



CITY OF
REXBURG
America's Family Community



CITY OF REXBURG, IDAHO

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED SEPTEMBER 30, 2010

CITY OF REXBURG, IDAHO

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-16
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets – Government Wide.....	17
Statement of Activities – Government Wide	18
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet of Governmental Funds to The Statement of Net Assets.....	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Net Assets – Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	24
Statement of Cash Flows--Proprietary Funds	25
Notes to Financial Statements:	
1 Summary of Significant Accounting Policies.....	26-30
2 Cash and Short-term Investments	30-32
3 Capital Assets.....	32-33
4 Revolving Loans Receivable	34
5 Property Taxes	35
6 Accrued Compensated Absences	35
7 Post Employment Health Plan	35
8 Health Reimbursement Account Plan.....	36

CITY OF REXBURG, IDAHO

TABLE OF CONTENTS (Continued)

9 Local Improvement Assessments..... 36
10 Local Improvement District Warrants Payable..... 36
11 Obligations Under Capital Leases 37
12 Changes in Long-term Obligations 38
13 Bonded Debt Repayment Requirements 38
14 Retirement Plans 39-40
15 Other Required Individual Fund Disclosures 40-41
16 Component Unit--Rexburg Urban Renewal Agency 41-43
17 Interfund Transactions..... 43-45
18 Segment Information 46
19 Lease with Hospital 47
20 Wastewater System Improvements 47

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule – General Fund..... 48
Budgetary Comparison Schedule – Street Fund 49
Budgetary Comparison Schedule – Emergency Services Fund..... 50
Budgetary Comparison Schedule – Revolving Loan Fund..... 51

SUPPLEMENTARY INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds 52-55
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Nonmajor Governmental Funds 56-59

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... 60

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 61

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*..... 62-63

CITY OF REXBURG, IDAHO

TABLE OF CONTENTS (Continued)

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	64-65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	66-67



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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rexburg, Idaho's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

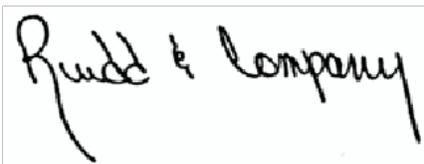
Management has not included the Riverside Park Fund as a major fund in the City's financial statements. Accounting principles generally accepted in the United States of America require the Riverside Park Fund to be presented as a major governmental fund in the governmental funds statements. It is included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

In our opinion, except for not including the Riverside Park 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, 2010, 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 11, 2011, on our consideration of the City of Rexburg, Idaho's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Rexburg, Idaho basic financial statements. The accompanying combining and individual nonmajor fund financial statements and supplementary information listed in the table of contents, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

February 11, 2011



Management's Discussion and Analysis

Richard R. Horner, Chief Financial Officer

Matthew K. Nielson, Deputy Financial Officer

Our discussion and analysis of the City of Rexburg's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2010. 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, 2010 by \$71,280,155.

- Of this amount, \$7,196,129 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased \$6,901,280 as a result of this year's operations, which included an increase of governmental type net assets by \$5,104,143 and of business-type net assets by \$1,797,137.
- At fiscal year end, the City's governmental funds reported combined ending fund balances of \$5,355,951, an increase of \$1,393,872 from last year, largely due to the funding of the new city hall construction, which, at the end of last year, had a deficit balance.
- The General Fund unreserved fund balance was \$2,138,780 or 31% of the total General Fund Expenditures and Fund Transfers. This is a 3.15% increase over the prior year. Of this balance, none was appropriated in the budget of the following fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Fund Financial Statements are used to maintain control over resources that have been segregated for specific activities, objectives or as may be required by law or grant or bond agreements. Major funds are shown in separate columns and include the General Fund, Street Fund, Emergency Services and the Utility Fund; all other funds are non-major funds and are summarized in one column. Details of the non-major funds are shown under Other Supplementary Information on pages 52 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, 2010 and September 30, 2009, Net Assets changed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>All Activities</u>
Net Assets 9/30/09	\$ 36,240,635	\$ 28,138,240	\$ 64,378,875
Increase in Net Assets	\$ 5,104,143	\$ 1,797,137	\$ 6,901,280
Net Assets 9/30/10	\$ 41,344,778	\$ 29,935,377	\$ 71,280,155
Percent Increase	14.1%	6.4%	10.7%

Large item increases came from:

Investment in the New City Hall	\$ 357,749
New Pioneer Road intersection completion	\$ 366,195
12 th West widening- partially paid with grants	\$ 383,765
Donated streets including cash donations	\$ 395,862
Street repairs contracted	\$ 373,364
Storm sewer construction-Hwy 33	\$ 103,422
Storm sewer completion-Sunrise to Autumn-to be reimbursed as developed	\$ 155,233
Storm sewer construction-7 th South	\$ 240,966
New garbage truck	\$ 179,246
Traffic signal-2 nd East and 7 th South	\$ 322,617
Riverside Park construction	\$ 109,173
Riverside Park Aquatic Center construction	\$ 1,819,204
Airport improvements	\$ 258,131
Utility lines & related assets contributed by developers	\$ 181,984
Wastewater Plant Improvements	\$ 2,510,202

Also, see Note #3 on page 32 to 33.

Statement of Net Assets Comparison (2010 vs. 2009)

	Governmental Activities		Business-type Activities		Total Activities		Favorable (Unfavorable) Change	Percent Change	
	2010	2009	2010	2009	2010	2009			
Current Assets	\$ 8,353,694	\$ 6,252,097	\$ 5,169,795	\$ 4,815,788	\$ 13,523,489	\$ 11,067,885	\$ 2,455,604	22%	(1)
Capital and Other Non-current	36,711,421	33,240,884	26,283,952	23,840,357	62,995,373	57,081,241	5,914,132	10%	(2)
Total Assets	45,065,115	39,492,981	31,453,747	28,656,145	76,518,862	68,149,126	8,369,736	12%	
Current Liabilities	3,214,293	2,404,933	1,518,370	510,627	4,732,663	2,915,560	(1,817,103)	-62%	(3)
Noncurrent Liabilities	506,044	847,413	-	7,278	506,044	854,691	348,647	41%	(4)
Total liabilities	3,720,337	3,252,346	1,518,370	517,905	5,238,707	3,770,251	(1,468,456)	-39%	
Net Assets:									
Capital Assets, Net of Related Debt	35,696,218	32,460,502	26,283,952	23,614,207	61,980,170	56,074,709	5,905,461	11%	
Restricted	487,063	(441,853)	1,616,797	2,557,675	2,103,860	2,115,822	(11,962)	-1%	
Unrestricted	5,161,497	4,221,986	2,034,628	1,966,358	7,196,125	6,188,344	1,007,781	16%	
Total Net Assets	\$ 41,344,778	\$ 36,240,635	\$ 29,935,377	\$ 28,138,240	\$ 71,280,155	\$ 64,378,875	\$ 6,901,280	11%	

Notes to Statement of Net Assets Comparison

- (1) This increase in current assets is due mostly to an increase in receivables for grants, LID assessments and in a large part, due to the payments due the City by the Rexburg Urban Renewal Agency at the end of the fiscal year. for the reimbursement of construction costs on the Riverside Aquatic Center.
- (2) For more detail, see Note 4.
- (3) This increase in current liabilities is mainly due to an increase in General Fund accounts payable and Street Fund borrowing from the General Fund.
- (4) See Notes 11 & 12 to the these Financial Statements.

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, 2010, is as follows:

	Long-Term Obligations September 30, 2009	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2010
Accrued Compensated Absences (Note 6)	\$ 335,619	\$ --	\$ (3760)	\$ 331,859
Local Improvement District Warrants Payable (Note 8)	886,000	--	(211,000)	675,000
Wastewater Revenue Bonds Payable	226,150	--	(226,150)	--
Obligations Under Capital Leases (Note 9)	98,687	--	(31,274)	67,413
	<u>\$ 1,546,456</u>	<u>\$ --</u>	<u>\$ (472,184)</u>	<u>\$ 1,074,272</u>

There are currently no outstanding General Obligation Bonds.

Governmental Activities

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

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

General and Administrative

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

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

Public Safety

(Police and Emergency Services)

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

Parks, Recreation and Cultural Arts

The Parks Department is mostly funded by General Revenues. Only about \$7,000 is taken in as parks 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, the Westwood (Romance) Theater, the Rexburg Orchestra and the Rexburg Arts Council. The Cultural Arts Funds are also heavily subsidized by general revenues and taxes.

Streets

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

Statement of Changes in Net Assets (2010 vs. 2009)

	Governmental		Business-type		Total		Favorable (Unfavorable) Change	Percent Change	
	Activities		Activities						
	2010	2009	2010	2009	2010	2009			
Revenues:									
Program Revenues:									
Charges for Services & Taxes									
General &									
Administrative	2,828,748	2,917,849			2,828,748	2,917,849	(89,101)	-3%	
Public Safety	1,119,448	862,866			1,119,448	862,866	256,582	30%	(1)
Parks, Rec. &									
Cultural Arts	345,137	381,042			345,137	381,042	(35,905)	-9%	
Streets	2,459,988	2,478,139			2,459,988	2,478,139	(18,151)	-1%	
Water			1,898,606	1,947,822	1,898,606	1,947,822	(49,216)	-3%	
Waste Water			3,020,412	2,844,964	3,020,412	2,844,964	175,448	6%	
Sanitation			1,604,137	1,562,235	1,604,137	1,562,235	41,902	3%	
Golf Courses			419,743	434,964	419,743	434,964	(15,221)	-3%	
Total	6,753,321	6,639,896	6,942,898	6,789,985	13,696,219	13,429,881	266,338	2%	
Operating Grants and Contributions									
General &									
Administrative	333,927	333,966			333,927	333,966	(39)	0%	
Public Safety	1,615,453	1,501,857			1,615,453	1,501,857	113,596	8%	
Parks, Rec. &									
Cultural Arts	32,300	68,363			32,300	68,363	(36,063)	-53%	(2)
Streets									
Total	1,981,680	1,904,186			1,981,680	1,904,186	77,494	4%	
Capital Grants & Contributions									
General &									
Administrative	1,478,764	1,055,644			1,478,764	1,055,644	423,120	40%	(3)
Public Safety	204,735	387,747			204,735	387,747	(183,012)	-47%	(4)
Parks, Rec. &									
Cultural Arts	2,032,162	378,825			2,032,162	378,825	1,653,337	436%	(5)
Streets	1,752,913	2,092,128	-	-	1,752,913	2,092,128	(339,215)	-16%	(6)
Water			488,307	457,150	488,307	457,150	31,157	7%	
Waste Water			3,199,540	1,119,907	3,199,540	1,119,907	2,079,633	186%	(7)
Golf Courses				64,973	-	64,973	(64,973)	-100%	(8)
Total	5,468,574	3,914,344	3,687,847	1,642,030	9,156,421	5,556,374	3,600,047	65%	
General Revenues:									
Property Taxes	2,775,388	2,452,623			2,775,388	2,452,623	322,765	13%	(9)
Franchise Fees	438,613	454,969			438,613	454,969	(16,356)	-4%	
State Taxes	949,541	964,108			949,541	964,108	(14,567)	-2%	
Investment									
Earnings	125,776	113,929	(9,026)	59,787	116,750	173,716	(56,966)	-33%	(10)
Miscellaneous	24,290	27,497			24,290	27,497	(3,207)	-12%	
Total	4,313,608	4,013,126	(9,026)	59,787	4,304,582	4,072,913	231,669	6%	
Total Revenues	18,517,183	16,471,552	10,621,719	8,491,802	29,138,902	24,963,354	4,175,548	17%	

Statement of Changes in Net Assets (2010 vs. 2009) (Continued)

