

**CITY OF RIGBY
RIGBY, IDAHO**

**Basic Financial Statements and
Required Supplementary Information
With
Supplementary Information and
Independent Auditor's Report
Year Ended September 30, 2008**

CITY OF RIGBY

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Year Ended September 30, 2008**

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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, 2008, 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, 2008, 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 February 10, 2009 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 26 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.

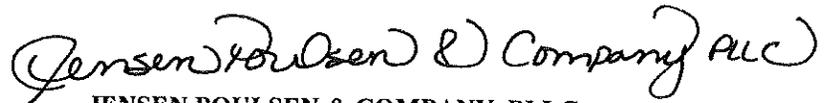
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rigby's basic financial statements.



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

February 10, 2009

THE UNIVERSITY OF CHICAGO LIBRARY

BASIC FINANCIAL STATEMENTS

CITY OF RIGBY
Statement of Net Assets
September 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents.....	\$ 1,160,411	\$ 2,261,425	\$ 3,421,836
Cash - restricted for bond.....	-	208,917	208,917
Investments.....	335,358	-	335,358
Receivables (net).....	208,751	1,717,900	1,926,651
Prepaid expenses.....	21,441	-	21,441
Capital assets, net of depreciation.....	2,302,704	9,048,420	11,351,124
Capital assets, non-depreciable.....	293,659	21,154	314,813
Total assets.....	<u>\$ 4,322,324</u>	<u>\$ 13,257,816</u>	<u>\$ 17,580,140</u>
LIABILITIES			
Current liabilities			
Accounts payable.....	\$ 163,721	\$ 1,599,348	\$ 1,763,069
Benefits payable.....	346	-	346
Water deposits.....	-	76,143	76,143
Current portion of long term debt.....	3,628	80,000	83,628
Total current liabilities	<u>\$ 167,695</u>	<u>\$ 1,755,491</u>	<u>\$ 1,923,186</u>
Long-term liabilities			
Debt portion due in more than one year.....	12,081	750,000	762,081
Compensated absences.....	44,980	30,868	75,848
Total liabilities	<u>224,756</u>	<u>2,536,359</u>	<u>2,761,115</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	2,580,654	8,239,574	10,820,228
Restricted for:			
Capital projects.....	801,974	-	801,974
Debt service.....	-	208,917	208,917
Community development and improvement projects.....	(89,187)	-	(89,187)
Unrestricted	804,127	2,272,967	3,077,093
Total net assets.....	<u>\$ 4,097,568</u>	<u>\$ 10,721,457</u>	<u>\$ 14,819,025</u>

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, 2008

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.....	\$ 409,840	\$ 46,120			\$ (363,720)		\$ (363,720)
Public safety.....	803,254	43,859			(759,395)		(759,395)
Public works.....	326,941	186,514	122,433		(17,994)		(17,994)
Parks and recreation.....	214,576	70,555	-		(144,021)		(144,021)
Cultural.....	202,987	18,986	10,195		(173,806)		(173,806)
Interest on long term debt.....	1,015				(1,015)		(1,015)
Total governmental activities.....	1,958,613	366,034	132,628	-	(1,459,951)		(1,459,951)
Business-type activities:							
Water fund.....	301,697	574,380		47,630		320,313	320,313
Interest on long term debt.....	39,543					(39,543)	(39,543)
Sanitation fund.....	150,701	194,005				43,304	43,304
Sewer fund.....	319,240	740,166		5,154,149		5,575,075	5,575,075
Interest on long term debt.....	1,005					(1,005)	(1,005)
Total business-type activities.....	812,186	1,508,551		5,201,779		5,898,144	5,898,144
Total primary government.....	\$ 2,770,798	\$ 1,874,585	\$ 132,628	\$ 5,201,779	(1,459,951)	5,898,144	4,438,193
General revenues:							
Taxes:							
Property taxes, levied for general purposes					695,618		695,618
Property taxes, levied for library					86,118		86,118
Property taxes, levied for park and recreation fund					50,117		50,117
Property taxes, levied for public works					22,575		22,575
Property taxes, levied for capital projects					11,883		11,883
State sales taxes					112,171		112,171
State revenue sharing					108,092		108,092
State liquor allocation					55,712		55,712
Earnings on investments					97,123	49,266	146,389
Miscellaneous					125,416	1,374	126,790
Transfers					(77,545)	16,165	(61,380)
Total general revenues and transfers					1,287,280	66,805	1,354,085
Changes in net assets					(172,671)	5,964,949	5,792,278
Net assets--beginning					4,270,239	4,756,508	9,026,747
Net assets--ending					\$ 4,097,568	\$ 10,721,457	\$ 14,819,025

