

**CITY OF RIGBY
RIGBY, IDAHO**

**Basic Financial Statements and
Required Supplementary Information
With
Supplementary Information and
Independent Auditor's Report
Year Ended September 30, 2007**

**City of Rigby
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Year Ended September 30, 2007**

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JENSEN POULSEN & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 50700
185 S. CAPITAL
IDAHO FALLS, IDAHO 83405-0700

ERNEST M JENSEN, M.B.A., C.P.A.
ROBERT B. POULSEN, C.P.A.
SHERI L. POULSEN, C.P.A.

TELEPHONE: (208) 522-2295
(208) 522-1330
FAX: (208) 522-2297
(208) 523-5699

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2007, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 29, 2008 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 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.



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

January 29, 2008

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BASIC FINANCIAL STATEMENTS

CITY OF RIGBY
Statement of Net Assets
September 30, 2007

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents.....	\$ 1,614,454	\$ 1,850,807	\$ 3,465,261
Cash - restricted for bond.....	-	224,730	224,730
Investments.....	296,989	-	296,989
Receivables (net).....	137,945	270,118	408,063
Prepaid expenses.....	18,993	-	18,993
Capital assets, net of depreciation.....	2,127,932	3,550,957	5,678,889
Capital assets, non-depreciable.....	293,659	21,154	314,813
Total assets.....	\$ 4,489,972	\$ 5,917,766	\$ 10,407,738
LIABILITIES			
Current liabilities			
Accounts payable.....	\$ 87,156	\$ 128,147	\$ 215,303
Benefits payable.....	19,002	-	19,002
Water deposits.....	-	66,866	66,866
Current portion of long term debt.....	3,446	109,295	112,741
Total current liabilities	\$ 109,604	\$ 304,308	\$ 413,912
Long-term liabilities			
Debt portion due in more than one year.....	15,709	830,000	845,709
Compensated absences.....	37,523	26,950	64,473
Total liabilities.....	162,836	1,161,258	1,324,094
NET ASSETS			
Invested in capital assets, net of related debt.....	2,402,436	2,632,816	5,035,252
Restricted for:			
Capital projects.....	791,551	-	791,551
Debt service.....	-	224,730	224,730
Community development and improvement projects.....	42,403	-	42,403
Unrestricted	1,033,846	1,898,962	2,932,808
Total net assets.....	\$ 4,270,236	\$ 4,756,508	\$ 9,026,744

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, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government.....	\$ 397,727	\$ 33,532			\$ (364,195)		\$ (364,195)
Public safety.....	549,636	42,540			(507,096)		(507,096)
Public works.....	225,677	160,637	126,877		61,837		61,837
Parks and recreation.....	194,667	34,121		370	(160,176)		(160,176)
Cultural.....	164,530	17,759			(146,771)		(146,771)
Interest on long term debt.....	1,189				(1,189)		(1,189)
Total governmental activities.....	1,533,426	288,589	126,877	370	(1,117,590)		(1,117,590)
Business-type activities:							
Water fund.....	323,277	541,865				218,588	218,588
Interest on long term debt.....	25,491					(25,491)	(25,491)
Sanitation fund.....	176,291	161,380				(14,911)	(14,911)
Sewer fund.....	299,037	684,185		370,722		755,870	755,870
Interest on long term debt.....	1,976					(1,976)	(1,976)
Total business-type activities.....	826,072	1,387,430		370,722		932,080	932,080
Total primary government.....	\$ 2,359,498	\$ 1,676,019	\$ 126,877	\$ 371,092	(1,117,590)	932,080	(185,510)

General revenues:

Taxes:

Property taxes, levied for general purposes	661,101	661,101
Property taxes, levied for library	81,366	81,366
Property taxes, levied for park and recreation fund	48,544	48,544
Property taxes, levied for public works	21,570	21,570
Property taxes, levied for capital projects	11,395	11,395
State sales taxes	90,630	90,630
State revenue sharing	114,585	114,585
State liquor allocation	52,681	52,681
Earnings on investments	85,267	46,899
Miscellaneous	100,597	68
Transfers	23,731	(23,731)
Total general revenues and transfers	1,291,467	23,236
Changes in net assets	173,877	955,316
Net assets—beginning	4,096,359	3,801,192
Net assets—ending	\$ 4,270,236	\$ 4,756,508

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

CITY OF RIGBY
Balance Sheets
Governmental Funds
September 30, 2007

ASSETS	General Fund	Road Fund	Library Fund	City		Sewer Construction Fund	Non Major Funds	Total Governmental Funds
				Recreation Fund	Fund			
Cash.....	\$ 764,414	\$ 13,716	\$ 22,683	\$ 605	\$ 487,660	\$ 325,376	\$ 1,614,454	
Investments.....	266,796	30,193	-	-	-	-	296,989	
Taxes receivable.....	17,746	576	2,170	-	-	1,608	22,100	
Other receivables.....	70,620	36,498	3,068	97	-	2,245	112,528	
Interfund receivable.....	116,161	-	-	-	-	-	116,161	
Prepaid expenses.....	18,993	-	-	-	-	-	18,993	
Total assets.....	<u>\$ 1,254,730</u>	<u>\$ 80,983</u>	<u>\$ 27,921</u>	<u>\$ 702</u>	<u>\$ 487,660</u>	<u>\$ 329,229</u>	<u>\$ 2,181,225</u>	