	Governmental		Business-type		Total		Favorable (Unfavorable) Change	Percent Change	
	Activities		Activities						
	2010	2009	2010	2009	2010	2009			
Expenses:									
General &									
Administrative	3,892,998	4,498,784	-	-	3,892,998	4,498,784	605,786	13%	(11)
Public Safety	5,450,415	5,262,026	-	-	5,450,415	5,262,026	(188,389)	-4%	
Parks, Rec. & Arts	929,282	921,998	-	-	929,282	921,998	(7,284)	-1%	
Streets	3,140,345	2,647,493	-	-	3,140,345	2,647,493	(492,852)	-19%	(12)
Water			1,661,122	1,553,588	1,661,122	1,553,588	(107,534)	-7%	
Waste Water			5,207,778	2,599,218	5,207,778	2,599,218	(2,608,560)	-100%	(12)
Sanitation			1,533,916	1,416,202	1,533,916	1,416,202	(117,714)	-8%	
Golf Course	-	-	421,766	498,324	421,766	498,324	76,558	15%	(8)
Total Expenses	13,413,040	13,330,301	8,824,582	6,067,332	22,237,622	19,397,633	(2,839,989)	-15%	
Increase in									
Net Assets	5,104,143	3,141,251	1,797,137	2,424,470	6,901,280	5,565,721	1,335,559	24%	(12)
Net Assets -Beginning	36,240,635	33,099,384	28,138,240	25,713,770	64,378,875	58,813,154	5,565,721	9%	
Net Assets -Ending	41,344,778	36,240,635	29,935,377	28,138,240	71,280,155	64,378,875	6,901,280	11%	

Notes to Statement of Changes in Net Assets

- (1) Reimbursements increased from partner agencies for increased expenses.
- (2) Parks & Recreation grants have decreased.
- (3) Airport grants have increased for specific projects.
- (4) Interoperability Grant is no longer.
- (5) Urban Renewal Agency reimbursements for construction of the Riverside Aquatic Center have started.
- (6) Less contributed capital in new streets was received from developers.
- (7) Sewer plant construction commenced this year.
- (8) Golf course construction ended last year.
- (9) New construction added more tax revenue.
- (10) Lower investment interest rates and balances
- (11) Employee attrition.
- (12) Increase in construction of capital assets.

Business-type Activities

Utility Fund

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

The utility funds, which includes the utility operations, water capital reserve, sewer capital reserve, water well construction, sewer/water line extension, and the sewer plant construction funds, increased in cash by \$298,028, ending the year with a balance of \$4,514,895 in cash and investments.

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 5.4% of the total monthly billed revenue for the department.

Sewer, sanitation and water usage rates were last increased on October 1, 2010.

Golf Fund

The golf courses, Teton Lakes of 27 holes (operation of additional 9 holes opened to public September 2010) and the Municipal Course of 9 holes, are jointly owned and managed by the City of Rexburg and Madison County. Their governing boards appoint a Golf Board consisting of 6 citizens and a member of each of the governing boards acts as a liaison to the Board. At the end of the fiscal year, together, the Golf Fund and Golf Construction Fund had a cash deficit of \$552,424, which was covered by a loan from the City and County. An additional \$18,500 was transferred to the Golf Course Construction Fund at the end of the fiscal year from the Golf Operations Fund.

FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental Funds

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

The General Fund Balance (see page 48) increased by \$278,633 during the year, mainly due to the receipt of higher actual revenues and lower actual expenditures than budgeted.

The Street Funds' Balances (see page 49) decreased by \$137,247, leaving a fund balance carryover of \$191,752. That fund balance is reserved for street expenditures and is already allocated to ongoing street projects.

The Emergency Services Fund (see page 50) is financed by three entities: the City of Rexburg (for fire suppression services), the Madison County Fire District, and the Madison County Ambulance District. All expenditures are billed to the three entities based on the benefit received by each. The fund balance is always zero because the three entities reimburse all expenditures. In 2010 the Madison County Fire District broke ground for the construction of a new station located in Sugar City, which will be partially funded with a federal grant.

The Business Park Fund will be closed out after the final sale of the one remaining lot.

Police, Fire, Parks and Street Development Impact Fees were collected in the amounts of \$36,960, \$23,822, \$117,835, and \$244,770 respectively, totaling \$423,387 for capital improvements in those departments.

The Joint Fire Equipment Fund has a positive fund balance of \$115,822, which comes from contributions by the City and the Madison County Fire Protection District. These funds are for future purchases of fire equipment.

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

Proprietary Funds

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

The Utility Operations Fund includes the Sanitation, Water and Wastewater Departments. This fund ended the year with net income of \$3,563,730, of which \$2,830,158 was due to contributed assets. The Utility Operations Fund increased in cash by \$854,894, ending the year with a balance of \$2,330,742 in cash and investments.

The Golf Course Fund (Operations Fund) had net loss for the year of (\$23,265) after transferring \$18,500 to the Golf Course Construction Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

Total Budget of Revenues	\$ 6,919,300
Budgeted Cash Carryover (Deficit)	\$ (78,400)
Budgeted Revenues Expected Net of Carryover	\$ 6,997,700

Actual Revenues received	\$ 7,144,045
Surplus (Deficit) of Revenues vs. Budget	\$ 146,345

Expenditures

Total Budget of Expenditures	\$ 6,919,300
Actual Expenditures	\$ 6,865,412
Under (Over) Budget	\$ 53,888

Net Revenues over Expenditures	\$ 278,633
--------------------------------	------------

However, some individual accounts showed variations that are notable:

Significant Revenues Overage (Shortage)

Property Tax	\$ 40,832
Sales & Liquor Taxes	\$ (11,359)
Franchise Fees	\$ (51,787)
Parking Permits and Fines	\$ 78,523
Interest Earnings	\$ 106,977
Rent (City Hall)	\$ (66,800)
Fund Balance Carryover	\$ 78,400

Significant Expenditures (Over Budget) Under Budget

Mayor and Council	\$ 51,610
Economic Development	\$ 12,615
Financial Management	\$ 25,788
Parks	\$ 20,259
Recreation Administration	\$ 19,075
Animal Control Fund Subsidy	\$ 21,211
Police Impact Fee Subsidy	\$ (150,000)
Prepaid Rent Transfer for New City Hall	\$ (64,800)

STREET FUND BUDGETARY HIGHLIGHTS

Revenues

Total Budget of Revenues	\$5,771,100
Budgeted Cash Carryover	(392,800)
Budgeted Transfers between Street Funds	<u>(1,044,600)</u>
Net Budgeted Revenues	\$ 4,333,700

Actual Revenues received	\$ 5,218,416
Transfers In between Street Funds	<u>1,047,402</u>
Net Actual Revenues Less Transfers	\$ 4,171,014
Surplus (Deficit) of Revenues vs. Budget	\$ (162,686)

Expenditures

Total Budget of Expenditures	\$ 5,771,100
Budgeted Transfers between Street Funds	<u>(924,600)</u>
Net Budgeted Expenditures	\$ 4,846,500

Actual Expenditures	\$ 5,355,663
Transfers Out-Internal	<u>\$ 1,047,402</u>
Net Actual Expenditures	\$ 4,308,261

Actual Net Revenues over Expenditures	\$ (137,247)
---------------------------------------	--------------

Beginning Fund Balance	\$ 328,999
Ending Fund Balance	\$ 191,752

However, some individual accounts showed variations that are notable:

Notable overages of revenue compared to budget were:

Contributed Capital (new finished streets)	\$ (1,794,887)
Developer Cash Contributions	\$ 264,304
Development Impact Fee Fund Transfers In	\$ 245,634
State Highway Users Distributions (Gas Tax)	\$ 9,556
Madison County Road & Bridge Property Tax Allocation	\$ (46,529)
Franchise & Right of Way Fees	\$ (4,543)
Federal Revenues	\$ 303,378

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 52% of the costs during the past fiscal year. The City and the Madison Fire District each paid about 29% and 19% respectively.

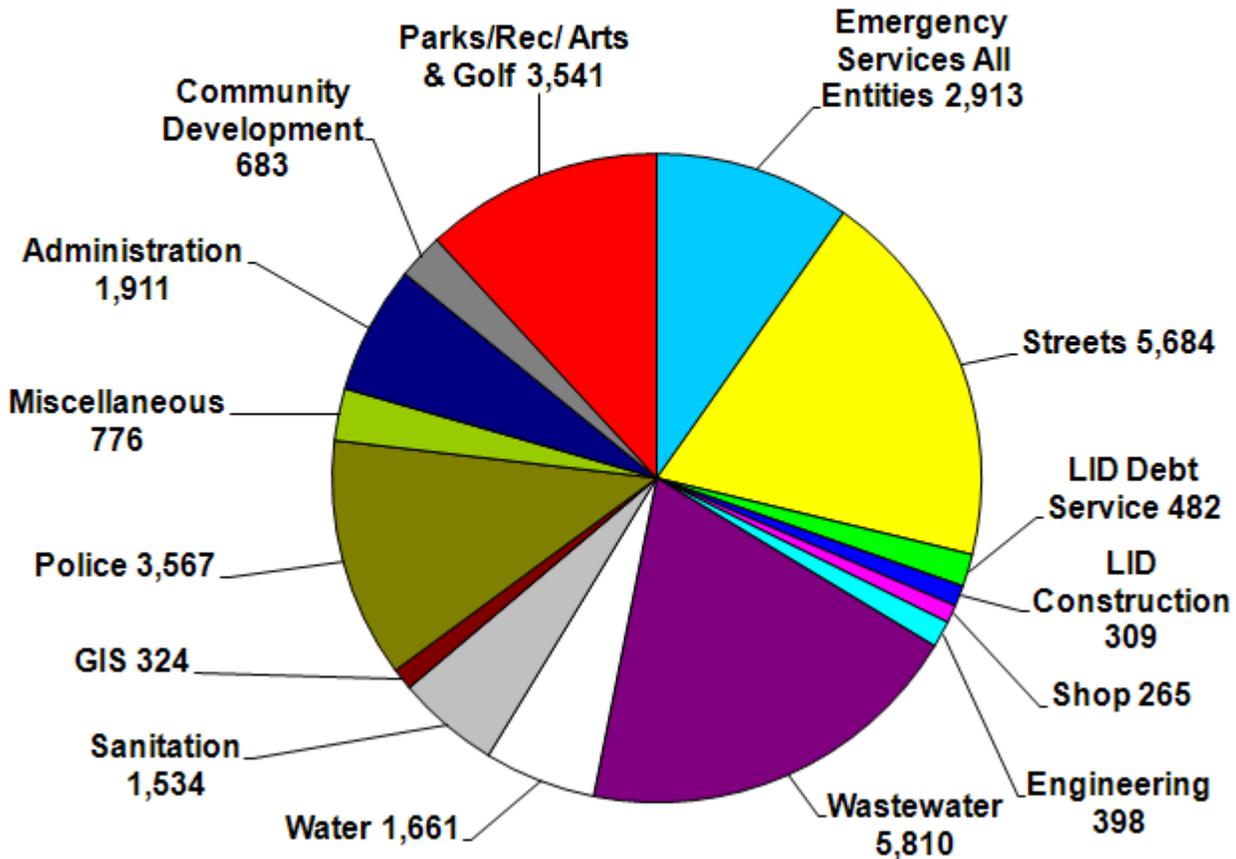
ESD Fund Revenues and Expenses were both \$12,460 under budget – both because this fund is usually zeroed out at the end of the year and any savings or overruns are shared by the three entities immediately. The City's share of expenses was \$486,449 of a \$490,400 budget, or \$3,951 under budget.

