

**CITY OF RIGBY
RIGBY, IDAHO**

**Basic Financial Statements and
Required Supplementary Information
With
Supplementary Information and
Independent Auditor's Report
Year Ended September 30, 2011**

CITY OF RIGBY
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Rigby
Rigby, Idaho 83442

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Rigby, Idaho, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Rigby, Idaho'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. 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2012, 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 11 and 34 through 35 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 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, Idaho's basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Jensen Poulsen & Company PLLC

JENSEN POULSEN & COMPANY, PLLC
Certified Public Accountants

March 1, 2012

City of Rigby
Management's Discussion and Analysis of Financial Statements
Fiscal Year Ending – September 30, 2011

The management of the City of Rigby presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. This Management's Discussion and Analysis is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor's report. We encourage the 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.

Government-wide Financial Analysis

The City is required to present its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34) which also requires the management discussion and analysis.

Analysis of Net Assets

The City total for net assets for the fiscal year ended September 30, 2011, are \$13,044,643 compared to \$12,754,151 for September 30, 2010. This is an increase in net assets of \$290,492. The increase in net assets is primarily due to an increase in cash being reimbursed to the City in re-negotiation of the wastewater loan from DEQ. The remainder of the increase was due to increases in net assets in the utility funds net operations.

Liabilities for the City as a whole increased \$2,033,083 from September 30, 2010 to September 30, 2011. The increase in liabilities was primarily due to the loan being closed from USDA-RD relating to the wastewater treatment plant (\$3,000,000). Liabilities for all funds were \$9,394,685.

Funds Analysis

Governmental Funds – Overall total revenues from all sources for governmental activities totaled \$1,847,564 versus \$2,018,040 in the prior year. Total property taxes collected for FY 2010-2011 were \$1,077,178, an increase of \$93,762 over the prior year. These taxes fund the General Fund (\$761,133), Library (\$99,353), Parks (\$59,225), Public Works (\$137,725) and Capital Improvement (\$19,742). Shared revenues from the State of Idaho (sales tax, revenue sharing, liquor allocation) totaled \$264,365, an increase of \$12,163 over the prior year. Charges for services and other fees were down \$222,490 from the prior year.

Overall expenditures for the governmental funds activities increased (\$104,761) from \$1,787,365 to \$1,898,579. \$73,767 came from increase expenditures in roads and \$28,293 increase in internal service charges.

Net change in net assets for the year ending September 30, 2011 decreased by \$51,017 versus an increase of \$230,676 in the prior year.

Business Type Funds

Four funds consist of the "business type funds": Water, sewer, sanitation and internal service. The business type funds had total revenue from all sources totaled \$2,066,129 compared with \$1,821,467 in the prior year. Revenue from service fees increased from \$1,774,932 to \$2,009,748, an increase of 14%. Interest earned on investments decreased from \$81,349 to \$28,348- a 66% decrease.

Total expenditures for business type funds increased 18.2% from \$1,107,272 to \$1,309,132. Interest on debt decreased \$96,457, depreciation on the wastewater plant increased \$201,860. Expenditures on internal service charges increased \$44,674.

Changes in net assets for the year ending September 30, 2011 increased by \$756,998 vs. \$714,192 increase in the prior year, excluding prior period adjustments.

Notable Items

There are ongoing projects that will take a future financial commitment, including completion of the wastewater treatment plant and upgrade on the sewer collection system. Discussions have been held along with a judicial confirmation, which was granted, to upgrade the City's water distribution system, but to date no commitment has been formalized.

General Fund operations, along with other funds, have maintained its budgeted expenditures to remain within budgeted revenues. Future increases are likely but in small increments subject to the rate of inflation. During the past two years General Fund's fund balance has increased from \$70,147 to \$291,639. The City's goal in the General Fund is to have 180 day working capital reserve. Based on 2011/2012 budget of \$1,253,395 the City needs an accumulation of \$618,000 to achieve that goal.

The Road Fund is still under funded with the demand for infrastructure upgrade and basic maintenance exceeding available revenues.

Overall cash and investment balances of the City of Rigby total \$5,768,058. The City has distributed its cash/investments between different investments in different financial institutions to minimize risk.

Accounting for Assets

GASB 34 requires that public entities quantify the cost of existing assets and the maintenance costs of those assets. To accomplish this task, the city has begun a program of geographic information system (GIS). When completed this system will provide a mechanism to track the current and physical assets of the City of Rigby. This system will provide the basis to assign values to curb, gutter, road, water and sewer infrastructure and other governmental fixed assets that require this detail. As the City of Rigby completes future public improvements it will not only increase net assets shown on the financial statements but also commits the City to maintaining those improvements. This may prove difficult, given the current funding formulas and mechanism and the ability to both forecast and to assess future maintenance costs.

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

The following financial statements and charts are presented to aid the user in understanding the financial operations of the city.