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

CITY OF RIGBY
Balance Sheet
Governmental Funds
September 30, 2008

ASSETS	General Fund	Road Fund	Library Fund	Sewer Construction Fund	Non Major Funds	Total Governmental Funds
Cash.....	\$ 276,059	\$ 16,542	\$ 40,619	\$ 521,259	\$ 305,933	\$ 1,160,411
Investments.....	305,862	29,495	-	-	-	335,358
Taxes receivable.....	39,056	1,257	4,255	-	3,209	47,777
Other receivables.....	105,299	35,559	2,663	38	2,017	145,576
Interfund receivable.....	144,708	-	-	-	-	144,708
Prepaid expenses.....	21,441	-	-	-	-	21,441
Total assets.....	\$ 892,425	\$ 82,853	\$ 47,537	\$ 521,297	\$ 311,159	\$ 1,855,271
 LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Current Liabilities:						
Accounts payable.....	\$ 84,165	\$ 47,832	\$ 18,406	\$ -	\$ 13,318	\$ 163,721
Benefits payable.....	346	-	-	-	-	346
Deferred revenue.....	30,856	992	3,336	-	2,521	37,705
Interfund payable.....	-	17,843	-	-	126,865	144,708
Contingent liability.....	-	-	-	-	-	-
Total current liabilities.....	115,367	66,667	21,742	-	142,704	346,480
 FUND BALANCE:						
Reserved for:						
Roads.....	-	16,186	-	-	-	16,186
Capital projects.....	-	-	-	521,297	280,164	801,461
Community development.....	-	-	25,795	-	(111,709)	(85,914)
Unreserved fund balance.....	777,058	-	-	-	-	777,058
Total fund balance.....	777,058	16,186	25,795	521,297	168,455	1,508,791
 Total liabilities and fund balance.....	 \$ 892,425	 \$ 82,853	 \$ 47,537	 \$ 521,297	 \$ 311,159	 \$ 1,855,271

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, 2008

Total fund balances - governmental funds **\$ 1,508,791**

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	\$4,061,180	
Depreciation expense to date	<u>(1,464,817)</u>	2,596,363

Property taxes received that are not available to pay for current period expenditures are deferred in the funds.		37,705
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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	(44,980)	
Bonds payable - L.I.D.	<u>(15,709)</u>	(60,689)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>15,398</u>
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Total net assets for governmental activities.		<u><u>\$ 4,097,568</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, 2008

	General Fund	Road Fund	Library Fund	Sewer Construction Fund	Non Major Funds	Total Governmental Funds
REVENUES						
Local Revenue:						
Property taxes.....	\$ 678,598	\$ 22,031	\$ 84,472	\$ -	\$ 60,733	\$ 845,834
Earnings on investments.....	61,796	1,616	-	23,094	10,617	97,123
Fees and fines.....	110,208	-	-	-	-	110,208
Charges for services.....	43,859	68,167	18,986	24,293	77,331	232,636
Miscellaneous and other revenue.....	102,844	18,019	2,697	-	12,965	136,525
State revenues.....	256,147	125,417	9,065	-	7,779	398,408
Grants.....	-	-	10,195	-	-	10,195
Total revenue.....	<u>1,253,452</u>	<u>235,250</u>	<u>125,415</u>	<u>47,387</u>	<u>169,425</u>	<u>1,830,929</u>
EXPENDITURES						
General government.....	532,458	-	-	-	-	532,458
Public safety.....	570,407	-	-	-	-	570,407
Street and public improvement.....	-	281,220	-	-	13,161	294,381
Parks and recreation.....	-	-	-	-	174,580	174,580
Cultural.....	-	-	182,725	-	-	182,725
Capital outlay.....	121,789	192,048	15,338	-	45,648	374,823
Contingent liability.....	-	-	-	-	-	-
Total expenditures.....	<u>1,224,654</u>	<u>473,268</u>	<u>198,063</u>	<u>-</u>	<u>233,389</u>	<u>2,129,374</u>
Excess (deficiency) of revenue over expenditures.....	28,798	(238,018)	(72,648)	47,387	(63,964)	(298,445)
OTHER FINANCING SOURCES (USES)						
Transfers.....	(413,531)	238,018	72,648	(13,750)	39,070	(77,545)
Net change in fund balances.....	(384,733)	-	-	33,637	(24,894)	(375,990)
Fund Balance - Beginning.....	<u>1,161,791</u>	<u>16,186</u>	<u>25,795</u>	<u>487,660</u>	<u>193,349</u>	<u>1,884,781</u>
Fund Balance - Ending.....	<u>\$ 777,058</u>	<u>\$ 16,186</u>	<u>\$ 25,795</u>	<u>\$ 521,297</u>	<u>\$ 168,455</u>	<u>\$ 1,508,791</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, 2008