REXBURG URBAN RENEWAL AGENCY

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

Total Actual Expenses

FY 2010 Total: \$29,858,306 (Chart in thousands)

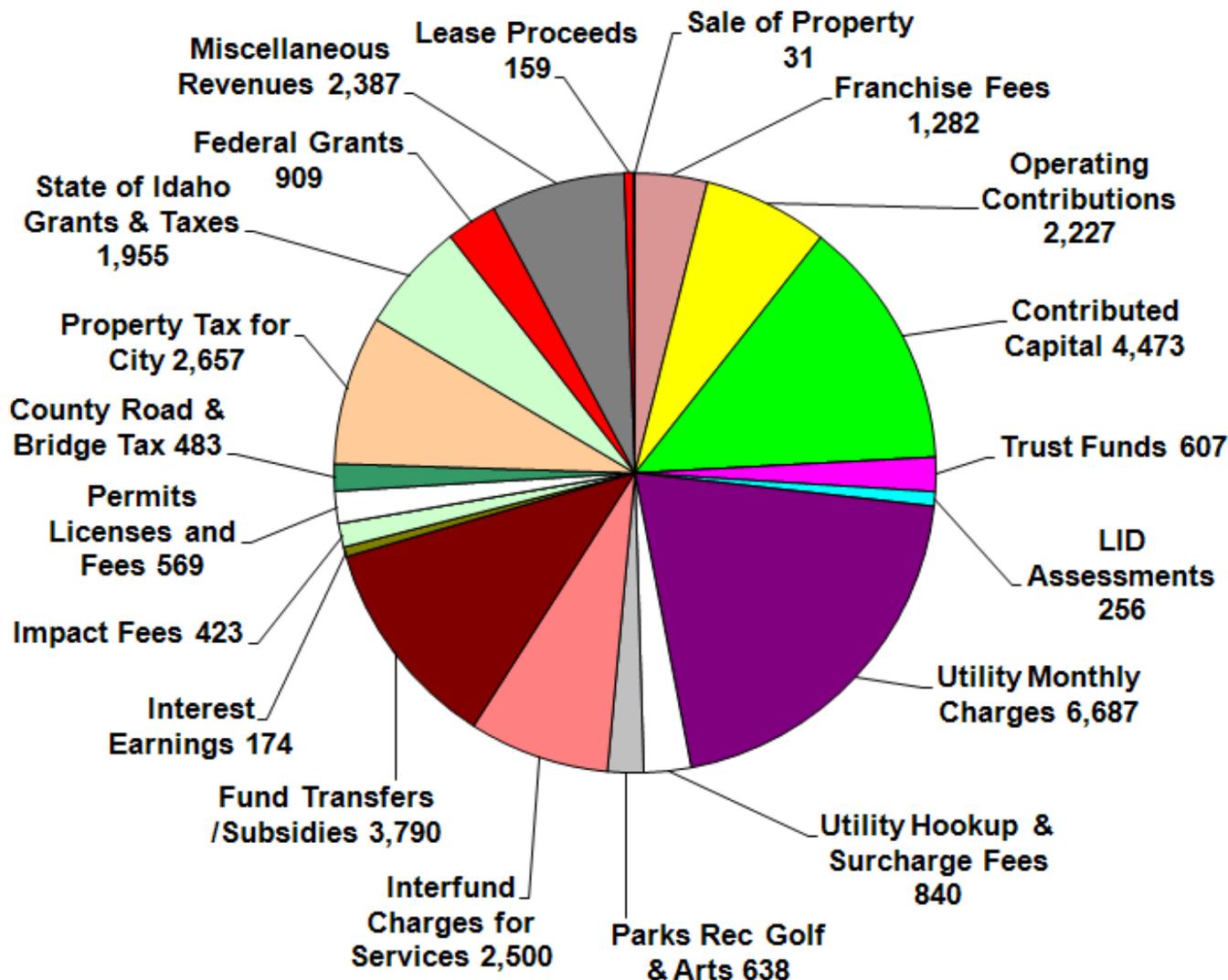


The Total Expense Budget pie chart shows the relative size of the departments or categories of expense budgets. Each Total Expense category includes both operating expense and capital purchase expense. Operating Expense does not include capital expense and is the amount needed to fund the day to day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

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

Total Actual Revenues

FY 2010 Total: \$33,049,330 (Chart in thousands)

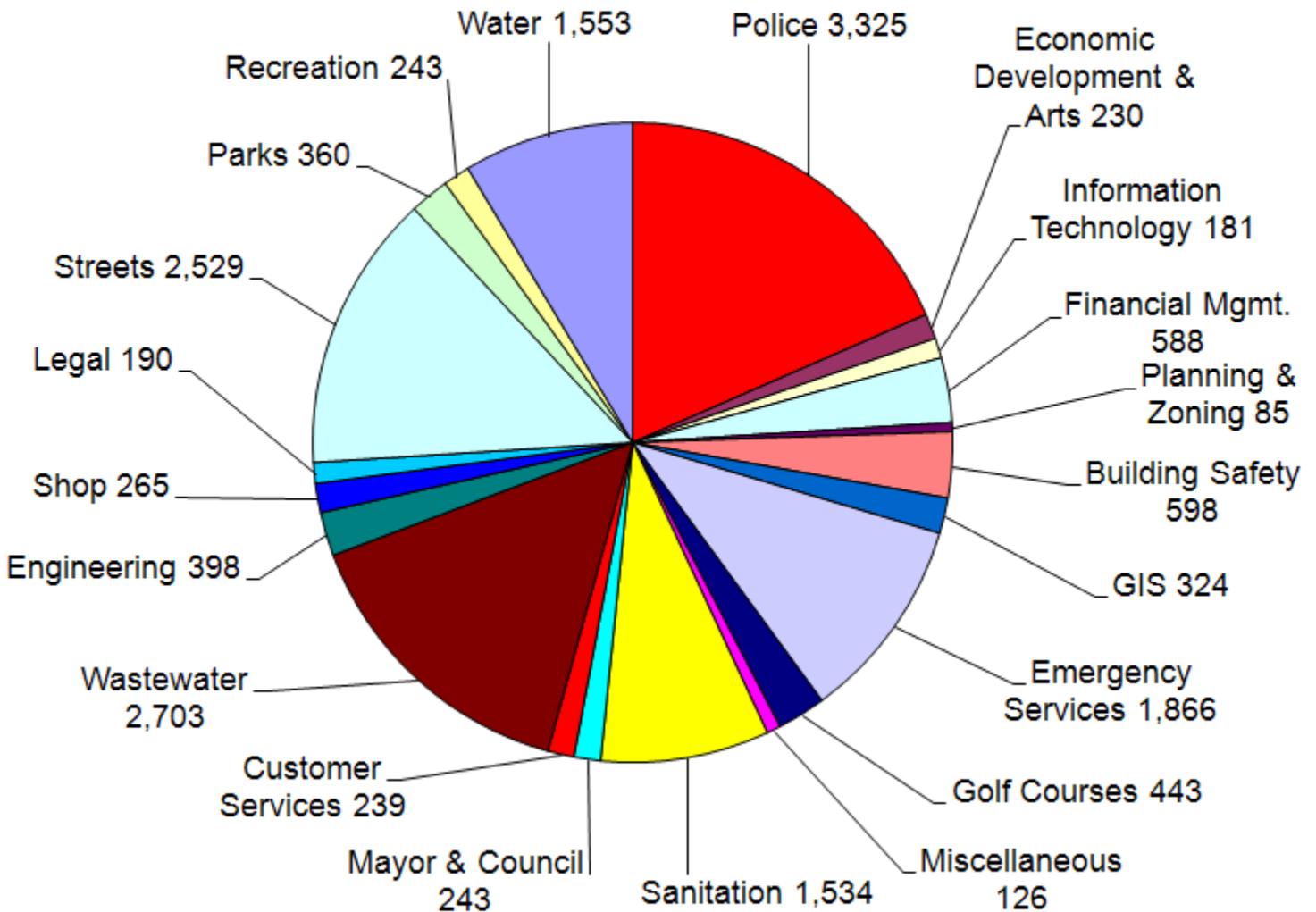


The Total Revenue Budget pie chart shows the relative size of the categories of revenue budget by source. Total Revenue categories include both operating revenue and revenue that is restricted to capital purchases. Operating Revenue does not include revenue reserved for capital purchases and is the amount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

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

Actual Operating Expenses

FY 2010 (Chart in thousands) Total \$18,023,862

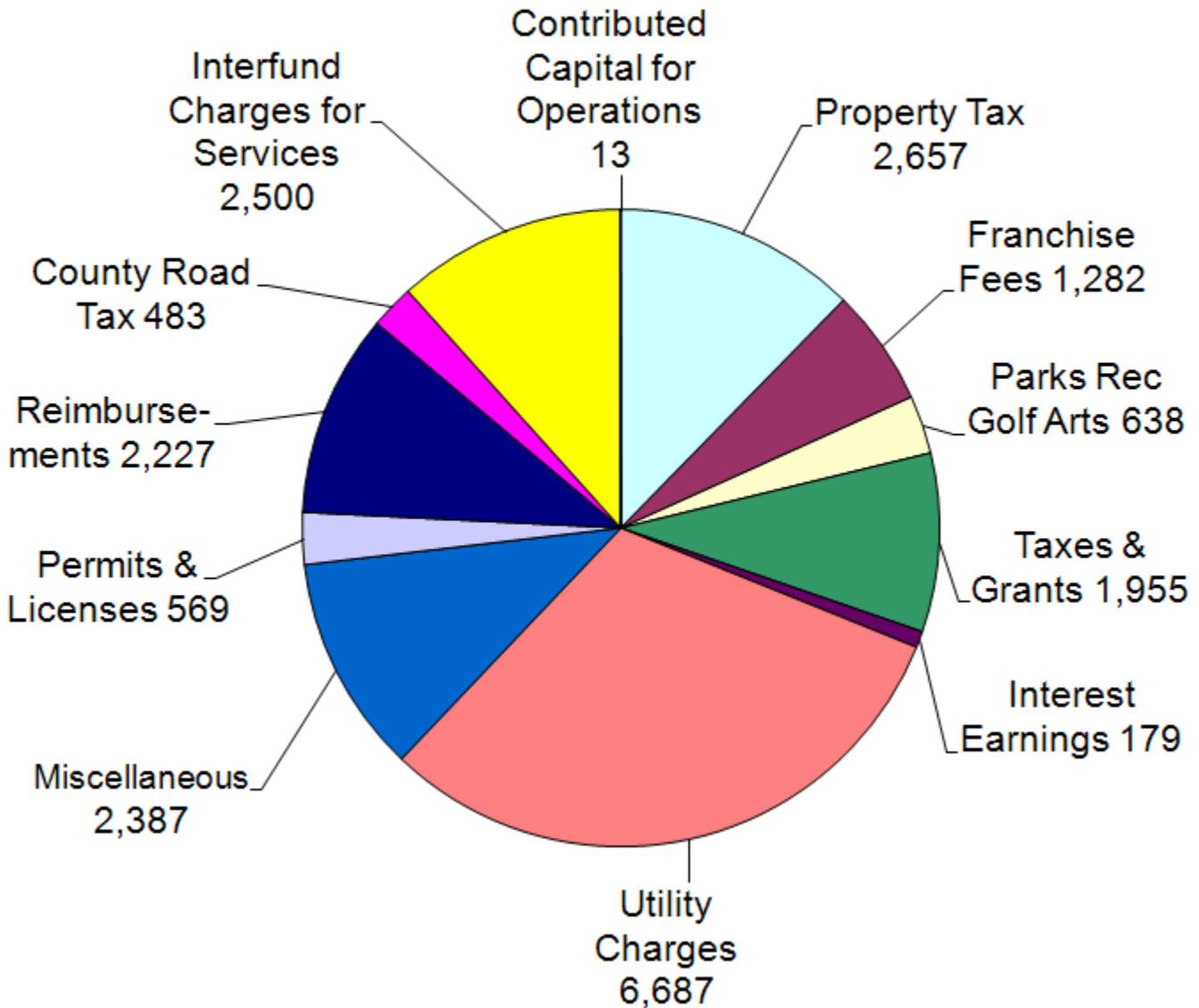


The Operating Expense Budget pie chart shows the relative size of the departments or categories of operating expense budgets. Operating Expense does not include capital expense and is the amount needed to fund the day to day operations of the City.

