



CITY OF
REXBURG
America's Family Community



CITY OF REXBURG, IDAHO

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2012

CITY OF REXBURG, IDAHO

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-18
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets – Government Wide.....	19
Statement of Activities – Government Wide	20
Balance Sheet – Governmental Funds	21
Reconciliation of the Balance Sheet of Governmental Funds to The Statement of Net Assets.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Net Assets – Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	26
Statement of Cash Flows--Proprietary Funds	27
Notes to Financial Statements:	
1 Summary of Significant Accounting Policies.....	28-33
2 Cash and Short-term Investments.....	33-35
3 Capital Assets.....	35-36
4 Revolving Loans Receivable	37-38
5 Property Taxes	38
6 Accrued Compensated Absences/Post Employment Health Plan.....	38-39
7 Health Reimbursement Account Plan (HRA)	39

CITY OF REXBURG, IDAHO

TABLE OF CONTENTS (Continued)

8	Local Improvement Assessments.....	40
9	Local Improvement District Warrants Payable.....	40
10	Wastewater Revenue Bonds Payable	41
11	Obligations Under Capital Leases	41
12	Changes in Long-term Obligations	42
13	Bonded Debt Repayment Requirements	43
14	Retirement Plans.....	43-44
15	Other Required Individual Fund Disclosures	45
16	Component Unit--Rexburg Urban Renewal Agency	46-47
17	Interfund Transactions.....	48-50
18	Segment Information	50-51
19	Lease with Hospital	52
20	Fund Balances.....	52-54
21	Fund Balance Classifications.....	54

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule – General Fund.....	55
Budgetary Comparison Schedule – Street Fund.....	56
Budgetary Comparison Schedule – Emergency Services Fund.....	57
Budgetary Comparison Schedule – Revolving Loan Fund.....	58

SUPPLEMENTARY INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds	59-62
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	63-66

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	67-68
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Rexburg, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rexburg, Idaho as of and for the year ended September 30, 2012, 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 negative fund balances as unassigned fund balances in the City's financial statements as outlined in footnote 22. Accounting principles generally accepted in the United States of America require all negative fund balances be classified as unassigned funds in the governmental funds statements. The City's management feels that it is more consistent and useful to show negative fund balances in the appropriate fund type.

In our opinion, except for not classifying negative fund balances as unassigned funds as stated in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rexburg, Idaho as of September 30, 2012, 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.

Mayor and City Council
City of Rexburg, Idaho

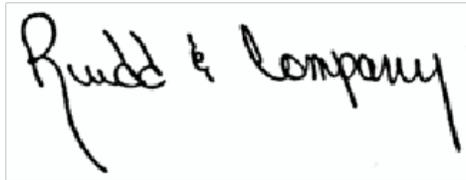
In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of the City of Rexburg, Idaho's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 4 through 18 and 55 through 58 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rexburg, Idaho's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate 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.

Mayor and City Council
City of Rexburg, Idaho

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A rectangular box containing a handwritten signature in black ink. The signature reads "Rudd & Company" in a cursive, slightly slanted script.

February 15, 2013



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, 2012. Please read this in conjunction with the City's financial statements, which begin on page 19.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at September 30, 2012 by \$81,148,688.

- Of this amount, \$2,765,418 of unrestricted net assets and \$16,065,042 of restricted assets is available to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased \$2,738,311 as a result of this year's operations, which included an increase of governmental type net assets by \$1,198,843 and of business-type net assets by \$1,539,468.
- At fiscal year end, the City's governmental funds reported combined ending fund balances of \$5,861,471, an increase of \$324,635 from last year.
- The General Fund Balance was \$2,687,329 or 35.14% of the total General Fund Expenditures and Fund Transfers. This is an 8% increase over the prior year. Of this balance, \$74,000 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 59 to 66 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 62 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, 2012 and September 30, 2011, Net Assets changed as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>All Activities</u>
Net Assets 9/30/11	\$ 46,654,571	\$ 31,755,806	\$ 78,410,377
Increase in Net Assets	\$ 1,198,843	\$ 1,539,468	\$ 2,738,311
Net Assets 9/30/12	\$ 47,853,414	\$ 33,295,274	\$ 81,148,688
Percent Increase	2.6%	4.8%	3.5%

Large item increases came from:

Purchase of new Patrol vehicles/equipment (3)	\$ 107,925
Window replacement project-Tabernacle	\$ 94,231
Purchase of new garbage truck	\$ 203,728
Recycling baler	\$ 84,434
Purchase of bins for new recycle program	\$ 100,247
New Traffic Signals Project-Main Street	\$ 631,387
New Well Drilling/Construction	\$ 265,485
Seal coat and Chip Seal Street Projects	\$ 224,972
Reconstruction of North 2 nd East	\$ 341,450
Widen 7 th S. Street from 5 th W. to 4 th W./Widen Bridge	\$ 541,278
New Water Line on 5 th S. from 1 W. to 2 W.	\$ 93,290
Pressure sewer Line-7 th S to Plant-phase 2	\$ 491,038
Wastewater Plant improvements	\$ 1,179,059
Reconstruct Valley River Drive	\$ 111,474
Reconstruct 2 nd S. from 1 st E. to 3 rd E.	\$ 240,311
Reconstruct 3 rd E. from 3 rd S. to 4 th S.	\$ 194,560
Reconstruct 4 th S. from 3 rd E. to Harvard	\$ 77,181
Reconstruct 1 st E. from 2 nd N. to Valley River Drive	\$ 345,377

Also, see Note #3 on page 35 to 36.

Statement of Net Assets Comparison (2012 vs. 2011)

	Governmental Activities		Business-type Activities		Total Activities		Favorable (Unfavorable) Change	Percent Change	
	2012	2011	2012	2011	2012	2011			
Current Assets	\$ 8,100,389	\$ 6,943,108	\$ 13,298,808	\$ 14,187,511	\$ 21,399,197	\$ 21,130,619	\$ 268,578	1%	(1)
Capital and Other									
Non-current	42,427,417	41,956,819	29,639,643	28,148,735	72,067,060	70,105,554	1,961,506	3%	(2)
Total Assets	50,527,806	48,899,927	42,938,451	42,336,246	93,466,257	91,236,173	2,230,084	2%	
Current Liabilities	2,074,392	1,805,356	1,313,177	1,685,440	3,387,569	3,490,796	103,227	3%	
Noncurrent									
Liabilities	600,000	440,000	8,330,000	8,895,000	8,930,000	9,335,000	405,000	4%	(3)
Total liabilities	2,674,392	2,245,356	9,643,177	10,580,440	12,317,569	12,825,796	508,227	4%	
Net Assets:									
Capital Assets, Net of									
Related Debt	41,835,826	40,927,886	20,482,402	18,690,968	62,318,228	59,618,854	2,699,374	5%	(4)
Restricted	3,252,170	1,940,852	12,812,872	13,064,838	16,065,042	15,005,690	1,059,352	7%	
Unassigned	2,765,418	3,785,833	-	-	2,765,418	3,785,833	(1,020,415)	-27%	(5)
Total									
Net Assets	\$ 47,853,414	\$ 46,654,571	\$ 33,295,274	\$ 31,755,806	\$ 81,148,688	\$ 78,410,377	\$ 2,738,311	3%	

Notes to Statement of Net Assets Comparison

- (1) This slight increase in Governmental current assets is mostly in the General Fund and LIDs.
The decrease in Business-type current assets is due to expenditures in construction at the Wastewater Treatment Plant.
- (2) The increase in capital assets was mainly due to improvements made to the sewer treatment plant.
- (3) The major part of this decrease is in the payoff of sewer and LID bonds or warrants.
- (4) This increase in net capital assets is due to sewer plant construction and bond payments.
- (5) This decrease is largely due to purchases of fixed assets.

Because the City has not been required by the Governmental Accounting Standards Board (GASB) 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, 2012, is as follows:

	Long-Term Obligations September 30, 2011	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2012
Accrued Compensated Absences (Note 6)	\$ 322,600	\$ 33,356	\$ --	\$ 355,956

Local Improvement District Warrants Payable (Note 9)	557,500	275,000	(117,500)	715,000
Wastewater Revenue Bonds Payable (Note 10)	9,450,000	--	(555,000)	8,895,000
Obligations Under Capital Leases (Note 11)	34,545	--	(34,545)	-
	<u>\$ 10,364,645</u>	<u>\$ 308,355</u>	<u>\$ (707,045)</u>	<u>\$ 9,965,955</u>

There are currently no outstanding General Obligation Bonds.

Governmental Activities

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

The City strives to maintain a total general fund committed fund balance equal to a minimum of 25%, or greater, of general fund budgeted expenditures for the last ended fiscal year for the necessary cash flow, for unforeseen emergencies, and to mitigate current and future risks.

General and Administrative

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

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

Public Safety

(Police and Emergency Services)

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

Parks, Recreation and Cultural Arts

The Parks Department is mostly funded by General Revenues. Only about \$9,500 is taken in as parks reservation fees. The Recreation Administrative expenses are heavily subsidized by General Revenues, while the Recreation Programs are intended to be self-sufficient. The operations of the new water park Rexburg Rapids is self-sufficient. Cultural Arts includes the Tabernacle Civic Center and Teton Flood Museum, the Legacy Flight Museum, the Westwood (Romance) Theater, the Rexburg Orchestra and the Rexburg Arts Council. The Cultural Arts Funds are also heavily subsidized by general revenues and taxes.

Streets

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

Statement of Changes in Net Assets (2012 vs. 2011)

	Governmental		Business-type		Total		Favorable (Unfavorable) Change	Percent Change	
	Activities	Activities	Activities	Activities	2012	2011			
	2012	2011	2012	2011	2012	2011			
Revenues:									
Program Revenues:									
Charges for Services & Taxes									
General &									
Administrative	3,343,637	2,645,105			3,343,637	2,645,105	698,532	26%	(1)
Public Safety	2,087,507	1,280,637			2,087,507	1,280,637	806,870	63%	(2)
Parks, Rec. &									
Cultural Arts	646,801	615,752			646,801	615,752	31,049	5%	
Streets	2,624,036	2,650,683			2,624,036	2,650,683	(26,647)	-1%	
Water			2,254,939	2,029,599	2,254,939	2,029,599	225,340	11%	(3)
Waste Water			3,554,530	3,359,475	3,554,530	3,359,475	195,055	6%	
Sanitation			1,616,875	1,595,037	1,616,875	1,595,037	21,838	1%	
Golf Courses			408,501	401,188	408,501	401,188	7,313	2%	
Total	8,701,981	7,192,177	7,834,845	7,385,299	16,536,826	14,577,476	1,959,350	13%	
Operating Grants and Contributions									
General &									
Administrative	382,241	453,145			382,241	453,145	(70,904)	-16%	(4)
Public Safety	1,667,029	1,569,443			1,667,029	1,569,443	97,586	6%	
Parks, Rec. &									
Cultural Arts	104,987	111,559			104,987	111,559	(6,572)	-6%	
Streets									
Total	2,154,257	2,134,147			2,154,257	2,134,147	20,110	1%	
Capital Grants & Contributions									
General &									
Administrative	211,500	(94,786)			211,500	(94,786)	306,286		(5)
Public Safety	232,014	302,868			232,014	302,868	(70,854)	-23%	(6)
Parks, Rec. &									
Cultural Arts	284,995	4,387,620			284,995	4,387,620	(4,102,625)	-94%	(7)
Streets	694,804	1,481,013			694,804	1,481,013	(786,209)	-53%	(8)
Water			210,599	190,153	210,599	190,153	20,446	11%	(9)
Waste Water			488,639	921,485	488,639	921,485	(432,846)	-47%	(10)
Golf Courses									
Total	1,423,313	6,076,715	699,238	1,111,638	2,122,551	7,188,353	(5,065,802)	-70%	
General Revenues:									
Property Taxes	2,940,113	2,729,424			2,940,113	2,729,424	210,689	8%	
Franchise Fees	433,924	462,643			433,924	462,643	(28,719)	-6%	
State Taxes	1,010,458	1,017,682			1,010,458	1,017,682	(7,224)	-1%	
Investment									
Earnings	144,396	220,222	90,891	91,822	235,287	312,044	(76,757)	-25%	(11)
Miscellaneous	25,965	40,648			25,965	40,648	(14,683)	-36%	
Total	4,554,856	4,470,619	90,891	91,822	4,645,747	4,562,441	83,306	2%	
Total Revenues	16,834,407	19,873,658	8,624,974	8,588,759	25,459,381	28,462,417	(3,003,036)	-11%	

Statement of Changes in Net Assets (2012 vs. 2011)