Net Change in fund balances-total governmental funds		\$ (375,990)
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>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.</p>		
Capitalized assets	\$ 300,940	
Depreciation expense	<u>(126,168)</u>	174,772
<p>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.</p>		
Deferred revenue - 2008	37,705	
Deferred revenue - 2007	<u>(17,228)</u>	20,477
<p>Payments of bonds is an expenditure in the governmental funds, but the payments reduce long term debt in the Statement of Activities.</p>		
Bonds payable	3,446	3,446
<p>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.</p>		
Compensated absences - 2008	(44,980)	
Compensated absences - 2007	<u>37,523</u>	(7,457)
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>12,081</u>
Change in Net Assets of Governmental Activities		<u><u>\$ (172,671)</u></u>

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

CITY OF RIGBY
Statement of Net Assets
Proprietary Funds
September 30, 2008

	<u>Water Fund</u>	<u>Sanitation</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS				
Cash.....	\$ 912,484	\$ 140,166	\$ 1,208,775	\$ 2,261,425
Cash - restricted for bond.....	208,917	-	-	208,917
Other receivables.....	71,376	21,467	1,625,058	1,717,901
Capital assets, net of depreciation.....	2,053,985	282,863	6,711,573	9,048,421
Capital assets, non-depreciable.....	20,254	-	900	21,154
Total assets.....	<u>\$ 3,267,016</u>	<u>\$ 444,496</u>	<u>\$ 9,546,306</u>	<u>\$ 13,257,818</u>
LIABILITIES				
Current Liabilities:				
Accounts payable.....	\$ 13,433	\$ 2,097	\$ 1,583,818	\$ 1,599,348
Water deposits.....	76,143	-	-	76,143
Current bond payable.....	80,000	-	-	80,000
Current capital lease payable.....	-	-	-	-
Total current liabilities.....	<u>169,576</u>	<u>2,097</u>	<u>1,583,818</u>	<u>1,755,491</u>
Noncurrent liabilities:				
Bond payable - long term.....	750,000	-	-	750,000
Compensated absences payable.....	10,229	6,319	14,320	30,868
Total liabilities.....	<u>929,805</u>	<u>8,416</u>	<u>1,598,138</u>	<u>2,536,359</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	1,244,239	282,863	6,712,473	8,239,575
Restricted for debt service.....	208,917	-	-	208,917
Net assets - unrestricted.....	884,053	153,218	1,235,695	2,272,966
Total net assets.....	<u>\$ 2,337,209</u>	<u>\$ 436,081</u>	<u>\$ 7,948,167</u>	<u>\$ 10,721,457</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, 2008

	Water Fund	Sanitation	Sewer Fund	Total
OPERATING REVENUE				
Consumer charges.....	\$ 574,380	\$ 194,005	\$ 740,166	\$ 1,508,551
Other revenue.....	1,374	-	-	1,374
Total operating revenue.....	<u>575,754</u>	<u>194,005</u>	<u>740,166</u>	<u>1,509,925</u>
OPERATING EXPENSES				
Salaries.....	64,210	34,115	99,477	197,802
Payroll taxes.....	5,207	2,803	8,256	16,266
Insurance - employee.....	9,580	10,453	16,177	36,210
Retirement - employee.....	6,470	3,510	9,890	19,870
Utilities.....	86,609	-	38,703	125,312
Office supplies and postage.....	2,078	3,098	698	5,874
Maintenance and repairs.....	38,210	14,535	71,658	124,403
Training and travel.....	740	131	141	1,012
Supplies.....	1,429	1,161	7,340	9,930
Fuel.....	2,015	25,992	2,499	30,506
Depreciation.....	76,245	45,153	64,401	185,799
Miscellaneous expense.....	6,494	9,750	-	16,244
Irrigation assessments.....	2,410	-	-	2,410
Total operating expense.....	<u>301,697</u>	<u>150,701</u>	<u>319,240</u>	<u>771,638</u>
Operating income (loss).....	<u>274,057</u>	<u>43,304</u>	<u>420,926</u>	<u>738,287</u>
NONOPERATING REVENUE (EXPENSE)				
Wastewater project grant income.....	-	-	5,140,399	5,140,399
Interest income.....	26,567	12,715	9,984	49,266
Interest expense.....	(39,543)	-	(1,005)	(40,548)
Total nonoperating revenue (expense).....	<u>(12,976)</u>	<u>12,715</u>	<u>5,149,378</u>	<u>5,149,117</u>
Income (loss) before contributions and transfers.....	261,081	56,019	5,570,304	5,887,404
Capital contributions.....	47,630	-	13,750	61,380
Operating transfers.....	-	-	16,165	16,165
Changes in net assets.....	<u>308,711</u>	<u>56,019</u>	<u>5,600,219</u>	<u>5,964,949</u>
NET ASSETS				
Total net assets - beginning.....	2,028,498	380,062	2,347,948	4,756,508
Total net assets - ending.....	<u>\$ 2,337,209</u>	<u>\$ 436,081</u>	<u>\$ 7,948,167</u>	<u>\$ 10,721,457</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, 2008

