

**CITY OF RIGBY
RIGBY, IDAHO**

**Basic Financial Statements and
Required Supplementary Information
With
Supplementary Information and
Independent Auditor's Report
Year Ended September 30, 2010**

CITY OF RIGBY

**Table of Contents
Year Ended September 30, 2010**

	Page
Independent Auditor's Report on the Basic Financial Statements	i-ii
Management Discussion and Analysis of Financial Statements	1-9
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	10
Statement of Activities	11
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	15
Statement of Net Assets – Proprietary Funds	16
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Notes to the Financial Statements	19-30
REQUIRED SUPPLEMENTARY INFORMATION	
Budget to Actual Comparison Statement – General Fund	31
Budget to Actual Comparison Statement – Road Fund	32
Budget to Actual Comparison Statement – Sewer Construction Fund	33
Notes to Required Supplementary Information	34
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Funds	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Funds	36
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	37-38

CITY OF RIGBY

**Table of Contents
Year Ended September 30, 2010**

	Page
Schedule of Audit Findings and Responses	39-41
Schedule of Prior Findings & Questioned Costs	42

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2010, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2011, on our consideration of the City of Rigby's internal control over financial reporting and on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rigby's basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

March 28, 2011

City of Rigby
Management's Discussion and Analysis of Financial Statements

As management of the City of Rigby, we offer the citizens of the City of Rigby's financial statements this narrative overview and analysis of the financial activities of the City of Rigby for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal contained in this report.

The City of Rigby is a municipal corporation organized under statute of the State of Idaho. The city's mission is to provide governmental services – police protection, water, sanitation, sewer, road infrastructure, and general public welfare. The city is by statute required to operate within its existing and known resources resulting in a balanced budget.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Rigby's basic financial statements. The City of Rigby's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statement themselves.

Government-wide financial statements. The *governmental-wide financial statements* are designed to provide readers with a broad overview of the City of Rigby's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flow*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation/sick leave).

Both of the government-wide financial statements distinguish functions of the City of Rigby that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the city include: general government, public safety, highways and streets, park and recreation and cultural. The business-type activities of

the City include three proprietary funds: water, sanitation, and sewer collection/wastewater treatment.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Rigby, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the city can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental fund types (general fund, building fund, library, road, parks, capital improvement, sewer construction, water construction, LID #7), and three proprietary funds (water, sewer and sanitation) and one internal service fund. The city does not have any fiduciary funds.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund.

Governmental-wide funds consist of the following funds:

- General Fund
- Road Fund
- Sewer Const. Fund
- Non-major Funds

Non-major funds consist of the following funds:

- Non-major Funds
 - Special Revenue Funds:
 - Library Fund
 - Park Fund
 - Building Dept.
 - Capital Project Funds:
 - Capital Improvement Fund
 - Water Const. Fund
 - LID #7
 - Sewer Collection Project

The basic governmental wide and fund financial statements can be found on pages 10-15 and non-major fund statements on pages 35-36.

Proprietary funds. The city maintains three different types of proprietary funds with a combining internal service fund. Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds (business-type activities) consist of the following funds:

- Water Revenue Fund
- Sanitation Fund
- Sewer Fund

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 16-18 of the report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial can be found on pages 19-30 of the report.

Government-wide Financial Analysis

City of Rigby's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total - All Activities</u>	
	2010	2009	2010	2009	2010	2009
Current and other assets	722,314	751,909	3,506,010	3,620,966	4,228,324	4,372,875
Capital Assets	<u>2,545,740</u>	<u>2,559,137</u>	<u>13,341,689</u>	<u>13,753,053</u>	<u>15,887,428</u>	<u>16,312,190</u>
Total Assets	3,268,054	3,311,046	16,847,699	17,374,019	20,115,752	20,685,065
Current Liabilities	123,929		554,032	1,142,495	677,961	1,538,052
Long-term liabilities outstanding		395,557	6,591,553	7,256,553	6,595,789	7,264,813
Other Liabilities	<u>60,080</u>	<u>62,121</u>	<u>32,008</u>	<u>19,058</u>	<u>87,852</u>	<u>72,919</u>
Total Liabilities	184,009	457,678	7,177,593	8,418,106	7,361,602	8,875,784
Net Assets:						
Invested in capital assets, net of debt	2,537,481	2,547,056	6,750,136	6,411,500	9,287,616	8,958,556
Restricted	343,994	249,817		220,595	343,994	470,412
Unrestricted	<u>202,570</u>	<u>56,496</u>	<u>2,919,970</u>	<u>2,323,817</u>	<u>3,122,540</u>	<u>2,380,313</u>
Total net assets	3,084,045	2,853,369	9,670,106	8,955,912	12,754,151	11,809,281

As noted above, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Rigby, assets exceeded liabilities by \$12.7 million at September 30, 2010 vs. \$11.8 million at September 30, 2009.

The largest portion of the city's net assets (82% as of Sept. 30, 2010 vs. 70% as of Sept. 30, 2009) reflects its investment in capital assets (e.g., land, building, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. At September 30, 2010 there was \$8,259 owed on these capital assets vs. \$12,081 at September 30, 2009. The city uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The city's business-type assets decreased from \$17.3 million to \$16.8 million. The decrease of \$200,000 represents the net change in the city's wastewater treatment plant and depreciation charges. The debt owed on the business-type assets decreased from \$7.3 million to \$6.6 million also from the wastewater treatment plant. The net change in *invested in capital assets – net of debt* represents the retirement of the water revenue bond.

Governmental activities. Governmental activities decreased the city's net assets by \$13,397, while business-like activities increased the city's net assets by \$338,636 for a net increase of \$325,239. A summary of all activities follows.

City of Rigby's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total - All Activities</u>	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charge for service	247,275	243,816	1,774,932	1,788,581	2,022,207	2,032,397
Grants	147,753	156,516	13,234		160,967	156,516
General Revenues:						
Property Tax	983,416	925,681			983,416	925,681
Interest Earning	5,520	22,331	81,349	48,090	86,869	70,421
Other Fees	246,632	75,631	897	22,636	247,529	98,267
Internal Service Charges	39,695		46,599		86,294	
State Support	<u>252,202</u>	<u>253,869</u>	-	-	<u>252,202</u>	<u>253,869</u>
Total Revenues (exclude Trans)	1,922,493	1,677,844	1,917,011	1,859,307	3,839,504	3,537,151
					-	-
Expenditures:						
General Government	409,956	431,753			409,956	431,753
Public Safety	762,687	771,347			762,687	771,347
Highway/Streets	329,379	390,862			329,379	390,862
Parks & Recreation	111,564	204,701			111,564	204,701
Cultural	146,086	207,217			146,086	207,217
Interest on Debt	640	833	96,457	21,811	97,097	22,644
Internal Service Charges	27,053		31,757		58,810	
Water			368,002	320,011	368,002	320,011
Sanitation			169,298	143,012	169,298	193,012
Sewer	-	-	<u>441,758</u>	<u>417,173</u>	<u>441,758</u>	<u>417,173</u>
Total Expenditures	<u>1,787,365</u>	<u>2,006,713</u>	<u>1,107,272</u>	<u>930,195</u>	<u>2,894,637</u>	<u>2,958,721</u>
Excess (Deficiency)Revenues						
Over Expenditures	135,128	(328,869)	809,739	881,018	944,867	578,930
Other Financing Sources:						
Transfers In (Out)	95,547	(915,334)	(95,547)	915,334		
Wastewater Grants				1,433,059		1,433,059
Capital Contributions	-	-	-	-	-	-
Other Financing Sources	95,547	(915,334)	(95,547)	2,374,672		1,459,338
Increase (Decrease)						
In Net Assets	230,676	(1,244,203)	714,192	3,255,690	944,867	2,011,489
Fund Balance:						
Beginning Balance	2,853,369	4,097,571	8,955,915	10,721,460	11,809,284	14,849,028
Prior Period Adjust	-	-	-	<u>(5,021,237)</u>	-	<u>(5,021,237)</u>
Ending Balance	3,084,045	2,853,369	9,670,106	8,955,913	12,754,151	11,839,278