	Governmental		Business-type		Total		Favorable (Unfavorable) Change	Percent Change
	Activities	Activities	Activities	Activities	2012	2011		
	2012	2011	2012	2011	2012	2011		
Expenses:								
General &								
Administrative	4,276,263	3,856,197			4,276,263	3,856,197	(420,066)	-11% (12)
Public Safety	6,478,765	6,004,750			6,478,765	6,004,750	(474,015)	-8%
Parks, Rec. & Arts	1,623,991	1,538,752			1,623,991	1,538,752	(85,239)	-6%
Streets	3,256,545	3,164,166			3,256,545	3,164,166	(92,379)	-3%
Water			1,742,730	1,661,379	1,742,730	1,661,379	(81,351)	-5%
Waste Water			3,350,367	3,204,326	3,350,367	3,204,326	(146,041)	-5%
Sanitation			1,554,746	1,483,274	1,554,746	1,483,274	(71,472)	-5%
Golf Course	-	-	437,663	419,351	437,663	419,351	(18,312)	-4%
Total Expenses	15,635,564	14,563,865	7,085,506	6,768,330	22,721,070	21,332,195	(1,388,875)	-7%
Increase in								
Net Assets	1,198,843	5,309,793	1,539,468	1,820,429	2,738,311	7,130,222	(4,391,911)	-62%
Net Assets -Beginning	46,654,571	41,344,778	31,755,806	29,935,377	78,410,377	71,280,155	7,130,222	10%
Net Assets -Ending	47,853,414	46,654,571	33,295,274	31,755,806	81,148,688	78,410,377	2,738,311	3%

Notes to Statement of Changes in Net Assets

- (1) Increases in many different accounts
- (2) Large increases in Emergency Services wild land fire suppression support
- (3) Rate increase to cover additional maintenance costs and bond payback.
- (4) Reduction in Animal Control spay/neuter grant
- (5) LID activity increases
- (6) Reduction in number of small grants
- (7) Reduction in construction reimbursements from Rexburg Urban Renewal Agency
- (8) Reduction in new streets contributed
- (9) Slight increase in new water line construction
- (10) Reduction in sewer plant construction paid by bond moneys
- (11) Decreased cash reserves due to construction projects
- (12) LID activity increases

Business-type Activities

Utility Fund

The Utility Departments include the Sanitation, Water, and Waste Water departments. The City maintains separate Capital Reserve Funds for Water and Wastewater that are funded through hook-up fees and used for large construction projects to expand capacity. In 2010 the City started a project to expand the Wastewater Treatment plant and wastewater lines to increase capacity and to also address some other maintenance concerns at the existing plant, which work has continued through 2012. In order to pay for the construction maintenance upgrades and expansion of the plant, the city secured a revenue bond of 10 million dollars on December 8, 2010, which will be paid back with capital reserve funds and increases in utility fees which took effect on October 1, 2010, 2011, and 2012.

The utility funds, which include utility operations, water capital reserve, sewer capital reserve, water well construction, sewer/water line extension, and the sewer plant construction funds, decreased in cash by \$992,808, ending the year with a balance of \$11,913,171 in cash.

The City of Rexburg provides wastewater treatment services to the City of Sugar City and the City of Teton at a per gallon charge that includes operating costs. Both cities have provided their share of capital up front through the payment of capitalization fees that reserve certain amounts of capacity for their usage. Those two cities together provide about 8.3% of the total monthly billed revenue for the wastewater department.

Sewer rates were last increased on October 1, 2012. Water rates were last increased on October 1, 2012. Sanitation rates were last increased on October 1, 2009.

In 2012, the City also began to provide curb-side pickup for recycling to single family residents at no additional cost to the customer. The Recycling Program is a joint effort with Brigham Young University Idaho. We are also in the process of implementing curb-side pickup for recycling to commercial and multi-family users.

Golf Fund

The golf courses, Teton Lakes of 27 holes and the Municipal Course of 9 holes, are jointly owned and managed by the City of Rexburg and Madison County. Their governing boards appoint a Golf Board consisting of 6 citizens and a member of each of the governing boards acts as a liaison to the Board. At the end of the fiscal year, together, the Golf Fund and Golf Construction Fund had a cash deficit of \$515,126, which was covered by a loan from the City, half of which is guaranteed by the County. An additional \$18,483 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, unassigned 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 55) increased by \$199,697 during the year, mainly due to the receipt of higher actual revenues and lower actual expenditures than budgeted.

The Street Funds' Balances (see page 56) decreased by \$637,846, leaving a fund balance carryover of \$140,991. That fund balance is reserved for street expenditures and is already allocated to ongoing street projects.

The Emergency Services Fund (see page 57) 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.

Police, Fire, Parks and Street Development Impact Fees were collected in the amounts of \$26,025, \$25,245, \$202,895, and \$253,732 respectively, totaling \$507,897 for capital improvements in those departments.

The Joint Fire Equipment Fund has a positive fund balance of \$463,045, which comes from contributions by the City and the Madison County Fire Protection District. These funds are for future purchases of fire equipment.

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

Proprietary Funds

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

The Utility Operations Fund (Fund 25) includes the Sanitation, Water and Wastewater Departments. This fund ended the year with net income of \$2,836,773, of which \$2,141,926 was due to contributed assets. The Utility Operations Fund increased in cash by \$1,271,897 ending the year with a balance of \$5,462,263 in cash and investments.

The Golf Course Fund (Operations Fund) had net loss for the year of (\$49,567) after transferring \$18,483 to the Golf Course Construction Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

Total Budget of Revenues	\$ 7,820,500
Budgeted Cash Carryover (Deficit)	\$ 13,600
Budgeted Revenues Expected Net of Carryover	\$ 7,806,900

Actual Revenues received	\$ 7,847,627
Surplus (Deficit) of Revenues vs. Budget	\$ 40,727

Expenditures

Total Budget of Expenditures	\$ 7,820,500
Actual Expenditures	\$ 7,674,966
Under (Over) Budget	\$ 145,534

Net Revenues over Expenditures	\$ 172,661
--------------------------------	------------

However, some individual accounts showed variations that are notable:

Significant Revenues Overage (Shortage)

Franchise Fees- Intermountain Gas	\$ (23,568)
Federal Grants	\$ 28,004
Sales & Liquor Taxes	\$ (12,042)

Fines-Parking	\$ (44,198)
Fines-Court	\$ (12,708)
Interest Earnings	\$ 38,399
Sale of Police Cars/Equipment	\$ 11,300
Contributed Assets	\$ 39,000
Engineering Charges	\$ 12,282
Shop Charges	\$ (28,057)

Significant Expenditures (Over Budget) Under Budget

Economic Development	\$ 23,716
Customer Service	\$ 13,232
Engineering	\$ 52,337
Shop	\$ 44,809
Parks	\$ 58,744
Transfer to zero Airport Deficit	\$ (13,874)
Police Impact Fee Subsidy	\$ (50,000)
Charges for Services-Planning and Zoning	\$ (20,474)
Romance Theatre Subsidy	\$ 21,400
Tabernacle Subsidy	\$ (11,441)
Joint Fire Operations Subsidy	\$ 31,292

STREET FUND BUDGETARY HIGHLIGHTS

Revenues

Total Budget of Revenues	\$ 6,417,100
Actual Revenues received	\$ 4,254,961
Surplus (Deficit) of Revenues vs. Budget	\$(2,162,139)

Expenditures

Total Budget of Expenditures	\$ 6,417,100
Actual Expenditures	\$ 4,892,807
Surplus (Deficit) of Expenses vs. Budget	\$ 1,524,293
Excess (Deficiency) of Revenues vs. Expenses	\$ (637,846)

Fund Balance

Beginning Fund Balance	\$ 778,837
Ending Fund Balance	\$ 140,991

However, some individual accounts showed variations that are notable:

Significant Revenues Overage (Shortage)

State Highway Users Distributions (Gas Tax)*	\$ (109,706)
County Road & Bridge	\$ 51,751
Contributed Capital (new finished streets)	\$ (1,981,520)
Franchise Fees & Right of Way Fees	\$ 66,092
Interest Income	\$ 26,939
Beautification Fund Transfer In (closed fund)	\$ 63,054
Development Impact Fee Fund Transfers In	\$ (146,268)

Significant Expenditures (Over Budget) Under Budget

Street Maintenance	\$ 874,338
Capital Improvements	\$ 1,623,213
Transfers Out-Internal	\$ (318,419)
Transfers to Other Street Projects	\$ (663,839)

*significant decline caused by a reduction of population from the 2010 Census Count. The gas taxes are distributed 100% based on population.

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. In 2012 the ESD Department utilized ambulance and fire equipment on site at various wild land fires throughout the state and west. For the use of this equipment, the ESD fund received a total of \$ \$122,509 in equipment reimbursement revenues that helped reduce the shared costs needed by the three entities that fund the ESD operations.

The Madison Ambulance District paid approximately 49% of the costs during the past fiscal year. The City and the Madison Fire District each paid about 30% and 21% respectively.

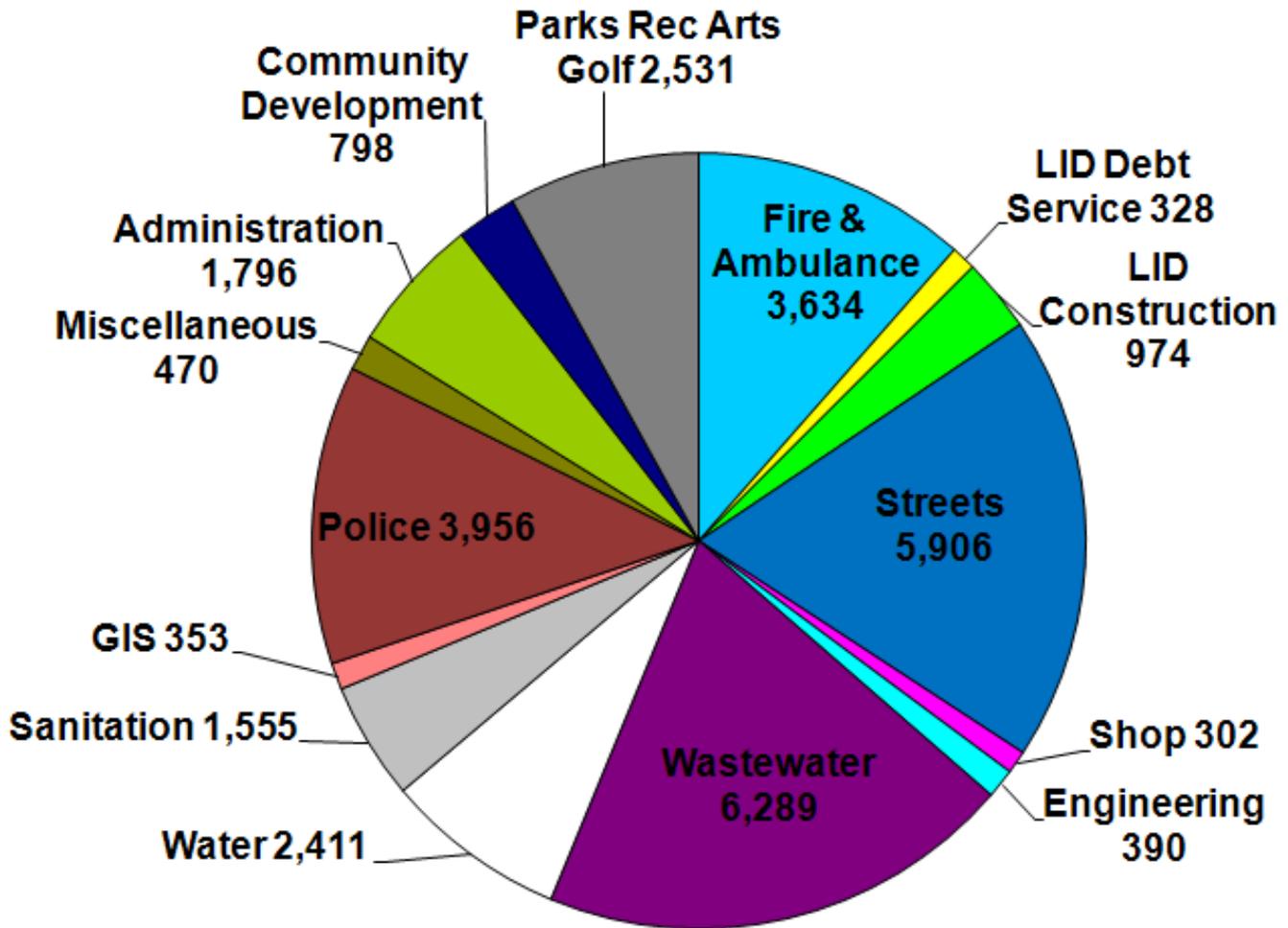
ESD Fund Revenues and Expenses were both about \$46,000 under budget – both because this fund is usually zeroed out at the end of the year and any savings or overruns are shared by the three entities immediately. The City's share of expenses was \$570,408 of a \$601,700 budget, or \$31,292 under budget.