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

Actual Operating Revenue

FY 2010 (Chart is in thousands) \$21,578,150



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, 2010

	Primary Government			Component Unit (Rexburg Urban Renewal Agency)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Short-term Investments	\$ 3,220,845	\$ 3,962,471	\$ 7,183,316	\$ 5,746,280
Receivables	5,123,023	1,207,324	6,330,347	-
Supplies	9,826	-	9,826	-
Total Current Assets	8,353,694	5,169,795	13,523,489	5,746,280
Noncurrent Assets:				
Revolving Loan Receivable	947,787	-	947,787	-
Bond Issuance Costs	-	-	-	39,094
Capital Assets:				
Capital Assets	47,471,215	38,555,511	86,026,726	830,872
Accumulated Depreciation	(11,707,581)	(12,271,559)	(23,979,140)	-
Net Capital Assets	35,763,634	26,283,952	62,047,586	830,872
Total Noncurrent Assets	36,711,421	26,283,952	62,995,373	869,966
TOTAL ASSETS	45,065,115	31,453,747	76,518,862	6,616,246
LIABILITIES:				
Current Liabilities:				
Accounts Payable	2,626,523	1,417,084	4,043,607	-
Accrued Compensated Absences	292,581	39,278	331,859	-
Accrued Interest Payable	17,140	-	17,140	-
Other	41,680	62,008	103,688	-
Current Portion of Long-term Obligations	236,369	-	236,369	242,000
Total Current Liabilities	3,214,293	1,518,370	4,732,663	242,000
Noncurrent Liabilities:				
Noncurrent Portion of Long-term Obligations	506,044	-	506,044	4,414,000
TOTAL LIABILITIES	3,720,337	1,518,370	5,238,707	4,656,000
NET ASSETS (DEFICIT):				
Invested In Capital Assets, Net of Related Debt	35,696,218	26,283,952	61,980,170	830,872
Restricted for:				
Capital projects	(1,028,921)	1,616,793	587,872	-
Debt service	22,313	-	22,313	-
Intergovernmental Agreement	1,055,199	-	1,055,199	-
Other purposes	438,472	-	438,472	-
Unrestricted	5,161,497	2,034,632	7,196,129	1,129,371
TOTAL NET ASSETS	\$ 41,344,778	\$ 29,935,377	\$ 71,280,155	\$ 1,960,243

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

CITY OF REXBURG, IDAHO
STATEMENT OF ACTIVITIES
 GOVERNMENT WIDE
 Year Ended September 30, 2010

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	\$ 3,892,998	\$ 2,828,748	\$ 333,927	\$ 1,478,764	\$ 748,441
Public Safety	5,450,415	1,119,448	1,615,453	204,735	(2,510,779)
Parks, Recreation and Arts	929,282	345,137	32,300	2,032,162	1,480,317
Streets	3,140,345	2,459,988	-	1,752,913	1,072,556
Total Governmental Activities	13,413,040	6,753,321	1,981,680	5,468,574	790,535
GENERAL REVENUES:					
Property Taxes Levied for General Purposes		2,775,388			2,775,388
Franchise Fees		438,613			438,613
State Taxes		949,541			949,541
Investment Earnings		125,776			125,776
Miscellaneous		24,290			24,290
Total General Revenue		4,313,608			4,313,608
Total Governmental Activities					5,104,143
NET GOVERNMENTAL ASSETS - BEGINNING BALANCE					36,240,635
NET GOVERNMENTAL ASSETS - ENDING BALANCE					\$ 41,344,778
BUSINESS-TYPE ACTIVITIES					
Water	\$ 1,661,122	\$ 1,898,606	\$ -	\$ 488,307	\$ 725,791
Waste Water	5,207,778	3,020,412	-	3,199,540	1,012,174
Sanitation	1,533,916	1,604,137	-	-	70,221
Golf Course	421,766	419,743	-	-	(2,023)
Total Business-type Activities	8,824,582	6,942,898	-	3,687,847	1,806,163
GENERAL REVENUES:					
Investment Earnings					(9,026)
Total Business Type Activities					1,797,137
NET BUSINESS-TYPE ASSETS - BEGINNING BALANCE					28,138,240
NET BUSINESS-TYPE ASSETS - ENDING BALANCE					\$ 29,935,377
TOTAL PRIMARY GOVERNMENT	\$ 22,237,622	\$ 13,696,219	\$ 1,981,680	\$ 9,156,421	\$ 6,901,280
TOTAL PRIMARY GOVERNMENT NET ASSETS - BEGINNING BALANCE					64,378,875
TOTAL PRIMARY GOVERNMENT NET ASSETS - ENDING BALANCE					\$ 71,280,155
COMPONENT UNIT (REXBURG URBAN RENEWAL AGENCY):					
General and Administrative	\$ 56,732	\$ -	\$ -	\$ -	\$ (56,732)
Construction - transfer to City	665,149	-	-	-	(665,149)
Total Component Units	\$ 721,881	\$ -	\$ -	\$ -	(721,881)
GENERAL REVENUES:					
Property taxes levied for general purposes					1,003,464
Investment Earnings					1,906
Total General Revenue					1,005,370
TOTAL COMPONENT UNIT ACTIVITIES					283,489
TOTAL COMPONENT UNIT - BEGINNING BALANCE					1,676,754
TOTAL COMPONENT UNIT - ENDING BALANCE					\$ 1,960,243

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

CITY OF REXBURG, IDAHO
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010

ASSETS	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Cash and Short Term Investments	\$ -	\$ -	\$ 42,919	\$ 548,200	\$ 2,629,726	\$ 3,220,845
Receivables	728,182	1,693,600	43,077	947,787	2,658,164	6,070,810
Inventory	9,826	-	-	-	-	9,826
Due from Other Funds	2,517,182	-	-	186,871	-	2,704,053
TOTAL ASSETS	\$ 3,255,190	\$ 1,693,600	\$ 85,996	\$ 1,682,858	\$ 5,287,890	\$ 12,005,534
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 847,879	\$ 632,612	\$ 85,996	\$ -	\$ 1,060,036	\$ 2,626,523
Deferred Revenue	263,531	-	-	-	1,013,796	1,277,327
Due to Other Funds	-	843,636	-	-	1,860,417	2,704,053
Other	5,000	25,600	-	-	11,080	41,680
TOTAL LIABILITIES	1,116,410	1,501,848	85,996	-	3,945,329	6,649,583
FUND BALANCES:						
Reserved	-	191,752	-	1,682,858	1,342,561	3,217,171
Unreserved	2,138,780	-	-	-	-	2,138,780
TOTAL FUND BALANCES	2,138,780	191,752	-	1,682,858	1,342,561	5,355,951
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,255,190	\$ 1,693,600	\$ 85,996	\$ 1,682,858	\$ 5,287,890	\$ 12,005,534

CITY OF REXBURG, IDAHO
**RECONCILIATION OF THE
BALANCE SHEET OF GOVERNMENTAL FUNDS**
to the
TO THE STATEMENT OF NET ASSETS
Year Ended September 30, 2010

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS		\$ 5,355,951
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Cost of Assets	\$ 47,471,215	
Accumulated Depreciation	<u>(11,707,581)</u>	35,763,634
Net Cost of Assets		
Certain receivables are not financial resources and are reported as deferred revenues:		
Property tax deferred revenue		152,526
Special Assessment deferred revenue		986,378
Deferred recreation revenues		1,203
Deferred capital project grants and contributions		137,220
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		(742,413)
Accrued compensated absences		(292,581)
Accrued interest payable		<u>(17,140)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 41,344,778</u>

CITY OF REXBURG, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended September 30, 2010

	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 3,605,786	\$ 1,447,527	\$ 885,510	\$ -	\$ 568,715	\$ 6,507,538
Grants and Contributions	494,587	1,451,029	125,851	-	3,755,531	5,826,998
Fees and Charges	2,865,530	904,480	2,721	-	1,857,788	5,630,519
Interest Earned	128,992	-	-	25,852	52,020	206,864
Miscellaneous	49,150	-	5,041	-	42,621	96,812
TOTAL REVENUES	7,144,045	3,803,036	1,019,123	25,852	6,276,675	18,268,731
EXPENDITURES:						
General and Administrative	2,195,144	-	-	1,700	1,015,889	3,212,733
Public Safety	3,036,670	-	1,701,862	-	186,740	4,925,272
Parks and Recreation	413,770	-	-	-	305,577	719,347
Streets	-	2,436,903	-	-	67,693	2,504,596
Interest on Bonds and Other Debt	-	-	-	-	42,867	42,867
Principal on Bonds and Other Debt	-	-	-	-	211,000	211,000
Capital Improvements	182,988	1,797,077	129,578	-	3,149,402	5,259,045
TOTAL EXPENDITURES	5,828,572	4,233,980	1,831,440	1,700	4,979,168	16,874,860
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,315,473	(430,944)	(812,317)	24,152	1,297,507	1,393,871
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	367,978	812,316	-	1,310,077	2,490,371
Operating Transfers Out	(1,036,840)	(74,281)	-	(471,864)	(907,386)	(2,490,371)
TOTAL OTHER FINANCING SOURCES (USES)	(1,036,840)	293,697	812,316	(471,864)	402,691	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	278,633	(137,247)	-	(447,712)	1,700,198	1,393,872
FUND BALANCE AT BEGINNING OF YEAR	1,860,147	328,999	-	2,130,570	(357,637)	3,962,079
FUND BALANCE AT END OF YEAR	\$ 2,138,780	\$ 191,752	\$ -	\$ 1,682,858	\$ 1,342,561	\$ 5,355,951

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, 2010

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,393,872
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are reduced by depreciation in the current period:</p>	
Capital expenditures capitalized as fixed assets	6,453,150
Depreciation expense	(2,272,705)
Basis in Assets disposed of	(976,001)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Special assessments levied	-
Property tax deferrals	118,264
Recreation revenue deerral	(15,763)
<p>Deferred Revenue not in Statement of Net Assets:</p>	
Special assesement deferred revenue	145,922
Compensated absences accrual adjustment	9,566
<p>Governmental funds report principal repayment on debt as an expenditure. However, in the statement of activities debt payment is not an expense:</p>	
Proceeds from borrowing	
Principal payments on long-term liabilities	242,273
Changes in accrued interest	5,565
	5,565
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 5,104,143

CITY OF REXBURG, IDAHO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2010

	Business-type Activities - Proprietary Funds		
	Utility	Golf Course	Total
ASSETS			
Current Assets:			
Cash and Short-term Investments	\$ 3,962,471	\$ -	\$ 3,962,471
Receivables	1,207,324	-	1,207,324
Total Current Assets	5,169,795	-	5,169,795
Noncurrent Assets:			
Capital Assets:			
Capital Assets	36,474,370	2,081,141	38,555,511
Accumulated Depreciation	(11,626,222)	(645,337)	(12,271,559)
Total Noncurrent Assets	24,848,148	1,435,804	26,283,952
TOTAL ASSETS	30,017,943	1,435,804	31,453,747
LIABILITIES:			
Current Liabilities:			
Accounts Payable	1,407,233	9,851	1,417,084
Accrued Compensated Absences	39,278	-	39,278
Accrued Interest Payable	-	-	-
Due to Other Funds	(552,424)	552,424	-
Other	62,008	-	62,008
Current Portion of Long-term Obligations	-	-	-
Total Current Liabilities	956,095	562,275	1,518,370
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Obligations	-	-	-
TOTAL LIABILITIES	956,095	562,275	1,518,370
NET ASSETS:			
Invested in Capital Assets Net of Related Debt	24,848,148	1,435,804	26,283,952
Restricted for:			
Capital Projects	2,282,727	(665,934)	1,616,793
Unrestricted	1,930,973	103,659	2,034,632
TOTAL NET ASSETS	\$ 29,061,848	\$ 873,529	\$ 29,935,377

