

**CITY OF RIGBY  
RIGBY, IDAHO**

**Basic Financial Statements and  
Required Supplementary Information  
With  
Supplementary Information and  
Independent Auditor's Report  
Year Ended September 30, 2006**

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**City of Rigby**  
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# JENSEN POULSEN & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
City of Rigby  
Rigby, Idaho 83442

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rigby, Idaho, as of and for the year ended September 30, 2006, 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 Rigby's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rigby, Idaho, as of September 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2007 on our consideration of the City of Rigby's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 the 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.

The budgetary comparison information on pages 22 through 25 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rigby's basic financial statements.

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Mayor and City Council  
City of Rigby

The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City has not presented the Management's Discussion and Analysis (MD&A), which is management's analysis of the City's financial activities based on currently known facts, decisions, or conditions. The Governmental Accounting Standards Board has determined that MD&A is necessary to supplement, although not required to be a part of, the basic financial statements.



**JENSEN POULSEN & COMPANY, PLLC**  
Certified Public Accountants

February 1, 2007

THE UNIVERSITY OF CHICAGO LIBRARY

**BASIC FINANCIAL STATEMENTS**

THE UNIVERSITY OF CHICAGO LIBRARY

**CITY OF RIGBY**  
**Statement of Net Assets**  
**September 30, 2006**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 1,623,562	\$ 1,462,451	\$ 3,086,013
Investments.....	405,738	-	405,738
Receivables (net).....	170,106	121,133	291,239
Prepaid expenses.....	4,803	-	4,803
Capital assets, net of depreciation.....	2,064,005	3,335,495	5,399,500
Capital assets, non-depreciable.....	293,659	21,154	314,813
<b>Total assets.....</b>	<b>\$ 4,561,873</b>	<b>\$ 4,940,233</b>	<b>\$ 9,502,106</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable.....	\$ 368,050	\$ 19,660	\$ 387,710
Benefits payable.....	30,973	-	30,973
Water deposits.....	-	53,381	53,381
Current portion of long term debt.....	6,319	103,489	109,808
<b>Total current liabilities</b>	<b>\$ 405,342</b>	<b>\$ 176,530</b>	<b>\$ 581,872</b>
Long-term liabilities			
Debt portion due in more than one year.....	19,155	939,129	958,284
Compensated absences.....	41,023	23,383	64,406
<b>Total liabilities.....</b>	<b>465,520</b>	<b>1,139,042</b>	<b>1,604,562</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	2,332,190	2,314,031	4,646,221
Restricted for:			
Capital projects.....	690,494	-	690,494
Debt service.....	-	224,482	224,482
Community development and improvement projects.....	(3,460)	-	(3,460)
Unrestricted .....	1,077,129	1,262,678	2,339,807
<b>Total net assets.....</b>	<b>\$ 4,096,353</b>	<b>\$ 3,801,191</b>	<b>\$ 7,897,544</b>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Statement of Activities**  
**For the Year Ended September 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government.....	\$ 338,394	\$ 22,335		\$ 6,775	\$ (309,284)		\$ (309,284)
Public safety.....	548,365	62,635			(485,730)		(485,730)
Public works.....	277,909	191,710	118,651	-	32,452		32,452
Parks and recreation.....	205,624	61,236		92	(144,296)		(144,296)
Cultural.....	151,272	15,759	2,070		(133,443)		(133,443)
Interest on long term debt.....	1,353				(1,353)		(1,353)
Total governmental activities.....	<u>1,522,917</u>	<u>353,675</u>	<u>120,721</u>	<u>6,867</u>	<u>(1,041,654)</u>		<u>(1,041,654)</u>
<b>Business-type activities:</b>							
Water fund.....	319,371	512,037		-		192,666	192,666
Sanitation.....	165,472	155,345				(10,127)	(10,127)
Sewer fund.....	295,956	533,480		51,723		289,247	289,247
Total business-type activities.....	<u>780,799</u>	<u>1,200,862</u>	<u>-</u>	<u>51,723</u>	<u>-</u>	<u>471,786</u>	<u>471,786</u>
Total primary government.....	<u>\$ 2,303,716</u>	<u>\$ 1,554,537</u>	<u>\$ 120,721</u>	<u>\$ 58,590</u>	<u>(1,041,654)</u>	<u>471,786</u>	<u>(569,868)</u>

**General revenues:**

**Taxes:**

Property taxes, levied for general purposes	569,605	569,605
Property taxes, levied for library	69,814	69,814
Property taxes, levied for park and recreation fund	41,645	41,645
Property taxes, levied for public works	18,507	18,507
Property taxes, levied for capital projects	9,774	9,774
State sales taxes	111,906	111,906
State revenue sharing	108,345	108,345
State liquor allocation	43,168	43,168
Earnings on investments	75,506	27,972
Miscellaneous	176,719	34,867
Transfers	39,700	(39,700)
Total general revenues and transfers	<u>1,264,689</u>	<u>23,139</u>
Changes in net assets	<u>223,035</u>	<u>494,925</u>
Net assets--beginning	<u>3,873,318</u>	<u>3,306,266</u>
Net assets--ending	<u>\$ 4,096,353</u>	<u>\$ 3,801,191</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Balance Sheets**  
**Governmental Funds**  
**September 30, 2006**

ASSETS	General Fund	Road Fund	Sewer Construction Fund	Non Major Funds	Total Governmental Funds
Cash.....	\$ 567,590	\$ 321,526	\$ 434,548	\$ 299,898	\$ 1,623,562
Investments.....	370,826	34,912	-	-	405,738
Taxes receivable.....	27,271	889	-	5,829	33,989
Other receivable.....	70,032	36,325	-	5,350	111,707
Interfund receivable.....	94,288	-	-	-	94,288
Prepaid worker's compensation.....	4,803	-	-	-	4,803
Total assets.....	<u>\$ 1,134,810</u>	<u>\$ 393,652</u>	<u>\$ 434,548</u>	<u>\$ 311,077</u>	<u>\$ 2,274,087</u>
 <b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts payable.....	\$ 10,095	\$ 347,505	\$ -	\$ 10,450	\$ 368,050
Benefits payable.....	30,973	-	-	-	30,973
Deferred revenue.....	20,640	673	-	4,411	25,724
Interfund payable.....	-	-	-	94,288	94,288
Total current liabilities.....	<u>61,708</u>	<u>348,178</u>	<u>-</u>	<u>109,149</u>	<u>519,035</u>
 <b>FUND BALANCE:</b>					
Reserved for:					
Roads.....	-	45,474	-	-	45,474
Capital projects.....	-	-	434,548	255,590	690,138
Community development.....	-	-	-	(53,662)	(53,662)
Unreserved fund balance.....	1,073,102	-	-	-	1,073,102
Total fund balance.....	<u>1,073,102</u>	<u>45,474</u>	<u>434,548</u>	<u>201,928</u>	<u>1,755,052</u>
Total liabilities and fund balance.....	<u>\$ 1,134,810</u>	<u>\$ 393,652</u>	<u>\$ 434,548</u>	<u>\$ 311,077</u>	<u>\$ 2,274,087</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Assets**  
**September 30, 2006**