Highlight of selected revenues/expenditures are:

- Charges for all services decreased 0.5%.
- Property taxes increased 6%.
- State revenues remained unchanged.
- All governmental activities decreased 11%.
- Business-type expenditures increased 16%.
- Change in net assets for the governmental-type activities increased 119%.
- Change in net assets for business-type activities decreased 78%.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the city's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Rigby's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City of Rigby's governmental funds reported combined fund balance of \$523,317 (page14) vs. \$305,288 at the end of last fiscal year, an increase of \$218,029. As a percent of ending fund balance to actual expenditures, \$523,317 represents a 26% reserve ratio vs. 16% for the prior year. This translates to an increase in working capital from 22 days to 93 days.

General Fund Budgetary Highlights

The general fund is the primary operating funds of the city. At year end its unreserved, undesignated fund balance was \$194,301 vs. \$70,148 for the prior year. As a measure of liquidity the fund balance of \$194,301 represents a reserve of 64 days of its 2010 actual spending activities vs. 22 days for 2009. For 2008 the reserve balance of \$777,058 represented a spending reserve of 231 days.

The mayor and council adopt annual operating budgets for all funds – governmental, special assessment and proprietary funds. The city measures its success of achieving its goals through implementation of the budget process. Revenues and expenditures are recorded in the financial statements on the modified accrual basis of accounting and budgets on a cash basis of accounting. All funds remained within their authorized budgets for the year ended September 30, 2010.

Annual budgets are published prior to adoption and public hearings are held. Budgets may be amended during the year. Whenever budgets are raised over the authorized budget statues require public hearing and re-publication of the prior budget, increase and revised budget. The mayor and council are required not to allow expenditures exceed their authorized spending amount. The city has remained within their authorized budgets funded in large part by interfund transfers and existing cash reserves.

Detailed statements of actual to budget for the general, road fund, and sewer construction fund are presented on pages 31-33 of this report. Other non-major funds balance sheet and statement of revenues, expenditures and changes in fund balances are shown on page 35 and 36.

Proprietary Funds Highlights

The proprietary funds statement of net assets, statement of revenues, expenses and changes in fund net assets and statement of cash flows are presented on page 16-18 of this report. A summary of statement of revenues, expenses, and changes in fund balance is presented below.

Statement of Revenues, Expenses, and Changes in Fund Balance - Proprietary Funds

	Water		Sanitation		Sewer		Combining Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Operating Revenues:	571,350	587,281	212,001	221,332	994,978	1,002,601	1,778,329	1,811,214
Operating Expenses:	<u>368,002</u>	<u>320,011</u>	<u>169,298</u>	<u>193,012</u>	<u>441,758</u>	<u>417,173</u>	<u>979,058</u>	<u>930,196</u>
Net Operating Income	203,347	267,270	42,703	28,320	553,221	585,428	799,271	881,018
<u>Non-operating Income (Expense):</u>								
Wastewater Grant					10,734	1,433,059	10,734	1,433,059
Interest Income	30,683	12,472	3,388	6,828	28,688	28,790	62,759	48,090
Debt Interest Gain(Loss)	(96,457)	(21,811)					(96,457)	(21,811)
Invest	18,590						18,590	-
Operating Transfer	<u>(26,601)</u>	<u>37,086</u>	<u>(19,311)</u>	<u>—</u>	<u>(46,636)</u>	<u>878,248</u>	<u>(95,548)</u>	<u>915,334</u>
Changes in net assets	129,563	295,017	26,781	35,148	543,006	2,925,525	699,350	3,255,690
Net Assets:								
Beginning Prior Period	2,632,229	2,337,211	471,230	436,081	5,852,456	7,948,167		10,721,459
Adjust	<u>(2,611)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,611</u>	<u>(5,021,237)</u>		<u>(5,021,237)</u>
Internal Service Portion							<u>14,841</u>	
Ending	2,759,181	2,632,228	498,011	471,229	6,398,073	5,852,455	714,192	8,955,912

For the proprietary funds (water, sewer, sanitation) the combined beginning assets totaled \$17.374 million, with \$ 8.418 million in liabilities and fund balances of \$8.956 million. The proprietary funds ended the year with assets totaling \$16.831 million, liabilities of \$7.175 million and ending fund equity of \$9.655 million.

Cash and cash investments for the governmental funds decreased from \$534,896 to \$496,103 for a net decrease of \$38,793. The proprietary funds decreased their cash and cash investments by \$977,967. \$541,000 of the decrease came with the retirement of the water revenue bond. Overall for all funds and fund types the cash and cash investment of the city decreased from \$3.412 million to \$3.327 million for a net decrease of \$84,282.

Economic Factors and Next Year's Budgets

For the past years budgets have been prepared and adopted using the city's known revenues and existing cash balances. Expenditures have been within their authorized amount. For the year ended September 30, 2010, the city increased its general fund cash carryover balance by \$46,865. At September 30, 2010 the general fund's cash carryover fund balance (net of liabilities) is \$194,301. The road fund ended the year with a fund balance of \$3,895, and the sewer construction fund ending fund balance increased from a negative \$50,748 to \$2,659.

The city does not have any general obligation bonds either outstanding or pending. The city retired the outstanding water revenue bond during the year, and issued a new wastewater facility bond for \$6.6 million. The city is planning on issuing a wastewater facility bond in the coming year in the amount of \$3.4 million payable over 20 to 30 years.

In addition, the City obtained judicial review to increase city indebtedness by \$6 million to upgrade, construct and improve the City's sewer collection system.

No major financial obligation was incurred during the year but the City obtained authorization to begin construction, upgrade and construct the City's sewer collection system. It is estimated work will begin the summer of 2011 and be completed sometime in 2012.

Three funds that were of concern during the preceding year: general fund, road, and the library fund. The general fund was of concern due to lack of cash reserves. Its cash reserves increased over the year ended and currently have a balance of \$194,301 up from \$70,148. The road fund continues to lack revenues to maintain its required operation at the minimum level. Library fund due to restrictions on the ability to raise support from property taxes, continue to be limited on the amount of services provided the public.