	<u>Water Fund</u>	<u>Sanitation</u>	<u>Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers.....	\$ 560,789	\$ 190,489	\$ (810,226)	\$ (58,948)
Payments to suppliers and employees.....	(210,982)	(104,557)	1,325,909	1,010,370
Cash provided by customer deposits.....	9,277	-	-	9,277
Net cash provided (used) by operating activities.....	<u>359,084</u>	<u>85,932</u>	<u>515,683</u>	<u>960,699</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from (to) general fund.....	-	-	16,165	16,165
Net cash provided (used) by noncapital financing activities.....	<u>-</u>	<u>-</u>	<u>16,165</u>	<u>16,165</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Cash received for wastewater project (net of expenses).....	-	-	5,261,489	5,261,489
Cash paid for JRWWS grant (net of revenue).....	-	-	-	-
Cash paid for construction and equipment.....	-	-	(5,326,154)	(5,326,154)
Principle payments on capital lease.....	-	-	(29,295)	(29,295)
Bond principle payments.....	(80,000)	-	-	(80,000)
Interest paid on bonds and leases.....	(39,543)	-	(1,005)	(40,548)
Net cash provided (used) by capital and related financing activities.....	<u>(119,543)</u>	<u>-</u>	<u>(94,965)</u>	<u>(214,508)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income.....	26,568	12,715	9,984	49,267
Net cash provided (used) from investing activities.....	<u>26,568</u>	<u>12,715</u>	<u>9,984</u>	<u>49,267</u>
Net increase (decrease) in cash and cash equivalents.....	179,591	(110,563)	325,777	394,805
Cash and cash equivalents-beginning of year.....	941,810	250,729	882,998	2,075,537
Cash and cash equivalents-end of year.....	<u>\$ 1,121,401</u>	<u>\$ 140,166</u>	<u>\$ 1,208,775</u>	<u>\$ 2,470,342</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income.....	\$ 274,057	\$ 43,304	\$ 420,926	\$ 738,287
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation.....	76,245	45,153	64,401	185,799
(Increase) decrease in consumer accounts receivable.....	(14,965)	(3,516)	(1,550,392)	(1,568,873)
Increase (decrease) in customer deposits.....	9,277	-	-	9,277
Increase (decrease) in accounts payable.....	14,470	991	1,580,748	1,596,209
Net cash provided by operating activities.....	<u>\$ 359,084</u>	<u>\$ 85,932</u>	<u>\$ 515,683</u>	<u>\$ 960,699</u>

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

CITY OF RIGBY

Notes to the Financial Statements September 30, 2008

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, 2008

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, 2008

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, 2008**

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, 2008 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, 2008 are classified as deferred revenue.

Inventories and Prepaid Items

The City does not have any inventory items at September 30, 2008.

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	\$ 5,501
General Fund – Prepaid Liability Insurance	\$15,940

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2008**

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, 2008:

	Pooled Cash and Investments
Demand Deposits	\$ 1,544,504
Certificates of Deposit	1,857,334
State Investment Pool	<u>86,662</u>
Total	<u>\$ 3,488,500</u>

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2008**

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, 2008. 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	\$3,214,915	\$3,190,092	\$500,000	\$ 2,100,000	\$ 614,915
US Bank	208,917	208,917	208,917	0	0
State Invest. Pool	86,662	86,660	0	0	86,662
Petty Cash	0	2,828	0	0	2,828
Money Market Accts:					
Edward Jones	142,255	142,255	0	0	142,255
Key Investment	<u>126,929</u>	<u>126,929</u>	<u>0</u>	<u>0</u>	<u>126,929</u>
Total	<u>\$3,779,678</u>	<u>\$3,757,681</u>	<u>\$708,917</u>	<u>\$ 2,100,000</u>	<u>\$ 973,589</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, 2008, \$970,761 of the government's bank balance of \$3,779,678 was exposed to custodial credit risk as can be seen in the previous table. The remaining \$2,828 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, 2008, 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	130,967
Federal Home Loan Mortgage	Various	104,488
Mortgage Backed Securities		
Federal Home Loan Mortgage	Various	1,312
Structured Asset Secs. Corp	July 25, 2024	975
Federal National Mtg Assn REMIC	September 25, 2021	510
Mutual Funds		
Goldman Sachs Ultra Short Fund	n/a	14,479
Putnam Money Market	n/a	<u>82,626</u>
Total Investments		<u>\$ 335,357</u>

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2008**

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	31%
Putnam Money Market	25%
Federal Home Loan Mortgage	39%

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, 2008 there are the following interfund receivables or payables:

<u>Major Funds</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	144,708	
Road Fund		17,843
City Recreation Center		126,865

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		77,545
Sewer Fund	16,165	

Transfers between all major and nonmajor funds were made to cover expenditures from operations. Additional transfers of completed construction of \$47,630 and \$13,750 were transferred from the water construction and sewer construction funds to the water and sewer funds respectively. These transfers were recorded as capital contributions in the Statement of Revenues, Expenses and Changes in Fund Net Assets.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2008**

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, 2008 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%. \$830,000 is outstanding at September 30, 2008.