LIABILITIES AND FUND BALANCE

LIABILITIES:

Current Liabilities:

Accounts payable.....	\$ 60,101	\$ 7,449	\$ 435	\$ 17,912	\$ -	\$ 1,259	\$ 87,156
Benefits payable.....	19,002	-	-	-	-	-	19,002
Deferred revenue.....	13,836	448	1,690	-	-	1,254	17,228
Interfund payable.....	-	-	-	116,161	-	-	116,161
Contingent liability.....	-	56,900	-	-	-	-	56,900
Total current liabilities.....	<u>92,939</u>	<u>64,797</u>	<u>2,125</u>	<u>134,073</u>	<u>-</u>	<u>2,513</u>	<u>296,447</u>

FUND BALANCE:

Reserved for:

Roads.....	-	16,186	-	-	-	-	16,186
Capital projects.....	-	-	-	-	487,660	303,651	791,311
Community development.....	-	-	25,796	(133,371)	-	23,065	(84,510)
Unreserved fund balance.....	1,161,791	-	-	-	-	-	1,161,791
Total fund balance.....	<u>1,161,791</u>	<u>16,186</u>	<u>25,796</u>	<u>(133,371)</u>	<u>487,660</u>	<u>326,716</u>	<u>1,884,778</u>

Total liabilities and fund balance.....	<u>\$ 1,254,730</u>	<u>\$ 80,983</u>	<u>\$ 27,921</u>	<u>\$ 702</u>	<u>\$ 487,660</u>	<u>\$ 329,229</u>	<u>\$ 2,181,225</u>
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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, 2007

Total fund balances - governmental funds **\$ 1,884,778**

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 City 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 governmental funds.

Cost of capital assets	\$3,760,240	
Depreciation expense to date	<u>(1,338,649)</u>	2,421,591

Property taxes received that are not available to pay for current period expenditures are deferred in the funds.		17,228
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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	(37,523)	
Bonds payable - L.I.D.	<u>(19,155)</u>	(56,678)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>3,317</u>
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Total net assets for governmental activities.		<u><u>\$ 4,270,236</u></u>
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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, 2007

	General Fund	Road Fund	Library Fund	City Recreation Fund	Sewer Construction Fund	Non Major Funds	Total Governmental Funds
REVENUES							
Local Revenue:							
Property taxes.....	\$ 667,905	\$ 21,795	\$ 82,216	\$ -	\$ -	\$ 60,555	\$ 832,471
Earnings on investments.....	55,218	860	-	-	19,751	9,438	85,267
Fees and fines.....	63,869	-	-	-	-	-	63,869
Charges for services.....	42,540	57,418	17,759	44,395	33,360	38,027	233,499
Miscellaneous and other revenue.....	77,227	19,057	3,435	12,200	-	992	112,911
State revenues.....	240,604	129,164	8,626	-	-	6,379	384,773
Grants.....	-	-	-	370	-	-	370
Total revenue.....	<u>1,147,363</u>	<u>228,294</u>	<u>112,036</u>	<u>56,965</u>	<u>53,111</u>	<u>115,391</u>	<u>1,713,160</u>

EXPENDITURES							
General government.....	437,464	-	-	-	-	-	437,464
Public safety.....	464,224	-	-	-	-	-	464,224
Street and public improvement.....	-	151,360	-	-	-	4,461	155,821
Parks and recreation.....	-	-	-	117,886	-	33,469	151,355
Cultural.....	-	-	153,647	-	-	-	153,647
Capital outlay.....	79,385	49,322	3,700	33,496	-	21,858	187,761
Contingent liability.....	-	56,900	-	-	-	-	56,900
Total expenditures.....	<u>981,073</u>	<u>257,582</u>	<u>157,347</u>	<u>151,382</u>	<u>-</u>	<u>59,788</u>	<u>1,607,172</u>

Excess (deficiency) of revenue over expenditures..... 166,290 (29,288) (45,311) (94,417) 53,111 55,603 105,988

OTHER FINANCING SOURCES (USES)							
Transfers.....	(77,602)	-	45,311	56,022	-	-	23,731
Net change in fund balances.....	88,688	(29,288)	-	(38,395)	53,111	55,603	129,719
Fund Balance - Beginning.....	1,073,103	45,474	25,796	(94,976)	434,549	271,113	1,755,059

Fund Balance - Ending..... \$ 1,161,791 \$ 16,186 \$ 25,796 \$ (133,371) \$ 487,660 \$ 326,716 \$ 1,884,778

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, 2007

Net Change in fund balances-total governmental funds **\$ 129,719**
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	\$ 168,167	
Depreciation expense	<u>(104,240)</u>	63,927

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 - 2007	17,228	
Deferred revenue - 2006	<u>(25,724)</u>	(8,496)

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	3,272	
Capital leases payable	<u>3,047</u>	6,319

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 - 2007	(37,523)	
Compensated absences - 2006	<u>41,024</u>	3,501

Increases in other long term assets that are not available to pay for current-period expenditures and, therefore, are not included in the funds.		<u>(21,093)</u>
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Change in Net Assets of Governmental Activities		<u><u>\$ 173,877</u></u>
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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, 2007