The goal of future periods is to rebuild cash reserves in all funds. The goal of the general fund is to have a cash reserve equal to 180 days of the current year's actual expenditures

current cash reserve is at 64 days. The goal of the road fund is to build cash reserves to a 30 day reserve or \$22,500.

The goal for the three enterprise funds is to continue to maintain each fund for its operational activities, debt service obligation and future capital improvements. This rebuilding phase will be accomplished by adopting budgets that operate on known resources – current revenues – without utilizing cash balance reserves to fund the activities.

Internal controls of the city have been reviewed. Prior deficiencies regarding segregation of duties in payroll processing and reconciling subsidiary ledgers to the general ledger have been addressed but were not met due to the elimination of one full time clerical position. Plans are being reviewed to hire a part time employee who will have oversight supervision thereby eliminating a major internal control deficiency.

All subsidiary ledgers (account payable) were not reconciled to the general ledger due in part to a computer software failure. That error has been corrected and monthly reconciliation will begin.

The deficiency regarding financial protocol has been addressed with a new procedure whereby management must approve the expenditures in excess of \$5,000. However, written purchase orders will be issued over verbal notification.

Request for Information

This financial report is designed to provide a general overview of the City of Rigby's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be directed to the city clerk/treasurer at 158 West Fremont, Rigby, ID 83442.

David Swager, CPA
City Clerk/Treasurer

March 30, 2011

BASIC FINANCIAL STATEMENTS

CITY OF RIGBY
Statement of Net Assets
September 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents.....	\$ 324,111	\$ 1,974,121	\$ 2,298,232
Investments.....	118,510	911,026	1,029,536
Receivables (net).....	268,009	617,090	885,099
Prepaid expenses.....	11,684	3,773	15,457
Capital assets, net of depreciation.....	2,137,081	13,320,535	15,457,615
Capital assets, non-depreciable.....	408,659	21,154	429,813
Total assets.....	<u>\$ 3,268,054</u>	<u>\$ 16,847,699</u>	<u>\$ 20,115,752</u>
LIABILITIES			
Current liabilities			
Accounts payable.....	\$ 87,520	\$ 80,008	\$ 167,528
Other payable.....	10,000	384,787	394,787
Salaries & benefits payable.....	22,386	6,895	29,281
Water deposits.....	-	82,342	82,342
Current portion of long term debt.....	4,023	-	4,023
Total current liabilities	<u>\$ 123,929</u>	<u>\$ 554,032</u>	<u>\$ 677,961</u>
Long-term liabilities			
Debt portion due in more than one year.....	4,236	6,591,553	6,595,789
Compensated absences.....	55,844	32,008	87,852
Total liabilities.....	<u>184,009</u>	<u>7,177,593</u>	<u>7,361,602</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	2,537,481	6,750,136	9,287,616
Restricted for:			
Capital projects.....	302,710	-	302,710
Debt service.....	-	-	-
Community development and improvement projects.....	41,284	-	41,284
Unrestricted	202,570	2,919,970	3,122,540
Total net assets.....	<u>\$ 3,084,045</u>	<u>\$ 9,670,106</u>	<u>\$ 12,754,151</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, 2010

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	Total
Governmental activities:					
General government.....	\$ 409,956	\$ 40,762	\$ 12,000	\$	\$ (357,194)
Public safety.....	762,687	69,042	9,621		(684,024)
Public works.....	329,379	117,476	\$ 117,317		(94,586)
Parks and recreation.....	111,564	1,143			(110,421)
Cultural.....	146,086	18,852	8,815		(118,419)
Interest on long term debt.....	640				(640)
Internal Service Charges.....	27,053				(27,053)
Total governmental activities.....	1,787,365	247,275	126,132	21,621	(1,392,337)
Business-type activities:					
Water fund.....	368,002	567,953	2,500	\$	202,450
Interest on long term debt.....	96,457				(96,457)
Sanitation fund.....	169,298	212,001			42,703
Sewer fund.....	441,758	994,978	10,734		563,955
Internal Service Charges.....	31,757				(31,757)
Total business-type activities.....	1,107,272	1,774,932	2,500	10,734	680,894
Total primary government.....	\$ 2,894,637	\$ 2,022,207	\$ 128,632	\$ 32,355	\$ (711,443)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					794,093
Property taxes, levied for library					63,150
Property taxes, levied for park and recreation fund					56,040
Property taxes, levied for public works					51,453
Property taxes, levied for capital projects					18,680
State sales taxes					97,460
State revenue sharing					97,776
State liquor allocation					56,966
Earnings on investments				81,349	86,869
Miscellaneous				897	247,528
Internal Service Charges				46,599	86,294
Transfers				(95,547)	
Total general revenues and transfers				33,298	1,656,309
Changes in net assets				714,192	944,867
Net assets--beginning				8,955,915	11,809,284
Prior period adjustment					
Net assets--ending				\$ 9,670,106	\$ 12,754,151

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

CITY OF RIGBY
Balance Sheet
Governmental Funds
September 30, 2010

ASSETS	General Fund	Road Fund	Sewer Construction Fund	Non Major Funds	Total Governmental Funds
Cash.....	\$ 27,623	\$ -	\$ 2,659	\$ 347,311	\$ 377,593
Investments.....	118,510	-	-	-	118,510
Taxes receivable.....	62,016	2,795	-	10,887	75,699
Other receivables.....	104,874	44,954	-	3,032	152,860
Interfund receivable.....	8,000	12,250	-	19,200	39,450
Prepaid expenses.....	4,059	2,017	-	5,608	11,684
Total assets.....	\$ 325,083	\$ 62,017	\$ 2,659	\$ 386,038	\$ 775,796
 LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Current Liabilities:					
Cash overdraft	\$ -	\$ 47,636	\$ -	\$ 20,105	\$ 67,741
Accounts payable.....	26,298	6,102	-	11,015	43,415
Other payable.....	-	-	-	15,080	15,080
Benefits payable.....	635	-	-	-	635
Salaries payable.....	16,982	2,083	-	644	19,709
Deferred revenue.....	55,415	2,301	-	8,733	66,448
Interfund payable.....	31,450	-	-	8,000	39,450
Total current liabilities.....	130,780	58,122	-	63,577	252,479
 FUND BALANCE:					
Reserved for:					
Roads.....	-	3,895	-	-	3,895
Capital projects.....	-	-	2,659	298,900	301,559
Community development.....	-	-	-	23,562	23,562
Unreserved fund balance.....	194,301	-	-	-	194,301
Total fund balance.....	194,301	3,895	2,659	322,462	523,317
 Total liabilities and fund balance.....	 \$ 325,083	 \$ 62,017	 \$ 2,659	 \$ 386,038	 \$ 775,796

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, 2010

Total fund balances - governmental funds \$ 523,317

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	\$ 4,280,639	
Depreciation expense to date	<u>(1,734,899)</u>	2,545,740