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.

Actual Total Expense

FY 2012 Total: \$31,692,018 (below in thousands)

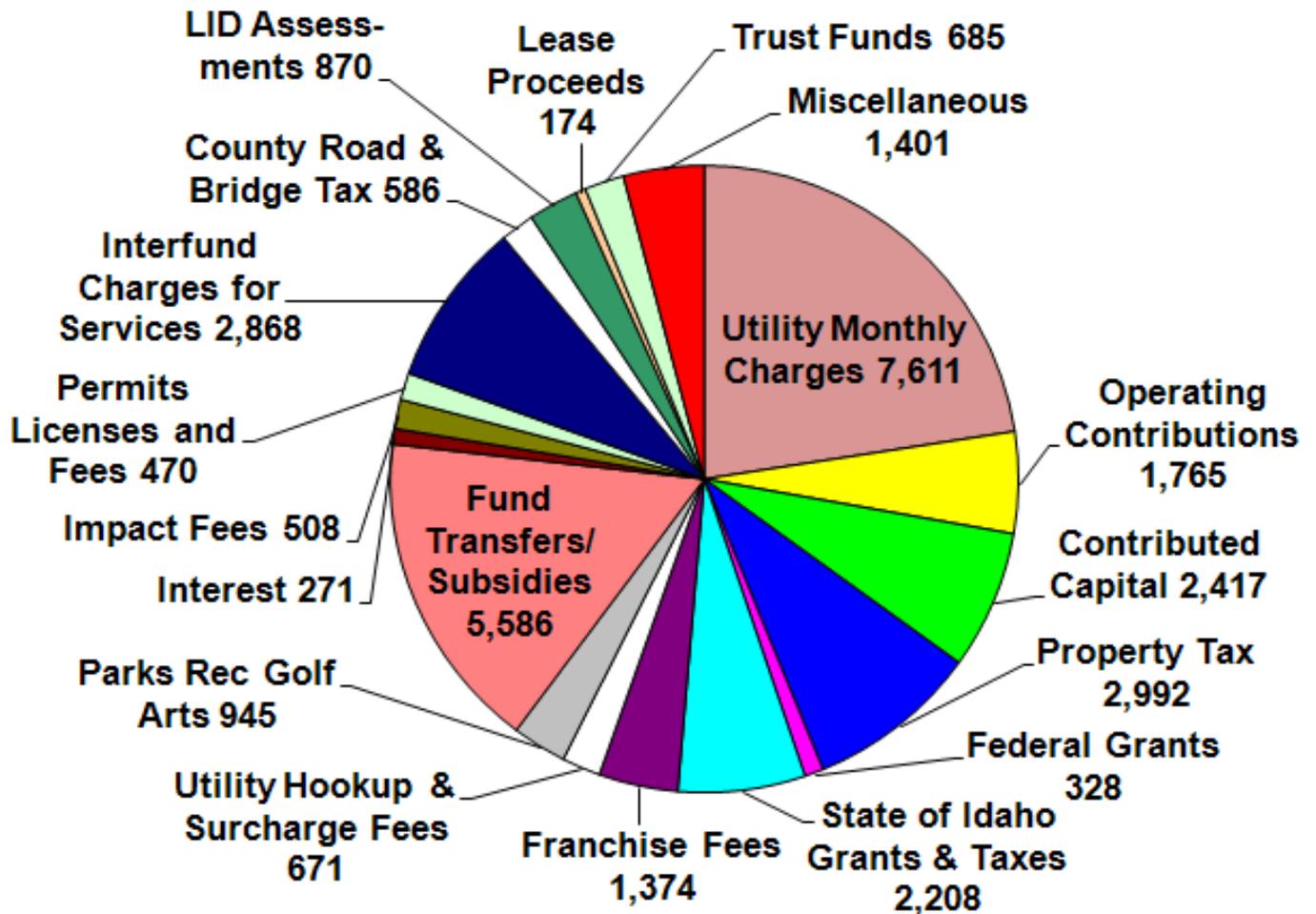


The Total Expense Budget pie chart shows the relative size of the departments or categories of expense budgets. Each Total Expense category includes both operating expense and capital purchase expense. Operating Expense does not include capital expense and is the amount needed to fund the day to day 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.

Actual Total Revenue

FY 2012 Total: \$33,729,714 (below in thousands)

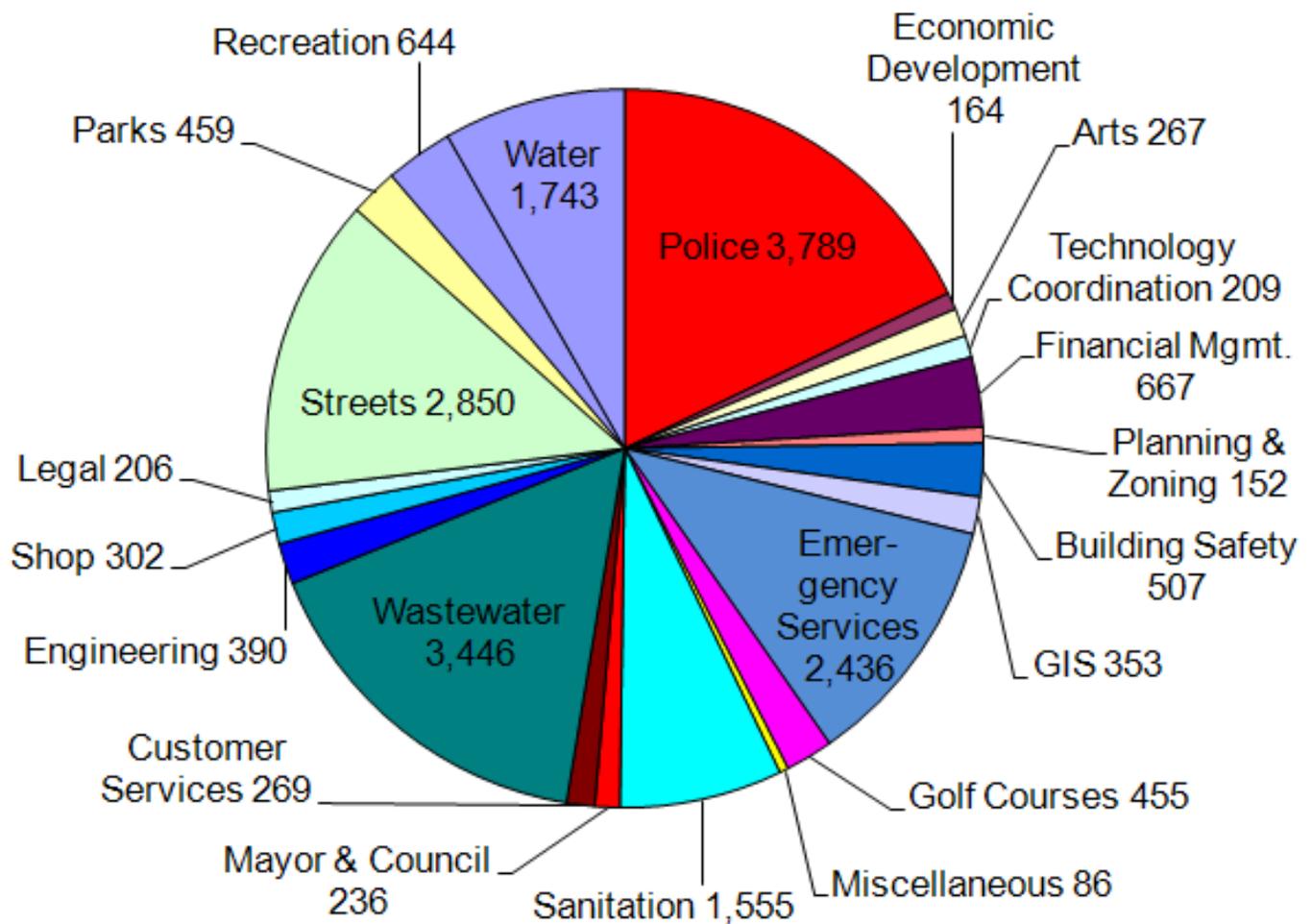


The Total Revenue Budget pie chart shows the relative size of the categories of revenue budget by source. Total Revenue categories include both operating revenue and revenue that is restricted to capital purchases. Operating Revenue does not include revenue reserved for capital purchases and is the amount 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 2012 Total \$21,184,504 (Chart in thousands)

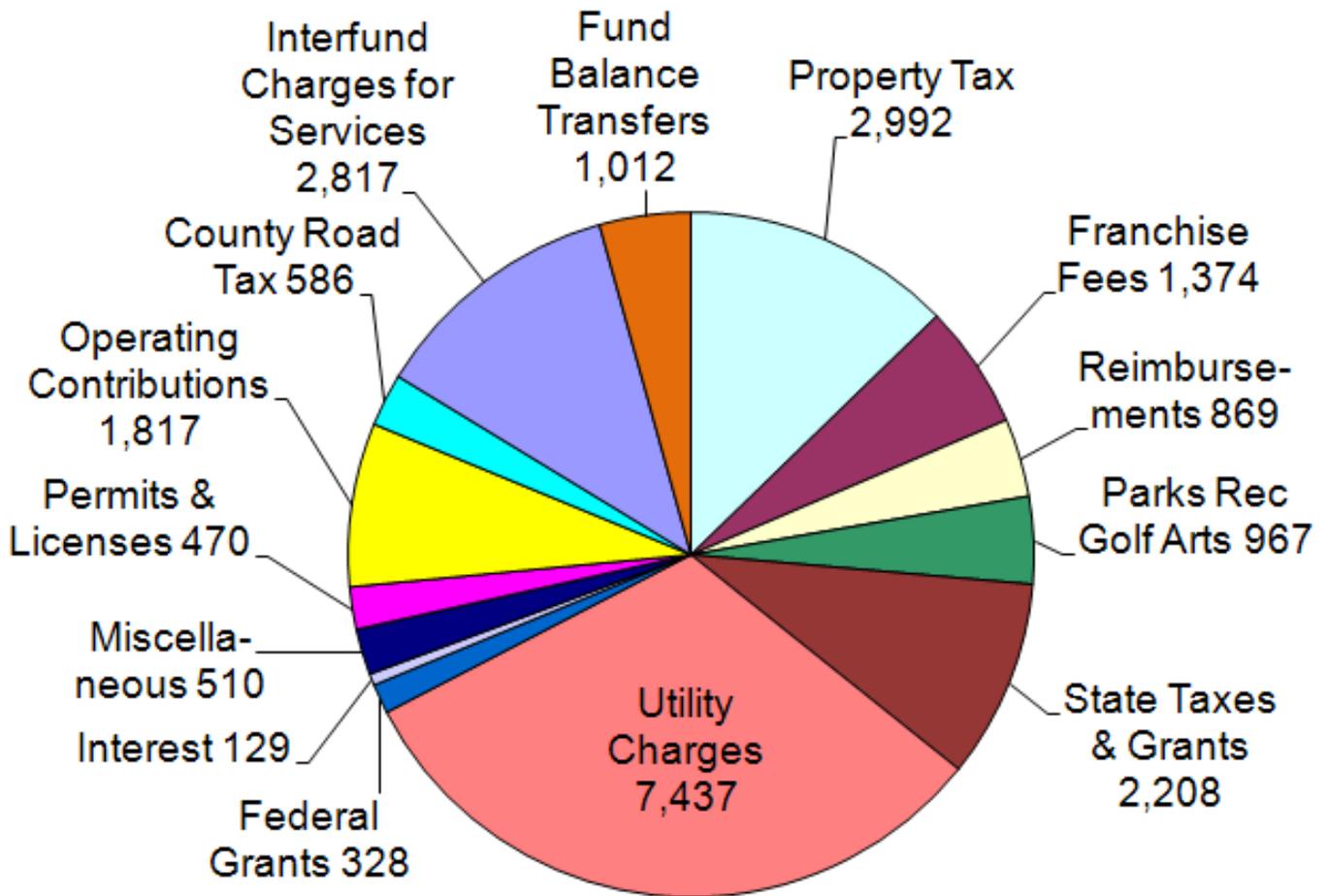


The Operating Expense Budget pie chart shows the relative size of the departments or categories of operating expense budgets. Operating Expense does not include capital expense and is the amount needed to fund the day to day operations of the City.