**Total fund balances - governmental funds** **\$ 1,755,052**

The cost of capital assets (land, buildings, furniture, and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in government funds.

Cost of capital assets	\$3,592,073	
Depreciation expense to date	<u>(1,234,409)</u>	2,357,664

Property taxes received that are not available to pay for current period expenditures are deferred in the funds.	25,724
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences payable	(41,023)	
Bonds payable - L.I.D.	(22,427)	
Capital lease payable	<u>(3,047)</u>	(66,497)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>24,410</u>
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<b>Total net assets for governmental activities.</b>	<b><u><u>\$ 4,096,353</u></u></b>
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The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**September 30, 2006**

	General Fund	Road Fund	Sewer Construction Fund	Non Major Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Revenue:					
Property taxes.....	\$ 572,676	\$ 18,611	\$ -	\$ 121,921	\$ 713,208
Earnings on investments.....	46,780	10,610	4,516	13,600	75,506
Fees and fines.....	40,745	-	-	-	40,745
Charges for services.....	43,233	49,815	67,616	133,561	294,225
Miscellaneous and other revenue.....	5,990	45,170	-	17,750	68,910
State revenues.....	241,373	121,571	-	19,126	382,070
Grants.....	-	-	-	2,070	2,070
Total revenue.....	<u>950,797</u>	<u>245,777</u>	<u>72,132</u>	<u>308,028</u>	<u>1,576,734</u>
<b>EXPENDITURES</b>					
General government.....	394,620	-	-	-	394,620
Public safety.....	451,412	-	-	-	451,412
Street and public improvement.....	-	195,042	-	4,461	199,503
Parks and recreation.....	-	-	-	181,031	181,031
Cultural.....	-	-	-	145,636	145,636
Capital outlay.....	16,797	401,455	48,545	18,301	485,098
Total expenditures.....	<u>862,829</u>	<u>596,497</u>	<u>48,545</u>	<u>349,429</u>	<u>1,857,300</u>
Excess (deficiency) of revenue over expenditures.....	87,968	(350,720)	23,587	(41,401)	(280,566)
<b>OTHER FINANCING SOURCES (USES)</b>					
Satisfaction of contingent liability - HCE.....	-	120,000	-	-	120,000
Transfers.....	(48,014)	(4,100)	-	91,814	39,700
Net change in fund balances.....	39,954	(234,820)	23,587	50,413	(120,866)
Fund Balance - Beginning.....	<u>1,033,148</u>	<u>280,294</u>	<u>410,961</u>	<u>151,515</u>	<u>1,875,918</u>
Fund Balance - Ending.....	<u>\$ 1,073,102</u>	<u>\$ 45,474</u>	<u>\$ 434,548</u>	<u>\$ 201,928</u>	<u>\$ 1,755,052</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended September 30, 2006**

**Net Change in fund balances-total governmental funds** **\$ (120,866)**  
Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the asset. This is the amount by which  
capital outlays exceeded depreciation in the current period.

Capitalized assets	\$ 430,146	
Depreciation expense	<u>(94,499)</u>	335,647

Tax revenues are deferred and not recognized in the funds until they are  
available to pay for current period expenditures. In the Statement of  
Activities, however, they are recognized when levied. This is the  
difference between the amount deferred at the beginning and end of  
the current period.

Deferred revenue - 2006	25,724	
Deferred revenue - 2005	<u>(29,587)</u>	(3,863)

Payments of capital leases and bonds is an expenditure in the governmental  
funds, but the payments reduce long term debt in the Statement of  
Activities.

Bonds payable	3,108	
Capital leases payable	<u>7,685</u>	10,793

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and therefore are not reported as expenditures  
in governmental funds.

Compensated absences - 2006	(41,023)	
Compensated absences - 2005	<u>35,741</u>	(5,282)

Increase in other long term assets that are not available to pay for current-period expenditures and, therefore, are not included in the funds.		<u>6,606</u>
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<b>Change in Net Assets of Governmental Activities</b>		<b><u><u>\$ 223,035</u></u></b>
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The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2006**

	Water Fund	Sanitation	Sewer Fund	Total
<b>ASSETS</b>				
Cash.....	\$ 744,230	\$ 229,073	\$ 489,148	\$ 1,462,451
Other receivables.....	47,043	16,755	57,335	121,133
Capital assets, net of depreciation.....	2,070,666	145,554	1,119,275	3,335,495
Capital assets, non-depreciable.....	20,254	-	900	21,154
Total assets.....	<u>\$ 2,882,193</u>	<u>\$ 391,382</u>	<u>\$ 1,666,658</u>	<u>\$ 4,940,233</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable.....	\$ 7,406	\$ 1,935	\$ 10,319	\$ 19,660
Compensated absences payable.....	8,567	5,332	9,484	23,383
Water deposits.....	53,381	-	-	53,381
Current bond payable.....	75,000	-	-	75,000
Current capital lease payable.....	-	-	28,489	28,489
Total current liabilities.....	<u>144,354</u>	<u>7,267</u>	<u>48,292</u>	<u>199,913</u>
Noncurrent liabilities:				
Bond payable - long term.....	910,000	-	-	910,000
Capital lease payable - long term.....	-	-	29,129	29,129
Total liabilities.....	<u>1,054,354</u>	<u>7,267</u>	<u>77,421</u>	<u>1,139,042</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt.....	1,105,920	145,554	1,062,557	2,314,031
Restricted for debt service.....	224,482	-	-	224,482
Net assets - unrestricted.....	497,437	238,561	526,680	1,262,678
Total net assets.....	<u>\$ 1,827,839</u>	<u>\$ 384,115</u>	<u>\$ 1,589,237</u>	<u>\$ 3,801,191</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**September 30, 2006**