	Water Fund	Sanitation	Sewer Fund	Total
ASSETS				
Cash.....	\$ 717,080	\$ 250,729	\$ 882,998	\$ 1,850,807
Cash - restricted for bond.....	224,730	-	-	224,730
Other receivables.....	56,411	17,951	195,756	270,118
Capital assets, net of depreciation.....	1,996,081	118,807	1,436,069	3,550,957
Capital assets, non-depreciable.....	20,254	-	900	21,154
Total assets.....	<u>\$ 3,014,556</u>	<u>\$ 387,487</u>	<u>\$ 2,515,723</u>	<u>\$ 5,917,766</u>
LIABILITIES				
Current Liabilities:				
Accounts payable.....	\$ 798	\$ 1,438	\$ 125,911	\$ 128,147
Compensated absences payable.....	8,394	5,987	12,569	26,950
Water deposits.....	66,866	-	-	66,866
Current bond payable.....	80,000	-	-	80,000
Current capital lease payable.....	-	-	29,295	29,295
Total current liabilities.....	<u>156,058</u>	<u>7,425</u>	<u>167,775</u>	<u>331,258</u>
Noncurrent liabilities:				
Bond payable - long term.....	830,000	-	-	830,000
Total liabilities.....	<u>986,058</u>	<u>7,425</u>	<u>167,775</u>	<u>1,161,258</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	1,106,335	118,807	1,407,674	2,632,816
Restricted for debt service.....	224,730	-	-	224,730
Net assets - unrestricted.....	697,433	261,255	940,274	1,898,962
Total net assets.....	<u>\$ 2,028,498</u>	<u>\$ 380,062</u>	<u>\$ 2,347,948</u>	<u>\$ 4,756,508</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, 2007

	Water Fund	Sanitation	Sewer Fund	Total
OPERATING REVENUE				
Consumer charges.....	\$ 541,865	\$ 161,380	\$ 684,185	\$ 1,387,430
Other revenue.....	68	-	-	68
Total operating revenue.....	<u>541,933</u>	<u>161,380</u>	<u>684,185</u>	<u>1,387,498</u>
OPERATING EXPENSES				
Salaries.....	50,932	53,045	78,709	182,686
Payroll taxes.....	4,151	3,762	6,190	14,103
Insurance - employee.....	4,566	19,318	12,290	36,174
Retirement - employee.....	5,392	5,640	8,149	19,181
Utilities.....	75,209	-	34,954	110,163
Office supplies and postage.....	932	1,238	1,279	3,449
Maintenance and repairs.....	93,553	33,899	59,296	186,748
Training and travel.....	840	13	577	1,430
Supplies.....	1,473	116	2,315	3,904
Fuel.....	3,168	18,404	3,748	25,320
Depreciation.....	74,583	26,747	63,330	164,660
Miscellaneous expense.....	6,086	14,109	882	21,077
Irrigation assessments.....	2,392	-	-	2,392
Total operating expense.....	<u>323,277</u>	<u>176,291</u>	<u>271,719</u>	<u>771,287</u>
Operating income (loss).....	<u>218,656</u>	<u>(14,911)</u>	<u>412,466</u>	<u>616,211</u>
NONOPERATING REVENUE (EXPENSE)				
JRWWS grant income.....	-	-	14,496	14,496
JRWWS grant expenditures.....	-	-	(27,318)	(27,318)
Wastewater project grant income.....	-	-	356,226	356,226
Interest income.....	27,342	10,858	8,699	46,899
Interest expense.....	(25,491)	-	(1,976)	(27,467)
Total nonoperating revenue (expense).....	<u>1,851</u>	<u>10,858</u>	<u>350,127</u>	<u>362,836</u>
Income (loss) before contributions and transfers.....	220,507	(4,053)	762,593	979,047
Operating transfers.....	(19,850)	-	(3,881)	(23,731)
Changes in net assets.....	<u>200,657</u>	<u>(4,053)</u>	<u>758,712</u>	<u>955,316</u>
NET ASSETS				
Total net assets - beginning.....	1,827,841	384,115	1,589,236	3,801,192
Total net assets - ending.....	<u>\$ 2,028,498</u>	<u>\$ 380,062</u>	<u>\$ 2,347,948</u>	<u>\$ 4,756,508</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, 2007

	<u>Water Fund</u>	<u>Sanitation</u>	<u>Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers.....	\$ 532,565	\$ 160,184	\$ 666,854	\$ 1,359,603
Payments to suppliers and employees.....	(255,473)	(149,386)	(210,802)	(615,661)
Cash provided by customer deposits.....	13,487	-	-	13,487
Net cash provided (used) by operating activities.....	<u>290,579</u>	<u>10,798</u>	<u>456,052</u>	<u>757,429</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from (to) general fund.....	(19,850)	-	(3,881)	(23,731)
Net cash provided (used) by noncapital financing activities.....	<u>(19,850)</u>	<u>-</u>	<u>(3,881)</u>	<u>(23,731)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Cash received for wastewater project (net of expenses).....	-	-	356,226	356,226
Cash paid for JRWWS grant (net of revenue).....	-	-	(12,823)	(12,823)
Cash paid for construction and equipment.....	-	-	(380,124)	(380,124)
Principle payments on capital lease.....	-	-	(28,323)	(28,323)
Bond principle payments.....	(75,000)	-	-	(75,000)
Interest paid on bonds and leases.....	(25,491)	-	(1,976)	(27,467)
Net cash provided (used) by capital and related financing activities.....	<u>(100,491)</u>	<u>-</u>	<u>(67,020)</u>	<u>(167,511)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income.....	27,342	10,858	8,699	46,899
Net cash provided (used) from investing activities.....	<u>27,342</u>	<u>10,858</u>	<u>8,699</u>	<u>46,899</u>
Net increase (decrease) in cash and cash equivalents.....	197,580	21,656	393,850	613,086
Cash and cash equivalents-beginning of year.....	744,230	229,073	489,148	1,462,451
Cash and cash equivalents-end of year.....	<u>\$ 941,810</u>	<u>\$ 250,729</u>	<u>\$ 882,998</u>	<u>\$ 2,075,537</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income.....	\$ 218,656	\$ (14,911)	\$ 412,466	\$ 616,211
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation.....	74,583	26,747	63,330	164,660
(Increase) decrease in consumer accounts receivable.....	(9,367)	(1,196)	(17,331)	(27,894)
Increase (decrease) in customer deposits.....	13,487	-	-	13,487
Increase (decrease) in accounts payable.....	(6,780)	158	(2,413)	(9,035)
Net cash provided by operating activities.....	<u>\$ 290,579</u>	<u>\$ 10,798</u>	<u>\$ 456,052</u>	<u>\$ 757,429</u>