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 \$208,917 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, 2008 is \$208,917.

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, 2008 were \$15,709.

Lease Purchase Commitments:

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. This lease-purchase agreement was paid off during the fiscal year.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2008**

NOTE 4 LONG-TERM OBLIGATIONS, Continued

The following schedule recaps the changes in long-term obligation for the fiscal year ending September 30, 2008:

	Beginning Balance	Additions	Subtractions	Ending Balance
Governmental-type activities				
L.I.D. #7 Bonds	\$ 19,155	\$ 0	\$ 3,446	\$ 15,709
Compensated absences	<u>37,523</u>	<u>7,457</u>	<u>0</u>	<u>44,980</u>
<i>Total governmental-type</i>	<u>\$ 56,678</u>	<u>\$ 7,457</u>	<u>\$ 3,446</u>	<u>\$ 60,689</u>
Business-type activities				
Water Revenue Bonds	\$ 910,000	\$ 0	\$ 80,000	\$ 830,000
Zion's Bank Capital Lease	29,295	0	29,295	0
Compensated absences	<u>26,950</u>	<u>918</u>	<u>0</u>	<u>30,868</u>
<i>Total business-type activities</i>	<u>\$ 966,245</u>	<u>\$ 3,918</u>	<u>\$ 109,295</u>	<u>\$ 860,868</u>

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

	Total	2009	2010	2011	2012	2013	2014- 2017
Business-type activities							
Water Revenue Bond	\$830,000	\$ 80,000	\$ 85,000	\$85,000	\$90,000	\$90,000	\$400,000
Governmental-type activities							
L.I.D. #7 Bonds	<u>15,709</u>	<u>3,628</u>	<u>3,821</u>	<u>4,023</u>	<u>4,237</u>	<u>0</u>	<u>0</u>
Total	<u>\$845,709</u>	<u>\$ 83,628</u>	<u>\$88,821</u>	<u>\$89,023</u>	<u>\$94,237</u>	<u>\$90,000</u>	<u>\$400,000</u>

Interest in the amount of \$39,543 was paid out in the Water Fund on the Water Revenue Bonds and \$1,005 was paid out of the Sewer Fund for the sewer truck lease. Interest in the amount of \$1,015 was paid out of the LID fund for the LID # 7 Bonds.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2008**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Capital Acquisitions</u>	<u>Sales / Other Changes</u>	<u>Ending Balance</u>
Governmental Activities				
Non-depreciable Assets:				
Work-in-progress	\$ 0	\$ 0	\$ 0	\$ 0
Land	293,659	0	0	293,659
Depreciable Assets:				
Buildings/Sites	\$ 1,231,533	\$ 22,165	\$ 0	\$ 1,253,698
Equipment	1,078,498	111,113	0	1,189,612
Infrastructure	<u>1,156,550</u>	<u>167,663</u>	<u>0</u>	<u>1,324,213</u>
<i>Total capital assets</i>	<i>3,760,241</i>	<i>300,940</i>	<i>0</i>	<i>4,061,182</i>
Less: accumulated depreciation	<u>1,338,649</u>	<u>126,168</u>	<u>(1)</u>	<u>1,464,816</u>
<i>Governmental activity capital assets, net</i>	<u><i>\$ 2,421,592</i></u>	<u><i>\$ 174,773</i></u>	<u><i>\$ (1)</i></u>	<u><i>\$ 2,596,366</i></u>
Business-type Activities				
Non-depreciable Assets:				
Work-in-progress	\$ 356,226	\$ 5,251,460	\$ 0	\$ 5,607,686
Land	21,154	0	0	21,154
Depreciable Assets:				
Water Fund				
Buildings & equipment	\$ 2,677,922	\$ 134,148	\$ 0	\$ 2,812,070
Less: accumulated depreciation	<u>681,840</u>	<u>76,245</u>	<u>2,611</u>	<u>760,696</u>
<i>Water capital assets, net</i>	<u><i>1,996,082</i></u>	<u><i>57,903</i></u>	<u><i>2,611</i></u>	<u><i>2,051,374</i></u>
Sanitation Fund				
Buildings & equipment	395,749	209,210	0	604,959
Less: accumulated depreciation	<u>276,942</u>	<u>45,153</u>	<u>0</u>	<u>322,095</u>
<i>Sanitation capital assets, net</i>	<u><i>118,807</i></u>	<u><i>164,057</i></u>	<u><i>0</i></u>	<u><i>282,864</i></u>
Sewer				
Buildings & equipment	1,507,680	88,445	0	1,596,126
Less: accumulated depreciation	<u>427,836</u>	<u>64,401</u>	<u>(2,610)</u>	<u>489,628</u>
<i>Sewer capital assets, net</i>	<u><i>1,079,844</i></u>	<u><i>24,044</i></u>	<u><i>(2,610)</i></u>	<u><i>1,106,498</i></u>
 <i>Business-type activities capital assets, net</i>	 <u><i>\$ 3,572,112</i></u>	 <u><i>\$ 5,497,465</i></u>	 <u><i>\$ 1</i></u>	 <u><i>\$ 9,069,576</i></u>