	Water Fund	Sanitation	Sewer Fund	Total
<b>OPERATING REVENUE</b>				
Consumer charges.....	\$ 512,037	\$ 155,345	\$ 533,480	\$ 1,200,862
Other revenue.....	604	-	-	604
Total operating revenue.....	<u>512,641</u>	<u>155,345</u>	<u>533,480</u>	<u>1,201,466</u>
<b>OPERATING EXPENSES</b>				
Salaries.....	41,253	51,306	63,869	156,428
Payroll taxes.....	3,154	3,569	4,889	11,612
Insurance - employee.....	8,384	14,446	12,992	35,822
Retirement - employee.....	4,081	4,804	6,684	15,569
Utilities.....	70,498	-	45,068	115,566
Office supplies and postage.....	2,776	-	1,087	3,863
Maintenance and repairs.....	64,297	45,504	24,301	134,102
Training and travel.....	337	-	45	382
Supplies.....	432	-	5,346	5,778
Fuel.....	2,848	19,096	2,107	24,051
Depreciation.....	68,287	26,747	58,183	153,217
Miscellaneous expense.....	7,858	-	-	7,858
Irrigation assessments.....	1,503	-	-	1,503
Total operating expense.....	<u>275,708</u>	<u>165,472</u>	<u>224,571</u>	<u>665,751</u>
Operating income (loss).....	<u>236,933</u>	<u>(10,127)</u>	<u>308,909</u>	<u>535,715</u>
<b>NONOPERATING REVENUE (EXPENSE)</b>				
JRWWS grant income.....	-	-	34,263	34,263
JRWWS grant expenditures.....	-	-	(71,385)	(71,385)
Interest income.....	17,461	5,696	4,815	27,972
Interest expense.....	(43,663)	-	-	(43,663)
Total nonoperating revenue (expense).....	<u>(26,202)</u>	<u>5,696</u>	<u>(32,307)</u>	<u>(52,813)</u>
Income (loss) before contributions and transfers.....	210,731	(4,431)	276,602	482,902
Capital contributions.....	-	-	51,723	51,723
Operating transfers.....	<u>(19,850)</u>	<u>-</u>	<u>(19,850)</u>	<u>(39,700)</u>
Changes in net assets.....	<u>190,881</u>	<u>(4,431)</u>	<u>308,475</u>	<u>494,925</u>
<b>NET ASSETS</b>				
Total net assets - beginning.....	<u>1,636,958</u>	<u>388,546</u>	<u>1,280,762</u>	<u>3,306,266</u>
Total net assets - ending.....	<u>\$ 1,827,839</u>	<u>\$ 384,115</u>	<u>\$ 1,589,237</u>	<u>\$ 3,801,191</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**September 30, 2006**

	Water Fund	Sanitation	Sewer Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers.....	\$ 509,126	\$ 153,823	\$ 520,585	\$ 1,183,534
Payments to suppliers and employees.....	(221,361)	(146,331)	(166,421)	(534,113)
Cash provided by customer deposits.....	12,791	-	-	12,791
Net cash provided (used) by operating activities.....	<u>300,556</u>	<u>7,492</u>	<u>354,164</u>	<u>662,212</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer to general fund.....	(19,850)	-	(19,850)	(39,700)
Net cash provided (used) by Noncapital Financing Activities.....	<u>(19,850)</u>	<u>-</u>	<u>(19,850)</u>	<u>(39,700)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Cash received from capital contributions.....	-	-	-	-
Cash paid for JRWWS grant (net of revenue).....	-	-	(27,122)	(27,122)
Cash paid for construction and equipment.....	(10,744)	-	(40,000)	(50,744)
Principle payments on capital lease.....	-	-	(27,382)	(27,382)
Bond principle payments.....	(75,000)	-	-	(75,000)
Interest paid on bonds.....	(43,663)	-	-	(43,663)
Net cash provided (used) by capital and related financing activities.....	<u>(129,407)</u>	<u>-</u>	<u>(94,504)</u>	<u>(223,911)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income.....	17,460	5,696	4,816	27,972
Net cash provided (used) from investing activities.....	<u>17,460</u>	<u>5,696</u>	<u>4,816</u>	<u>27,972</u>
Net increase (decrease) in cash and cash equivalents.....	168,759	13,188	244,626	426,573
Cash and cash equivalents-beginning of year.....	575,471	215,885	244,522	1,035,878
Cash and cash equivalents-end of year.....	<u>\$ 744,230</u>	<u>\$ 229,073</u>	<u>\$ 489,148</u>	<u>\$ 1,462,451</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income.....	\$ 236,933	\$ (10,127)	\$ 308,909	\$ 535,715
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation.....	68,287	26,747	58,183	153,217
(Increase) decrease in consumer accounts receivable.....	(3,515)	(1,522)	(12,895)	(17,932)
Increase (decrease) in customer deposits.....	12,791	-	-	12,791
Increase (decrease) in accounts payable.....	(13,940)	(7,606)	(33)	(21,579)
Net cash provided by operating activities.....	<u>\$ 300,556</u>	<u>\$ 7,492</u>	<u>\$ 354,164</u>	<u>\$ 662,212</u>

The notes to the financial statements are an integral part of this statement.

## CITY OF RIGBY

### Notes to the Financial Statements September 30, 2006

#### NOTE 1

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. REPORTING ENTITY

The City of Rigby consists of patrons from Jefferson County.

This report includes all of the funds/accounts of the City. It includes all activities considered to be part of the City under GASB Statement #2100, *Defining the Governmental Reporting Entity*. Activities include areas in which the City can assert its authority either directly or indirectly by financial means. The City has an urban renewal agency and a recreation agency within its legal jurisdiction. The agencies follow Idaho Code in their operations. The agencies boards, which must include one of the members of the City Council, are approved by the City Council. The agencies adopt their own budgets based on revenues prescribed by Idaho Code. The City does not have any authority over the urban renewal agency either directly or indirectly but does have authority over the recreation agency.