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

CITY OF RIGBY

Notes to the Financial Statements September 30, 2007

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 after 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, 2007

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.

Library Fund. This fund is responsible for the operations and maintenance of the library within the City's jurisdiction.

City Recreation Fund. The purpose of this fund is for the operations and maintenance of the City's recreation center. The fund is financed through user fees.

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.

CITY OF RIGBY

Notes to the Financial Statements September 30, 2007

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, Continued

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.

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 after November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2007**

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, 2007 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.

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. Because property taxes attach as an enforceable lien after three years of delinquency, the City feels that all receivables are collectible.

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, 2007 are classified as deferred revenue.

Inventories and Prepaid Items

The City does not have any inventory items at September 30, 2007.

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	\$ 4,761
General Fund – Prepaid Liability Insurance	\$14,232

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2007**

C. ASSETS, LIABILITIES, AND EQUITY, Continued

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. 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 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, 2007:

	Pooled Cash and Investments
Demand Deposits	\$ 1,746,294
Certificates of Deposit	1,859,874
State Investment Pool	83,823
Investments	296,989
Total	<u>\$ 3,986,980</u>

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2007**

NOTE 2 DEPOSITS AND INVESTMENTS, Continued

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, 2007. The City does not have a deposit policy.

<u>Depository Institution</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>FDIC Insured</u>	<u>Collateralized</u>	<u>Uninsured</u>
Zions Bank	2,019,354	1,899,166	100,000	1,919,354	0
US Bank	1,545,849	1,545,849	53,526	1,267,595	224,728
State Invest. Pool	83,823	83,823	0	0	83,823
Petty Cash	0	1,720	0	0	1,720
Money Market Accts:					
Edward Jones	42,951	42,951	0	0	42,951
McDonald Invest.	<u>116,482</u>	<u>116,482</u>	<u>100,000</u>	<u>0</u>	<u>16,482</u>
Total	<u>3,808,459</u>	<u>3,689,991</u>	<u>253,526</u>	<u>3,186,949</u>	<u>369,704</u>

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, 2007, \$367,984 of the government's bank balance of \$3,808,459 was exposed to custodial credit risk as can be seen in the previous table. The remaining \$1,720 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, 2007, 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>
Federal Agency Obligations		
Federal National Mort. Assoc	Various	105,959
Federal Home Loan Mortgage	Various	172,315
Mortgage Backed Securities		
Federal Home Loan Mortgage	Various	2,446
Structured Asset Secs. Corp	July 25, 2024	1,000
Federal National Mtg Assn REMIC	September 25, 2021	605
Mutual Funds		
Goldman Sachs Ultra Short Fund	n/a	<u>14,664</u>
Total Investments		<u>\$ 296,989</u>

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2007**

NOTE 2 DEPOSITS AND INVESTMENTS, Continued

Investments, continued

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>
Federal National Mortgage Association	36%
Federal Home Loan Mortgage	59%

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, 2007 there are the following interfund receivables or payables:

<u>Major Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	116,161	
City Recreation Center		116,161

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	39,700	117,302
Water Fund		19,850
Sewer Fund	15,969	19,850
Library Fund	45,311	
Recreation Center	56,022	

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

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2007**

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, 2007 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%. \$910,000 is outstanding at September 30, 2007.

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 \$224,730 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, 2007 is \$224,730.

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, 2007 were \$19,155.

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. This lease-purchase was paid in full during the fiscal year.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2007**

NOTE 4 LONG-TERM OBLIGATIONS, Continued

Lease Purchase Commitment:

During the fiscal year ended September 30, 2007 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, 2007:

	Beginning Balance	Additions	Subtractions	Ending Balance
Governmental-type activities				
Zion's Bank Capital Lease	\$ 3,047	\$ 0	\$ 3,047	\$ 0
L.I.D. #7 Bonds	22,427	0	3,272	19,155
Compensated absences	<u>41,024</u>	<u>0</u>	<u>3,501</u>	<u>37,523</u>
<i>Total governmental-type</i>	<u>\$ 66,498</u>	<u>\$ 0</u>	<u>\$ 9,820</u>	<u>\$ 56,678</u>
Business-type activities				
Water Revenue Bonds	\$ 985,000	\$ 0	\$ 75,000	910,000
Zion's Bank Capital Lease	57,618	0	28,323	29,295
Compensated absences	<u>23,383</u>	<u>3,567</u>	<u>0</u>	<u>26,950</u>
<i>Total business-type activities</i>	<u>\$ 1,066,001</u>	<u>\$ 3,567</u>	<u>\$ 103,323</u>	<u>\$ 966,245</u>