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 2012 \$23,515,589 (chart is in thousands)



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, 2012

	Primary Government			Component Unit (Rexburg Urban Renewal Agency)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets:				
Cash and Short-term Investments	\$ 4,120,689	\$ 11,913,171	\$ 16,033,860	\$ 2,235,193
Receivables	3,950,051	1,385,637	5,335,688	-
Supplies	29,649	-	29,649	-
Due from Other Funds	-	-	-	-
Total Current Assets	8,100,389	13,298,808	21,399,197	2,235,193
Noncurrent Assets:				
Revolving Loan Receivable	591,591	-	591,591	-
Bond Issuance Costs	-	-	-	32,574
Capital Assets:				
Capital Assets	58,567,511	44,410,440	102,977,951	830,872
Accumulated Depreciation	(16,731,685)	(14,770,797)	(31,502,482)	-
Net Capital Assets	41,835,826	29,639,643	71,475,469	830,872
Total Noncurrent Assets	42,427,417	29,639,643	72,067,060	863,446
TOTAL ASSETS	50,527,806	42,938,451	93,466,257	3,098,639
LIABILITIES:				
Current Liabilities:				
Accounts Payable	1,612,861	369,473	1,982,334	-
Accrued Compensated Absences	308,462	47,494	355,956	-
Accrued Interest Payable	20,644	7,311	27,955	-
Bond Premium	-	254,929	254,929	-
Other	17,425	68,970	86,395	-
Current Portion of Long-term Obligations	115,000	565,000	680,000	306,000
Total Current Liabilities	2,074,392	1,313,177	3,387,569	306,000
Noncurrent Liabilities:				
Noncurrent Portion of Long-term Obligations	600,000	8,330,000	8,930,000	3,820,000
TOTAL LIABILITIES	2,674,392	9,643,177	12,317,569	4,126,000
NET ASSETS (DEFICIT):				
Invested In Capital Assets, Net of Related Debt	41,835,826	20,482,402	62,318,228	830,872
Restricted for:				
Capital projects	1,707,629	6,707,480	8,415,109	-
Debt service	(101,507)	-	(101,507)	-
Intergovernmental Agreement	1,405,899	103,833	1,509,732	-
Other purposes	240,149	6,001,559	6,241,708	-
Unrestricted	2,765,418	-	2,765,418	(1,858,233)
TOTAL NET ASSETS	\$ 47,853,414	\$ 33,295,274	\$ 81,148,688	\$ (1,027,361)

The Accompanying Notes are an Integral Part of the Financial Statements

CITY OF REXBURG, IDAHO
STATEMENT OF ACTIVITIES
 GOVERNMENT WIDE
 Year Ended September 30, 2012

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	\$ 4,276,263	\$ 3,343,637	\$ 382,241	\$ 211,500	\$ (338,885)
Public Safety	6,478,765	2,087,507	1,667,029	232,014	(2,492,215)
Parks, Recreation and Arts	1,623,991	646,801	104,987	284,995	(587,208)
Streets	3,256,545	2,624,036	-	694,804	62,295
Total Governmental Activities	15,635,564	8,701,981	2,154,257	1,423,313	(3,356,013)
GENERAL REVENUES:					
Property Taxes Levied for General Purposes	-	2,940,113	-	-	2,940,113
Franchise Fees	-	433,924	-	-	433,924
State Taxes	-	1,010,458	-	-	1,010,458
Investment Earnings	-	144,396	-	-	144,396
Miscellaneous	-	25,965	-	-	25,965
Total General Revenue	-	4,554,856	-	-	4,554,856
Total Governmental Activities					1,198,843
NET GOVERNMENTAL ASSETS - BEGINNING BALANCE					46,654,571
NET GOVERNMENTAL ASSETS - ENDING BALANCE					\$ 47,853,414
BUSINESS-TYPE ACTIVITIES					
Water	\$ 1,742,730	\$ 2,254,939	\$ -	\$ 210,599	\$ 722,808
Waste Water	3,350,367	3,554,530	-	488,639	692,802
Sanitation	1,554,746	1,616,875	-	-	62,129
Golf Course	437,663	408,501	-	-	(29,162)
Total Business-type Activities	7,085,506	7,834,845	-	699,238	1,448,577
GENERAL REVENUES:					
Investment Earnings	-	90,891	-	-	90,891
Total Business Type Activities					1,539,468
NET BUSINESS-TYPE ASSETS - BEGINNING BALANCE					31,755,806
NET BUSINESS-TYPE ASSETS - ENDING BALANCE					\$ 33,295,274
TOTAL PRIMARY GOVERNMENT	\$ 22,721,070	\$ 21,182,573	\$ 2,154,257	\$ 2,122,551	\$ 2,738,311
TOTAL PRIMARY GOVERNMENT NET ASSETS - BEGINNING BALANCE					78,410,377
TOTAL PRIMARY GOVERNMENT NET ASSETS - ENDING BALANCE					\$ 81,148,688
COMPONENT UNIT (REXBURG URBAN RENEWAL AGENCY):					
General and Administrative	\$ 13,821	\$ -	\$ -	\$ -	\$ (13,821)
Construction	342,048	-	-	-	(342,048)
Interest & Amortization Expense	191,936	-	-	-	(191,936)
Total Component Units	\$ 547,805	\$ -	\$ -	\$ -	(547,805)
GENERAL REVENUES:					
Property taxes levied for general purposes					1,496,632
Investment Earnings					3,093
Total General Revenue					1,499,725
TOTAL COMPONENT UNIT ACTIVITIES					951,920
TOTAL COMPONENT UNIT - BEGINNING BALANCE					(1,979,281)
TOTAL COMPONENT UNIT - ENDING BALANCE					\$ (1,027,361)

The Accompanying Notes are an Integral Part of the Financial Statements

CITY OF REXBURG, IDAHO
BALANCE SHEET
 GOVERNMENTAL FUNDS
 September 30, 2012

ASSETS	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
Cash and Short Term Investments	\$ 782,193	\$ -	\$ 11,402	\$ 713,105	\$ 2,613,989	\$ 4,120,689
Receivables	528,515	917,777	138,096	591,591	2,365,663	4,541,642
Inventory	29,649	-	-	-	-	29,649
Due from Other Funds	2,376,937	-	-	-	-	2,376,937
TOTAL ASSETS	\$ 3,717,294	\$ 917,777	\$ 149,498	\$ 1,304,696	\$ 4,979,652	\$ 11,068,917
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts Payable	\$ 908,584	\$ 242,558	\$ 149,498	\$ 85,000	\$ 227,212	\$ 1,612,852
Deferred Revenue	113,380	-	-	-	1,086,850	1,200,230
Due to Other Funds	-	528,827	-	-	1,848,110	2,376,937
Other	8,001	5,401	-	-	4,025	17,427
TOTAL LIABILITIES	1,029,965	776,786	149,498	85,000	3,166,197	5,207,446
FUND BALANCES:						
Nonspendable	29,649	-	-	-	-	29,649
Restricted	-	140,991	-	-	1,189,898	1,330,889
Committed	1,955,125	-	-	1,219,696	623,557	3,798,378
Assigned	-	-	-	-	-	-
Unassigned	702,555	-	-	-	-	702,555
TOTAL FUND BALANCES	2,687,329	140,991	-	1,219,696	1,813,455	5,861,471
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,717,294	\$ 917,777	\$ 149,498	\$ 1,304,696	\$ 4,979,652	\$ 11,068,917

The Accompanying Notes are an Integral Part of the Financial Statements

CITY OF REXBURG, IDAHO
**RECONCILIATION OF THE
BALANCE SHEET OF GOVERNMENTAL FUNDS**
to the
TO THE STATEMENT OF NET ASSETS
Year Ended September 30, 2012

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

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS		\$ 5,861,471
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of Assets	\$ 58,567,511	
Accumulated Depreciation	<u>(16,731,685)</u>	41,835,826
Net Cost of Assets		
Certain receivables are not financial resources and are reported as deferred revenues		
Property tax deferred revenue		137,607
Special Assessment deferred revenue		1,057,528
Deferred recreation revenues		5,088
Deferred capital project grants and contributions		-
Deferred rent income		-
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		(715,000)
Accrued compensated absences		(308,462)
Accrued interest payable		<u>(20,644)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES		<u>\$ 47,853,414</u>

CITY OF REXBURG, IDAHO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended September 30, 2012

	General Fund	Street Fund	Emergency Service Fund	Revolving Loan Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 4,001,821	\$ 1,464,045	\$ -	\$ -	\$ 624,331	\$ 6,090,197
Grants and Contributions	547,436	6,819	1,038,514	-	1,201,372	2,794,141
Fees and Charges	3,125,546	962,870	126,006	2,628	3,242,795	7,459,845
Interest Earned	108,492	26,939	-	34,424	71,535	241,390
Miscellaneous	64,330	22,502	2,882	-	16,969	106,683
TOTAL REVENUES	7,847,625	2,483,175	1,167,402	37,052	5,157,002	16,692,256
EXPENDITURES:						
General and Administrative	2,566,354	-	-	368,471	1,021,771	3,956,596
Public Safety	3,323,524	-	1,933,810	-	503,659	5,760,993
Parks and Recreation	499,027	-	-	-	730,909	1,229,936
Streets	-	1,994,565	-	-	65,131	2,059,696
Interest on Bonds and Other Debt	-	-	-	-	29,454	29,454
Principal on Bonds and Other Debt	-	-	-	-	117,500	117,500
Capital Improvements	344,439	769,405	197,204	-	2,177,398	3,488,446
TOTAL EXPENDITURES	6,733,344	2,763,970	2,131,014	368,471	4,645,822	16,642,621
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,114,281	(280,795)	(963,612)	(331,419)	511,180	49,635
OTHER FINANCING SOURCES (USES):						
Proceeds from Borrowing	-	-	-	-	275,000	275,000
Operating Transfers In	-	316,788	964,036	-	1,602,411	2,883,235
Operating Transfers Out	(914,584)	(673,839)	-	(40,801)	(1,254,011)	(2,883,235)
TOTAL OTHER FINANCING SOURCES (USES)	(914,584)	(357,051)	964,036	(40,801)	623,400	275,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	199,697	(637,846)	424	(372,220)	1,134,580	324,635
FUND BALANCE AT BEGINNING OF YEAR	2,487,632	778,837	(424)	1,591,916	678,875	5,536,836
FUND BALANCE AT END OF YEAR	\$ 2,687,329	\$ 140,991	\$ -	\$ 1,219,696	\$ 1,813,455	\$ 5,861,471

The Accompanying Notes are an Integral Part of the Financial Statements

CITY OF REXBURG, IDAHO
RECONCILIATION OF THE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
to the
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 324,635
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 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	3,781,703
Depreciation expense	(2,797,414)
Basis in Assets disposed of	(94,227)
<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	743,554
Property tax deferrals	(53,679)
Recreation revenue deferral	(1,093)
<p>Deferred Revenue not in Statement of Net Assets:</p>	
Special assessment deferred revenue	(546,656)
Compensated absences accrual adjustment	(28,578)
<p>Governmental funds report principal repayment on debt as an expenditure. However, in the statement of activities debt payment are not an expense:</p>	
Proceeds from borrowing	(275,000)
Principal payments on long-term liabilities	152,044
Changes in accrued interest	<u>(6,446)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,198,843</u>

The Accompanying Notes are an Integral Part of the Financial Statements

CITY OF REXBURG, IDAHO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

	Business-type Activities - Proprietary Funds		
	Utility	Golf Course	Total
ASSETS			
Current Assets:			
Cash and Short-term Investments	\$ 11,913,171	\$ -	\$ 11,913,171
Due from Other Funds	515,126	-	515,126
Receivables	1,379,226	6,411	1,385,637
Total Current Assets	13,807,523	6,411	13,813,934
Noncurrent Assets:			
Capital Assets:			
Capital Assets	42,329,298	2,081,142	44,410,440
Accumulated Depreciation	(14,037,352)	(733,445)	(14,770,797)
Total Noncurrent Assets	28,291,946	1,347,697	29,639,643
TOTAL ASSETS	42,099,469	1,354,108	43,453,577
LIABILITIES:			
Current Liabilities:			
Accounts Payable	356,697	12,776	369,473
Accrued Compensated Absences	47,494	-	47,494
Accrued Interest Payable	7,311	-	7,311
Bond Premium Deferred	254,929	-	254,929
Due to Other Funds	-	515,126	515,126
Other	68,970	-	68,970
Current Portion of Long-term Obligations	565,000	-	565,000
Total Current Liabilities	1,300,401	527,902	1,828,303
Noncurrent Liabilities:			
Noncurrent Portion of Long-term Obligations	8,330,000	-	8,330,000
TOTAL LIABILITIES	9,630,401	527,902	10,158,303
NET ASSETS:			
Invested in Capital Assets Net of Related Debt	19,134,706	1,347,696	20,482,402
Restricted for:			
Capital Projects	7,332,806	(625,326)	6,707,480
Intergovernmental Agreement	-	103,833	103,833
Operations	6,001,559	-	6,001,559
TOTAL NET ASSETS	\$ 32,469,071	\$ 826,203	\$ 33,295,274