The City is organized and operates under the provisions of the Idaho Constitution and the accounting policies and practices of the City conform to generally accepted accounting principles as applied to governments. The city's reporting entity applies all relevant *Governmental Accounting Standards Boards (GASB)* pronouncements. Proprietary funds and similar component units apply *Financial Accounting Standards Board's (FASB)* pronouncements and *Accounting Principal Board (APB)* opinions issued on or before November 30, 1989.

In the evaluation of how to define the City for the financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made using criteria set forth in the accounting principles generally accepted in the United States of America. All funds and activities of the City of Rigby are included in the basic financial statements. Using the above criteria, the City has no component units.

##### B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

###### Basis of Presentation

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal balances and transfers. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

## CITY OF RIGBY

### Notes to the Financial Statements September 30, 2006

#### B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, Continued

##### **Basis of Presentation, Continued**

Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental* and *proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

*General Fund.* This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Road Fund.* This fund is responsible for the operation, maintenance and development of roads within the City's jurisdiction.

*Sewer Construction Fund.* The purpose of this fund is to expand the City's sewer system. The fund is financed through sewer hook-up fees.

The City reports the following major enterprise funds:

*Water Fund.* This fund accounts for the operation, maintenance and development of the City's water resources.

*Sewer Fund.* This fund accounts for the operation and maintenance of the City's sewer system.

*Sanitation Fund.* This fund accounts for the operation and maintenance of the City's sanitation system.

##### **Measurement Focus, Basis of Accounting**

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

## CITY OF RIGBY

### Notes to the Financial Statements September 30, 2006

#### B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, Continued

##### Measurement Focus, Basis of Accounting, Continued

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

#### C. ASSETS, LIABILITIES, AND EQUITY

##### Cash and Investments

The cash balances of substantially all funds are pooled and invested by the City Clerk for the purpose of increasing earnings through investment activities. The pooled investments are reported at fair value at September 30, 2006 based on market prices. Cash also includes funds held at the Local Government Investment Pool. The cash at the Local Government Investment Pool earns interest at a variable rate and is available upon demand. Earnings on the pooled funds are apportioned and paid or credited to the funds based on the balance of each participating fund.

**CITY OF RIGBY**

**Notes to the Financial Statements  
September 30, 2006**

**C. ASSETS, LIABILITIES, AND EQUITY, Continued**

**Cash and Cash Equivalents**

The City considers cash and cash equivalents in the proprietary funds to be cash on hand and demand deposits. Demand deposits include money market accounts and certificates of deposit. In addition, because the Local Government Investment Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

**Receivables and Payables**

All trade and property tax receivables are shown net of an allowance for uncollectibles.

**Property Tax Calendar**

Property taxes are levied in November of each year and become payable on December 20, and June 20, of the following year for real property and personal property.

Property taxes attach as an enforceable lien as of December 20 following the levy in August. Therefore, no amount has been set aside for an allowance for doubtful accounts. Property taxes collected after December 1, 2006 are classified as deferred revenue.

**Inventories and Prepaid Items**

The City does not have any inventory items at September 30, 2006.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The City had the following prepaid items at the end of the fiscal year.

General Fund – Prepaid Workers Compensation	\$4,803
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**Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired after July 1, 2001 are reported at cost or estimated historical cost. The Standards did not require that we track and maintain general infrastructure assets acquired prior to July 1, 2001 and also do not require us to retroactively restate these assets for financial reporting purposes. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. The City has elected to capitalize all assets acquisitions that exceed \$3,000.

**CITY OF RIGBY**

**Notes to the Financial Statements  
September 30, 2006**

**C. ASSETS, LIABILITIES, AND EQUITY, Continued**

**Capital Assets, continued**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures	10 – 40
Machinery and equipment	3 – 10
Industrial systems	30 – 40

**Compensated Absences**

The liability for compensated absences in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**NOTE 2 DEPOSITS AND INVESTMENTS**

Following is a reconciliation of the City's deposit and investment balances as of September 30, 2006:

	<b>Pooled Cash and Investments</b>
Demand Deposits	\$ 947,866
Certificates of Deposit	2,058,437
State Investment Pool	79,710
Investments	405,738
<b>Total</b>	<b><u>\$ 3,491,751</u></b>

**Cash Deposits**

The following is a schedule illustrating the cash balances held by the City of Rigby that are insured, collateralized, or uninsured as of September 30, 2006. The City does not have a deposit policy.

<b><u>Depository Institution</u></b>	<b><u>Bank Balance</u></b>	<b><u>Book Balance</u></b>	<b><u>FDIC Insured</u></b>	<b><u>Collateralized</u></b>	<b><u>Uninsured</u></b>
Zions Bank	1,318,577	1,216,886	100,000	1,218,577	0
US Bank	1,763,916	1,763,915	100,000	0	1,663,916
State Invest. Pool	79,710	79,710	0	0	79,710
Petty Cash		575	0	0	575
Money Market Accts:					
Edward Jones	19,752	19,752	0	0	19,752
McDonald Invest.	5,175	5,175	0	0	5,175
<b>Total</b>	<b><u>3,187,130</u></b>	<b><u>3,086,013</u></b>	<b><u>200,000</u></b>	<b><u>1,218,577</u></b>	<b><u>1,769,128</u></b>

**CITY OF RIGBY**

**Notes to the Financial Statements  
September 30, 2006**

**NOTE 2      DEPOSITS AND INVESTMENTS, Continued**

**Cash Deposits, continued**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2006, \$1,768,553 of the government's bank balance of \$3,187,130 was exposed to custodial credit risk as can be seen in the previous table. The remaining \$575 is petty cash on hand.

Credit Risk: Per the Local Government Investment Pool management, the investment pool itself does not have a credit rating.