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

	Total	2008	2009	2010	2011	2012	2013- 2017
Business-type activities							
Water Revenue Bond	<u>\$910,000</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$85,000</u>	<u>\$85,000</u>	<u>\$90,000</u>	<u>\$490,000</u>
Total	<u>\$910,000</u>	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$85,000</u>	<u>\$85,000</u>	<u>\$90,000</u>	<u>\$490,000</u>
Governmental-type activities							
Capital Lease-Zions	29,295	29,295	0	0	0	0	0
L.I.D. #7 Bonds	<u>19,155</u>	<u>3,446</u>	<u>3,628</u>	<u>3,821</u>	<u>4,023</u>	<u>4,237</u>	<u>0</u>
Total	<u>\$ 48,450</u>	<u>\$ 32,741</u>	<u>\$ 3,628</u>	<u>\$ 3,821</u>	<u>\$ 4,023</u>	<u>\$ 4,237</u>	<u>\$ 0</u>
Total	<u>\$958,450</u>	<u>\$112,741</u>	<u>\$83,628</u>	<u>\$88,821</u>	<u>\$89,023</u>	<u>\$94,237</u>	<u>\$490,000</u>

Interest in the amount of \$25,491 was paid out in the Water Fund on the Water Revenue Bonds and \$1,976 was paid out of the Sewer Fund for the sewer truck lease. Interest in the amount of \$1,189 was paid out of the LID fund for the LID # 7 Bonds.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2007**

NOTE 5 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Capital Acquisitions</u>	<u>Sales / Other Dispositions</u>	<u>Ending Balance</u>
Governmental Activities				
Non-depreciable Assets:				
Work-in-progress	\$ 372,943	\$ 37,488	\$ 410,431	\$ 0
Land	293,659	0	0	293,659
Depreciable Assets:				
Buildings/Sites	\$ 1,215,273	\$ 16,260	\$ 0	\$ 1,231,533
Equipment	964,079	114,419	0	1,078,498
Infrastructure	<u>746,119</u>	<u>410,431</u>	<u>0</u>	<u>1,156,550</u>
<i>Total capital assets</i>	<i>3,592,073</i>	<i>578,598</i>	<i>(410,431)</i>	<i>3,760,240</i>
Less: accumulated depreciation	<u>1,234,409</u>	<u>104,240</u>	<u>0</u>	<u>1,338,649</u>
<i>Governmental activity capital assets, net</i>	<u><i>\$ 2,357,664</i></u>	<u><i>\$ 474,358</i></u>	<u><i>\$ (410,431)</i></u>	<u><i>\$ 2,421,591</i></u>
Business-type Activities				
Non-depreciable Assets:				
Work-in-progress	\$ 0	\$ 0	\$ 0	\$ 0
Land	21,154	0	0	21,154
Depreciable Assets:				
Water Fund				
Buildings & equipment	\$ 2,677,922	\$ 0	\$ 0	\$ 2,677,922
Less: accumulated depreciation	<u>607,257</u>	<u>74,583</u>	<u>0</u>	<u>681,840</u>
<i>Water capital assets, net</i>	<u><i>2,070,665</i></u>	<u><i>(74,583)</i></u>	<u><i>0</i></u>	<u><i>1,996,082</i></u>
Sanitation Fund				
Buildings & equipment	395,749	0	0	395,749
Less: accumulated depreciation	<u>250,195</u>	<u>26,747</u>	<u>0</u>	<u>276,942</u>
<i>Sanitation capital assets, net</i>	<u><i>145,554</i></u>	<u><i>(26,747)</i></u>	<u><i>0</i></u>	<u><i>118,807</i></u>
Sewer				
Buildings & equipment	1,483,782	380,124	0	1,863,906
Less: accumulated depreciation	<u>364,506</u>	<u>63,330</u>	<u>0</u>	<u>427,836</u>
<i>Sewer capital assets, net</i>	<u><i>1,119,276</i></u>	<u><i>316,794</i></u>	<u><i>0</i></u>	<u><i>1,436,070</i></u>
 <i>Business-type activities capital assets, net</i>	 <u><i>\$ 3,356,649</i></u>	 <u><i>\$ 215,464</i></u>	 <u><i>\$ 0</i></u>	 <u><i>\$ 3,572,113</i></u>

Depreciation expense was charged to functions as follows:

General government	\$ 104,240
Water fund	74,583
Sanitation fund	26,747
Sewer fund	<u>63,330</u>
	<u><u>\$ 268,900</u></u>

CITY OF RIGBY

Notes to the Financial Statements September 30, 2007

NOTE 6 CONTINGENT LIABILITIES

The City entered into a Release and Settlement agreement with H & S Development, LLC effective November 20, 2007. As per this agreement, the parties have agreed to settle all claims and counter claims arising from the failed construction of the 4th West bridge in 2005 and improper construction an untimely completion of the 5th West road in 2006. In exchange for release, the City is obligated to pay H & S Development \$56,900 within 30 days of execution of the Settlement Agreement. Furthermore, the City agrees to finish construction on the 5th West road by July 1, 2008. Final construction includes completion of roadway surface, curb, gutter, sidewalks, guard rails, and street lights. Other stipulations of the agreement include waiver of impact fees and execution of an easement of property along 5th West road to the Developer. Due to the nature of the event, the probability of the outcome, and the estimation of the amount, a contingent liability in the amount of \$56,900 has been accrued in the Road Fund.