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, 2012

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
OPERATING REVENUES:			
Monthly Utility Services	\$ 7,266,666	\$ -	\$ 7,266,666
One Time Fees	108,487	-	108,487
Golf Course Fees	-	401,869	401,869
Miscellaneous	49,396	6,629	56,025
TOTAL OPERATING REVENUES	7,424,549	408,498	7,833,047
OPERATING EXPENSES:			
Utility Expenses	5,009,370	-	5,009,370
Pro Shop & Greens Maintenance	-	394,744	394,744
Depreciation and Amortization	1,330,453	41,448	1,371,901
TOTAL OPERATING EXPENSES	6,339,823	436,192	6,776,015
OPERATING INCOME	1,084,726	(27,694)	1,057,032
NON-OPERATING REVENUES / EXPENSES:			
Contributed Capital	27,788	-	27,788
Sale of Capacity and Contributions	671,446	-	671,446
Disposal of Assets	(13,471)	-	(13,471)
Interest Income	90,891	-	90,891
Interest Expense	(292,749)	(1,469)	(294,218)
TOTAL NON-OPERATING REVENUES / EXPENSES	483,905	(1,469)	482,436
CHANGE IN NET ASSETS	1,568,631	(29,163)	1,539,468
TOTAL NET ASSETS - BEGINNING BALANCE	30,900,440	855,366	31,755,806
TOTAL NET ASSETS - ENDING BALANCE	\$ 32,469,071	\$ 826,203	\$ 33,295,274

The Accompanying Notes are an Integral Part of the Financial Statements

CITY OF REXBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds		
	Utility	Golf Course	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 7,357,921	\$ 402,090	\$ 7,760,011
Payments to Suppliers	(1,785,528)	(132,140)	(1,917,668)
Payments to Employees	(1,242,382)	-	(1,242,382)
Payments for Labor Contracts	-	(231,038)	(231,038)
Internal Activity - Payments to Other Funds for Services	(1,925,691)	(24,699)	(1,950,390)
Other Payments	(1,600)	-	(1,600)
Other Receipts	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,402,720	14,213	2,416,933
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Loan Paid to/from Other Funds	12,745	(12,745)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Sale of Bonds	-	-	-
Acquisitions of Property, Plant and Equipment	(2,878,082)	-	(2,878,082)
Sale of Capacity and Contributions	671,446	-	671,446
Increase (Decrease) in Accounts Payable on Capital	(426,444)	-	(426,444)
(Increase) Decrease in Accounts Receivable for Capital	(27,857)	-	(27,857)
Proceeds from Sale of Assets	1,800	-	1,800
Interest Income	90,891	-	90,891
Principal Payments on Revenue Bonds	(555,000)	-	(555,000)
Interest Payments on Bonds and Leases	(312,815)	(1,468)	(314,283)
Contributed Capital	27,788	-	27,788
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,408,273)	(1,468)	(3,409,741)
NET INCREASE (DECREASE) IN CASH AND INVESTMENTS	(992,808)	-	(992,808)
CASH AND INVESTMENTS AT BEGINNING OF YEAR	12,905,979	-	12,905,979
CASH AND INVESTMENTS AT END OF THE YEAR	\$ 11,913,171	\$ -	\$ 11,913,171
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ 1,084,726	\$ (27,694)	\$ 1,057,032
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	1,330,453	41,448	1,371,901
Changes in Assets and Liabilities:			
Increase in accounts receivable	(69,836)	(6,410)	(76,246)
Increase(Decrease) in accounts payable	45,021	6,869	51,890
Increase in accrued compensated absences	4,776	-	4,776
Increase in deposits payable	7,580	-	7,580
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,402,720	\$ 14,213	\$ 2,416,933

The Accompanying Notes are an Integral Part of the Financial Statements

CITY OF REXBURG, IDAHO
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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) 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 non-operating 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 non-operating 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 \$5,000 (see Resolution 2012-02), 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
Server/Software.....	5 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012 the City amended the budget for several of the funds.

Encumbrances

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

Inventory

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

Cash Equivalents

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

Use of Estimates

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

In preparing these financial statements, the management of the City has evaluated events and transactions for potential recognition and disclosure through February 15, 2013, the date the financial statements were available to be issued.

2. CASH AND SHORT-TERM INVESTMENTS

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

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

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

- Deposits – At September 30, 2012, the carrying amount of the City's deposits was \$1,634,391 and the respective bank balances totaled \$1,869,262. The bank balances of \$1,869,262 were insured.
- 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, 2012, \$218,340 of the City's total deposits of \$1,634,391 was not covered by federal depository insurance, and thus was exposed to custodial credit risk.

2. CASH AND SHORT-TERM INVESTMENTS (Continued)

- Investments – As of September 30, 2012, the City had the following investments:

Investment Type	S&P Rating	Fair Value	Investment Maturity (in Years)			
			Less Than 1	1-5	6-10	More Than 10
State Diversified Bond Fund	N/A	\$ 6,745,203	\$ -	\$ 6,745,203	\$ -	\$ -
State Investment Pool	N/A	618,372	618,372	-	-	-
Certificates of Deposit	N/A	490,118	490,118	-	-	-
CDARS Program	N/A	5,952,893	5,952,893	-	-	-
Collateralized Municipal MM Fund	N/A	527,616	527,616	-	-	-
		\$ 14,334,202	\$ 7,588,999	\$ 6,745,203	\$ -	\$ -

- 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, 2012 was 132 days.
- Other investments include the state diversified bond fund that is invested in longer type investments and is intended to be held on a longer term basis. This is invested in State of Idaho approved investments and has a rating that exceeds the Barclay's Capital Intermediate A + Aggregate Fixed Income Index. The average weighted maturity of the fund at September 30, 2012 is 3.8 years. The CDARS program is through a local bank and invests the funds in \$250,000 increments in different banks to keep below the FDIC insurance amounts for coverage. The Collateralized Municipal MM Fund is also through a local bank that invests in money market accounts that the bank collateralizes with underlying investments.

2. CASH AND SHORT-TERM INVESTMENTS (Continued)

- The following is a reconciliation of the City's deposit and investment balance as of September 30, 2012:

Petty Cash	\$ 850
Bank Deposits	1,634,391
State and Bank Investments	14,334,202
Other Investments	64,417
Total	<u>\$16,033,860</u>

3. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2012, was as follows:

PRIMARY GOVERNMENT:	30-Sep 2011	Increases	Decreases	30-Sep 2012
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 1,446,046	\$ -	\$ -	\$ 1,446,046
Total capital assets, not being depreciated	1,446,046	-	-	1,446,046
Capital assets, being depreciated				
Office	2,369,509	53,554	-	2,423,062
Legal	5,437	-	-	5,437
Archer station	1,432,127	29,890	-	1,462,017
Police	2,689,916	263,362	(46,347)	2,906,931
Dare	16,898	-	(16,898)	-
Fire	4,151,345	193,011	(92,141)	4,252,215
Inspection	409,736	6,253	(26,722)	389,267
GIS	110,885	-	(2,230)	108,656
Community development	53,116	29,160	(3,405)	78,871
Streets	29,170,474	2,731,604	(89,029)	31,813,049
Shop	269,076	3,671	(1,754)	270,994
Parks	3,091,402	155,063	(28,130)	3,218,334
Merry-go-round	143,091	-	-	143,091
Ball diamond	37,194	-	-	37,194
Airport	1,882,235	689	-	1,882,924
Recreation	5,884,596	188,784	-	6,073,380
Romance Theatre	325,621	32,431	-	358,052
Legacy of Flight Museum	1,146,898	-	-	1,146,898
Tabernacle	456,863	94,232	-	551,095
Total capital assets, being depreciated	53,646,417	3,781,703	(306,656)	57,121,465
Less accumulated depreciation	(14,146,699)	(2,797,414)	212,429	(16,731,685)
Total capital assets, being depreciated, net	39,499,718	984,289	(94,227)	40,389,780
GOVERNMENTAL ACTIVITIES CAPITAL				
ASSETS, NET	\$ 40,945,764	\$ 984,289	\$ (94,227)	41,835,826

3. CAPITAL ASSETS (Continued)

Depreciation expense was charged to the government activities as follows:

General and Administrative	\$ 255,659
Public Safety	569,588
Parks and Recreation	440,229
Street	<u>1,531,938</u>
Total	<u>\$ 2,797,414</u>

PRIMARY GOVERNMENT:	30-Sep 2011	Increases	Decreases	30-Sep 2012
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 426,022	\$ -	\$ -	\$ 426,022
Total capital assets, not being depreciated	426,022	-	-	426,022
Capital assets, being depreciated:				
Sanitation	1,779,397	410,025	-	2,189,422
Water	11,189,171	552,045	(58,587)	11,682,629
Wastewater	26,490,468	1,916,012	(67,113)	28,339,367
Golf Course	1,773,000	-	-	1,773,000
Total capital assets, being depreciated	41,232,036	2,878,083	(125,700)	43,984,419
Less accumulated depreciation:				
Sanitation	(933,053)	(127,262)	-	(1,060,315)
Water	(3,734,827)	(313,380)	45,165	(4,003,042)
Wastewater	(8,149,448)	(889,812)	65,264	(8,973,996)
Golf Course	(691,996)	(41,449)	-	(733,445)
Total accumulated depreciation	(13,509,324)	(1,371,902)	110,429	(14,770,797)
Total capital assets, being depreciated, net	27,722,712	1,506,180	(15,271)	29,213,621
BUSINESS-TYPE ACTIVITIES CAPITAL				
ASSETS, NET	\$ 28,148,734	\$ 1,506,180	\$ (15,271)	29,639,643

September 30, 2011 amounts have been reclassified to better agree with the City's current records.

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, 2012 are as follows:

Recipient	Repayment Terms	Amount
East Central Idaho Planning and Development	Terms of repayment not finalized.	\$ 30,500
Smith Family Properties	Receivable in monthly installments of \$422 including interest at 6.0% through 2019.	29,254
Eagle Vision Center	Receivable in monthly installments of \$557 including interest at 6.5% through 2027.	28,859
Robertson Taylor, LLC	Receivable in monthly installments of \$1,111 including interest at 7.0% through 2028.	127,228
Smakelijk, Inc. dba Great Harvest Bread	Receivable in monthly installments of \$668 including interest at 6.5% through 2024.	120,235
Smakelijk, Inc. dba Great Harvest Bread	Receivable in monthly installments of \$159 including interest at 3.5% through 2019.	17,111
E.W. Limited Liability Comp.	Receivable in monthly installments of \$200 including interest at 5% through 2025.	23,114
Appible, LLC	Receivable in monthly installments of \$1,405 including interest at 6.5% through 2014.	43,596
Waste Butlers, LLC	Receivable in monthly installments of \$205 including interest at 6% through 2014.	4,574
CS Nelson	Receivable in monthly installments of \$580 including interest at 5% through 2019.	39,109
JJST	Receivable in monthly installments of \$105 including interest at 4.5% through 2015.	3,011
East Central Idaho Planning and Development	Terms of repayment not finalized.	<u>125,000</u>
		<u>\$ 591,591</u>

ECIPDA is holding \$38,271 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

4. REVOLVING LOANS RECEIVABLE (continued)

Avenue in Rexburg. The guarantee will reduce proportionately as the \$299,000 loan from RDA is paid off. This guarantee has been reduced to \$ 92,428 as of September 30, 2012 because of payments made on this loan. The City wrote off \$355,000 at September 30, 2012 because a loan became uncollectible.

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, 2012, are based on the assessed values and tax revenues established in 2011.

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

6. ACCRUED COMPENSATED ABSENCES/ POST EMPLOYMENT HEALTH PLAN (PEHP)

The City has elected to show its unused sick leave benefits as compensated absences. In 1990, the City established individual sick leave banks whereby an employee's unused days over the 60 day maximum at the end of the calendar year were deposited in the sick leave bank, after the first 2 days were converted to vacation. From 2001 and thereafter, the employees no longer accumulate sick days at the end of the year in the sick bank, which will eventually phase out as those with remaining balances become eligible for full retirement.

The current policy states that all additional, unused, accumulated sick leave above 480 hours for each employee (above 672 hours for ESD27 department employees), after the first 2 days were converted to vacation, will be converted to cash at a rate of 35% of the employee's current hourly rate and deposited in the City's designated Health Reimbursement Arrangement (HRA), and/or Voluntary Employee Benefit Association (VEBA) and/or Post Employment Health Plan (PEHP) in that employee's name in the custody of a third party administrator so there is no outstanding unfunded liability. Upon retirement, the City will add to the employee's PEHP/ VEBA/HRA account 35% of their unused Sick Leave of the first 480 hours (672 hours for ESD27 department employees) plus 35% of any Sick Leave Bank balance.