**Investments**

The City's investment policy, in compliance with state statutes, authorizes the Clerk to invest in the following:

- Corporate Bonds
- Federal Agency Obligations
- Mortgaged Backed Securities
- Mutual Funds

As of September 30, 2006, the City has the following investments. All investments are reported at their fair market value.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
<b>Corporate Bonds</b>		
Providian National Bank	June 11, 2007	\$ 97,990
<b>Federal Agency Obligations</b>		
Federal National Mort. Assoc	Various	103,140
Federal Home Loan Mortgage	Various	184,503
<b>Mortgage Backed Securities</b>		
Federal Home Loan Mortgage	Various	3,800
Structured Asset Secs. Corp	July 25, 2024	1,000
Federal National Mtg Assn REMIC	September 25, 2021	703
<b>Mutual Funds</b>		
Goldman Sachs Ultra Short Fund	n/a	<u>14,602</u>
<b>Total Investments</b>		<b><u>\$ 405,738</u></b>

Concentration Credit Risk is the risk that the City has invested more than 5% of their total investment in any one issuer. Currently, the City of Rigby holds the following individual issues in an amount greater than 5% of their total investments:

<u>Individual Issuer</u>	<u>% of Total Investment</u>
Providian National Bank	24%
Federal National Mortgage Association	25%
Federal Home Loan Mortgage	45%

**CITY OF RIGBY**

**Notes to the Financial Statements  
September 30, 2006**

**NOTE 2        DEPOSITS AND INVESTMENTS, Continued**

**Investments, continued**

Credit Risk: The City's investments are rated by the two nationally recognized statistical rating organizations—Standard & Poor's and Moody's Investment Services. Investments in US Government Agencies, Corporate Bonds, and Mutual Funds are rated AAA and Aaa, respectively.

**NOTE 3        INTERFUND TRANSACTIONS**

**Interfund Receivable/Payable**

During the course of its operations, the City had numerous transactions between funds to finance operations, provide services, and construct assets and service debt. As of September 30, 2006 there are the following interfund receivables or payables:

<u>Major Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	94,288	
City Recreation Center		94,288

These interfund receivables and payables are due to cash overdrafts in the funds listed that are operating off of the General Fund cash.

**Interfund Transfers**

The following interfund operating transfers were made during the fiscal year:

<u>Major Funds</u>	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	43,800	91,814
Water Fund		19,850
Sewer Fund		19,850
Road Fund		4,100
<u>Nonmajor Funds</u>	93,814	2,000

Transfers between all major and nonmajor funds were made to cover expenditures from operations.

**CITY OF RIGBY**

**Notes to the Financial Statements  
September 30, 2006**

**NOTE 4      LONG-TERM OBLIGATIONS**

**Water Revenue Bonds Issue:**

On September 30, 2003 the City refinanced \$1,150,000 of Water Revenue Bonds, which were originally issued October 1, 1996, to fund the construction and upgrade of the City's water storage and supply system. These bonds constitute a special obligation of the City solely secured by a lien and pledge of the net revenues of the water system and do not constitute an indebtedness of the City within the meaning of any State Constitutional provision or statutory limitation, nor a charge against the general credit or taxing powers of the City. The bonds are tax exempt under Internal Revenue Code Section 103(a). The bonds are callable on or after October 1, 2014 for bond maturing on or after October 1, 2013.

Water Revenue Bonds payable at September 30, 2006 are comprised of the following individual issue: Water Revenue Bonds, Series 2003 due in semi-annual principal and interest installments on April 1 and October 1 each year through October 1, 2016. The effective rate of interest for this bond is 3.7391817%. \$985,000 is outstanding at September 30, 2006.

**Bond Reserve Requirement:**

The bond covenants require the City to maintain a bond reserve fund equal to the maximum annual debt service on the bonds, or 125 percent of the average annual debt service of the bonds not to exceed 10 percent of the proceeds of the bonds (\$150,000). The reserve fund and the monies therein are irrevocably pledged to the payment of the bonds, such funds may be applied upon the final maturity of the principal and interest on the bonds. The amount funded for the reserve fund was \$224,482 which exceeds the amount allowed by the bond covenants. The account is recorded in the financial statements as restricted for debt service, and the amount at September 30, 2006 is \$224,482.

**Local Improvement District #7 Bond Issue:**

On July 31, 2002 the City issued \$40,455 of Local Improvement District (L.I.D.) #7 Bonds to help fund the construction of public improvements of the water lines along Ramona Avenue. The bond is payable in annual installments of principal and interest, at 5.30%, in the amount of \$4,461. Installments are due July 31 beginning in the year 2003 and commence for 10 years. Bonds outstanding at September 30, 2006 were \$22,427.

**Lease Purchase Commitments:**

During the fiscal year ending September 30, 2003 the City entered into an equipment lease-purchase agreement with Zion's Bank. The agreement calls for monthly payments, including interest at 4.25%, in the amount of \$1,142.62. Weight equipment utilized in the Recreation Center is listed as collateral.

**CITY OF RIGBY**

**Notes to the Financial Statements  
September 30, 2006**

**NOTE 4            LONG-TERM OBLIGATIONS, Continued**

**Lease Purchase Commitment:**

During the fiscal year ended September 30, 2006 the City entered into a capital lease agreement with Zion's Bank. The agreement calls for three annual payments of \$37,044, including interest at 3.43%. A Sewer Cleaning Truck utilized by the City is listed as collateral.

The following schedule recaps the changes in long-term obligation for the fiscal year ending September 30, 2006:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Ending Balance</b>
<b>Governmental-type activities</b>				
Zion's Bank Capital Lease	\$ 10,732	\$ 0	\$ 7,685	\$ 3,047
L.I.D. #7 Bonds	25,535	0	3,108	22,427
Compensated absences	35,741	5,282	0	41,024
<i>Total governmental-type</i>	<u>\$ 72,008</u>	<u>\$ 5,282</u>	<u>\$ 10,793</u>	<u>\$ 66,498</u>
<b>Business-type activities</b>				
Water Revenue Bonds	\$ 1,060,000	\$ 0	\$ 75,000	985,000
Zion's Bank Capital Lease	85,000	0	27,382	57,618
Compensated absences	21,699	1,683	0	23,383
<i>Total business-type activities</i>	<u>\$ 1,166,699</u>	<u>\$ 1,683</u>	<u>\$ 102,382</u>	<u>\$ 1,066,001</u>

The following schedule recaps the maturities of each obligation for the subsequent five years until termination of the obligations:

	<b>Total</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012- 2016</b>	<b>2017</b>
<b>Business-type activities</b>								
Water Revenue Bond	\$985,000	\$ 75,000	\$ 80,000	\$ 80,000	\$85,000	\$85,000	\$475,000	\$105,000
<b>Total</b>	<u>\$985,000</u>	<u>\$ 75,000</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$85,000</u>	<u>\$85,000</u>	<u>\$475,000</u>	<u>\$105,000</u>
<b>Governmental-type activities</b>								
Capital Lease-Zions	\$ 3,047	3,047	0	0	0	0	0	0
Capital Lease-Zions	57,618	28,489	29,129	0	0	0	0	0
L.I.D. #7 Bonds	22,427	3,272	3,446	3,628	3,821	4,023	4,237	0
<b>Total</b>	<u>\$ 83,092</u>	<u>\$ 34,808</u>	<u>\$ 32,575</u>	<u>\$ 3,628</u>	<u>\$ 3,821</u>	<u>\$ 4,023</u>	<u>\$ 4,237</u>	<u>0</u>
<b>Total</b>	<u>\$1,068,092</u>	<u>\$109,808</u>	<u>\$112,575</u>	<u>\$83,628</u>	<u>\$88,821</u>	<u>\$89,023</u>	<u>\$479,237</u>	<u>\$105,000</u>

Interest in the amount of \$43,663 was paid out in the Water Fund on the Water Revenue Bonds and the sewer truck lease. Interest in the amount of \$1,353 was paid out of the LID fund for the LID # 7 Bonds.

**CITY OF RIGBY**

Notes to the Financial Statements  
September 30, 2006

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Capital Acquisitions</u>	<u>Sales / Other Dispositions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<b>Non-depreciable Assets:</b>				
Work-in-progress	\$ 0	\$ 372,943	\$ 0	\$ 372,943
Land	281,659	12,000	0	293,659
<b>Depreciable Assets:</b>				
Buildings/Sites	\$ 1,215,273	\$ 0	\$ 0	\$ 1,215,273
Equipment	918,876	45,203	0	964,079
Infrastructure	<u>746,119</u>	<u>0</u>	<u>0</u>	<u>746,119</u>
<i>Total capital assets</i>	<i>3,161,927</i>	<i>430,146</i>	<i>0</i>	<i>3,592,073</i>
Less: accumulated depreciation	<u>1,139,910</u>	<u>94,499</u>	<u>0</u>	<u>1,234,409</u>
<i>Governmental activity capital assets, net</i>	<u><i>\$ 2,022,017</i></u>	<u><i>\$ 335,647</i></u>	<u><i>\$ 0</i></u>	<u><i>\$ 2,357,664</i></u>
<b>Business-type Activities</b>				
<b>Non-depreciable Assets:</b>				
Work-in-progress	\$ 0	\$ 0	\$ 0	\$ 0
Land	21,154	0	0	21,154
<b>Depreciable Assets:</b>				
<b>Water Fund</b>				
Buildings & equipment	\$ 2,667,179	\$ 10,743	\$ 0	\$ 2,677,922
Less: accumulated depreciation	<u>538,970</u>	<u>68,287</u>	<u>0</u>	<u>607,257</u>
<i>Water capital assets, net</i>	<u><i>2,128,209</i></u>	<u><i>(57,544)</i></u>	<u><i>0</i></u>	<u><i>2,070,665</i></u>
<b>Sanitation Fund</b>				
Buildings & equipment	395,749	0	0	395,749
Less: accumulated depreciation	<u>223,448</u>	<u>26,747</u>	<u>0</u>	<u>250,195</u>
<i>Sanitation capital assets, net</i>	<u><i>172,301</i></u>	<u><i>(26,747)</i></u>	<u><i>0</i></u>	<u><i>145,554</i></u>
<b>Sewer</b>				
Buildings & equipment	1,392,059	91,723	0	1,483,782
Less: accumulated depreciation	<u>306,323</u>	<u>58,183</u>	<u>0</u>	<u>364,506</u>
<i>Sewer capital assets, net</i>	<u><i>1,085,736</i></u>	<u><i>33,540</i></u>	<u><i>0</i></u>	<u><i>1,119,276</i></u>
<i>Business-type activities capital assets, net</i>	<u><i>\$ 3,407,400</i></u>	<u><i>\$ (50,751)</i></u>	<u><i>\$ 0</i></u>	<u><i>\$ 3,356,649</i></u>

Depreciation expense was charged to functions as follows:

General government	\$ 94,499
Water fund	68,287
Sanitation fund	26,747
Sewer fund	<u>58,183</u>
	<u><u>\$ 247,716</u></u>

## CITY OF RIGBY

### Notes to the Financial Statements September 30, 2006

#### NOTE 6 CONTINGENT LIABILITIES

During the fiscal year ended September 30, 2005, the City entered into an annexation agreement with Hunter Creek Estates (a housing subdivision). The agreement called for the City to build a bridge that would provide better transportation services in and out of the subdivision. As of September 30, 2005, the City had not constructed the bridge, and as a result, the developer of the subdivision threatened litigation for breach of contract.

In the legal representation letter dated January 20, 2006, the City attorney represented that a written offer of settlement from the City had been given to the developer; however, there had been no acceptance of that written offer. Given the facts and conditions existing as of the date of that report, the city attorney opined that the likelihood of the City being sued was probable. Therefore, management accrued a contingent liability for threatened litigation in the amount of \$120,000.

On April 28, 2006, the City of Rigby and the Developer of Hunter Creek Estates entered into a settlement agreement and a modification of annexation agreement absolving the City from the responsibility of constructing a bridge. The modified annexation agreement requires the City to construct a new road into the subdivision. With the acceptance of the settlement agreement by both parties, the contingent liability has been deemed to be satisfied and has been removed from the financial statements for the year ended September 30, 2006. As of the date of this report, the City has completed the construction of the new road.

Also, as of the date of this report, the City has received a notice of a tort claim. The City attorney has asserted that most of the points made in this claim lack merit. Any damages would be immaterial to the financial position of the City. Furthermore, damages would be paid by the City's insurance carrier.

The City participates in a number of grant programs some federally assisted. These programs may be subject to compliance audits by the grantors or their representatives. Such audits of these programs for the year reported herein have not been conducted or completed and accepted. Accordingly, the City's accepted compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agency or agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

#### NOTE 7 RISK MANAGEMENT

The City is exposed to a considerable number of risks of loss including but not limited to a) damage to and loss of property and contents; b) employee torts; c) professional liability, i.e. errors and omissions; d) environmental damage; e) workers compensation, i.e. employee injuries and f) medical insurance costs of its employees. Commercial insurance policies transferring the risk of loss, but for a relatively small deductible amount, are purchased for property and content damage, employees' torts and professional liabilities. Settled claims resulting from these risks have not exceeded the insurance deductible provided for in the last three years.