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.

NOTE 8 SUBSEQUENT EVENTS

The City entered into a Release and Settlement agreement with H & S Development, LLC effective November 20, 2007. As per this agreement, the parties have agreed to settle all claims and counter claims arising from the failed construction of the 4th West bridge in 2005 and improper construction an untimely completion of the 5th West road in 2006. In exchange for release, the City is obligated to pay H & S Development \$56,900 within 30 days of execution of the Settlement Agreement. Furthermore, the City agrees to finish construction on the 5th West road by July 1, 2008. Final construction includes completion of roadway surface, curb, gutter, sidewalks, guard rails, and street lights. Other stipulations of the agreement include waiver of impact fees and execution of an easement of property along 5th West road to the Developer.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2007**

NOTE 9 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 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, 2007, 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 \$77,290, \$69,822, and \$72,090 for the three years ended September 30, 2007, 2006, and 2005, 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>
City Recreation Center	145,902	151,382	5,480
Water Fund	314,710	323,277	8,567

NOTE 12 DEFICIT FUND BALANCE

At September 30, 2007 the City Recreation Fund had a deficit fund balance \$133,371.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIGBY
Budget to Actual Comparison Schedule
General Fund
For Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Local Sources:				
Local Revenue:				
Property taxes.....	\$ 618,310	\$ 618,310	\$ 667,905	\$ 49,595
Earnings on investments.....	16,000	16,000	55,218	39,218
Fees and fines.....	31,100	31,100	65,469	34,369
Charges for services.....	31,600	31,600	42,540	10,940
Miscellaneous and other revenue.....	38,750	38,750	75,627	36,877
State revenues.....	235,870	235,870	240,604	4,734
Total revenue.....	<u>971,630</u>	<u>971,630</u>	<u>1,147,363</u>	<u>175,733</u>
EXPENDITURES				
General government.....	397,220	397,220	384,363	12,857
Public safety.....	665,640	665,640	569,972	95,668
Capital outlay.....	192,500	192,500	26,738	165,762
Total expenditures.....	<u>1,255,360</u>	<u>1,255,360</u>	<u>981,073</u>	<u>274,287</u>
Excess (deficiency) of revenue over expenditures.....	(283,730)	(283,730)	166,290	450,020
OTHER FINANCING SOURCES (USES)				
Transfers.....	283,730	235,505	(77,602)	(313,107)
Net change in fund balances.....	-	(48,225)	88,688	136,913
Fund Balance - Beginning.....	1,073,103	1,073,103	1,073,103	-
Fund Balance - Ending.....	<u>\$ 1,073,103</u>	<u>\$ 1,024,878</u>	<u>\$ 1,161,791</u>	<u>\$ 136,913</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Local Revenue:				
Property taxes.....	\$ 20,020	\$ 20,020	\$ 21,795	\$ 1,775
Earnings on investments.....	5,000	5,000	860	(4,140)
Charges for services.....	35,000	35,000	57,418	22,418
Miscellaneous and other revenue.....	17,000	22,200	19,057	(3,143)
State revenues.....	123,179	123,179	129,164	5,985
Total revenue.....	<u>200,199</u>	<u>205,399</u>	<u>228,294</u>	<u>22,895</u>
EXPENDITURES				
Street and public improvement.....	224,770	263,770	151,360	112,410
Contingent liability.....	-	-	56,900	(56,900)
Capital outlay.....	410,000	424,225	49,322	374,903
Total expenditures.....	<u>634,770</u>	<u>687,995</u>	<u>257,582</u>	<u>430,413</u>
Excess (deficiency) of revenue over expenditures.....	(434,571)	(482,596)	(29,288)	453,308
OTHER FINANCING SOURCES (USES)				
Transfers.....	400,771	448,996	-	(448,996)
ADJUSTMENTS				
To adjust expenditures for capital outlay accruals.....	-	410,000	-	410,000
Net change in fund balances.....	(33,800)	376,400	(29,288)	414,312
FUND BALANCES				
Beginning of the year.....	45,474	45,474	45,474	-
End of the year.....	<u>\$ 11,674</u>	<u>\$ 421,874</u>	<u>\$ 16,186</u>	<u>\$ 414,312</u>

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

CITY OF RIGBY
Budget to Actual Comparison Schedule
Library Fund
For Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Local Sources:				
Local Revenue:				
Property taxes.....	\$ 75,460	\$ 75,460	\$ 82,216	\$ 6,756
Charges for services.....	18,200	18,200	21,194	2,994
State revenues.....	10,835	10,835	8,626	(2,209)
Total revenue.....	<u>104,495</u>	<u>104,495</u>	<u>112,036</u>	<u>7,541</u>
EXPENDITURES				
Cultural.....	158,150	158,150	153,647	4,503
Capital outlay.....	7,000	7,000	3,700	3,300
Total expenditures.....	<u>165,150</u>	<u>165,150</u>	<u>157,347</u>	<u>7,803</u>
Excess (deficiency) of revenue over expenditures.....	(60,655)	(60,655)	(45,311)	15,344
OTHER FINANCING SOURCES (USES)				
Transfers.....	60,655	60,655	45,311	(15,344)
Net change in fund balances.....	-	-	-	-
FUND BALANCES				
Beginning of the year.....	25,796	25,796	25,796	-
End of the year.....	<u>\$ 25,796</u>	<u>\$ 25,796</u>	<u>\$ 25,796</u>	<u>\$ -</u>