6. ACCRUED COMPENSATED ABSENCES/ POST EMPLOYMENT HEALTH PLAN (PEHP) (Continued)

The balance in the employee's PEHP/VEBA/HRA account is subject to a 20 year eligibility proration. The percentage of their account that is made available to them at qualified retirement shall be calculated by adding five percent (5%) for each full year of employment of the individual employee up to a maximum of one hundred percent or twenty years (100% = 20 years times 5% each). Employees will be eligible for this benefit after 5 years of continuous City employment and upon eligible retirement as described below.

To promote longevity, this benefit is available only to employees who receive full monthly retirement benefits as defined and controlled by the State of Idaho Retirement System (PERSI) meeting the Rule of 80 or 90 as applicable, or a combination thereof depending on applicability and as determined by PERSI.

The Sick Leave Bank is not a savings account, nor is it maintained with any specific funding. Therefore, no interest is earned, nor may any be claimed or drawn upon it. If the employee does not retire with a full state retirement or does not have the full 20 years of employment at qualified retirement, the unearned balance of their accounts will be remitted back to the City.

7. HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

The City will contribute a designated amount per deductible, into an HRA account administered by a third party provider or the City for each eligible employee annually in order to offset the employee's share of costs related to a high deductible health insurance plan. The HRA designated contribution amount is available each year if the employee and their spouse (if applicable) have completed a wellness exam form in the prior calendar year. This amount is available to the employees at the start of each calendar year and can be carried forward for reimbursement in future years to offset qualified medical expenses. . HRA balances may be used during employment or after termination of employment to pay, or be reimbursed for, eligible medical bills. 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. 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.

9. LOCAL IMPROVEMENT DISTRICT WARRANTS PAYABLE

Each year, as needed the City authorizes warrants to finance the improvements of certain streets along with constructing or reconstructing sidewalks, curbs, gutters, drainage facilities and other work incidental to improvements along streets and issues warrants to finance the construction. The balance of warrants outstanding at September 30, 2012, was as follows:

Description	Interest Rate	Fiscal Years	Balance
LID No. 32 Warrant 2004 (original amount - \$200,000)	5.0%	2013 to 2013	\$ 20,000
LID No. 35 Warrant 2008 (original amount - \$350,000)	5.5%	2013 to 2018	210,000
LID No. 36 Warrant 2009 (original amount - \$275,000)	4.5%	2013 to 2018	165,000
LID No. 38 Warrant 2008 (original amount - \$75,000)	5.5%	2013 to 2021	45,000
LID No. 40 Warrant 2012 (original amount - \$275,000)	4% to 5%	2013 to 2022	<u>275,000</u>
			<u>\$ 715,000</u>

10. WASTEWATER REVENUE BONDS PAYABLE

Wastewater Revenue Bonds outstanding at September 30, 2012, were as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Fiscal Years</u>	<u>Balance</u>
Wastewater Revenue Bonds - Series 2010C (original amount \$10,000,000)	2% to 4%	2013 to 2025	<u>\$ 8,895,000</u>

The bond ordinance for the revenue bonds provides for the establishment of certain accounts and reserves and further provides that all revenues of the wastewater system are to be used initially for payment of operation and maintenance costs of the system, principal and interest on the bonds, and establishment of certain defined debt repayment reserves. There were bond costs of \$230,195 relating to the sale of the bonds and the bonds sold at a premium of \$294,149. The costs and the premium are being amortized over the life of the bond.

11. OBLIGATIONS UNDER CAPITAL LEASES

The City had entered into agreement to purchase their police building through a capital lease. 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. In 2012, the City made their final lease payment on the police building, leaving no more current or long-term debt for this lease.

Interest expense of \$1,762 on this lease was 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, 2012, is as follows:

	Long-Term Obligations September 30, 2011	Obligations Incurred	Obligations Paid	Long-Term Obligations September 30, 2012	Due Within One Year
Governmental activities:					
Local improvement district warrants payable (Note 9)	\$ 557,500	\$ 275,000	\$ (117,500)	\$ 715,000	\$ 115,000
Obligations under capital leases (Note 11)	34,545	-	(34,545)	-	-
Accrued compensated absences (Note 6)	279,883	28,579	-	308,462	308,462
Governmental Activity Long-Term Liabilities	\$ 871,928	\$ 303,579	\$ (152,045)	\$ 1,023,462	\$ 423,462
Business-type activities:					
Accrued compensated absences (Note 6)	\$ 42,717	\$ 4,776	\$ -	\$ 47,493	47,493
Wastewater revenue bonds payable (Note 10)	9,450,000	-	(555,000)	8,895,000	565,000
Business-type Activity Long-Term Liabilities	\$ 9,492,717	\$ 4,776	\$ (555,000)	\$ 8,942,493	\$ 612,493
Total Governmental and Business-type Activities Long-Term Liabilities	\$ 10,364,645.00	\$ 308,355.00	\$ (707,045.00)	\$ 9,965,955.00	\$ 1,035,955.00

13. BONDED DEBT REPAYMENT REQUIREMENTS

The annual requirements to amortize all bonded debt outstanding as of September 30, 2012, including interest, are as follows:

Year Ending September 30,	Local Improvement Warrants	Wastewater Revenue Bonds	Total
2013	\$ 146,869	\$ 864,850	\$ 1,011,719
2014	124,838	867,900	992,738
2015	120,300	865,350	985,650
2016	115,625	867,350	982,975
2017	110,950	863,750	974,700
Thereafter	246,537	6,921,250	7,167,787
Total Commitment	\$ 865,119	\$ 11,250,450	\$ 12,115,569
Interest Portion	\$ 150,119	\$ 2,355,450	\$ 2,505,569

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.

14. RETIREMENT PLANS (Continued)

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, 2012, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.69% for police/firefighter members. 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 \$662,482, \$636,649, and \$617,182 for the three years ended September 30, 2012, 2011, and 2010, 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.

The City's total 2012 fiscal year payroll for all employees was \$6,839,332 of which \$3,882,893 was for covered payroll for employees who were members of the Plan. Employer and employee contributions to the Plan were 1.84% and 4.27% respectively, of covered payroll. Total contributions to the Plan for the fiscal year by the City and the employees were \$71,543 and \$165,845 respectively. The Plan had \$2,881,268 in net assets at September 30, 2012.

15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The City expenditures exceeded the budgeted amounts in the following funds during the year ended September 30, 2012:

Fund	Amount Exceeded
Street Operations Fund	\$ 256,530
Revolving Loan Fund	376,892
Aquatic Center Operations	1,192
ESD Paramedic Care Unit Fund	208,033
LID 42 Construction Fund	569,875
LID 32 Debt Service Fund	1,000
LID 42 Debt Service Fund	181,318

The following individual funds had fund deficits on September 30, 2012:

Recreation Fund--There is a fund deficit of \$53,124. The City expects to eliminate this deficit with future revenues and transfers from the General Fund.

Police Impact Fee Fund --There is a fund deficit of \$213,188. The City expects to eliminate this deficit as police impact fees are received and with transfers from the general fund. The Police building lease was paid in full in 2012 and in future years the deficit should be reduced at a faster rate.

Fire Impact Fee Fund -- There is a fund deficit of \$15,260. The City expects to eliminate this deficit as fire impact fees are received and with transfers from the general fund.

Romance Theatre Fund – There is a fund deficit of \$1,545. The City expects to eliminate through program revenues and/or transfers from the general fund.

Riverside Park Construction Fund-- There is a fund deficit of \$273,915. The City expects to eliminate this deficit as grants are received.

Golf Course Construction Fund-- There is a fund deficit of \$625,326. The City expects to reduce/eliminate this deficit from transfers in each year from the golf operations fund.

LID Debt Service Fund-- There is a fund deficit of \$581,700. 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. 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.

Cash and Investments – The component unit had deposits with a book balance of \$816,387 and a bank balance of \$817,235, which was all covered by FDIC insurance. The remainder of the Rexburg Urban Renewal Agency Funds of \$1,418,806 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 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.

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

Revenue Bonds Outstanding at September 30, 2012 were as follows:

Description	Interest Rate	Fiscal Years	Balance
Revenue Allocation Bonds	3.17%		
Series 2010, Dated June 2, 2010 (original amount - \$ 4,656,000)	to 4.06%	2013 to 2022	<u>\$ 4,126,000</u>

Year Ending September 30,	Revenue Allocation Bonds
2013	\$ 485,354
2014	496,521
2015	509,992
2016	525,619
2017	517,261
Thereafter	2,625,551
Total Commitment	\$ 5,160,298
Interest Portion	\$ 1,034,298

17. INTERFUND TRANSACTIONS

Transfers between funds during the year were as follows:

	Operating Transfers Out	Operating Transfers In
Governmental:		
General Fund	\$ 914,584	\$ -
Street Fund	673,839	316,786
Emergency Services Fund	-	964,036
Revolving Loan Fund	40,801	-
Tabernacle Fund	-	35,700
Orchestra Fund	-	3,500
Police Impact Fee Fund	-	50,000
Police Animal Control Fund	-	71,182
Joint Fire Equipment Fund	-	150,000
Madison County Fire District Fund	468,628	-
Fire Impact Fee Fund	30,000	-
Legacy Flight Museum Fund	-	8,174
Downtown Revitalization Fund	33,369	-
Beautification Committee Fund	29,685	-
City Hall Construction Fund	-	40,801
Street Impact Fee Fund	253,732	-
Parks Impact Fee Fund	257,278	-
Trails of Madison County Fund	-	145
Romance Theatre Fund	-	99,715
Riverside Park Construction	-	257,133
Mayors Youth Advisory Board	-	2,000
Airport Operations Fund	-	13,874
LID Construction Funds	-	855,158
LID Debt Service Funds	181,319	-
Arts Council Fund	-	3,600
EIBC Fund	-	2,500
Shop with a Cop Fund	-	8,931
	<u>\$ 2,883,235</u>	<u>\$ 2,883,235</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, Police 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, the Eastern Idaho Business Competition (EIBC) Fund, and the Arts Council Fund for a fixed contribution to its operations and the Emergency Services Operations Fund for its allocation of costs for the year. In 2012, the City transferred additional money from the Revolving Loan Fund to cover the deficit in the City Hall Construction Fund. The City also transferred from the general fund in 2012 to cover deficits in the Romance Theatre Fund, Mayors Youth Advisory Fund, and the Airport Operations Fund.

Street Fund transfers cash to cover street expenses in the LID funds. In 2012, the City closed the Downtown Revitalization and Beautification Fund by transferring any carryover back to the Street 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, 2012:

	Due From Other Funds	Due To Other Funds
Primary Government:		
General Fund*	\$ 2,376,937	\$ -
Street Fund	-	528,827
Recreation Fund	-	64,184
Police Impact Fee Fund	-	213,188
Fire Impact Fee Fund	-	15,260
Geographic Information Systems Fund	-	33,363
ESD Paramedic Care Unit Fund	-	357,386
Romance Theatre Fund	-	148,314
Riverside Park Fund	-	489,075
Airport Operation Fund	-	59,156
LID Debt Service Funds	-	468,184
Utility Fund	515,126	-
Golf Course Fund	-	515,126
	<u>\$ 2,892,063</u>	<u>\$ 2,892,063</u>

*The above amounts were loaned from the General 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.