CITY OF RIGBY

Notes to the Financial Statements  
September 30, 2006

**NOTE 8 RELATED PARTY TRANSACTIONS**

The City has not been involved in any related party transactions that would violate the Idaho Code or applicable federal regulations.

**NOTE 9 SUBSEQUENT EVENTS**

There are no known subsequent events that will have a material effect on the operation of the City.

**NOTE 10 PENSION ACTIVITY—EMPLOYER REPORTING**

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

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

The contribution requirements of the City of Rigby and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2006, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.65% for police/firefighters.

The employer rate as a percentage of covered payroll was 10.39% to 10.74% for general members and 10.74% for police/firefighters. The City of Rigby's contributions required and paid were \$69,822, \$72,090, and \$60,422 for the three years ended September 30, 2006, 2005, and 2004, respectively.

**NOTE 11 EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The City had the following funds whose expenditures exceeded budgeted amounts in the fiscal year:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Capital Improvements	8,000	9,648	1,648
Road Fund	462,320	596,497	134,177

**NOTE 12 DEFICIT FUND BALANCE**

At September 30, 2006 the City Recreation Fund had a deficit fund balance \$94,978.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF RIGBY**  
**Budget to Actual Comparison Schedule**  
**General Fund**  
**For Year Ended September 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
<b>Local Sources:</b>				
<b>Local Revenue:</b>				
Property taxes.....	\$ 529,430	\$ 529,430	\$ 572,676	\$ 43,246
Earnings on investments.....	17,000	17,000	46,780	29,780
Fees and fines.....	50,700	50,700	40,745	(9,955)
Charges for services.....	31,600	31,600	43,233	11,633
Miscellaneous and other revenue.....	71,750	71,750	5,990	(65,760)
State revenues.....	218,549	218,549	241,373	22,824
<b>Total revenue.....</b>	<b>919,029</b>	<b>919,029</b>	<b>950,797</b>	<b>31,768</b>
<b>EXPENDITURES</b>				
General government.....	470,800	470,800	323,146	147,654
Public safety.....	666,824	666,824	522,886	143,938
Capital outlay.....	178,500	178,500	16,797	161,703
<b>Total expenditures.....</b>	<b>1,316,124</b>	<b>1,316,124</b>	<b>862,829</b>	<b>453,295</b>
Excess (deficiency) of revenue over expenditures.....	(397,095)	(397,095)	87,968	485,063
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers.....	397,095	397,095	(48,014)	(445,109)
Net change in fund balances.....	-	-	39,954	39,954
Fund Balance - Beginning.....	1,033,148	1,033,148	1,033,148	-
Fund Balance - Ending.....	<u>\$ 1,033,148</u>	<u>\$ 1,033,148</u>	<u>\$ 1,073,102</u>	<u>\$ 39,954</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Budget to Actual Comparison Schedule**  
**Road Fund**  
**For Year Ended September 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b>REVENUES</b>				
<b>Local Sources:</b>				
<b>Local Revenue:</b>				
Property taxes.....	\$ 17,369	\$ 17,369	\$ 18,611	\$ 1,242
Earnings on investments.....	5,000	5,000	10,610	5,610
Charges for services.....	35,000	35,000	49,815	14,815
Miscellaneous and other revenue.....	169,300	204,500	165,170	(39,330)
State revenues.....	119,708	119,708	121,571	1,863
<b>Total revenue.....</b>	<b>346,377</b>	<b>381,577</b>	<b>365,777</b>	<b>(15,800)</b>
<b>EXPENDITURES</b>				
Street and public improvement.....	402,120	402,120	195,042	207,078
Capital outlay.....	25,000	60,200	401,455	(341,255)
<b>Total expenditures.....</b>	<b>427,120</b>	<b>462,320</b>	<b>596,497</b>	<b>(134,177)</b>
Excess (deficiency) of revenue over expenditures.....	(80,743)	(80,743)	(230,720)	(149,977)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers.....	80,743	80,743	(4,100)	(84,843)
<b>ADJUSTMENTS</b>				
To adjust expenditures for capital outlay accruals.....	-	(410,000)	-	(410,000)
Net change in fund balances.....	-	(410,000)	(234,820)	(644,820)
<b>FUND BALANCES</b>				
Beginning of the year.....	280,294	280,294	280,294	-
End of the year.....	<u>\$ 280,294</u>	<u>\$ (129,706)</u>	<u>\$ 45,474</u>	<u>\$ (644,820)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RIGBY**  
**Budget to Actual Comparison Schedule**  
**Sewer Construction Fund**  
**For Year Ended September 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Revenue:				
Earnings on investments.....	10,000	10,000	4,516	(5,484)
Charges for services.....	40,950	40,950	67,616	26,666
Total revenue.....	<u>50,950</u>	<u>50,950</u>	<u>72,132</u>	<u>21,182</u>
<b>EXPENDITURES</b>				
Capital outlay.....	50,950	50,950	48,545	2,405
Total expenditures.....	<u>50,950</u>	<u>50,950</u>	<u>48,545</u>	<u>2,405</u>
Net change in fund balance.....	<u>-</u>	<u>-</u>	<u>23,587</u>	<u>23,587</u>
<b>FUND BALANCES</b>				
Beginning of the year.....	410,961	410,961	410,961	-
End of the year.....	<u>\$ 410,961</u>	<u>\$ 410,961</u>	<u>\$ 434,548</u>	<u>\$ 23,587</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RIGBY

Notes to the Required Supplementary Information  
September 30, 2006

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The Idaho Constitution and the Idaho State Tax Commission prescribe the budget process and procedures for governmental subdivisions. The City has satisfied the basic requirements prescribed in the following particulars:

- 1) Formulation of subsequent year budget requirements by City officials and personnel.
- 2) Perusal of formulated budgets by City officials.
- 3) Presentation of preliminary and final budget requirements in formal news media of the City.
- 4) Open hearings to permit taxpayer input before such budgets are formally adopted.

Subsequent control of budgets following adoption is accomplished through a budget-expenditures control system with interim status accounting and reporting made available to officials and employees for management purposes. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at the end of the fiscal year.