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

CITY OF RIGBY
Budget to Actual Comparison Schedule
City Recreation Fund
For Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local Sources:				
Local Revenue:				
Charges for services.....	\$ 87,000	\$ 87,000	\$ 54,342	\$ (32,658)
Miscellaneous and other revenue.....	500	500	2,623	2,123
Total revenue.....	<u>87,500</u>	<u>87,500</u>	<u>56,965</u>	<u>(30,535)</u>
EXPENDITURES				
Cultural.....	126,402	126,402	117,886	8,516
Capital outlay.....	19,500	19,500	33,496	(13,996)
Total expenditures.....	<u>145,902</u>	<u>145,902</u>	<u>151,382</u>	<u>(5,480)</u>
Excess (deficiency) of revenue over expenditures.....	(58,402)	(58,402)	(94,417)	(36,015)
OTHER FINANCING SOURCES (USES)				
Transfers.....	58,402	58,402	56,022	(2,380)
Net change in fund balances.....	-	-	(38,395)	(38,395)
FUND BALANCES				
Beginning of the year.....	(94,976)	(94,976)	(94,976)	-
End of the year.....	<u>\$ (94,976)</u>	<u>\$ (94,976)</u>	<u>\$ (133,371)</u>	<u>\$ (38,395)</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Local Revenue:				
Earnings on investments.....	-	-	19,751	19,751
Charges for services.....	60,000	60,000	33,360	(26,640)
Total revenue.....	<u>60,000</u>	<u>60,000</u>	<u>53,111</u>	<u>(6,889)</u>
EXPENDITURES				
Capital outlay.....	60,000	60,000	-	60,000
Total expenditures.....	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Net change in fund balance.....	<u>-</u>	<u>-</u>	53,111	53,111
FUND BALANCES				
Beginning of the year.....	434,549	434,549	434,549	-
End of the year.....	<u>\$ 434,549</u>	<u>\$ 434,549</u>	<u>\$ 487,660</u>	<u>\$ 53,111</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, 2007**

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>
City Recreation Center	145,902	151,382	5,480

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 5th 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 (the 2005-2006 budget year). 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, 2007

	<u>Special Revenue</u>		<u>Capital Projects</u>			<u>Totals</u>
	<u>Park Fund</u>	<u>Capital Improvement</u>	<u>Water Construction</u>	<u>LID #7</u>		
ASSETS						
Cash.....	\$ 16,633	\$ 36,192	\$ 266,954	\$5,597		\$325,376
Taxes receivable.....	1,301	307	-	-		1,608
Other receivables.....	1,807	438	-	-		2,245
Total assets.....	<u>\$ 19,741</u>	<u>\$ 36,937</u>	<u>\$ 266,954</u>	<u>\$5,597</u>		<u>\$329,229</u>
 LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable.....	\$ 1,259	\$ -	\$ -	\$ -		\$ 1,259
Deferred revenue.....	1,014	240	-	-		1,254
Total liabilities.....	<u>2,273</u>	<u>240</u>	<u>-</u>	<u>-</u>		<u>2,513</u>
 FUND BALANCE:						
Restricted for:						
Capital projects.....	-	36,697	266,954	-		303,651
Community development.....	17,468	-	-	5,597		23,065
Total fund balance.....	<u>17,468</u>	<u>36,697</u>	<u>266,954</u>	<u>5,597</u>		<u>326,716</u>
 Total liabilities and fund balance.....	 <u>\$ 19,741</u>	 <u>\$ 36,937</u>	 <u>\$ 266,954</u>	 <u>\$5,597</u>		 <u>\$329,229</u>

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

CITY OF RIGBY
Combining Statement of Revenue, Expenditures and Changes
in Fund Balances - Non Major Funds
September 30, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>			<u>Total</u>
	<u>Park Fund</u>	<u>Capital Improvements</u>	<u>Water Construction</u>	<u>LID #7</u>	
REVENUES					
Local Revenue:					
Property taxes.....	\$ 49,045	\$ 11,510	\$ -	\$ -	\$ 60,555
Earnings on investments.....	-	1,505	7,868	65	9,438
Charges for services.....	-	-	33,960	4,067	38,027
Miscellaneous and other revenue.....	992	-	-	-	992
State revenues.....	5,162	1,217	-	-	6,379
Total revenue.....	<u>55,199</u>	<u>14,232</u>	<u>41,828</u>	<u>4,132</u>	<u>115,391</u>
EXPENDITURES					
Street and public improvement.....	-	-	-	4,461	4,461
Parks and recreation.....	33,469	-	-	-	33,469
Capital outlay.....	13,858	8,000	-	-	21,858
Total expenditures.....	<u>47,327</u>	<u>8,000</u>	<u>-</u>	<u>4,461</u>	<u>59,788</u>
Excess (deficiency) of revenue over expenditures.....	7,872	6,232	41,828	(329)	55,603
OTHER FINANCING SOURCES (USES)					
Transfers.....	-	-	-	-	-
Net change in fund balances.....	7,872	6,232	41,828	(329)	55,603
FUND BALANCES					
Beginning of the year.....	<u>9,596</u>	<u>30,465</u>	<u>225,126</u>	<u>5,926</u>	<u>271,113</u>
End of the year.....	<u>\$ 17,468</u>	<u>\$ 36,697</u>	<u>\$ 266,954</u>	<u>\$ 5,597</u>	<u>\$326,716</u>

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

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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.
SHERI L. POULSEN, C.P.A.