18. SEGMENT INFORMATION (Continued)

The segment information for the City at September 30, 2012 is:

	Sanitation Department	Water Department	Wastewater Department	Shared	Total
CONDENSED STATEMENT OF NET ASSETS					
Assets:					
Current assets	\$ -	\$ -	\$ -	\$ 13,807,523	\$ 13,807,523
Capital assets	1,129,107	7,679,587	19,483,252		28,291,946
Total assets	1,129,107	7,679,587	19,483,252	13,807,523	42,099,469
Liabilities:					
Current liabilities	-	-	827,240	473,161	1,300,401
Noncurrent liabilities	-	-	8,330,000	-	8,330,000
Total Liabilities	-	-	9,157,240	473,161	9,630,401
Net assets:					
Invested in capital assets, net of related debt	1,129,107	7,679,587	10,326,012	-	19,134,706
Restricted for Capital Projects	-	-	-	7,332,806	-
Restricted for Operations	-	-	-	6,001,559	6,001,559
Total net assets	\$ 1,129,107	\$ 7,679,587	\$ 10,326,012	\$ 13,334,365	\$ 32,469,071
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS					
Operating revenues	\$ 1,616,875	\$ 2,254,939	\$ 3,552,735	\$ -	\$ 7,424,549
Depreciation expense	(127,262)	(313,380)	(889,811)	-	(1,330,453)
Other operating expenses	(1,427,484)	(1,415,928)	(2,165,958)	-	(5,009,370)
Operating income	62,129	525,631	496,966	-	1,084,726
Nonoperating revenues (expenses):					
Sale of Capacity and Contributions	-	193,596	477,850	-	671,446
Investment income	-	14,229	76,662	-	90,891
Interest expense	-	-	(292,749)	-	(292,749)
Disposal of assets	-	(13,421)	(50)	-	(13,471)
Capital contributions	-	17,000	10,788	-	27,788
Change in net assets	62,129	737,035	769,467	-	1,568,631
Beginning Net Assets	846,343	7,454,343	9,001,136	13,598,618	30,900,440
Reallocation of cash	220,635	(511,791)	555,409	(264,253)	-
Ending Net Assets	\$ 1,129,107	\$ 7,679,587	\$ 10,326,012	\$ 13,334,365	\$ 32,469,071
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by:					
Operating activities	\$ 189,390	\$ 839,010	\$ 1,386,773	\$ (12,453)	2,402,720
Noncapital financing activities	-	-	-	12,745	12,745
Capital and related financing activities	(410,025)	(334,943)	(2,227,155)	(527,041)	(3,499,164)
Investing activities	-	14,229	76,662	-	90,891
Net increase (decrease) in Cash	\$ (220,635)	\$ 518,296	\$ (763,720)	\$ (526,749)	(992,808)

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, 2012. Future Lease income is expected to be \$78,400 for 2013, 2014, and 2015.

20. FUND BALANCES

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

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

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

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

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

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

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

20. FUND BALANCES (Continued)

For explanation of fund deficits see note 15.

	Major Revenue Funds				Non-Major Funds	Total
	General	Streets	Emergency Services	Revolving Loan		
Fund Balances:						
Nonspendable:						
Inventory	\$ 29,649	\$ -	\$ -	\$ -	\$ -	\$ 29,649
Prepays	-	-	-	-	-	-
Restricted for:						
Streets	-	140,991	-	-	-	140,991
Emergency Services	-	-	-	-	-	-
Police Impact	-	-	-	-	(213,188)	(213,188)
DARE	-	-	-	-	693	693
Police Drug Enforcement	-	-	-	-	24,283	24,283
Police Small Grants	-	-	-	-	70,496	70,496
Joint Fire Equipment	-	-	-	-	463,045	463,045
Madison County Fire Prot. District	-	-	-	-	1,056,214	1,056,214
Fire Impact	-	-	-	-	(15,260)	(15,260)
ESD Rexburg Employees	-	-	-	-	24,779	24,779
Street Impact	-	-	-	-	-	-
ESD Paramedic Care	-	-	-	-	260,884	260,884
Parks Impact	-	-	-	-	201,817	201,817
Trails of Madison County	-	-	-	-	-	-
Riverside Park Construction	-	-	-	-	(273,913)	(273,913)
Airport Operations	-	-	-	-	-	-
LID Construction	-	-	-	-	-	-
LID Debt Service	-	-	-	-	(444,040)	(444,040)
Veterans Memorial	-	-	-	-	5,586	5,586
ESD Archer Employees	-	-	-	-	9,498	9,498
ESD Pipes and Drums	-	-	-	-	8,803	8,803
Shop with a Cop	-	-	-	-	10,201	10,201
Committed to:						
Stabilization	1,955,125	-	-	-	-	1,955,125
Revolving Loans	-	-	-	1,219,696	-	1,219,696
Recreation	-	-	-	-	(53,124)	(53,124)
Tabernacle Windows	-	-	-	-	25,750	25,750
Orchestra	-	-	-	-	9,166	9,166
Police Animal Control	-	-	-	-	8,940	8,940
Aquatic Center Operations	-	-	-	-	82,728	82,728
Legacy Flight Museum	-	-	-	-	63,396	63,396
Community Development	-	-	-	-	20,137	20,137
GIS	-	-	-	-	-	-
Downtown Revitalization	-	-	-	-	-	-
Beautification	-	-	-	-	-	-
City Hall Construction	-	-	-	-	-	-
Arts Promulgation	-	-	-	-	127,528	127,528
Romance Theatre	-	-	-	-	(1,544)	(1,544)
Mayors Youth Advisory	-	-	-	-	2,073	2,073
Rexburg Arts Council	-	-	-	-	3,526	3,526
Eastern Idaho Business Comp.	-	-	-	-	2,368	2,368
Community Safety Lighting	-	-	-	-	332,613	332,613
Assigned to:						
Unassigned:	702,555	-	-	-	-	702,555
Total Fund Balances	\$ 2,687,329	\$ 140,991	\$ -	\$ 1,219,696	\$ 1,813,455	\$ 5,861,471

20. FUND BALANCES (Continued)

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

21. FUND BALANCES CLASSIFICATIONS

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended September 30, 2012

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Property Taxes	\$ 2,990,900	\$ 2,990,900	\$ 2,991,803	\$ 903
State Taxes	1,022,500	1,022,500	1,010,458	(12,042)
Federal Revenue	-	-	28,004	28,004
Grants and Donations	486,000	482,000	518,992	36,992
Licenses, Permits and Franchise Fees	565,700	565,700	548,758	(16,942)
Charges for Services	2,364,900	2,364,800	2,347,969	(16,831)
Interest Earned	70,400	70,400	108,492	38,092
Fines, Rent and Other Assessments	305,600	305,600	249,024	(56,576)
Sale of Property and Equipment	3,800	3,800	19,102	15,302
Miscellaneous	14,200	14,800	25,023	10,223
TOTAL REVENUES	7,824,000	7,820,500	7,847,625	27,125
EXPENDITURES:				
General and Administrative Operations	2,572,300	2,566,300	2,427,680	138,620
Public Safety Operations	3,376,900	3,382,900	3,323,524	59,376
Parks and Recreation	488,300	488,300	499,026	(10,726)
Capital Improvements	337,200	340,600	344,439	(3,839)
Transfers	937,800	940,300	1,053,259	(112,959)
Contingency	111,500	102,100	-	102,100
TOTAL EXPENDITURES	7,824,000	7,820,500	7,647,928	172,572
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	199,697	199,697
FUND BALANCE AT BEGINNING OF YEAR	-	-	2,487,632	2,487,632
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 2,687,329	\$ 2,687,329

See Independent Auditor's Report

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
STREET FUND

Year Ended September 30, 2012

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
County Road Funds	\$ 534,000	\$ 534,000	\$ 585,751	\$ 51,751
State Highway Users Fund	988,000	988,000	878,294	(109,706)
Other Grants and Donations	-	-	(11,660)	(11,660)
Contributed Capital	2,000,000	2,000,000	18,480	(1,981,520)
Federal Revenues	-	-	-	-
Franchise Fees	871,700	871,700	937,792	66,092
Interest Income	-	-	26,939	26,939
Miscellaneous	10,000	10,000	25,079	15,079
Sale of Property and Equipment	4,100	4,100	22,502	18,402
Transfers In-Internal	919,000	919,000	1,455,000	536,000
Contingency	-	-	-	-
Fund Balance Carryover	390,300	690,300	-	(690,300)
Transfers In From Other Funds	400,000	400,000	316,786	(83,214)
TOTAL REVENUES	6,117,100	6,417,100	4,254,963	(2,162,137)
EXPENDITURES:				
Street Maintenance	2,617,100	2,868,900	1,994,565	874,335
Capital Improvements	2,571,000	2,699,200	769,405	1,929,795
Contingency	-	-	-	-
Transfers Out-Internal	919,000	839,000	1,455,000	(616,000)
Transfers to Other Street Projects	10,000	10,000	673,839	(663,839)
TOTAL EXPENDITURES	6,117,100	6,417,100	4,892,809	1,524,291
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	(637,846)	(637,846)
FUND BALANCE AT BEGINNING OF YEAR	-	-	778,837	778,837
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 140,991	\$ 140,991

See Independent Auditor's Report

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
EMERGENCY SERVICES FUND
Year Ended September 30, 2012

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
County Ambulance Contributions	\$ 996,700	\$ 1,126,400	\$ 941,583	\$ (184,817)
Federal Revenue	-	28,400	96,930	68,530
Charges for Services	-	-	-	-
Miscellaneous	6,100	8,000	128,889	120,889
Transfers	1,014,500	1,014,500	964,036	(50,464)
TOTAL REVENUES	2,017,300	2,177,300	2,131,438	(45,862)
EXPENDITURES:				
Public Safety Operations	1,947,200	1,977,100	1,933,810	43,290
Capital Improvements	70,100	200,200	197,204	2,996
TOTAL EXPENDITURES	2,017,300	2,177,300	2,131,014	46,286
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	424	424
FUND BALANCE AT BEGINNING OF YEAR	-	-	(424)	(424)
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report

CITY OF REXBURG, IDAHO
BUDGETARY COMPARISON SCHEDULE
REVOLVING LOAN FUND

Year Ended September 30, 2011

	Original Budget Amount	Final Budget Amount	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES:				
Interest Earned	\$ 34,000	\$ 34,000	\$ 34,423	\$ 423
Fund Balance Carryover	-	-	-	-
Miscellaneous	-	-	2,628	2,628
TOTAL REVENUES	34,000	34,000	37,051	3,051
EXPENDITURES:				
General and Administrative	9,400	9,400	13,470	(4,070)
Contingency	24,600	24,600	-	24,600
Bad Debt Writeoff	-	-	355,000	(355,000)
Transfers	-	-	40,801	(40,801)
TOTAL EXPENDITURES	34,000	34,000	409,271	(375,271)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(372,220)	(372,220)
FUND BALANCE AT BEGINNING OF YEAR	-	-	1,591,916	1,591,916
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 1,219,696	\$ 1,219,696

See Independent Auditor's Report

OTHER SUPPLEMENTARY INFORMATION

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

Fund Number	03	04	05	07	08	09	13
	Recreation Fund	Tabernacle Fund	Orchestra Fund	Police Impact Fee Fund	DARE Fund	Police Drug Enforcement Fund	Police Small Grants Fund
ASSETS							
Cash and Short Term Investments	\$ -	\$ 28,753	\$ 10,195	\$ -	\$ 693	\$ 24,283	\$ 62,729
Receivables	18,576	-	-	-	-	-	7,767
TOTAL ASSETS	\$ 18,576	\$ 28,753	\$ 10,195	\$ -	\$ 693	\$ 24,283	\$ 70,496
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts Payable	\$ 2,428	\$ 2,103	\$ 1,029	\$ -	\$ -	\$ -	-
Deferred Revenue	5,088	-	-	-	-	-	-
Due to Other Funds	64,184	-	-	213,188	-	-	-
Other	-	900	-	-	-	-	-
TOTAL LIABILITIES	71,700	3,003	1,029	213,188	-	-	-
FUND BALANCES (DEFICIT):							
Restricted	-	-	-	(213,188)	693	24,283	70,496
Committed	(53,124)	25,750	9,166	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	(53,124)	25,750	9,166	(213,188)	693	24,283	70,496
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,576	\$ 28,753	\$ 10,195	\$ -	\$ 693	\$ 24,283	\$ 70,496

14	18	19	20	21	23	24	28	29	30	31
Police Animal Control Fund	Joint Fire Equipment Fund	Madison County Fire Protection District Fund	Fire Impact Fee Fund	ESD Rexburg Employee Fund	Rexburg Rapids Operations Fund	Legacy Flight Museum Fund	Community Development Fund	Geographic Information Systems Fund	Downtown Revitalization Fund	Beautification Committee Fund
\$ 30,485	\$ 376,315	\$ 1,061,203	\$ -	\$ 24,554	\$ 91,314	\$ 66,855	\$ 52,521	\$ -	\$ -	\$ -
-	86,730	24,227	-	225	-	-	2,913	35,727	-	-
\$ 30,485	\$ 463,045	\$ 1,085,430	\$ -	\$ 24,779	\$ 91,314	\$ 66,855	\$ 55,434	\$ 35,727	\$ -	\$ -
\$ 21,545	\$ -	\$ 4,989	\$ -	\$ -	\$ 8,586	\$ 3,459	\$ 32,172	\$ 2,364	\$ -	\$ -
-	-	24,227	-	-	-	-	-	-	-	-
-	-	-	15,260	-	-	-	-	33,363	-	-
-	-	-	-	-	-	-	3,125	-	-	-
21,545	-	29,216	15,260	-	8,586	3,459	35,297	35,727	-	-
-	463,045	1,056,214	(15,260)	24,779	-	-	-	-	-	-
8,940	-	-	-	-	82,728	63,396	20,137	-	-	-
-	-	-	-	-	-	-	-	-	-	-
8,940	463,045	1,056,214	(15,260)	24,779	82,728	63,396	20,137	-	-	-
\$ 30,485	\$ 463,045	\$ 1,085,430	\$ -	\$ 24,779	\$ 91,314	\$ 66,855	\$ 55,434	\$ 35,727	\$ -	\$ -