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, 2010

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
OPERATING REVENUES:			
Monthly Utility Services	\$ 6,338,296	\$ -	\$ 6,338,296
One Time Fees	119,413	-	119,413
Golf Course Fees	-	419,732	419,732
Miscellaneous	35,503	11	35,514
TOTAL OPERATING REVENUES	6,493,212	419,743	6,912,955
OPERATING EXPENSES:			
Utility Expenses	4,539,998	-	4,539,998
Greens Maintenance	-	375,872	375,872
Depreciation and Amortization	1,123,964	48,603	1,172,567
TOTAL OPERATING EXPENSES	5,663,962	424,475	6,088,437
OPERATING INCOME	829,250	(4,732)	824,518
NON-OPERATING REVENUES / EXPENSES:			
Contributed Capital	216,596	-	216,596
Sale of Capacity and Contributions	857,688	-	857,688
Disposal of Assets	(124,527)	(34)	(124,561)
Interest Income	20,916	-	20,916
Interest Expense	(763)	2,743	1,980
TOTAL NON-OPERATING REVENUES / EXPENSES	969,910	2,709	972,619
CHANGE IN NET ASSETS	1,799,160	(2,023)	1,797,137
TOTAL NET ASSETS - BEGINNING BALANCE	27,262,688	875,552	28,138,240
TOTAL NET ASSETS - ENDING BALANCE	\$ 29,061,848	\$ 873,529	\$ 29,935,377

CITY OF REXBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2010

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 6,472,380	\$ 419,744	\$ 6,892,124
Payments to Suppliers	(1,730,934)	(140,177)	(1,871,111)
Payments to Employees	(1,140,667)	-	(1,140,667)
Payments for Labor Contracts	-	(220,562)	(220,562)
Internal Activity - Payments to Other Funds for Services	(1,652,378)	(21,600)	(1,673,978)
Other Payments	(16)	(645)	(661)
Other Receipts	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,948,385	36,760	1,985,145
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Loan Paid to Other Funds	(552,424)	(17,996)	(570,420)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisitions of Property, Plant and Equipment	(3,722,243)	(18,482)	(3,740,725)
Sale of Capacity and Contributions	857,688	-	857,688
Increase (Decrease) in Accounts Payable on Capital	1,225,104	(3,024)	1,222,080
(Increase) Decrease in Accounts Receivable for Capital	(17,395)	-	(17,395)
Interest Income	20,916	-	20,916
Principal Payments on Revenue Bonds	(226,150)	-	(226,150)
Interest Payments on Bonds and Leases	(4,873)	2,742	(2,131)
Contributed Capital	216,596	-	216,596
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,650,357)	(18,764)	(1,669,121)
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(254,396)	-	(254,396)
CASH AND INVESTMENTS AT BEGINNING OF YEAR	4,216,867	-	4,216,867
CASH AND INVESTMENTS AT END OF THE YEAR	\$ 3,962,471	\$ -	\$ 3,962,471
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 829,250	\$ (4,732)	\$ 824,518
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	1,123,964	48,603	1,172,567
Changes in Assets and Liabilities:			
Increase in accounts receivable	(20,589)	-	(20,589)
Increase(Decrease) in accounts payable	9,955	(7,111)	2,844
Increase in accrued compensated absences	5,805	-	5,805
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,948,385	\$ 36,760	\$ 1,985,145

CITY OF REXBURG, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basic Financial Statements

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

Government-Wide and Fund Financial Statements

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post employment healthcare benefits, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major enterprise fund:

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

Component Unit

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

Rexburg Urban Renewal Agency – was organized to make improvements to infrastructure in specific areas the City. It derives its revenues from the incremental tax increases that all taxing districts forfeit from increase in value of the land and buildings in the new construction areas.

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Property, Plant and Equipment

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

Computers	3 years
Office Equipment	10 years
Furniture	10 years
Vehicles	7 years
Light Equipment.....	10 years
Heavy Equipment	20 years
Buildings	30 years
Water and Wastewater Systems.....	20-100 years

Budgetary Policy

The City prepares one combined budget which includes the operations of all funds. The combined statement of revenues and expenditures budget and actual--all budgetary funds presents comparisons of legally adopted budgets with actual data on a budgetary basis. Under Idaho Code, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, except as allowed by the Code for certain events. During the fiscal year ended September 30, 2010 the City amended the budget for several of the funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Cash Equivalents

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

Use of Estimates

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

2. CASH AND SHORT-TERM INVESTMENTS

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

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

2. CASH AND INVESTMENTS (Continued)

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

- Deposits – At September 30, 2010, the carrying amount of the City’s deposits was \$1,554,101 and the respective bank balances totaled \$1,535,743. The bank balances of \$705,823 were FDIC insured with the remaining being collateralized.
- Custodial Credit Risk, Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the government’s deposits may not be returned. As of September 30, 2010, \$829,920 of the City’s total deposits of \$1,437,317 was not covered by federal depository insurance, but was collateralized.
- Investments – As of September 30, 2010, the City had the following investments:

Investment Type	S&P Rating	Fair Value	Investment Maturity (in Years)			
			Less Than 1	1-5	6-10	More Than 10
State Diversified Bond Fund	N/A	\$ 3,179,620	\$ -	\$ 3,179,620	\$ -	\$ -
State Investment Pool	N/A	51,509	51,509	-	-	-
Certificates of Deposit	N/A	501,346	501,346	-	-	-
Zion's Collateralized Municipal MM Collateralized Funds	N/A	1,831,473	1,831,473	-	-	-
		\$ 5,563,948	\$ 2,384,328	\$ 3,179,620	\$ -	\$ -

- 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, 2010 was 107 days.

2. CASH AND INVESTMENTS (Continued)

The following is a reconciliation of the City's deposit and investment balance as of September 30, 2010:

Petty Cash	\$ 850
Bank Deposits	1,554,101
State and Bank Investments	5,563,948
Other Investments	<u>64,417</u>
Total	<u>\$ 7,183,316</u>

3. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2010, was as follows:

	September 30, 2009	Increases	Decreases	September 30, 2010
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 1,011,487	\$ -	\$ -	\$ 1,011,487
Total capital assets, not being depreciated	1,011,487	-	-	1,011,487
Capital assets, being depreciated				
Office	2,738,805	938,057	(984,453)	2,692,409
Legal	7,936	-	(2,499)	5,437
Archer station	809,258	-	-	809,258
Police	2,421,543	150,136	(67,575)	2,504,104
Dare	16,898	-	-	16,898
Fire	4,194,664	190,534	(45,368)	4,339,830
Inspection	439,603	3,690	(16,000)	427,293
GIS	114,101	2,375	(9,766)	106,710
Community development	29,317	4,995	(17,558)	16,754
Streets	24,365,191	2,800,728	(58,354)	27,107,565
Shop	262,289	3,047	(7,552)	257,784
Parks	2,433,291	181,542	(67,662)	2,547,171
Merry-go-round	139,032	-	-	139,032
Ball diamond	24,310	12,883	-	37,193
Airport	1,559,332	258,131	-	1,817,463
Recreation	97,529	1,819,454	(1,550)	1,915,433
Theatre	128,880	8,225	-	137,105
Legacy of Flight Museum	1,080,006	66,892	-	1,146,898
Tabernacle	422,929	12,462	-	435,391
Total capital assets, being depreciated	41,284,914	6,453,151	(1,278,337)	46,459,728
Less accumulated depreciation	(9,737,212)	(2,272,705)	302,336	(11,707,581)
Total capital assets, being depreciated, net	31,547,702	4,180,446	(976,001)	34,752,147
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 32,559,189	\$ 4,180,446	\$ (976,001)	\$ 35,763,634

3. CAPITAL ASSETS (Continued)

The City sold two buildings and a lot during the current fiscal year for a total price of \$1,010,000. The sale of the properties was recorded under general and administrative activities in the statement of activities.

Depreciation expense was charged to the government activities as follows:

General and Administrative	\$ 245,636
Public Safety	492,252
Parks and Recreation	226,241
Street	<u>1,308,576</u>
Total	<u>\$ 2,272,705</u>

	September 30, 2009	Increases	Decreases	September 30, 2010
PRIMARY GOVERNMENT:				
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 352,811	\$ -	\$ -	\$ 352,811
Total capital assets, not being depreciated	352,811	-	-	352,811
Capital assets, being depreciated:				
Sanitation	1,618,028	301,168	(181,299)	1,737,897
Water	10,559,029	581,641	(97,159)	11,043,511
Wastewater	20,971,213	2,839,435	(117,684)	23,692,964
Golf Course	1,723,684	18,482	(13,838)	1,728,328
Total capital assets, being depreciated	34,871,954	3,740,726	(409,980)	38,202,700
Less accumulated depreciation:				
Sanitation	(864,456)	(98,492)	131,334	(831,614)
Water	(3,205,978)	(299,462)	69,951	(3,435,489)
Wastewater	(6,703,436)	(726,011)	70,328	(7,359,119)
Golf Course	(610,539)	(48,604)	13,806	(645,337)
Total accumulated depreciation	(11,384,409)	(1,172,569)	285,419	(12,271,559)
Total capital assets, being depreciated, net	23,487,545	2,568,157	(124,561)	25,931,141
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 23,840,356	\$ 2,568,157	\$ (124,561)	\$ 26,283,952

4. REVOLVING LOANS RECEIVABLE

The City received a grant from the United States Department of Housing and Urban Development, the proceeds of which have been designated to be used as a revolving loan fund for small businesses within the community. Repayments on the initial loan have been used to finance other projects at the discretion of the City. The East Central Idaho Development Company (ECIDC) is currently administering these funds for the City. The balances of outstanding loans at September 30, 2010 are as follows:

Recipient	Repayment Terms	Amount
East Central Idaho Planning and Development	Terms of repayment not finalized.	\$ 30,500
Thane Siddoway	Receivable in monthly installments of \$4,039 including interest at 5.5% through 2018.	29,028
David and Tarri Leonardson	Receivable in monthly installments of \$998 including interest at 5.5% through 2024.	113,509
Smith Family Properties	Receivable in monthly installments of \$422 including interest at 6.0% through 2019.	34,790
Eagle Vision Center	Receivable in monthly installments of \$557 including interest at 6.5% through 2027.	37,830
Robertson Taylor, LLC	Receivable in monthly installments of \$1,111 including interest at 7.0% through 2028.	136,101
Smakelijk, Inc. dba Great Harvest Bread	Receivable in monthly installments of \$668 including interest at 6.5% through 2024.	126,000
Smakelijk, Inc. dba Great Harvest Bread	Receivable in monthly installments of \$159 including interest at 3.5% through 2019.	15,030
AMX Loan	Receivable in monthly installments of \$1,750 including interest at 7% through 2011.	300,000
East Central Idaho Planning and Development	Terms of repayment not finalized.	<u>125,000</u>
		<u>\$ 947,788</u>

ECIPDA is holding \$119,816 in an interest bearing account for the City, which is available for future revolving loan projects. The City guaranteed a Regional Development Alliance (RDA) Revolving Loan for \$149,500 to FFF, Inc., who borrowed this money for remodeling expenses at Ferrin Square at 30 College Avenue in Rexburg. The guarantee will reduce proportionately as the \$299,000 loan from RDA is paid off.