Property taxes received that are not available to pay for current period expenditures are deferred in the funds.		66,448
--	--	--------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences payable	(55,844)	
Bonds payable - L.I.D.	<u>(8,259)</u>	(64,103)

Internal service funds are used by management to charge the costs of equipment usage to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.		<u>12,643</u>
---	--	---------------

Total net assets for governmental activities.		<u><u>\$ 3,084,045</u></u>
--	--	----------------------------

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, 2010

REVENUES	General Fund	Road Fund	Sewer Construction Fund	Non Major Funds	Total Governmental Funds
Local Revenue:					
Property taxes.....	\$ 778,866	\$ 43,644	\$ -	\$ 135,219	\$ 957,729
Earnings on investments.....	2,898	1	3	2,618	5,520
Fees and fines.....	41,439	-	-	-	41,439
Charges for services.....	40,696	70,693	20,875	86,053	218,317
Miscellaneous and other revenue.....	88,793	30,372	403,036	21,269	543,471
State revenues.....	234,733	121,051	-	13,736	369,520
Grants.....	21,621	-	-	8,815	30,436
Total revenue.....	<u>1,209,045</u>	<u>265,761</u>	<u>423,914</u>	<u>267,709</u>	<u>2,166,430</u>
EXPENDITURES					
General government.....	435,173	-	-	-	435,173
Public safety.....	636,743	-	-	-	636,743
Street and public improvement.....	-	272,462	-	23,380	295,842
Parks and recreation.....	-	-	-	53,673	53,673
Cultural.....	-	-	-	135,135	135,135
Capital outlay.....	40,606	1,654	403,036	42,084	487,380
Contingent liability.....	-	-	-	-	-
Total expenditures.....	<u>1,112,523</u>	<u>274,116</u>	<u>403,036</u>	<u>254,272</u>	<u>2,043,947</u>
Excess (deficiency) of revenue over expenditures.....	96,522	(8,355)	20,878	13,437	122,483
OTHER FINANCING SOURCES (USES)					
Transfers.....	27,632	12,250	32,529	23,136	95,547
Net change in fund balances.....	124,154	3,895	53,408	36,573	218,030
Fund Balance - Beginning.....	70,147	-	(50,748)	285,888	305,287
Fund Balance - Ending.....	<u>\$ 194,301</u>	<u>\$ 3,895</u>	<u>\$ 2,659</u>	<u>\$ 322,462</u>	<u>\$ 523,317</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, 2010

Net Change in fund balances-total governmental funds	\$	218,030
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	\$ 24,499	
Depreciation expense	<u>(145,738)</u>	(121,239)
<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 - 2010	66,448	
Deferred revenue - 2009	<u>(54,886)</u>	11,562
<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		3,821
<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 - 2010	(55,844)	
Compensated absences - 2009	<u>53,861</u>	(1,983)
Gain on disposal of capital assets		6,743
Income recognized on the sale of assets in governmental funds not reported in the Statement of Activities.		(13,901)
A parcel of land was donated to the City during the year to be used as a park. The donation was treated as contributed capital.		115,000
Internal service funds are used by management to charge the costs of equipment usage to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.		<u>12,643</u>
Change in Net Assets of Governmental Activities	\$	<u>230,676</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, 2010

	Water Fund	Sanitation	Sewer Fund	Total	Internal Service Funds
ASSETS					
Cash.....	\$ 491,350	\$ 282,233	\$ 1,183,798	\$ 1,957,381	\$ 30,999
Cash - restricted for bond.....	-	-	-	-	-
Investments.....	360,822	-	550,204	911,026	-
Other receivables.....	74,366	24,685	518,039	617,090	-
Capital assets, net of depreciation.....	1,952,276	204,496	11,163,762	13,320,535	288,166
Capital assets, non-depreciable.....	20,254	-	900	21,154	-
Prepaid expenses.....	714	2,155	904	3,773	-
Total assets.....	<u>\$ 2,899,782</u>	<u>\$ 513,570</u>	<u>\$ 13,417,607</u>	<u>\$ 16,830,958</u>	<u>\$ 319,165</u>
LIABILITIES					
Current Liabilities:					
Accounts payable.....	\$ 32,873	\$ 4,658	\$ 40,639	\$ 78,170	\$ 3,404
Other payable.....	11,546	-	373,241	384,787	-
Water deposits.....	82,342	-	-	82,342	-
Salaries payable.....	2,330	2,251	2,253	6,835	111
Total current liabilities.....	<u>129,091</u>	<u>6,909</u>	<u>416,134</u>	<u>552,134</u>	<u>3,515</u>
Noncurrent liabilities:					
Bond payable - long term.....	-	-	6,591,553	6,591,553	-
Compensated absences payable.....	11,510	8,650	11,848	32,008	-
Total liabilities.....	<u>140,601</u>	<u>15,560</u>	<u>7,019,534</u>	<u>7,175,695</u>	<u>3,515</u>
NET ASSETS					
Invested in capital assets, net of related debt.....	1,972,530	204,496	4,573,109	6,750,136	288,166
Restricted for debt service.....	-	-	-	-	-
Net assets - unrestricted.....	786,651	293,515	1,824,963	2,905,129	27,484
Total net assets.....	<u>\$ 2,759,181</u>	<u>\$ 498,011</u>	<u>\$ 6,398,073</u>	<u>\$ 9,655,265</u>	<u>\$ 315,650</u>

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

Net assets of business-type activities	<u>14,841</u>
	<u>\$ 9,670,106</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, 2010