(Continued)

CITY OF REXBURG, IDAHO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

Fund Number	32	33	36	37	38	39	40	41
	City Hall Construction Fund	Street Impact Fee Fund	Arts Promulgation Fund	ESD Paramedic Care Unit Fund	Parks Impact Fee Fund	Trails of Madison County Fund	Romance Theatre Fund	Riverside Park Fund
ASSETS								
Cash and Short Term Investments	\$ 1,752	\$ -	\$ 127,528	\$ -	\$ 201,817	\$ -	\$ -	\$ -
Receivables	-	-	-	624,933	-	-	150,000	242,222
TOTAL ASSETS	\$ 1,752	\$ -	\$ 127,528	\$ 624,933	\$ 201,817	\$ -	\$ 150,000	\$ 242,222
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Accounts Payable	\$ 1,752	\$ -	\$ -	\$ 6,663	\$ -	\$ -	\$ 3,230	\$ 27,060
Deferred Revenue	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	357,386	-	-	148,314	489,075
Other	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	1,752	-	-	364,049	-	-	151,544	516,135
FUND BALANCES (DEFICIT):								
Restricted	-	-	-	260,884	201,817	-	-	(273,913)
Committed	-	-	127,528	-	-	-	(1,544)	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	-	-	127,528	260,884	201,817	-	(1,544)	(273,913)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,752	\$ -	\$ 127,528	\$ 624,933	\$ 201,817	\$ -	\$ 150,000	\$ 242,222

45 Mayor's Youth Advisory Board Fund	47 Airport Operation Fund	53-58 LID Construction Funds	59-79 LID Debt Service Funds	81 Rexburg Arts Council Fund	83 Eastern Idaho Business Competition Fund	85 Community Safety Lighting Fund	90 Veterans Memorial Fund	91 Shop with a Cop Fund	92 ESD Archer Employee Fund	93 ESD Pipes & Drums Fund	Total Nonmajor Governmental Funds
\$ 2,168	\$ -	\$ 72,966	\$ -	\$ 3,526	\$ 2,368	\$ 337,757	\$ 5,586	\$ 10,320	\$ 9,498	\$ 8,803	\$ 2,613,989
-	59,323	-	1,113,020	-	-	-	-	-	-	-	2,365,663
\$ 2,168	\$ 59,323	\$ 72,966	\$ 1,113,020	\$ 3,526	\$ 2,368	\$ 337,757	\$ 5,586	\$ 10,320	\$ 9,498	\$ 8,803	\$ 4,979,652
\$ 95	\$ 167	\$ 72,966	\$ 31,341	\$ -	\$ -	\$ 5,144	\$ -	\$ 119	\$ -	\$ -	\$ 227,212
-	-	-	1,057,535	-	-	-	-	-	-	-	1,086,850
-	59,156	-	468,184	-	-	-	-	-	-	-	1,848,110
-	-	-	-	-	-	-	-	-	-	-	4,025
95	59,323	72,966	1,557,060	-	-	5,144	-	119	-	-	3,166,197
-	-	-	(444,040)	-	-	-	5,586	10,201	9,498	8,803	1,189,898
2,073	-	-	-	3,526	2,368	332,613	-	-	-	-	623,557
-	-	-	-	-	-	-	-	-	-	-	-
2,073	-	-	(444,040)	3,526	2,368	332,613	5,586	10,201	9,498	8,803	1,813,455
\$ 2,168	\$ 59,323	\$ 72,966	\$ 1,113,020	\$ 3,526	\$ 2,368	\$ 337,757	\$ 5,586	\$ 10,320	\$ 9,498	\$ 8,803	\$ 4,979,652

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

	03	04	05	07	08	09	13
	Recreation Fund	Tabernacle Fund	Orchestra Fund	Police Impact Fee Fund	DARE Fund	Police Drug Enforcement Fund	Police Small Grants Fund
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and Contributions	-	45,256	330	-	13,616	-	143,926
Fees and Charges	113,183	14,182	-	26,025	-	-	-
Interest Earned	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	8,925	-
TOTAL REVENUES	113,183	59,438	330	26,025	13,616	8,925	143,926
EXPENDITURES:							
General and Administrative	-	-	-	-	-	-	-
Public Safety	-	-	-	-	15,393	2,789	38,182
Parks and Recreation and Arts	143,863	57,214	5,091	-	-	-	-
Streets	-	-	-	-	-	-	-
Interest on Debt	-	-	-	632	-	-	-
Principal on Debt	-	-	-	-	-	-	-
Capital Improvements	-	94,231	-	36,306	-	5,468	4,816
TOTAL EXPENDITURES	143,863	151,445	5,091	36,938	15,393	8,257	42,998
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,680)	(92,007)	(4,761)	(10,913)	(1,777)	668	100,928
OTHER FINANCING SOURCES (USES):							
Proceeds from Borrowing	-	-	-	-	-	-	-
Transfers In	-	35,700	3,500	50,000	-	-	-
Transfers Out	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	35,700	3,500	50,000	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(30,680)	(56,307)	(1,261)	39,087	(1,777)	668	100,928
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	(22,444)	82,057	10,427	(252,275)	2,470	23,615	(30,432)
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ (53,124)	\$ 25,750	\$ 9,166	\$ (213,188)	\$ 693	\$ 24,283	\$ 70,496

See Independent Auditor's Report

14	18	19 Madison County Fire Protection District Fund	20 Fire Impact Fee Fund	21 ESD Rexburg Employee Fund	23 Rexburg Rapids Operations Fund	24 Legacy Flight Museum Fund	28 Community Development Fund	29 Geographic Information Systems Fund	30 Downtown Revitalization Fund	31 Beautification Committee Fund
\$ -	\$ -	\$ 621,438	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	-	-	-	-	-	62,689	-	352,847	315,599	-
10,712	86,730	-	25,245	13,321	359,293	27,692	630,189	379	-	-
-	591	7,514	-	52	-	27	-	-	-	-
-	-	6,344	-	-	-	1,700	-	-	-	-
10,732	87,321	635,296	25,245	13,373	359,293	92,108	630,189	353,226	315,599	-
-	-	-	-	-	-	-	634,614	348,683	-	-
128,914	-	286	-	10,883	-	-	-	-	-	-
-	-	-	-	-	399,528	47,629	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
809	40,181	29,889	-	-	9,368	1,500	24,616	4,543	631,387	-
129,723	40,181	30,175	-	10,883	408,896	49,129	659,230	353,226	631,387	-
(118,991)	47,140	605,121	25,245	2,490	(49,603)	42,979	(29,041)	-	(315,788)	-
71,182	150,000	-	-	-	-	8,174	-	-	-	-
-	-	(468,628)	(30,000)	-	-	-	-	-	(33,369)	(29,685)
71,182	150,000	(468,628)	(30,000)	-	-	8,174	-	-	(33,369)	(29,685)
(47,809)	197,140	136,493	(4,755)	2,490	(49,603)	51,153	(29,041)	-	(349,157)	(29,685)
56,749	265,905	919,721	(10,505)	22,289	132,331	12,243	49,178	-	349,157	29,685
\$ 8,940	\$ 463,045	\$ 1,056,214	\$ (15,260)	\$ 24,779	\$ 82,728	\$ 63,396	\$ 20,137	\$ -	\$ -	\$ -

(Continued)

See Independent Auditor's Report

CITY OF REXBURG, IDAHO
**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2012

	32	33	36	37	38	39	40	41
	City Hall Construction Fund	Street Impact Fee Fund	Arts Promulgation Fund	ESD Paramedic Care Unit Fund	Parks Impact Fee Fund	Trails of Madison County Fund	Romance Theatre Fund	Riverside Park Fund
REVENUES:								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and Contributions	-	-	-	-	-	-	58,005	47,210
Fees and Charges	-	253,732	31,268	691,538	202,894	-	21,901	-
Interest Earned	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
TOTAL REVENUES	-	253,732	31,268	691,538	202,894	-	79,906	47,210
EXPENDITURES:								
General and Administrative	-	-	-	-	-	-	-	-
Public Safety	-	-	-	304,958	-	-	-	-
Parks and Recreation and Arts	-	-	-	-	-	-	64,322	-
Streets	-	-	-	-	-	-	-	-
Interest on Bonds and Other Debt	-	-	-	192	-	-	-	-
Principal on Bonds and Other Debt	-	-	-	-	-	-	-	-
Capital Improvements	40,801	-	-	-	59,224	104	32,474	173,871
TOTAL EXPENDITURES	40,801	-	-	305,150	59,224	104	96,796	173,871
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(40,801)	253,732	31,268	386,388	143,670	(104)	(16,890)	(126,661)
OTHER FINANCING SOURCES (USES):								
Proceeds from Borrowing	-	-	-	-	-	-	-	-
Transfers In	40,801	-	-	-	-	145	99,715	257,132
Transfers Out	-	(253,732)	-	-	(257,278)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	40,801	(253,732)	-	-	(257,278)	145	99,715	257,132
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	31,268	386,388	(113,608)	41	82,825	130,471
FUND BALANCES (DEFICITS) AT BEGINNING OF YEAR	-	-	96,260	(125,504)	315,425	(41)	(84,369)	(404,384)
FUND BALANCES (DEFICITS) AT END OF YEAR	\$ -	\$ -	\$ 127,528	\$ 260,884	\$ 201,817	\$ -	\$ (1,544)	\$ (273,913)

45 Mayor's Youth Advisory Board Fund	47 Airport Operation Fund	53-58 LID Construction Funds	59-79 LID Debt Service Funds	81 Rexburg Arts Council Fund	83 Eastern Idaho Business Competition Fund	85 Community Safety Lighting Fund	90 Veterans Memorial Fund	91 Shop with a Cop Fund	92 ESD Archer Employee Fund	93 ESD Pipes & Drums Fund	Total Nonmajor Governmental Funds
\$ -	\$ 2,893	-	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 624,331
-	8,299	118,652	-	4,075	6,500	-	6,266	10,026	1,735	6,321	1,201,372
839	19,101	-	532,096	5,293	-	174,618	-	-	-	2,564	3,242,795
-	-	-	63,347	-	-	-	-	-	-	4	71,535
-	-	-	-	-	-	-	-	-	-	-	16,969
839	30,293	118,652	595,443	9,368	6,500	174,618	6,266	10,026	1,735	8,889	5,157,002
3,313	12,223	1,603	924	-	11,655	-	-	8,756	-	-	1,021,771
-	-	-	-	-	-	-	-	-	848	1,406	503,659
-	-	-	-	13,262	-	-	-	-	-	-	730,909
-	-	-	-	-	-	65,131	-	-	-	-	65,131
-	242	-	28,388	-	-	-	-	-	-	-	29,454
-	-	-	117,500	-	-	-	-	-	-	-	117,500
-	1,203	972,207	-	-	-	-	14,400	-	-	-	2,177,398
3,313	13,668	973,810	146,812	13,262	11,655	65,131	14,400	8,756	848	1,406	4,645,822
(2,474)	16,625	(855,158)	448,631	(3,894)	(5,155)	109,487	(8,134)	1,270	887	7,483	511,180
-	-	-	275,000	-	-	-	-	-	-	-	275,000
2,000	13,873	855,158	-	3,600	2,500	-	-	8,931	-	-	1,602,411
-	-	-	(181,319)	-	-	-	-	-	-	-	(1,254,011)
2,000	13,873	855,158	93,681	3,600	2,500	-	-	8,931	-	-	623,400
(474)	30,498	-	542,312	(294)	(2,655)	109,487	(8,134)	10,201	887	7,483	1,134,580
2,547	(30,498)	-	(986,352)	3,820	5,023	223,126	13,720	-	8,611	1,320	678,875
\$ 2,073	\$ -	\$ -	(444,040)	\$ 3,526	\$ 2,368	\$ 332,613	\$ 5,586	\$ 10,201	\$ 9,498	\$ 8,803	\$ 1,813,455

See Independent Auditor's Report



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

Honorable Mayor and City Council
City of Rexburg, Idaho

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Rexburg, Idaho, as of and for the year ended September 30, 2012, which collectively comprise the City of Rexburg Idaho's basic financial statements and have issued our report thereon dated February 15, 2013. 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

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

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

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

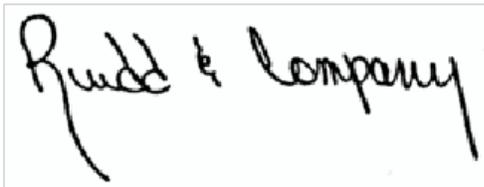
internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of City of Rexburg, Idaho, in a separate letter dated February 15, 2013.

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

February 15, 2013