NOTE 2 EXCESS EXPENDITURES OVER APPROPRIATIONS

The City had the following funds whose expenditures exceeded budgeted amounts in the fiscal year:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Road Fund	462,320	596,497	134,177

NOTE 3 RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

The City of Rigby prepares their budget using the cash basis of accounting and their financial statements for governmental fund types are prepared using the modified accrual basis of accounting. The City of Rigby budgeted for expenditures to build the 5<sup>th</sup> West Road in the 2006-2007 budget year in the amount of \$410,000; however, the construction of the road was 90% complete at September 30, 2006. Therefore, the expenditures to construct the road were accrued into the fiscal year September 30, 2006. The adjustment presented on the Budget to Actual comparison for the Road Fund in the amount of \$410,000 is being made to reconcile the cash budget basis to the modified accrual basis presented in the financial statements.

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**SUPPLEMENTARY INFORMATION**

**CITY OF RIGBY**  
**Combining Balance Sheet - Non Major Funds**  
**September 30, 2006**

	<b>Special Revenue</b>		
	<b>Library Fund</b>	<b>Park &amp; Recreation Fund</b>	<b>City Recreation Fund</b>
<b>ASSETS</b>			
Cash.....	\$ 30,499	\$ 7,724	\$ 704
Taxes receivable.....	3,357	2,002	-
Other receivables.....	3,081	1,838	-
Total assets.....	\$ 36,937	\$ 11,564	\$ 704
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES:</b>			
Accounts payable.....	\$ 8,603	\$ 453	\$ 1,394
Deferred revenue.....	2,540	1,515	-
Intefund payable.....	-	-	94,288
Total liabilities.....	11,143	1,968	95,682
 <b>FUND BALANCE:</b>			
Restricted for:			
Capital projects.....	-	-	-
Community development.....	25,794	9,596	(94,978)
Total fund balance.....	25,794	9,596	(94,978)
Total liabilities and fund balance.....	\$ 36,937	\$ 11,564	\$ 704

The notes to the financial statements are an integral part of this statement.

**Capital Projects**

<u>Capital Improvement</u>	<u>Water Construction</u>	<u>LID #7</u>	<u>Totals</u>
\$ 29,919	\$ 225,126	\$ 5,926	\$ 299,898
470	-	-	5,829
431	-	-	5,350
<u>\$ 30,820</u>	<u>\$ 225,126</u>	<u>\$ 5,926</u>	<u>\$ 311,077</u>
\$ -	\$ -	\$ -	\$ 10,450
356	-	-	4,411
-	-	-	94,288
<u>356</u>	<u>-</u>	<u>-</u>	<u>109,149</u>
30,464	225,126	-	255,590
-	-	5,926	(53,662)
<u>30,464</u>	<u>225,126</u>	<u>5,926</u>	<u>201,928</u>
<u>\$ 30,820</u>	<u>\$ 225,126</u>	<u>\$ 5,926</u>	<u>\$ 311,077</u>

**CITY OF RIGBY**  
**Combining Statement of Revenue, Expenditures and Changes**  
**in Fund Balances - Non Major Funds**  
**September 30, 2006**

	<b>Special Revenue</b>		
	<b>Library Fund</b>	<b>Park &amp; Recreation Fund</b>	<b>City Recreation Fund</b>
<b>REVENUES</b>			
Local Revenue:			
Property taxes.....	\$ 70,210	\$ 41,882	\$ -
Earnings on investments.....	-	-	-
Charges for services.....	15,759	-	43,523
Miscellaneous and other revenue.....	4,135	1,787	11,828
State revenues.....	11,014	6,570	-
Grants.....	2,070	-	-
Total revenue.....	<u>103,188</u>	<u>50,239</u>	<u>55,351</u>
<b>EXPENDITURES</b>			
Street and public improvement.....	-	-	-
Parks and recreation.....	-	56,451	124,580
Cultural.....	145,636	-	-
Capital outlay.....	5,424	-	-
Total expenditures.....	<u>151,060</u>	<u>56,451</u>	<u>124,580</u>
Excess (deficiency) of revenue over expenditures.....	(47,872)	(6,212)	(69,229)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers.....	<u>63,774</u>	<u>8,620</u>	<u>21,420</u>
Net change in fund balances.....	15,902	2,408	(47,809)
<b>FUND BALANCES</b>			
Beginning of the year.....	<u>9,892</u>	<u>7,188</u>	<u>(47,169)</u>
End of the year.....	<u>\$ 25,794</u>	<u>\$ 9,596</u>	<u>\$ (94,978)</u>

The notes to the financial statements are an integral part of this statement.

**Capital Projects**

<u>Capital Improvements</u>	<u>Water Construction</u>	<u>LID #7</u>	<u>Total</u>
\$ 9,829	\$ -	\$ -	\$ 121,921
786	12,773	41	13,600
-	67,616	6,663	133,561
-	-	-	17,750
1,542	-	-	19,126
-	-	-	2,070
<u>12,157</u>	<u>80,389</u>	<u>6,704</u>	<u>308,028</u>
-	-	4,461	4,461
-	-	-	181,031
-	-	-	145,636
<u>9,648</u>	<u>3,229</u>	<u>-</u>	<u>18,301</u>
<u>9,648</u>	<u>3,229</u>	<u>4,461</u>	<u>349,429</u>
2,509	77,160	2,243	(41,401)
<u>(2,000)</u>	<u>-</u>	<u>-</u>	<u>91,814</u>
509	77,160	2,243	50,413
<u>29,955</u>	<u>147,966</u>	<u>3,683</u>	<u>151,515</u>
<u>\$ 30,464</u>	<u>\$ 225,126</u>	<u>\$ 5,926</u>	<u>\$ 201,928</u>

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# JENSEN POULSEN & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS  
P.O. BOX 50700  
185 S. CAPITAL  
IDAHO FALLS, IDAHO 83405

ERNEST M JENSEN, M.B.A., C.P.A.  
ROBERT B. POULSEN, C.P.A.  
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## 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*

Mayor and City Council  
City of Rigby  
Rigby, ID 83442

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Rigby, Idaho, as of and for the year ended September 30, 2006, and have issued our report thereon dated February 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Rigby's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rigby'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

THE UNIVERSITY OF CHICAGO

Mayor and City Council  
City of Rigby, Idaho  
Page 2

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

*Jensen Poulsen & Company, PLLC*  
JENSEN POULSEN & COMPANY, PLLC  
Certified Public Accountants

Idaho Falls, Idaho  
February 1, 2007

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