	Water Fund	Sanitation	Sewer Fund	Total	Internal Service Funds
OPERATING REVENUE					
Consumer charges.....	\$ 567,953	\$ 212,001	\$ 994,978	\$ 1,774,932	\$ -
Other revenue.....	3,397	-	-	3,397	-
Other Services.....	-	-	-	-	86,294
Total operating revenue.....	<u>571,350</u>	<u>212,001</u>	<u>994,978</u>	<u>1,778,329</u>	<u>86,294</u>
OPERATING EXPENSES					
Salaries.....	54,791	46,817	134,729	236,337	10,439
Payroll taxes.....	6,501	4,327	11,220	22,048	775
Insurance - employee.....	11,348	16,256	17,346	44,950	1,110
Retirement - employee.....	7,912	5,401	12,604	25,916	946
Municipal shop building.....	3,213	3,213	2,624	9,050	5,572
Utilities.....	98,655	-	68,336	166,991	-
Office supplies and postage.....	3,552	2,864	3,393	9,809	-
Maintenance and repairs.....	73,087	33,107	68,604	174,798	9,057
Training and travel.....	715	15	2,369	3,100	-
Supplies.....	1,229	1,078	13,813	16,120	3,282
Fuel.....	1,346	3,958	2,559	7,863	27,154
Depreciation.....	78,605	36,355	73,291	188,251	65,283
Miscellaneous expense.....	21,290	15,907	30,869	68,066	475
Irrigation assessments.....	5,758	-	-	5,758	-
Total operating expense.....	<u>368,002</u>	<u>169,298</u>	<u>441,758</u>	<u>979,058</u>	<u>124,093</u>
Operating income (loss).....	<u>203,347</u>	<u>42,703</u>	<u>553,221</u>	<u>799,271</u>	<u>(37,799)</u>
NONOPERATING REVENUE (EXPENSE)					
Wastewater project grant income.....	-	-	10,734	10,734	-
Interest income.....	30,683	3,388	28,688	62,759	-
Interest expense.....	(96,457)	-	-	(96,457)	-
Gain (loss) on investments.....	18,590	-	-	18,590	-
Reserve for debt service.....	-	-	-	-	-
Total nonoperating revenue (expense).....	<u>(47,183)</u>	<u>3,388</u>	<u>39,422</u>	<u>(4,374)</u>	<u>-</u>
Income (loss) before contributions and transfers.....	156,164	46,092	592,642	794,898	(37,799)
Capital contributions.....	-	-	-	-	-
Operating transfers.....	<u>(26,601)</u>	<u>(19,311)</u>	<u>(49,636)</u>	<u>(95,548)</u>	<u>-</u>
Changes in net assets.....	<u>129,563</u>	<u>26,781</u>	<u>543,006</u>	<u>699,350</u>	<u>(37,799)</u>
NET ASSETS					
Total net assets - beginning.....	2,632,229	471,230	5,852,456		353,449
Prior years adjustment.....	<u>(2,611)</u>	<u>-</u>	<u>2,611</u>		<u>-</u>
Total net assets - ending.....	<u>\$ 2,759,181</u>	<u>\$ 498,011</u>	<u>\$ 6,398,073</u>		<u>\$ 315,650</u>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue of certain internal service funds is reported with business-type activities.

Change in net assets of business-type activities \$ 14,841
\$ 714,192

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

CITY OF RIGBY
Statement of Cash Flows
Proprietary Funds
September 30, 2010

	Water Fund	Sanitation	Sewer Fund	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers.....	\$ 601,223	\$ 211,737	\$ 1,027,051	\$ 1,840,011	\$ 86,294
Payments to suppliers and employees.....	(268,571)	(132,888)	(487,398)	(888,857)	(55,295)
Cash provided by customer deposits.....	5,620	-	-	5,620	-
Net cash provided (used) by operating activities.....	<u>338,272</u>	<u>78,849</u>	<u>539,653</u>	<u>956,774</u>	<u>30,999</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer from (to) general fund.....	(26,601)	(19,311)	(49,636)	(95,548)	-
Net cash provided (used) by noncapital financing activities.....	<u>(26,601)</u>	<u>(19,311)</u>	<u>(49,636)</u>	<u>(95,548)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Cash received for wastewater project (net of expenses)...	-	-	384,292	384,292	-
Cash paid for JRWWS grant (net of revenue).....	-	-	-	-	-
Cash paid for construction and equipment.....	(17,124)	-	240,238	223,114	-
Principle payments on capital lease.....	-	-	-	-	-
Bond principle payments.....	(750,000)	-	-	(750,000)	-
Interest paid on bonds and leases.....	(96,457)	-	-	(96,457)	-
Net cash provided (used) by capital and related financing activities.....	<u>(863,581)</u>	<u>-</u>	<u>624,530</u>	<u>(239,051)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income.....	49,273	3,388	28,688	81,349	-
Purchase of investments.....	(36,159)	-	(508,282)	(544,441)	-
Net cash provided (used) from investing activities....	<u>13,114</u>	<u>3,388</u>	<u>(479,594)</u>	<u>(463,092)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents.....	(538,796)	62,928	(135,514)	(611,383)	30,999
Cash and cash equivalents-beginning of year.....	1,030,146	219,305	1,319,312	2,568,763	-
Cash and cash equivalents-end of year.....	<u>\$ 491,350</u>	<u>\$ 282,233</u>	<u>\$ 1,183,798</u>	<u>\$ 1,957,381</u>	<u>\$ 30,999</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income.....	\$ 203,347	\$ 42,703	\$ 553,221	\$ 799,271	\$ (37,799)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation.....	78,605	36,355	73,291	188,251	65,283
(Increase) decrease in consumer accounts receivable.....	29,873	(264)	32,073	61,682	-
Increase (decrease) in customer deposits.....	5,620	-	-	5,620	-
(Increase) decrease in customer prepaids.....	(292)	(1,789)	(291)	(2,372)	-
Increase (decrease) in accounts payable.....	21,118	1,844	(118,641)	(95,679)	3,515
Net cash provided by operating activities.....	<u>\$ 338,272</u>	<u>\$ 78,849</u>	<u>\$ 539,653</u>	<u>\$ 956,774</u>	<u>\$ 30,999</u>

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

CITY OF RIGBY

Notes to the Financial Statements September 30, 2010

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 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.

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, 2010

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, Continued

Basis of Presentation, continued

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

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

CITY OF RIGBY

Notes to the Financial Statements September 30, 2010

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, 2010**

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, 2010 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, 2010 are classified as deferred revenue.

Inventories and Prepaid Items

The City does not have any inventory items at September 30, 2010.

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	\$ 4,059
Road Fund	\$ 2,017
Library Fund	\$ 871
Non-Major Funds	\$ 4,737

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2010**

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.

Fund Reservations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City's deposit and investment balances as of September 30, 2010:

	Pooled Cash and Investments
Demand Deposits	\$ 1,016,990
Certificates of Deposit	825,842
State Investment Pool	7,879
Investments	1,029,536
Money Market	444,117
Total	<u>\$ 3,324,364</u>

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, 2010. The City does not have a deposit policy.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2010**

NOTE 2 DEPOSITS AND INVESTMENTS, Continued

<u>Depository Institution</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>FDIC Insured</u>	<u>Collateralized</u>	<u>Uninsured</u>
Zions Bank	\$2,563,096	\$2,034,966	\$500,000	\$ 2,063,096	\$ 0
Bank of Commerce	251,893	251,893	250,000	0	1,893
US Bank	210,339	0	210,339	0	0
State Invest. Pool	7,843	7,879	0	0	7,843
Petty Cash	0	90	0	0	90
Money Market Accts:					
Edward Jones	416,298	416,298	0	0	416,298
Key Investment	360,822	360,822	17,895	0	342,927
RBC Wealth Mgt.	<u>252,416</u>	<u>252,416</u>	<u>0</u>	<u>0</u>	<u>252,416</u>
Total	<u>\$4,062,707</u>	<u>\$3,324,364</u>	<u>\$978,235</u>	<u>\$ 2,063,096</u>	<u>\$ 1,021,467</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, 2010, \$1,021,467 of the government's bank balance of \$4,062,707 was exposed to custodial credit risk as can be seen in the previous table. The remaining \$90 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, 2010, 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>
Money Market	n/a	18,087
Federal Agency Obligations		
Federal National Mort. Assoc	Various	394
Federal Home Loan Mortgage	Various	116,802
Federal Farm Association	Various	227,390
Mortgage Backed Securities		
Structured Asset Secs. Corp	July 25, 2024	629
Mutual Funds		
Franklin Adjustable US Gov Sec	n/a	179,121
Franklin US Gov Sec Fund CL C	n/a	184,778
Goldman Sachs Ultra Short Fund	n/a	14,364
Putnam Money Market	n/a	35,555
Pimco Short Term Fund	n/a	<u>252,416</u>
Total Investments		<u>\$ 1,029,536</u>