Depreciation expense was charged to functions as follows:

General government	\$ 126,168
Water fund	76,245
Sanitation fund	45,153
Sewer fund	<u>64,401</u>
	<u>\$ 311,967</u>

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2008**

NOTE 6 CONTINGENT LIABILITIES

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.

There are no contingent liabilities as of September 30th, 2008 that need to be reported.

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

As of September 30th, 2008 the City of Rigby was in the process of constructing a Waste-Water Treatment plant that is being funded by a Block grant, a DEQ grant and funding provided by the City of Rigby. Funds expended as of September 30th, 2008 totaled \$5,607,686 of the budgeted \$9,000,000 for this project. The City of Rigby intends to complete this project in the Fall of 2009.

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.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2008**

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, 2008, 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 \$91,256, \$77,290 and \$69,822 for the three years ended September 30, 2008, 2007, and 2006, respectively.

NOTE 11 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no funds whose expenditures exceeded their appropriations.

NOTE 12 DEFICIT FUND BALANCE

At September 30, 2008 the following funds had deficit fund balances:

City Recreation Fund	134,434
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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIGBY
Budget to Actual Comparison Schedule
General Fund
For Year Ended September 30, 2008

	<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.....	\$ 741,972	\$ 741,972	\$ 678,598	\$ (63,374)
Earnings on investments.....	21,000	21,000	61,796	40,796
Fees and fines.....	73,910	73,910	113,608	39,698
Charges for services.....	37,000	37,000	43,859	6,859
Miscellaneous and other revenue.....	53,137	53,137	99,444	46,307
State revenues.....	258,544	258,544	256,147	(2,397)
Total revenue.....	<u>1,185,563</u>	<u>1,185,563</u>	<u>1,253,452</u>	<u>67,889</u>
EXPENDITURES				
General government.....	600,445	600,445	532,458	67,987
Public safety.....	783,372	783,372	570,407	212,965
Capital outlay.....	228,000	228,000	121,789	106,211
Total expenditures.....	<u>1,611,817</u>	<u>1,611,817</u>	<u>1,224,654</u>	<u>387,163</u>
Excess (deficiency) of revenue over expenditures.....	(426,254)	(426,254)	28,798	455,052
OTHER FINANCING SOURCES (USES)				
Transfers.....	<u>(725,657)</u>	<u>(725,657)</u>	<u>(413,531)</u>	<u>312,126</u>
Net change in fund balances.....	(1,151,911)	(1,151,911)	(384,733)	767,178
Fund Balance - Beginning.....	<u>1,161,791</u>	<u>1,161,791</u>	<u>1,161,791</u>	<u>-</u>
Fund Balance - Ending.....	<u>\$ 9,880</u>	<u>\$ 9,880</u>	<u>\$ 777,058</u>	<u>\$ 767,178</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, 2008