5. PROPERTY TAXES

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

Taxes are collected by Madison County and remitted to the City primarily in January and July of the fiscal year. Accordingly, the tax revenues for the fiscal year ended September 30, 2010, are based on the assessed values and tax revenues established in 2009.

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

6. ACCRUED COMPENSATED ABSENCES

The City elected to show its normal sick leave benefits as compensated absences. In 1990, the City established individual sick leave banks whereby an employee could contribute any days accumulated over the 60 day maximum at the end of the calendar year. In 1995, the City adjusted the allowable contribution to the sick bank to include any sick days accumulated at the end of the calendar year. From 2001 and thereafter, the employees no longer accumulate sick days at the end of the year in the sick bank and will eventually phase out the sick bank as those with remaining balances become eligible for full retirement. Unused sick leave at the end of each year is sent to a third party administrator to hold for the employee upon their retirement. Upon retirement eligibility, the employee's sick bank and sick leave balance may be converted to cash at a rate of 35% of the employee's hourly rate at the time of retirement eligibility and deposited into the City's Post Employment Health Plan (PEHP) or Health Reimbursement Account Plan (HRA) in that employee's name. If the employee does not retire with a full state retirement, the balance in their accounts will be remitted back to the city.

7. POST EMPLOYMENT HEALTH PLAN (PEHP)

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

8. HEALTH REIMBURSEMENT ACCOUNT PLAN (HRA)

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

9. LOCAL IMPROVEMENT ASSESSMENTS

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

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

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

10. LOCAL IMPROVEMENT DISTRICT WARRANTS PAYABLE

Each year, as needed the City authorizes warrants to finance the improvements of certain streets along with constructing or reconstructing sidewalks, curbs, gutters, drainage facilities and other work incidental to improvements along streets and issues warrants to finance the construction. The balance of warrants outstanding at September 30, 2010, was as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
Promissory Note (LID No. 32) 2004 Issue (original amount - \$200,000)	5.0%	2011 to 2014	60,000
Promissory Note (LID No. 33) 2004 Issue (original amount - \$300,000)	5.0%	2011 to 2014	60,000
Promissory Note (LID No. 35) 2008 Issue (original amount - \$350,000)	5.5%	2011 to 2018	280,000
Promissory Note (LID No. 36) 2009 Issue (original amount - \$275,000)	4.5%	2011 to 2019	220,000
Promissory Note (LID No. 38) 2008 Issue (original amount - \$75,000)	5.5%	2011 to 2023	55,000
			<u>\$ 675,000</u>

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:

	Fixed Assets	Capital Leases Payable
<u>Building</u>	\$ 450,503	\$ 67,413

The following is a schedule by year of future lease payments the present value of the net minimum lease payments as of September 30, 2010.

Year Ending September 30,	Governmental Funds
2011	\$ 36,307
2012	36,307
Total Minimum Lease Payments	72,614
<u>Less Amount Representing Interest</u>	<u>(5,201)</u>
Present Value of Minimum Lease Paymen	67,413
<u>Current Portion of Present Value</u>	<u>(32,868)</u>
<u>Long-Term Portion of Present Value</u>	<u>\$ 34,545</u>

Interest expense of \$5,034 on this lease is expended in the public safety activity in the statement of activities and the statement of revenues, expenditures and changes in fund balances.

12. CHANGES IN LONG-TERM OBLIGATIONS

A summary of long-term transactions of the City for the year ended September 30, 2010, is as follows:

	Long-Term Obligations September 30, 2009	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2010
Accrued compensated absences (Note 7)	\$ 335,619	\$ -	\$ (3,760)	\$ 331,859
Local improvement district warrants payable (Note 10)	886,000	-	(211,000)	675,000
Wastewater revenue bonds payable (Note 11)	226,150	-	(226,150)	-
Obligations under capital leases (Note 12)	98,687		(31,274)	67,413
	<u>\$ 1,546,456</u>	<u>\$ -</u>	<u>\$ (472,184)</u>	<u>\$ 1,074,272</u>

13. BONDED DEBT REPAYMENT REQUIREMENTS

The annual requirements to amortize all bonded debt outstanding as of September 30, 2010, including interest, are as follows:

Year Ending September 30,	Local Improvement Warrants
2011	\$ 151,825
2012	145,888
2013	109,950
2014	85,513
2015	82,075
Thereafter	242,250
<u>Total Commitment</u>	<u>\$ 817,501</u>
<u>Interest Portion</u>	<u>\$ 142,501</u>

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

14. RETIREMENT PLANS

Public Employee Retirement System of Idaho

The Public Employee Retirement System of Idaho (PERSI) – the PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is provided in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

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

The actuarially determined contribution requirements for the City of Rexburg, Idaho and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2010, 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 \$617,182, \$638,027, and \$570,976 for the three years ended September 30, 2010, 2009, and 2008 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 2010 fiscal year payroll for all employees was \$5,991,802 of which \$4,384,227 was for covered payroll for employees who were members of the Plan. Employer and employee contributions to the Plan were 1.87% and 4.77% respectively, of covered payroll. Total contributions to the Plan for the fiscal year by the City and the employees were \$68,104 and \$173,928 respectively. The Plan had \$2,512,338 in net assets at September 30, 2010.

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The City expenditures exceeded the budgeted amounts in the following funds during the year ended September 30, 2010:

Fund	Amount Exceeded
Business Park Fund	\$ 200
Drug Enforcement Fund	1,493
Police Small Grants Fund	23,612
Revolving Loan Fund	93,564
City Hall Construction Fund	37,467
LID 35 Debt Service Fund	52,531
Veterans Memorial Fund	18,760
ESD Pipes and Drums Fund	6,064

The following individual funds had fund deficits on September 30, 2010:

Business Park Operation Fund--There is a fund deficit of \$101,489. The City expects to eliminate this deficit with the sale of the remaining lot.

Police Impact Fee Fund --There is a fund deficit of \$392,005. The City expects to eliminate this deficit as police impact fees are received and with transfers from the general fund.

Fire Impact Fee Fund—There is a fund deficit of \$5,095. The City expects to eliminate this deficit as fire impact fees are received and with transfers from the general fund.

ESD Paramedic Care Unit Fund -- There is a fund deficit of \$135,796.

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

Romance Theatre Fund – There is a fund deficit of \$256.

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (Continued)

Riverside Park Construction Fund-- There is a fund deficit of \$157,933. The City expects to eliminate this deficit as grants are received.

Airport Operation Fund-- There is a fund deficit of \$12,208. The City expects to eliminate this deficit as grants and fees are received.

LID Construction Fund-- There is a fund deficit of \$194,304. The City expects to eliminate this deficit as the projects are completed.

LID Debt Service Fund-- There is a fund deficit of \$289,066. The City expects to eliminate this deficit as assessments are collected on the LID projects.

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)

Cash and Investments – The component unit had cash deposits with a book balance of \$5,271,309 and a bank balance of \$5,272,901, which was all covered by FDIC insurance. The remainder of its funds of \$474,971 were invested in the Idaho State Investment Pool.

Long-term debt - Revenue Allocation (Tax Increment) Bonds, Series 2010 do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute a general obligation or debt of the City of Rexburg, Idaho, or of any municipality, the State of Idaho, or any of its political subdivisions. In no event does this Bond give rise to a general obligation or liability of the Agency, any municipality, the State of Idaho, or any of its political subdivisions, or give rise to a charge against their general credit or taxing powers, or be payable out of any funds or properties other than those of the Agency specifically pledged therefore. There were bond issuance costs of \$39,094.

Revenue Bonds outstanding at September 30, 2010, were as follows:

Description	Interest Rate	Fiscal Years	Balance
Revenue Allocation Bonds, Series 2010			
Series 2010, Dated June 2, 2010 (original amount - \$4,656,000)	3.17% to 4.06%	2011 to 2022	<u>\$ 4,656,000</u>

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

Year Ending September 30,	Revenue Allocation Bonds
2011	\$ 468,355
2012	476,685
2013	485,354
2014	496,521
2015	509,992
Thereafter	3,728,430
Total Commitment	\$ 6,165,337
Interest Portion	\$ 1,509,337

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

Changes in long-term debt – A summary of changes in long-term obligations of the Agency at September 30, 2010:

	Long-Term Obligations September 30, 2009	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2010
Revenue Allocation Bonds Series 2010	\$ -	\$ 4,656,000	\$ -	\$ 4,656,000

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

17. INTERFUND TRANSACTIONS

Transfers between funds during the year were as follows:

	Operating Transfers In	Operating Transfers Out
Governmental:		
General Fund	\$ -	\$ 1,036,840
Street Fund	367,978	74,281
Emergency Services Fund	812,316	-
Revolving Loan Fund	-	471,864
Tabernacle Fund	54,072	-
Orchestra Fund	3,500	-
Police Impact Fee Fund	150,000	-
Police Animal Control Fund	57,389	-
Joint Fire Equipment Fund	150,000	-
Madison County Fire District Fund	-	400,867
Fire Impact Fee Fund	-	30,000
ESD Paid Call Fund	-	3,000
Legacy Flight Museum Fund	6,249	-
Beautification Committee Fund	10,000	-
City Hall Construction Fund	681,864	-
Street Impact Fee Fund	-	245,634
Parks Impact Fee Fund	-	1,753
Trails of Madison County Fund	1,753	-
Romance Theatre Fund	24,179	-
LID Construction Funds	138,433	-
LID Debt Service Funds	29,638	226,132
ESD Pipes & Drums Fund	3,000	-
	<u>\$ 2,490,371</u>	<u>\$ 2,490,371</u>

17. INTERFUND TRANSACTIONS (Continued)

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

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

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

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

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

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

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

17. INTERFUND TRANSACTIONS (Continued)

The following is a schedule of interfund receivables and payables as of September 30, 2010:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Primary Government:		
General Fund*	\$ 2,517,182	\$ -
Street Fund	-	843,636
Revolving Loan Fund	186,871	-
Business Park Fund	-	101,489
Police Impact Fee Fund	-	393,594
Police Small Grants Fund	-	11,383
Fire Impact Fee Fund	-	6,171
Geographic Information Systems Func	-	39,777
Street Impact Fee Fund	-	10,137
ESD Paramedic Care Unit Fund	-	184,976
Trails of Madison County Fund	-	41
Riverside Park Fund	-	534,726
Airport Operation Fund	-	200,974
LID Construction Funds	-	105,668
LID Debt Service Funds	-	271,481
Utility Fund	552,424	-
Golf Course Fund	-	552,424
	<u>\$ 3,256,477</u>	<u>\$ 3,256,477</u>

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

18. SEGMENT INFORMATION

The City issues separate revenue bonds to finance its water, wastewater and sanitation departments. The three departments are accounted for in a single fund, but investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for each department is presented below. The Water Department operates the City's water supply system. The Wastewater Department operates the City's sewage treatment plant, sewage pumping stations, and collection systems. The Sanitation Department operates the garbage collection services for the City. The segment information for the City at September 30, 2010 is:

	Sanitation Department	Water Department	Wastewater Department	Shared
CONDENSED STATEMENT OF NET ASSETS				
Assets:				
Current assets	\$ -	\$ -	\$ -	\$ 5,722,220
Capital assets	906,284	7,608,026	16,333,837	-
Total assets	<u>906,284</u>	<u>7,608,026</u>	<u>16,333,837</u>	<u>5,722,220</u>
Liabilities:				
Current liabilities	-	-	-	1,508,522
Noncurrent liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,508,522</u>
Net assets:				
Invested in capital assets, net of related debt	906,284	7,608,026	16,333,837	-
Unrestricted	-	-	-	4,213,698
Total net assets	<u>\$ 906,284</u>	<u>\$ 7,608,026</u>	<u>\$ 16,333,837</u>	<u>\$ 4,213,698</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS				
Operating revenues	\$ 1,604,137	\$ 1,896,800	\$ 2,992,275	\$ -
Depreciation expense	(98,491)	(299,462)	(726,010)	-
Other operating expenses	(1,385,460)	(1,225,938)	(1,928,599)	-
Operating income	<u>120,186</u>	<u>371,400</u>	<u>337,666</u>	<u>-</u>
Nonoperating revenues (expenses):				
Sale of Capacity and Contributions	-	246,092	611,596	-
Investment income	-	(2,995)	23,912	-
Interest expense	-	-	(767)	-
Disposal of assets	(49,965)	(27,207)	(47,354)	-
Capital contributions	-	178,784	37,809	-
Change in net assets	<u>70,221</u>	<u>766,074</u>	<u>962,862</u>	<u>-</u>
Beginning Net Assets	753,573	7,353,055	14,039,652	5,116,408
Reallocation of cash	82,490	(511,103)	1,331,323	(902,710)
Ending Net Assets	<u>\$ 906,284</u>	<u>\$ 7,608,026</u>	<u>\$ 16,333,837</u>	<u>\$ 4,213,698</u>
CONDENSED STATEMENT OF CASH FLOWS				
Net cash provided (used) by:				
Operating activities	\$ 218,677	\$ 670,861	\$ 1,063,675	\$ (4,831)
Noncapital financing activities	-	-	-	-
Capital and related financing activities	(301,167)	(204,400)	(1,160,484)	(5,220)
Investing activities	-	(2,995)	23,912	-
Net increase (decrease) in Cash	<u>\$ (82,490)</u>	<u>\$ 463,466</u>	<u>\$ (72,897)</u>	<u>\$ (10,051)</u>

19. LEASE WITH HOSPITAL

In 2009 the City entered into a lease agreement, effective October 1, 2009, with Madison Memorial Hospital to lease a portion of the City building to the Hospital. The lease has an initial term of five years and payments are in monthly installments of \$6,533 or \$78,400 annually. Lease income from the Hospital was \$78,400 for the year ended September 30, 2010. Future lease income is expected to be \$78,400 for 2011, 2012, 2013 and 2014.

20. WASTEWATER SYSTEM IMPROVEMENTS

On December 1, 2010, subsequent to the end of the fiscal year, the City issued \$10,000,000 in 15-year revenue bonds at an interest rate ranging from 2 to 4 percent per annum. The bonds were sold at a net premium of \$188,618 and had bond issuance costs and fees of \$124,664. The bond proceeds will be used to increase the capacity of the wastewater treatment plant and to improve processes of the waste treatment plant.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2010

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Property Taxes	\$ 2,616,000	\$ 2,616,000	\$ 2,656,832	\$ 40,832
State Liquor Fund	74,900	74,900	74,914	14
State Sales Tax	885,500	885,500	874,040	(11,460)
Other State Funds	500	500	587	87
Federal Revenue	-	-	-	-
Other Grants and Donations	495,000	495,000	494,000	(1,000)
Licenses, Permits and Franchise Tax	515,800	515,800	462,507	(53,293)
Charges for Services	1,947,300	1,947,300	2,065,012	117,712
Interest Earned	23,100	23,100	128,992	105,892
Fines, Rent and Other Assessments	158,600	314,600	338,011	23,411
Sale of Property and Equipment	12,900	12,900	12,116	(784)
Miscellaneous	33,700	33,700	37,034	3,334
TOTAL REVENUES	6,763,300	6,919,300	7,144,045	224,745
EXPENDITURES:				
General and Administrative Operations	2,403,200	2,387,900	2,195,144	192,756
Public Safety Operations	3,074,000	3,074,000	3,036,670	37,330
Parks and Recreation	443,300	443,800	413,770	30,030
Principal on Bonds and Other Debt	-	-	-	-
Capital Improvements	134,200	159,800	182,988	(23,188)
Transfers	708,600	853,800	1,036,840	(183,040)
TOTAL EXPENDITURES	6,763,300	6,919,300	6,865,412	53,888
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	278,633	278,633
FUND BALANCE AT BEGINNING OF YEAR	-	-	1,860,147	1,860,147
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 2,138,780	\$ 2,138,780

See Independent Auditors' Report.

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
STREET FUND
Year Ended September 30, 2010

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
County Road Funds	\$ 530,000	\$ 530,000	\$ 483,471	\$ (46,529)
State Highway Users Fund	954,500	954,500	964,056	9,556
Other State Revenue	-	-	(1,634)	(1,634)
Other Grants and Donations	2,000,000	2,000,000	1,149,285	(850,715)
Federal Revenues	-	-	303,378	303,378
Licenses, Permits and Franchise Tax	465,800	465,800	467,192	1,392
Charges for Services	380,100	380,100	374,165	(5,935)
Fines, Rent and other Assessments	3,300	3,300	63,123	59,823
Sale of Property and Equipment	-	-	-	-
Transfers In-Internal	524,600	1,044,600	1,047,402	2,802
Contingency	(7,200)	392,800	-	(392,800)
Transfers In From Other Funds	-	-	367,978	367,978
TOTAL REVENUES	4,851,100	5,771,100	5,218,416	(552,684)
EXPENDITURES:				
Streets Maintenance	1,588,500	2,108,500	2,436,903	(328,403)
Capital Improvements	2,378,000	2,378,000	1,797,077	580,923
Contingency	-	-	-	-
Transfers Out-Internal	524,600	924,600	1,047,402	(122,802)
Transfers to Other Street Projects	360,000	360,000	74,281	285,719
TOTAL EXPENDITURES	4,851,100	5,771,100	5,355,663	415,437
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	(137,247)	(968,121)
FUND BALANCE AT BEGINNING OF YEAR	-	-	328,999	328,999
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 191,752	\$ (639,122)

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
EMERGENCY SERVICES FUND
Year Ended September 30, 2010

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Other County Revenues	\$ 897,900	\$ 897,900	\$ 885,510	\$ (12,390)
Federal Revenue	101,200	121,500	125,802	4,302
Charges for Services	-	-	2,721	2,721
Miscellaneous	-	2,700	5,090	2,390
Transfers	821,800	821,800	812,317	(9,483)
TOTAL REVENUES	1,820,900	1,843,900	1,831,440	(12,460)
EXPENDITURES:				
Public Safety Operations	1,745,500	1,739,000	1,701,862	37,138
Capital Improvements	75,400	104,900	129,578	(24,678)
TOTAL EXPENDITURES	1,820,900	1,843,900	1,831,440	12,460
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -	\$ -

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND
Year Ended September 30, 2010

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Interest Earned	\$ 95,000	\$ 95,000	\$ 25,852	\$ (69,148)
Fund Balance Carryover	-	283,000	-	-
Miscellaneous	2,000	2,000	-	(2,000)
TOTAL REVENUES	97,000	380,000	25,852	(71,148)
EXPENDITURES:				
General and Administrative	6,000	6,000	1,700	4,300
Contingency	91,000	91,000	-	91,000
Transfers	-	283,000	471,864	(188,864)
TOTAL EXPENDITURES	97,000	380,000	473,564	(93,564)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(447,712)	(164,712)
FUND BALANCE AT BEGINNING OF YEAR	-	-	2,130,570	2,130,570
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 1,682,858	\$ 1,965,858

OTHER SUPPLEMENTARY INFORMATION

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010

Fund Number	03	04	05	06	07	08	09
	Recreation Fund	Tabernacle Fund	Orchestra Fund	Business Park Fund	Police Impact Fee Fund	DARE Fund	Police Drug Enforcement Fund
ASSETS							
Cash and Short Term Investments	\$ 25,810	\$ 106,600	\$ 8,809	\$ -	\$ -	\$ 8,412	\$ 29,140
Receivables	-	500	-	-	1,589	-	-
TOTAL ASSETS	\$ 25,810	\$ 107,100	\$ 8,809	\$ -	\$ 1,589	\$ 8,412	\$ 29,140
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts Payable	\$ 7,524	\$ 15,750	\$ 731	\$ -	\$ -	\$ 1,565	\$ -
Deferred Revenue	1,203	-	-	-	-	-	-
Due to Other Funds	-	-	-	101,489	393,594	-	-
Other	-	1,425	-	-	-	-	-
TOTAL LIABILITIES	8,727	17,175	731	101,489	393,594	1,565	-
FUND BALANCES (DEFICIT):							
Reserved Fund Balances	17,083	89,925	8,078	(101,489)	(392,005)	6,847	29,140
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,810	\$ 107,100	\$ 8,809	\$ -	\$ 1,589	\$ 8,412	\$ 29,140

13	14	18	19	20	21	24	28	29	30	31
Police Small Grants Fund	Police Animal Control Fund	Joint Fire Equipment Fund	Madison County Fire Protection District Fund	Fire Impact Fee Fund	ESD Paid Call Fund	Legacy Flight Museum Fund	Community Development Fund	Geographic Information Systems Fund	Downtown Revitalization Fund	Beautification Committee Fund
\$ -	\$ 2,195	\$ 115,822	\$ 1,168,111	\$ -	\$ 20,199	\$ 34,538	\$ 367,750	\$ -	\$ 350,034	\$ 23,191
75,047	1,300	-	32,116	1,076	-	6,249	3,451	41,770	-	-
\$ 75,047	\$ 3,495	\$ 115,822	\$ 1,200,227	\$ 1,076	\$ 20,199	\$ 40,787	\$ 371,201	\$ 41,770	\$ 350,034	\$ 23,191
\$ 10,083	\$ 3,495	\$ -	\$ 36,078	\$ -	\$ 590	\$ 1,979	\$ 5,780	\$ 1,993	\$ -	\$ -
-	-	-	26,215	-	-	-	-	-	-	-
11,383	-	-	-	6,171	-	-	-	39,777	-	-
-	-	-	-	-	-	-	8,260	-	-	-
21,466	3,495	-	62,293	6,171	590	1,979	14,040	41,770	-	-
53,581	-	115,822	1,137,934	(5,095)	19,609	38,808	357,161	-	350,034	23,191
\$ 75,047	\$ 3,495	\$ 115,822	\$ 1,200,227	\$ 1,076	\$ 20,199	\$ 40,787	\$ 371,201	\$ 41,770	\$ 350,034	\$ 23,191

(Continued)

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2010

Fund Number	32	33	36	37	38	39	40
	City Hall Construction Fund	Street Impact Fee Fund	Arts Promulgation Fund	ESD Paramedic Care Unit Fund	Parks Impact Fee Fund	Trails of Madison County Fund	Romance Theatre Fund
ASSETS							
Cash and Short Term Investments	\$ 64,575	\$ -	\$ 81,470	\$ -	\$ 61,880	\$ -	\$ 9,378
Receivables	-	10,137	-	49,455	52,098	-	-
TOTAL ASSETS	\$ 64,575	\$ 10,137	\$ 81,470	\$ 49,455	\$ 113,978	\$ -	\$ 9,378
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts Payable	\$ 19,139	\$ -	\$ -	\$ 275	\$ -	\$ -	\$ 8,239
Deferred Revenue	-	-	-	-	-	-	-
Due to Other Funds	-	10,137	-	184,976	-	41	-
Other	-	-	-	-	-	-	1,395
TOTAL LIABILITIES	19,139	10,137	-	185,251	-	41	9,634
FUND BALANCES (DEFICIT):							
Reserved Fund Balances	45,436	-	81,470	(135,796)	113,978	(41)	(256)
TOTAL LIABILITIES AND FUND BALANCES	\$ 64,575	\$ 10,137	\$ 81,470	\$ 49,455	\$ 113,978	\$ -	\$ 9,378