TELEPHONE: (208) 522-2295
(208) 522-1330
FAX: (208) 522-2297
(208) 523-5699

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, 2007, and have issued our report thereon dated January 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of City of Rigby's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of audit findings and responses (2007-01 through 2007-05) to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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Compliance

As part of obtaining reasonable assurance about whether the City'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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Rigby, in a separate letter dated February 5, 2008.

The City of Rigby's response to those findings identified in our audit is described in the accompanying schedule of audit findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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
Certified Public Accountants

Idaho Falls, Idaho
January 29, 2008

CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2007**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES

2007-01— Insufficient awareness of financial protocol.

Condition:

The City is experiencing a lack of awareness regarding the existing financial protocol over the purchasing of goods and services.

Criteria:

Inherent in an adequate internal control structure is the knowledge of existing financial protocol in order to monitor and control the City's expenditures.

Effect:

The lack of knowledge of the existing financial protocol may increase the risk that inappropriate purchases would not be detected and prevented in a timely manner and in the normal course of operations.

Cause:

The above noted situation is the result of a lack of communication between City management and accounting staff.

Recommendation:

It is requested that the City take note that this situation exists and devise a plan that will provide adequate awareness of the existing financial protocol set forth by the City.

Response:

The City recognizes the lack of awareness and has begun to make the changes necessary to make all personnel aware of the existing financial protocol.

THE UNIVERSITY OF CHICAGO LIBRARY

CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2007**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES, continued

2007-02 — Lack of adherence to financial protocol.

Condition:

The City is experiencing a lack of adherence to the existing financial protocol over the purchasing of goods and services.

Criteria:

Inherent in an adequate internal control structure is adherence to existing financial protocol in order to monitor and control the City's expenditures.

Effect:

The lack of adherence to the existing financial protocol may increase the risk that inappropriate purchases would not be detected and prevented in a timely manner and in the normal course of operations.

Cause:

The above noted situation is the result of a lack of enforcement of the City's financial protocol by City management.

Recommendation:

It is requested that the City take note that this situation exists and devise a plan that will provide strict adherence to the existing financial protocol set forth by the City.

Response:

The City recognizes the lack of adherence and has begun to make the changes necessary to ensure the existing financial protocol is followed by all City personnel.



CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2007**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES, continued

2007-03— Lack of segregation of duties in cash receipting.

Condition:

The City is experiencing a lack of segregation of duties over the cash receipting function.

Criteria:

Inherent in an adequate internal control structure is the existence of segregation of duties with regards to the City's cash receipting in order to monitor and control the City's cash collections.

Effect:

The lack of segregation of duties with respect to cash receipting may increase the risk that improper handling of cash collections would not be detected and prevented in a timely manner and in the normal course of operations.

Cause:

The above noted situation is the result of improperly segregating duties relating to the cash receipting function within the City.

Recommendation:

It is requested that the City take note that this situation exists and devise a plan that will provide for the proper segregation of duties among personnel with respect to cash receipting.

Response:

The City recognizes the lack of segregation of duties and has begun to make the changes necessary to ensure proper segregation of duties with respect to cash receipting.



CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2007**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES, continued

2007-04 — Failure to reconcile significant subsidiary accounts to the detailed general ledger.

Condition:

The City is experiencing a lack in the development of proper reconciliation procedures over the general ledger function.

Criteria:

Inherent in an adequate internal control structure is the development and subsequent compliance with procedures regarding the reconciliation of subsidiary account balances to the detailed general ledger in order to monitor and control the City's financial records.

Effect:

The lack of development and subsequent compliance with procedures regarding the reconciliation of subsidiary account balances to the detailed general ledger may increase the risk that the City's financial records are misstated and the errors would not be detected and prevented in a timely manner and in the normal course of operations.

Cause:

The above noted situation is the result of a lack of development of proper reconciliation procedures over the general ledger function by City management.

Recommendation:

It is requested that the City take note that this situation exists and devise a plan that will provide for the creation of proper reconciliation procedures and further enforcement of those procedures.

Response:

The City recognizes the lack of proper reconciliation procedures over the general ledger function and has begun to make the changes necessary to create and enforce a written reconciliation policy.

CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2007**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES, continued

2007-05 — Lack of segregation of duties in payroll processing.

Condition:

The City is experiencing a lack of segregation of duties over the payroll processing function.

Criteria:

Inherent in an adequate internal control structure is the existence of segregation of duties with regards to the City's payroll processing in order to properly monitor and control the City's pertinent payroll information.

Effect:

The lack of segregation of duties with a respect to payroll processing may increase the risk that improper manipulation of pertinent payroll information would not be detected and prevented in a timely manner and in the normal course of operations.

Cause:

The above noted situation is the result of improperly segregating duties relating to the payroll processing function within the City.

Recommendation:

It is requested that the City take note that this situation exists and devise a plan that will provide for the proper segregation of duties among personnel with respect to payroll processing.

Response:

The City recognizes the lack of segregation of duties and has begun to make the changes necessary to ensure proper segregation of duties with respect to payroll processing function.