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2010**

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>
Pimco Short Term Fund	25%
Federal Farm Association	22%
Franklin US Gov Sec Fund CL C	18%
Franklin Adjustable US Gov Sec	17%
Federal Home Loan Mortgage	11%

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 RECEIVABLES

Receivables at year end consist of the following:

	<u>General Fund</u>	<u>Street and Road Fund</u>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>		
				<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>
Local Sources						
Property Taxes	\$ 62,016	\$ 2,795	\$ 10,887	\$ 0	\$ 0	\$ 0
Consumer Fees	0	0	0	71,866	24,685	72,416
Other	0	0	0	2,500	0	445,623
Total Local	<u>\$ 62,016</u>	<u>\$ 2,795</u>	<u>\$ 10,887</u>	<u>\$ 74,366</u>	<u>\$ 24,685</u>	<u>\$ 518,039</u>
State Sources						
Other State Revenue	<u>\$104,874</u>	<u>\$ 44,954</u>	<u>\$ 3,032</u>			
Total State	<u>\$104,874</u>	<u>\$ 44,954</u>	<u>\$ 3,032</u>			

NOTE 4 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, 2010 there are the following interfund receivables or payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund	\$ 8,000	\$ 31,450
Road Fund	12,250	
Non Major Funds	19,200	8,000

CITY OF RIGBY

Notes to the Financial Statements
September 30, 2010

NOTE 4 INTERFUND TRANSACTIONS, Continued

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		\$ 27,632
Road Fund		12,250
Sewer Construction Fund		32,529
Water Fund	21,006	
Sanitation	21,006	
Sewer Fund	53,535	
Non-Major Funds		23,136

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

NOTE 5 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.

The City made the regularly scheduled principal payments of \$85,000 on October 1, 2009 and October 1, 2010 along with interest payments of \$13,807.50 on October 1, 2009, and \$12,532.50 on April 1, 2010 and October 1, 2010. On October 19, 2010, the City entered into a bond defeasance agreement with US Bank. \$638,780 of cash reserves from the water bond fund were used to repay the remaining bond principal of \$580,000 and required interest payments and bond fees.

Sewer Revenue Bond Issue:

On December 22, 2010, the City issued \$3,000,000 in sewer revenue bonds. This transaction is discussed in Note 9—Subsequent Events.

CITY OF RIGBY

Notes to the Financial Statements
September 30, 2010

NOTE 5 LONG-TERM OBLIGATIONS, Continued

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, 2010 were \$8,259.

Wastewater Project loans

During the fiscal year ended September 30, 2009, a loan from the Department of Environmental Quality (DEQ) in the amount of \$4,000,000 was secured for construction of the Waste-Water Treatment project. Payments were not to begin until the project was complete.

During the fiscal year ended September 30, 2009, a loan from the United States Department of Agriculture (USDA) in the amount of \$2,591,553 was secured for construction of the Waste-Water Treatment project. Payments were not to begin until the project was complete.

These loans were modified after the fiscal year end September 20, 2010. This modification is discussed in Note 9—Subsequent Events.

The following schedule recaps the changes in long-term obligation for the fiscal year ending September 30, 2010:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u>
Governmental-type activities				
L.I.D. #7 Bonds	\$ 12,080	\$ 0	\$ 3,821	\$ 8,259
Compensated absences	53,861	1,983	0	55,844
<i>Total governmental-type</i>	<u>\$ 65,941</u>	<u>\$ 1,983</u>	<u>\$ 3,821</u>	<u>\$ 64,103</u>
Business-type activities				
Water Revenue Bonds	\$ 750,000	\$ 0	\$ 750,000	\$ 0
Sewer DEQ Loan	4,000,000	0	0	4,000,000
Sewer USDA Loan	2,591,553	0	0	2,591,553
Compensated absences	19,058	12,950	0	32,008
<i>Total business-type activities</i>	<u>\$ 7,360,611</u>	<u>\$ 12,950</u>	<u>\$ 750,000</u>	<u>\$ 6,623,561</u>

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

	<u>Total</u>	<u>2011</u>	<u>2012</u>
Governmental-type activities			
L.I.D. #7 Bonds	<u>8,259</u>	<u>4,023</u>	<u>4,236</u>
Total	<u>\$ 8,259</u>	<u>\$ 4,023</u>	<u>\$ 4,236</u>

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2010**

NOTE 5 LONG-TERM OBLIGATIONS, Continued

Interest in the amount of \$96,457 was paid out in the Water Fund on the Water Revenue Bonds.
Interest in the amount of \$640 was paid out of the LID fund for the LID #7 Bonds.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, 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	115,000	0	408,659
Depreciable Assets:				
Buildings/Sites	\$ 1,259,017	\$ 10,662	\$ 0	\$ 1,269,679
Equipment	1,252,057	13,837	26,055	1,239,839
Infrastructure	<u>1,362,463</u>	<u>0</u>	<u>0</u>	<u>1,362,463</u>
<i>Total capital assets</i>	<i>4,167,196</i>	<i>139,499</i>	<i>26,055</i>	<i>4,280,640</i>
Less: accumulated depreciation	<u>1,608,056</u>	<u>145,739</u>	<u>18,897</u>	<u>1,734,898</u>
<i>Governmental activity capital assets, net</i>	<u><i>\$ 2,559,140</i></u>	<u><i>\$ (6,240)</i></u>	<u><i>\$ 7,158</i></u>	<u><i>\$ 2,545,742</i></u>
Business-type Activities				
Non-depreciable Assets:				
Work-in-progress	\$ 10,417,573	\$ 20,076	\$ 22,881	\$ 10,414,768
Land	21,154	0	0	21,154
Depreciable Assets:				
Water Fund				
Buildings & equipment	\$ 2,852,846	\$ 17,124	\$ 0	\$ 2,869,970
Less: accumulated depreciation	<u>839,089</u>	<u>78,605</u>	<u>0</u>	<u>917,694</u>
<i>Water capital assets, net</i>	<u><i>14,455,095</i></u>	<u><i>(41,405)</i></u>	<u><i>22,881</i></u>	<u><i>12,388,198</i></u>
Sanitation Fund				
Buildings & equipment	469,211	0	0	469,211
Less: accumulated depreciation	<u>228,359</u>	<u>36,356</u>	<u>0</u>	<u>264,715</u>
<i>Sanitation capital assets, net</i>	<u><i>240,852</i></u>	<u><i>(36,356)</i></u>	<u><i>0</i></u>	<u><i>204,496</i></u>
Sewer				
Buildings & equipment	1,607,662	82,571	0	1,690,233
Less: accumulated depreciation	<u>547,945</u>	<u>73,291</u>	<u>0</u>	<u>621,236</u>
<i>Sewer capital assets, net</i>	<u><i>1,059,717</i></u>	<u><i>(9,280)</i></u>	<u><i>0</i></u>	<u><i>1,068,997</i></u>
<i>Business-type activities capital assets, net</i>	<u><i>\$ 13,753,054</i></u>	<u><i>\$4,683,477</i></u>	<u><i>\$ 0</i></u>	<u><i>\$13,661,690</i></u>