41	45	47	53-58	59-79	80	81	85	90	93	Total
Riverside Park Fund	Mayor's Youth Advisory Board Fund	Airport Operation Fund	LID Construction Funds	LID Debt Service Funds	Farmer's Market Fund	Rexburg Arts Council Fund	Community Safety Lighting Fund	Veterans Memorial Fund	ESD Pipes & Drums Fund	Nonmajor Governmental Funds
\$ -	\$ 3,888	\$ -	\$ -	\$ -	\$ 3,676	\$ 1,157	\$ 129,285	\$ 13,647	\$ 159	\$ 2,629,726
1,177,286	-	200,499	-	1,005,591	-	-	-	-	-	2,658,164
\$ 1,177,286	\$ 3,888	\$ 200,499	\$ -	\$ 1,005,591	\$ 3,676	\$ 1,157	\$ 129,285	\$ 13,647	\$ 159	\$ 5,287,890
<hr/>										
\$ 800,493	\$ 852	\$ 11,733	\$ 88,636	\$ 36,798	\$ 157	\$ -	\$ 8,092	\$ -	\$ 54	\$ 1,060,036
-	-	-	-	986,378	-	-	-	-	-	1,013,796
534,726	-	200,974	105,668	271,481	-	-	-	-	-	1,860,417
-	-	-	-	-	-	-	-	-	-	11,080
1,335,219	852	212,707	194,304	1,294,657	157	-	8,092	-	54	3,945,329
(157,933)	3,036	(12,208)	(194,304)	(289,066)	3,519	1,157	121,193	13,647	105	1,342,561
\$ 1,177,286	\$ 3,888	\$ 200,499	\$ -	\$ 1,005,591	\$ 3,676	\$ 1,157	\$ 129,285	\$ 13,647	\$ 159	\$ 5,287,890

See Independent Auditors' Report

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2010

	03	04	05	06	07	08	09
	Recreation Fund	Tabernacle Fund	Orchestra Fund	Business Park Fund	Police Impact Fee Fund	DARE Fund	Police Drug Enforcement Fund
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and Contributions		90,543	174			17,675	
Fees and Charges	158,051	12,426			36,960		
Interest Earned							
Miscellaneous							27,162
TOTAL REVENUES	158,051	102,969	174	-	36,960	17,675	27,162
EXPENDITURES:							
General and Administrative				199			
Public Safety						13,573	11,993
Parks and Recreation	158,976	54,655	3,709				
Streets							
Interest on Debt					(2,016)		
Principal on Debt							
Capital Improvements	100	12,461			36,306		
TOTAL EXPENDITURES	159,076	67,116	3,709	199	34,290	13,573	11,993
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,025)	35,853	(3,535)	(199)	2,670	4,102	15,169
OTHER FINANCING SOURCES (USES):							
Proceeds from Borrowing							
Transfers In		54,072	3,500		150,000		
Transfers Out							
TOTAL OTHER FINANCING SOURCES (USES)	-	54,072	3,500	-	150,000	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,025)	89,925	(35)	(199)	152,670	4,102	15,169
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	18,108	-	8,113	(101,290)	(544,675)	2,745	13,971
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 17,083	\$ 89,925	\$ 8,078	\$ (101,489)	\$ (392,005)	\$ 6,847	\$ 29,140

13	14	18	19	20	21	24	28	29	30	31
Police Small Grants Fund	Police Animal Control Fund	Joint Fire Equipment Fund	Madison County Fire Protection District Fund	Fire Impact Fee Fund	ESD Paid Call Fund	Legacy Flight Museum Fund	Community Development Fund	Geographic Information Systems Fund	Downtown Revitalization Fund	Beautification Committee Fund
\$ -	\$ -	\$ -	\$ 565,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
117,125	522 8,995	2,325	168 6,209	23,822	(116)	7,294 40,061 47 9,250	708,349	324,328 152	-	250
117,125	9,517	2,325	572,160	23,822	(116)	56,652	708,349	324,480	-	250
40,978	66,002		250		3,859	34,135	680,307	320,785		
		(564)								
19,534	904	16,782	43,207		2,377	66,892	2,450	3,695		8,121
60,512	66,906	16,218	43,457	-	6,236	101,027	682,757	324,480	-	8,121
56,613	(57,389)	(13,893)	528,703	23,822	(6,352)	(44,375)	25,592	-	-	(7,871)
	57,389	150,000	(400,867)	(30,000)	(3,000)	6,249				10,000
-	57,389	150,000	(400,867)	(30,000)	(3,000)	6,249	-	-	-	10,000
56,613	-	136,107	127,836	(6,178)	(9,352)	(38,126)	25,592	-	-	2,129
(3,032)	-	(20,285)	1,010,098	1,083	28,961	76,934	331,569	-	350,034	21,062
\$ 53,581	\$ -	\$ 115,822	\$ 1,137,934	\$ (5,095)	\$ 19,609	\$ 38,808	\$ 357,161	\$ -	\$ 350,034	\$ 23,191

(Continued)

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2010

	32	33	36	37	38	39	40
	City Hall Construction Fund	Street Impact Fee Fund	Arts Promulgation Fund	ESD Paramedic Care Unit Fund	Parks Impact Fee Fund	Trails of Madison County Fund	Romance Theatre Fund
REVENUES:							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and Contributions	1,055,546				31,450	1,670	1,835
Fees and Charges	6,701	244,770	54,044	49,455	117,835		14,725
Interest Earned		864			3,122		
Miscellaneous	-	-	-	-	-	-	-
TOTAL REVENUES	1,062,247	245,634	54,044	49,455	152,407	1,670	16,560
EXPENDITURES:							
General and Administrative							
Public Safety				34,021			
Parks and Recreation							32,771
Streets							
Interest on Bonds and Other Debt				641			
Principal on Bonds and Other Debt							
Capital Improvements	371,467				31,501	3,464	8,224
TOTAL EXPENDITURES	371,467	-	-	34,662	31,501	3,464	40,995
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	690,780	245,634	54,044	14,793	120,906	(1,794)	(24,435)
OTHER FINANCING SOURCES (USES):							
Proceeds from Borrowing							
Transfers In	681,864					1,753	24,179
Transfers Out		(245,634)			(1,753)		
TOTAL OTHER FINANCING SOURCES (USES)	681,864	(245,634)	-	-	(1,753)	1,753	24,179
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,372,644	-	54,044	14,793	119,153	(41)	(256)
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	(1,327,208)	-	27,426	(150,589)	(5,175)	-	-
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ 45,436	\$ -	\$ 81,470	\$ (135,796)	\$ 113,978	\$ (41)	\$ (256)

41	45	47	53-58	59-79	80	81	85	90	93	Total
Riverside Park Fund	Mayor's Youth Advisory Board Fund	Airport Operation Fund	LID Construction Funds	LID Debt Service Funds	Farmer's Market Fund	Rexburg Arts Council Fund	Community Safety Lighting Fund	Veterans Memorial Fund	ESD Pipes & Drums Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 568,715
1,819,203	476	251,894 16,378	-	178,534 47,935	10,242	3,760 9,913	163,977	18,690	11,247 1,922	3,755,531 1,857,788 52,020 42,621
1,819,203	476	271,204	-	226,469	10,242	13,673	163,977	18,690	13,169	6,276,675
	1,088	13,510			8,591	12,740	67,693		16,064	1,015,889 186,740 305,577 67,693 42,867 211,000 3,149,402
1,928,376		258,131	309,283	44,799 211,000			7,367	18,760		4,979,168
1,928,376	1,088	271,648	309,283	255,799	8,591	12,740	75,060	18,760	16,064	4,979,168
(109,173)	(612)	(444)	(309,283)	(29,330)	1,651	933	88,917	(70)	(2,895)	1,297,507
			138,433	29,638 (226,132)					3,000	- 1,310,077 (907,386)
			138,433	(196,494)					3,000	402,691
(109,173)	(612)	(444)	(170,850)	(225,824)	1,651	933	88,917	(70)	105	1,700,198
(48,760)	3,648	(11,764)	(23,454)	(63,242)	1,868	224	32,276	13,717	-	(357,637)
\$ (157,933)	\$ 3,036	\$ (12,208)	\$ (194,304)	\$ (289,066)	\$ 3,519	\$ 1,157	\$ 121,193	\$ 13,647	\$ 105	\$ 1,342,561

See Independent Auditors' Report.

CITY OF REXBURG, IDAHO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2010

	Federal CFDA Number	Expenditures	Revenues Cash Basis
Department of Energy:			
Recovery Act-Energy Efficiency & Conservation Block Grant	81.128	\$ 87,318	\$ 123,200
U.S. Department of Juvenile Corrections:			
Pass Through the State of Idaho:			
Enforcing Underage Drinking Law Program	16.727	2,764	4,185
US Environmental Protection Agency:			
* Congressionally Mandated Projects (Design and Construction of Storm Water System)	66.202	107,157	107,157
Federal Aviation Administration:			
* Airport Improvement Program	20.106	245,659	50,807
Department of Transportation:			
Pass Through the State of Idaho:			
Highway Planning and Construction Program	20.205	9,786	201,334
State and Community Highway Safety Cluster:			
State and Community Highway Safety	20.600	7,425	8,813
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	6,199	7,934
Total Cluster		<u>13,624</u>	<u>16,747</u>
Total Department of Transportation		23,410	218,081
Department of Justice:			
Secure Our Schools Grant Program	16.710	3,995	21,833
Department of Homeland Security:			
Staffing Grant for Fire and Emergency Response	97.083	94,703	112,212
Department of the Interior:			
BLM Rural Fire Assistance Grant	15.242	<u>13,255</u>	<u>13,591</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 578,260</u>	<u>\$ 651,065</u>

* Major Program

CITY OF REXBURG, IDAHO
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2010

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



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

Honorable Mayor and City Council
City of Rexburg, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rexburg, Idaho, as of and for the year ended September 30, 2010, which collectively comprise the City of Rexburg Idaho's basic financial statements and have issued our report thereon dated February 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

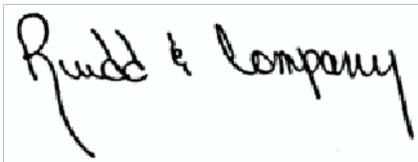
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

costs that we consider to be significant deficiencies in internal control over financial reporting. There was one finding, finding 2010-1 that is listed in the Schedule of Findings and Questioned Costs that was determined to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-1.

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

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

February 11, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2010. The City of Rexburg, Idaho's major federal programs are identified in the summary of auditor's 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 of 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, 2010.

Internal Control Over Compliance

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 and to test and report on internal control over

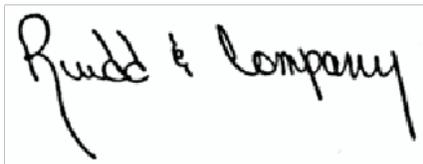
compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Rexburg, Idaho's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

February 11, 2011

CITY OF REXBURG, IDAHO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2010

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? Yes – See 2010-1

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? No

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>
66.202 20.106	Congressionally Mandated Projects 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

2010-1 Schedule of Expenditures of Federal Awards

Condition: For the 2009 audit, the City did not identify the expenditures of a grant as a federal grant for the schedule of expenditures of federal awards for 2009. The revised schedule required the City to have a single audit for 2009. This was not identified until the 2010 audit and a single audit was not performed for 2009 on a timely manner.

Criteria: Controls are in place to help the City identify grants it obtains during the year. They were not sufficient to identify the grant as a federal grant.

Effect: The City did not have a timely single audit for the year ended September 30, 2009.

Recommendation: Procedures should be implemented to specifically identify expenditures for grants and the types of grants along with the requirements for those grants.

Response: The City agrees with the findings and the recommended procedures have been implemented.

Section III – Federal Award Findings and Questioned Costs

None