	<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.....	\$ 23,824	\$ 23,824	\$ 22,031	\$ (1,793)
Earnings on investments.....	7,000	7,000	1,616	(5,384)
Charges for services.....	45,000	45,000	68,167	23,167
Miscellaneous and other revenue.....	11,800	11,800	18,019	6,219
State revenues.....	128,951	128,951	125,417	(3,534)
Total revenue.....	<u>216,575</u>	<u>216,575</u>	<u>235,250</u>	<u>18,675</u>
EXPENDITURES				
Street and public improvement.....	330,875	330,875	281,220	49,655
Contingent liability.....	-	-	-	-
Capital outlay.....	<u>455,000</u>	<u>455,000</u>	<u>192,048</u>	<u>262,952</u>
Total expenditures.....	<u>785,875</u>	<u>785,875</u>	<u>473,268</u>	<u>312,607</u>
Excess (deficiency) of revenue over expenditures.....	(569,300)	(569,300)	(238,018)	331,282
OTHER FINANCING SOURCES (USES)				
Transfers.....	<u>569,300</u>	<u>569,300</u>	<u>238,018</u>	<u>(331,282)</u>
ADJUSTMENTS				
To adjust expenditures for capital outlay accruals.....	-	-	-	-
Net change in fund balances.....	-	-	-	-
FUND BALANCES				
Beginning of the year.....	<u>16,186</u>	<u>16,186</u>	<u>16,186</u>	-
End of the year.....	<u>\$ 16,186</u>	<u>\$ 16,186</u>	<u>\$ 16,186</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources:				
Local Revenue:				
Property taxes.....	\$ 77,724	\$ 77,724	\$ 84,472	\$ 6,748
Charges for services.....	20,700	20,700	21,683	983
State revenues.....	11,160	11,160	9,065	(2,095)
Grants.....	10,000	10,000	10,195	195
Total revenue.....	<u>119,584</u>	<u>119,584</u>	<u>125,415</u>	<u>5,831</u>
EXPENDITURES				
Cultural.....	225,822	225,822	182,725	43,097
Capital outlay.....	15,000	15,000	15,338	(338)
Total expenditures.....	<u>240,822</u>	<u>240,822</u>	<u>198,063</u>	<u>42,759</u>
Excess (deficiency) of revenue over expenditures.....	(121,238)	(121,238)	(72,648)	48,590
OTHER FINANCING SOURCES (USES)				
Transfers.....	121,238	121,238	72,648	(48,590)
Net change in fund balances.....	-	-	-	-
FUND BALANCES				
Beginning of the year.....	<u>25,795</u>	<u>25,795</u>	<u>25,795</u>	-
End of the year.....	<u>\$ 25,795</u>	<u>\$ 25,795</u>	<u>\$ 25,795</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, 2008

	<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.....	-	-	23,094	23,094
Charges for services.....	66,000	66,000	24,293	(41,707)
Total revenue.....	<u>66,000</u>	<u>66,000</u>	<u>47,387</u>	<u>(18,613)</u>
EXPENDITURES				
Capital outlay.....	66,000	66,000	-	66,000
Total expenditures.....	<u>66,000</u>	<u>66,000</u>	<u>-</u>	<u>66,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers.....	-	-	(13,750)	(13,750)
Net change in fund balance.....	<u>-</u>	<u>-</u>	<u>33,637</u>	<u>33,637</u>
FUND BALANCES				
Beginning of the year.....	487,660	487,660	487,660	-
End of the year.....	<u>\$ 487,660</u>	<u>\$ 487,660</u>	<u>\$ 521,297</u>	<u>\$ 33,637</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, 2008**

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

There were no funds whose expenditures exceeded their appropriations

SUPPLEMENTARY INFORMATION

CITY OF RIGBY
Combining Balance Sheet - Non Major Funds
September 30, 2008

	<u>Special Revenue</u>		<u>Capital Projects</u>			<u>Totals</u>
	<u>Park Fund</u>	<u>City Recreation Fund</u>	<u>Capital Improvement</u>	<u>Water Construction</u>	<u>LID #7</u>	
ASSETS						
Cash.....	\$ 18,618	\$ -	\$ 40,076	\$ 241,982	\$ 5,257	\$305,933
Taxes receivable.....	2,559	-	650	-	-	3,209
Other receivables.....	1,548	-	406	63	-	2,017
Total assets.....	<u>\$ 22,725</u>	<u>\$ -</u>	<u>\$ 41,132</u>	<u>\$ 242,045</u>	<u>\$ 5,257</u>	<u>\$311,159</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Accounts payable.....	\$ 3,249	\$ 7,569	\$ 2,500	\$ -	\$ -	\$ 13,318
Interfund payable.....	-	126,865	-	-	-	126,865
Deferred revenue.....	2,008	-	513	-	-	2,521
Total liabilities.....	<u>5,257</u>	<u>134,434</u>	<u>3,013</u>	<u>-</u>	<u>-</u>	<u>142,704</u>
FUND BALANCE:						
Restricted for:						
Capital projects.....	-	-	38,119	242,045	-	280,164
Community development.....	17,468	(134,434)	-	-	5,257	(111,709)
Total fund balance.....	<u>17,468</u>	<u>(134,434)</u>	<u>38,119</u>	<u>242,045</u>	<u>5,257</u>	<u>168,455</u>
Total liabilities and fund balance.....	<u>\$ 22,725</u>	<u>\$ -</u>	<u>\$ 41,132</u>	<u>\$ 242,045</u>	<u>\$ 5,257</u>	<u>\$311,159</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, 2008