Depreciation expense was charged to functions as follows:

General government	\$ 145,739
Water fund	78,605
Sanitation fund	36,355
Sewer fund	<u>73,291</u>
	<u>\$ 333,990</u>

CITY OF RIGBY

Notes to the Financial Statements September 30, 2010

NOTE 7 CONTINGENT LIABILITIES

As of the date of the financial statements, the City was involved in litigation with Peck-Ormsby, the general contractor of the city's wastewater treatment facility. Because the wastewater treatment filtration system does not meet Department of Environmental Quality standards, the City has not paid the contract retainage of \$368,000 owed to Peck-Ormsby. In response, the contractor has filed a lawsuit against the City. The City has issued a countersuit for the cost and installation of new filters, to be purchased from another party, as well as additional engineering costs incurred to correct the filtration problems. Furthermore, the City incurred additional costs to complete final punch-list items not addressed by the contractor. Legal counsel has indicated that once the new filters have been installed and additional costs are satisfied, these amounts will be deducted from the amount owed to Peck-Ormsby and the City will pay the balance due, if any.

NOTE 8 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 9 SUBSEQUENT EVENTS

The City filed a petition for judicial confirmation to allow them to receive additional loan funds of \$6,000,000 which would bring the debt limits approved by the patrons to \$13,000,000. The additional funds are to be used for repair and upgrade of wastewater infrastructure and collection systems. The judicial confirmation was approved on December 6, 2010.

As a result, on December 22, 2010, the City issued \$3,000,000 in sewer revenue bonds. The bonds bear interest of 3.75% per annum and mature December 22, 2040. The first principal and interest payment of \$168,270 is due December 22, 2011. The remaining \$10,000,000 of loan funds will be provided the Department of Environmental Quality and will be interest free. These loans cover existing debt incurred to construct the wastewater treatment plant as well as additional funds for the repair and upgrade of the wastewater infrastructure and collection system. A timeline for repayment has not been finalized.

NOTE 10 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 11 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,

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2010**

NOTE 11 PENSION ACTIVITY—EMPLOYER REPORTING, Continued

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.

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

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, 2010, 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 \$111,337, \$105,882 and \$91,256 for the three years ended September 30, 2010, 2009, and 2008, respectively.

NOTE 12 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At September 30, 2010 the following fund has excess expenditures over appropriation:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Building Fund	\$ 17,580	\$ 18,919	\$ 1,339
Capital Improvement Fund	21,438	42,084	20,646
Lid #7	4,167	4,461	294

NOTE 13 DEFICIT FUND BALANCE

At September 30, 2010 the following fund had a deficit fund balance:

Library Fund	3,945
--------------	-------

NOTE 14 PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$2,611 was made to move accumulated depreciation which was reported in an incorrect fund in a prior period.

CITY OF RIGBY
Budget to Actual Comparison Schedule
General Fund
For Year Ended September 30, 2010

	<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.....	\$ 796,870	\$ 796,870	\$ 778,866	\$ (18,004)
Earnings on investments.....	-	-	2,898	2,898
Fees and fines.....	44,800	44,800	41,439	(3,361)
Charges for services.....	45,500	45,500	40,696	(4,804)
Miscellaneous and other revenue.....	81,550	81,550	88,793	7,243
State revenues.....	227,823	227,823	234,733	6,910
Grants.....	12,000	12,000	21,621	9,621
Total revenue.....	<u>1,208,543</u>	<u>1,208,543</u>	<u>1,209,045</u>	<u>502</u>
EXPENDITURES				
General government.....	505,278	505,278	435,173	70,105
Public safety.....	643,813	643,813	636,743	7,070
Capital outlay.....	40,000	40,000	40,606	(606)
Total expenditures.....	<u>1,189,091</u>	<u>1,189,091</u>	<u>1,112,523</u>	<u>76,568</u>
Excess (deficiency) of revenue over expenditures.....	19,452	19,452	96,522	77,070
OTHER FINANCING SOURCES (USES)				
Transfers.....	(5,814)	(5,814)	27,632	33,446
Net change in fund balances.....	13,638	13,638	124,154	110,516
Fund Balance - Beginning.....	70,147	70,147	70,147	-
Fund Balance - Ending.....	<u>\$ 83,785</u>	<u>\$ 83,785</u>	<u>\$ 194,301</u>	<u>\$ 110,516</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local Sources:				
Local Revenue:				
Property taxes.....	\$ 37,376	\$ 37,376	\$ 43,644	\$ 6,268
Earnings on investments.....	-	-	1	1
Charges for services.....	67,000	67,000	70,693	3,693
Miscellaneous and other revenue.....	9,300	9,300	30,372	21,072
State revenues.....	120,638	120,638	121,051	413
Total revenue.....	<u>234,314</u>	<u>234,314</u>	<u>265,761</u>	<u>31,447</u>
EXPENDITURES				
Street and public improvement.....	291,210	291,210	272,462	18,748
Capital outlay.....	-	-	1,654	(1,654)
Total expenditures.....	<u>291,210</u>	<u>291,210</u>	<u>274,116</u>	<u>17,094</u>
Excess (deficiency) of revenue over expenditures.....	(56,896)	(56,896)	(8,355)	48,541
OTHER FINANCING SOURCES (USES)				
Transfers.....	56,896	56,896	12,250	(44,646)
Net change in fund balances.....	-	-	3,895	3,895
FUND BALANCES				
Beginning of the year.....	-	-	-	-
End of the year.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,895</u>	<u>\$ 3,895</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Revenue:				
Earnings on investments.....	-	-	3	3
Charges for services.....	12,500	12,500	20,875	8,375
Miscellaneous and other revenue.....	500,000	500,000	403,036	(96,964)
Total revenue.....	<u>512,500</u>	<u>512,500</u>	<u>423,914</u>	<u>8,378</u>
EXPENDITURES				
Streetn and public improvement.....	-	-	-	-
Capital outlay.....	500,000	500,000	403,036	96,964
Total expenditures.....	<u>500,000</u>	<u>500,000</u>	<u>403,036</u>	<u>96,964</u>
OTHER FINANCING SOURCES (USES)				
Transfers.....	-	-	32,529	32,529
Net change in fund balance.....	<u>12,500</u>	<u>12,500</u>	<u>53,408</u>	<u>137,872</u>
FUND BALANCES				
Beginning of the year.....	<u>(50,748)</u>	<u>(50,748)</u>	<u>(50,748)</u>	<u>-</u>
End of the year.....	<u>\$ (38,248)</u>	<u>\$ (38,248)</u>	<u>\$ 2,659</u>	<u>\$ 137,872</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, 2010**

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.

