,085)	\$ (107,466)	\$ (86,715)	\$ 325,912	\$ -

Special Revenue Funds

	LID	Animal	Porter	Beautification	Street	Arts	Riverside	Veterans	
	Guarantee	Control	Spray Park	Committee	Impact Fee	Promulgation	Park	Memorial	
	Fund	Fund	Fund	Fund	Fund	Fund	Construction	Fund	
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
\$	-	\$	-	\$	-	\$	-	\$	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	199	1,400		500				27,978	
-	-	-		-				-	
-	3,172					19,254			
-	-	-		-				1,890	
-	-	-			176,464				
-	-	-		-				-	
-	-	-		-				-	
-	3,371	1,400		500	176,464	19,254		29,868	
-	-	-		-	-	-		-	
-	59,152								
-	-	(49)							
-	-	-							
-	75,294			3,504	32,402		3,345	26,288	
-	134,446	(49)		3,504	32,402		3,345	26,288	
-	(131,075)	1,449		(3,004)	144,062	19,254	(3,345)	3,580	
-	488,190			10,000				2,658	
-	-	(1,449)							
-	488,190	(1,449)		10,000				2,658	
-	357,115			6,996	144,062	19,254	(3,345)	6,238	
24,795	(357,115)			1,279	14,244	(9,489)		43,057	
\$ 24,795	\$ -	\$ -	\$ -	\$ 8,275	\$ 158,306	\$ 9,765	\$ (3,345)	\$ 49,295	

(Continued)

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	Mayor's Youth Committee Fund	LID Debt Service Funds	LID Construction Funds	
REVENUES:				
Property Taxes	\$ -	\$ -	\$ -	\$ 425,266
Other County Revenues	-	-	-	150,173
State Sales Tax	-	-	-	31,316
Other State Revenue	-	-	-	194,558
Federal Revenue	-	-	-	600,000
Other Grants and Donations	500	-	181,626	496,271
Licenses, Permits and Franchise Tax	-	-	-	835,181
Charges for Services	-	-	-	528,093
Interest Earned	-	36,201	-	75,244
Fines, Rent and other Assessments	-	-	-	334,727
LID Assessments	-	141,972	-	141,972
Miscellaneous	6,357	-	-	89,017
TOTAL REVENUES	6,857	178,173	181,626	3,901,818
EXPENDITURES:				
General and Administrative	4,961	-	-	915,499
Public Safety	-	-	-	93,447
Parks and Recreation	-	-	-	328,208
Interest on Bonds and Other Debt	-	45,824	-	78,926
Principal on Bonds and Other Debt	-	146,000	-	172,938
Capital Improvements	-	-	1,523,503	3,382,030
TOTAL EXPENDITURES	4,961	191,824	1,523,503	4,971,048
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,896	(13,651)	(1,341,877)	(1,069,230)
OTHER FINANCING SOURCES (USES):				
Proceeds from Capital Leases	-	-	-	-
Transfers In	-	-	1,341,877	2,057,643
Transfers Out	-	(517,313)	-	(1,208,562)
TOTAL OTHER FINANCING SOURCES (USES)	-	(517,313)	1,341,877	849,081
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,896	(530,964)	-	(220,149)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	-	195,514	(14,745)	892,548
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 1,896	\$ (335,450)	\$ (14,745)	\$ 672,399

CITY OF REXBURG, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2007

	Federal CFDA Number	Expenditures	Revenues Cash Basis
Department of Lands:			
Cooperataive Forestry Assistance	10.664	\$ 1,395	\$ 1,395
Deparatment of Labor and Commerce:			
Community Development Block Grant	14.228	138,290	138,290
U.S. Department of Juviline Corrections:			
Enforcing Underage Drinking Law Program	16.727	6,516	6,516
Federal Aviation Administration:			
* Airport Improvement Program	20.106	600,000	-
Department of Transportation:			
Highway Planning and Construction	20.205	13,966	13,966
State and Community Highway Safety	20.600	11,383	11,383
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	846	846
Total Department of Transportation		<u>26,195</u>	<u>26,195</u>
Military Division:			
State Domestic Preparedness Equipment Support	97.004	(1,633)	(1,633)
Homeland Security Grant	97.067	44,443	44,443
Total Military Division		<u>42,810</u>	<u>42,810</u>
 TOTAL FEDERAL ASSISTANCE		 <u>\$ 815,206</u>	 <u>\$ 215,206</u>

* Major Program

CITY OF REXBURG, IDAHO
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2007

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



RUDD & COMPANY

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

Honorable Mayor and City Council
City of Rexburg, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Rexburg, Idaho, as of and for the year ended September 30, 2007, which collectively comprise the City of Rexburg Idaho's basic financial statements and have issued our report thereon dated February 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Rexburg, Idaho's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Rexburg, Idaho's financial statements that is more than inconsequential will not be prevented or detected by the City of Rexburg, Idaho's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

February 14, 2008



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

Honorable Mayor and City Council
City of Rexburg, Idaho

Compliance

We have audited the compliance of the City of Rexburg, Idaho with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The City of Rexburg, Idaho's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Rexburg, Idaho's management. Our responsibility is to express an opinion on the City of Rexburg, Idaho's compliance based on our audit.

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

In our opinion, the City of Rexburg, Idaho complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

February 14, 2008

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

Section I - Summary of Auditors' Results

- Financial Statements

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

- Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
20.106	Airport Improvement Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Finding

None

Section III – Federal Award Findings and Questioned Costs

None



REXBURG URBAN RENEWAL AGENCY

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the general purpose financial statements of the City of Rexburg, Idaho, as of and for the year ended September 30, 2007, and have issued our report thereon dated February 14, 2008.

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

February 14, 2008