	<u>Special Revenue</u>		<u>Capital Projects</u>			<u>Total</u>
	<u>Park Fund</u>	<u>City Recreation Fund</u>	<u>Capital Improvements</u>	<u>Water Construction</u>	<u>LID #7</u>	
REVENUES						
Local Revenue:						
Property taxes.....	\$ 49,123	\$ -	\$ 11,610	\$ -	\$ -	\$ 60,733
Earnings on investments.....	-	-	1,769	8,794	54	10,617
Charges for services.....	-	50,637	-	22,627	4,067	77,331
Miscellaneous and other revenue.....	756	12,209	-	-	-	12,965
State revenues.....	6,238	-	1,541	-	-	7,779
Total revenue.....	<u>56,117</u>	<u>62,846</u>	<u>14,920</u>	<u>31,421</u>	<u>4,121</u>	<u>169,425</u>
EXPENDITURES						
Street and public improvement.....	-	-	-	8,700	4,461	13,161
Parks and recreation.....	40,114	134,466	-	-	-	174,580
Capital outlay.....	20,087	16,061	9,500	-	-	45,648
Total expenditures.....	<u>60,201</u>	<u>150,527</u>	<u>9,500</u>	<u>8,700</u>	<u>4,461</u>	<u>233,389</u>
Excess (deficiency) of revenue over expenditures.....	(4,084)	(87,681)	5,420	22,721	(340)	(63,964)
OTHER FINANCING SOURCES (USES)						
Transfers.....	4,084	86,616	(4,000)	(47,630)	-	39,070
Net change in fund balances.....	-	(1,065)	1,420	(24,909)	(340)	(24,894)
FUND BALANCES						
Beginning of the year.....	17,468	(133,369)	36,699	266,954	5,597	193,349
End of the year.....	<u>\$ 17,468</u>	<u>\$ (134,434)</u>	<u>\$ 38,119</u>	<u>\$ 242,045</u>	<u>\$ 5,257</u>	<u>\$168,455</u>

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

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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, 2008, and have issued our report thereon dated February 10, 2009. 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 (2008-01 through 2008-04) 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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Mayor and City Council
City of Rigby, Idaho
Page 2

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 17, 2009.

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
February 10, 2009

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CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2008**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES

2008-01— 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.

CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2008**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES, continued

2008-02 — 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, 2008**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES, continued

2008-03 — 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, 2008**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES, continued

2008-04 — 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.

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings and questioned costs for the City related to the major federal award programs audit.

CITY OF RIGBY

**Schedule of Prior Findings and Questioned Costs
September 30, 2008**

Findings on Prior Findings:

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES

- 2007-01— Insufficient awareness of financial protocol.
- 2007-02 — Lack of adherence to financial protocol.
- 2007-03— Lack of segregation of duties in cash receipting.
- 2007-04 — Failure to reconcile significant subsidiary accounts to the detailed general ledger.
- 2007-05 — Lack of segregation of duties in payroll processing.



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

Mayor and City Council
City of Rigby
Rigby, Idaho 83442

Compliance

We have audited the compliance of City of Rigby with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Rigby's management. Our responsibility is to express an opinion on the City of Rigby's compliance based on our audit.

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

In our opinion, the City of Rigby, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control over Compliance

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



Mayor and City Council
City of Rigby
Page 2

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

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

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

The City of Rigby's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Rigby'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, ID
February 10, 2009



CITY OF RIGBY

**Summary of Auditor's Results
September 30, 2008**

Financial Statements

Internal Control over Financial Reporting:

- Type of auditor's report issued – Unqualified.
- Material weakness identified—None deemed material.
- Reportable conditions identified that are not considered to be material weaknesses—Inadequate awareness and adherence to financial protocol.

Noncompliance Material to Financial Statements Noted—None deemed to be material.

Federal Awards

Internal Control over Major Programs:

- Material weakness identified—None deemed material.
- Reportable condition identified that are not considered to be material weakness—None.

Type of Auditor's Report Issued on Compliance for Major Programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with *Section 501(a)* of Circular A-133 are reported in the following federal awards audit findings schedule.

Identification of Major Programs

CFDA Number:
#10.760

Name of Federal Program:
Water and Waste Disposal Systems for Rural Communities

Dollar Threshold Used to Distinguish Between *Type A* and *Type B* Programs: \$300,000.

Auditee Qualified as Low Risk Auditee: No.

CITY OF RIGBY

**Schedule of Expenditures of Federal Awards
For the year ended September 30, 2008**

Pass Through Entitlement/Grants

	<u>Federal CFDA No.</u>	<u>Cash Basis Grant Awarded</u>	<u>Accrued Disbursements</u>
<u>United States Department of Agriculture</u>			
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 3,000,000	\$ 3,000,000
Subtotal		<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
<u>Department of Commerce</u>			
Community Development Block Grant/State's Program	14.228	\$ 475,445	\$ 354,355
 Total Awards		 <u>\$ 3,475,445</u>	
 Total Expenditures			 <u>\$ 3,354,355</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the **City of Ashton** and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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