SUPPLEMENTARY INFORMATION

CITY OF RIGBY
Combining Balance Sheet - Non Major Funds
September 30, 2010

	Special Revenue			Capital Projects				Totals
	Library Fund	Park Fund	Building Department Fund	Capital Improvement	Water Construction	LID #7	Sewer Collection Project	
ASSETS								
Cash.....	\$ -	\$ 21,384	\$ 12,516	\$ 62,313	\$ 246,544	\$ 4,554	\$ -	\$ 347,311
Taxes receivable.....	5,199	4,288	-	1,400	-	-	-	10,887
Other receivables.....	1,464	1,177	-	392	-	-	-	3,032
Interfund receivable.....	19,200	-	-	-	-	-	-	19,200
Prepaid expenses.....	871	237	-	-	-	-	4,500	5,608
Total assets.....	<u>\$ 26,734</u>	<u>\$ 27,085</u>	<u>\$ 12,516</u>	<u>\$ 64,105</u>	<u>\$ 246,544</u>	<u>\$ 4,554</u>	<u>\$ 4,500</u>	<u>\$ 386,038</u>
LIABILITIES AND FUND BALANCE								
LIABILITIES:								
Cash Overdraft.....	\$ 20,105	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,105
Accounts payable.....	4,477	1,440	-	598	-	-	4,500	\$ 11,015
Salaries payable.....	-	644	-	-	-	-	-	\$ 644
Interfund payable.....	-	-	8,000	-	-	-	-	\$ 8,000
Deferred Expenditures.....	1,991	-	3,089	10,000	-	-	-	\$ 15,080
Deferred revenue.....	4,106	3,476	-	1,151	-	-	-	\$ 8,733
Total liabilities.....	<u>30,679</u>	<u>5,559</u>	<u>11,089</u>	<u>11,749</u>	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>63,577</u>
FUND BALANCE:								
Reserved for:								
Capital projects.....	-	-	-	52,356	246,544	-	-	298,900
Community development.....	(3,945)	21,526	1,427	-	-	4,554	-	23,562
Total fund balance.....	<u>(3,945)</u>	<u>21,526</u>	<u>1,427</u>	<u>52,356</u>	<u>246,544</u>	<u>4,554</u>	<u>-</u>	<u>322,462</u>
Total liabilities and fund balance.....	<u>\$ 26,734</u>	<u>\$ 27,085</u>	<u>\$ 12,516</u>	<u>\$ 64,105</u>	<u>\$ 246,544</u>	<u>\$ 4,554</u>	<u>\$ 4,500</u>	<u>\$ 386,038</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, 2010

	Special Revenue			Capital Projects			Total
	Library Fund	Park Fund	Building Department Fund	Capital Improvements	Water Construction	LID #7	
REVENUES							
Local Revenue:							
Property taxes.....	\$ 62,093	\$ 54,879	\$ -	\$ 18,247	\$ -	\$ -	\$ 135,219
Earnings on investments.....	-	-	-	542	2,066	10	\$ 2,618
Charges for services.....	18,852	-	28,346	13,547	21,241	4,067	\$ 86,053
Miscellaneous and other revenue.....	3,975	1,143	-	16,151	-	-	\$ 21,269
State revenues.....	6,298	5,570	-	1,868	-	-	\$ 13,736
Grants.....	8,815	-	-	-	-	-	\$ 8,815
Total revenue.....	<u>100,033</u>	<u>61,592</u>	<u>28,346</u>	<u>50,355</u>	<u>23,307</u>	<u>4,077</u>	<u>267,709</u>
EXPENDITURES							
Street and public improvement.....	-	-	18,919	-	-	4,461	23,380
Parks and recreation.....	-	53,673	-	-	-	-	53,673
Culture.....	135,135	-	-	-	-	-	135,135
Capital outlay.....	-	-	-	42,084	-	-	42,084
Total expenditures.....	<u>135,135</u>	<u>53,673</u>	<u>18,919</u>	<u>42,084</u>	<u>-</u>	<u>4,461</u>	<u>254,272</u>
Excess (deficiency) of revenue over expenditures.....	(35,102)	7,919	9,427	8,271	23,307	(384)	13,437
OTHER FINANCING SOURCES (US							
Transfers.....	31,136	-	(8,000)	-	-	-	23,136
Net change in fund balances.....	(3,966)	7,919	1,427	8,271	23,307	(384)	36,573
FUND BALANCES							
Beginning of the year.....	21	13,607	-	44,085	223,237	4,938	285,888
End of the year.....	<u>\$ (3,945)</u>	<u>\$ 21,526</u>	<u>\$ 1,427</u>	<u>\$ 52,356</u>	<u>\$ 246,544</u>	<u>\$ 4,554</u>	<u>\$ 322,462</u>

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

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.

SHERIL 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, 2010, which collectively comprise the City of Rigby's basic financial statements and have issued our report thereon dated March 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (#2010-01, 2010-02, and 2010-03). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. However, of the significant deficiencies described above, we consider items #2010-02 and 2010-03 to be material weaknesses.

Compliance and Other Matters

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*.

Mayor and City Council
City of Rigby, Idaho
Page 2

We noted certain matters that we reported to management of the City of Rigby, in a separate letter dated April 6, 2011.

The City of Rigby's response to the 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
March 28, 2011

CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2010**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES

2010-01 — 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, 2010**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES, continued

2010-02 — Failure to reconcile significant subsidiary accounts to the detailed general ledger.

Condition:

During the fiscal year, the information reported in the subsidiary accounts payable and accounts receivable ledgers were not reconciled to the detail general ledger.

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:

Steps taken to correct the discrepancies between the subsidiary ledgers and the general ledger indicate a lack of training and understanding of the accounting software system currently utilized by the City.

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. The general ledger control accounts should be reconciled to the subsidiary journals on a monthly basis. We also recommend the City Clerk receive training from the accounting software company sufficient to correct the situation should it occur in the future.

Response:

The City recognizes the lack of proper reconciliation procedures over the general ledger function and will make the necessary changes.

CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2010**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES, continued

2010-03 — Lack of segregation of duties in cash reconciliation, accounts payable processing, and payroll processing.

Condition:

The City Clerk is responsible for the cash reconciliation, accounts payable processing and payroll processing functions.

Criteria:

Inherent in an adequate internal control structure is the existence of segregation of duties with regards to the City's accounting functions so that no one person has access to both physical assets and the related accounting records or to all phases of a transaction.

Effect:

The lack of segregation of duties results in the danger that intentional fraud or unintentional errors could occur and not be detected in the normal course of operations.

Cause:

The above noted situation is the result of having only one employee responsible for the cash, accounts payable, and payroll accounting functions.

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 along with the consideration of adding additional personnel if necessary.

Response:

The City recognizes the lack of segregation of duties and will make the changes necessary to ensure proper segregation of duties within the accounting functions.

CITY OF RIGBY

**Schedule of Prior Findings and Questioned Costs
September 30, 2010**

Findings on Prior Findings:

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES

2009-01 — Lack of adherence to financial protocol.