STATEMENT OF NET ASSETS COMPARISON (2011 vs. 2010)

City of Rigby's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total - All Activities</u>	
	2011	2010	2011	2010	2011	2010
Current and other assets	943,719	722,314	5,463,041	3,508,010	6,396,760	4,228,324
Capital Assets	<u>2,388,280</u>	<u>2,545,740</u>	<u>13,844,309</u>	<u>13,341,689</u>	<u>16,042,559</u>	<u>16,887,428</u>
Total Assets	3,341,979	3,268,054	19,097,349	16,847,699	22,439,327	20,115,752
Current Liabilities	202,526	123,929	580,632	554,032	863,158	677,961
Long-term liabilities outstanding	60,788		8,382,160	6,691,553	8,432,948	6,685,789
Other Liabilities	<u>62,829</u>	<u>60,080</u>	<u>15,760</u>	<u>32,008</u>	<u>78,579</u>	<u>87,852</u>
Total Liabilities	316,143	184,009	9,078,542	7,177,593	9,394,685	7,361,602
Net Assets:						
Invested in capital assets, net of debt	2,328,816	2,537,481	5,200,216	6,750,136	7,529,031	9,287,616
Restricted	406,582	343,994			406,582	343,994
Unrestricted	<u>290,439</u>	<u>202,570</u>	<u>4,818,593</u>	<u>2,919,870</u>	<u>5,109,031</u>	<u>3,122,540</u>
Total net assets	3,025,836	3,084,045	10,018,807	9,670,106	13,044,641	12,754,151

STATEMENT OF CHANGES IN NET ASSETS (2011 vs. 2010)

City of Rigby's Changes In Net Assets

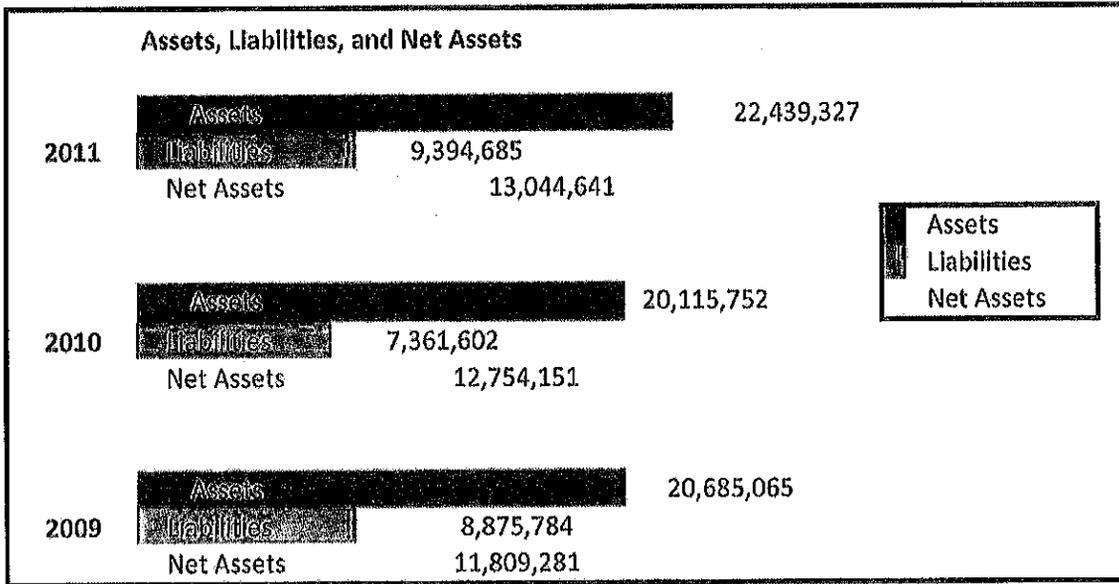
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total - All Activities</u>	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charge for service	194,827	247,276	2,009,748	1,774,932	2,204,575	2,022,207
Grants	201,546	147,753		13,234	201,546	160,987
General Revenues:						
Property Tax	1,077,178	983,416			1,077,178	983,416
Interest Earning	5,983	6,520	28,348	81,349	34,331	86,869
Other Fees	79,821	246,632	1,004	897	80,825	247,529
Internal Service Charges	49,577	39,605	88,464	46,509	118,041	86,294
Gain(Loss) on sale assets	-67,166				-67,166	
State Support	<u>264,365</u>	<u>252,202</u>	<u>-</u>	<u>-</u>	<u>264,365</u>	<u>252,202</u>
Total Revenues	1,806,131	1,922,403	2,107,564	1,917,011	3,913,695	3,839,504
Expenditures:						
General Government	400,718	409,956			400,718	409,956
Public Safety	769,483	762,687			769,483	762,687
Highway/Streets	403,146	329,379			403,146	329,379
Perks & Recreation	125,430	111,564			125,430	111,564
Cultural	144,018	146,086			144,018	146,086
Interest on Debt	438	640		96,457	438	97,097
Internal Service Charges	65,346	27,063	76,431	31,757	131,777	58,810
Capital Outlay						
Water			358,383	368,002	360,884	368,002
Sanitation			167,921	169,298	167,921	169,298
Sewer	<u>-</u>	<u>-</u>	<u>706,397</u>	<u>441,758</u>	<u>445,957</u>	<u>441,758</u>
Total Expenditures	<u>1,898,579</u>	<u>1,787,385</u>	<u>1,309,132</u>	<u>1,107,272</u>	<u>2,949,771</u>	<u>2,684,637</u>
Excess (Deficiency) Revenues Over Ex	-92,448	135,128	1,056,372	809,739	963,924	944,867
Other Financing Sources:						
Transfers In (Out)	41,434	95,647	-41,434	-95,547		
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources	41,434	95,647	-41,434	-95,547		
Increase (Decrease) In Net Assets	-51,014	230,676	756,988	714,192	963,924	944,567
Fund Balance:						
Beginning Balance	3,084,045	2,853,369	8,670,106	8,955,915	12,754,151	11,809,284
Prior Period Adjust	<u>-7,192</u>	<u>-</u>	<u>-408,298</u>	<u>-</u>	<u>-415,489</u>	<u>-</u>
Ending Balance	3,026,836	3,084,045	10,301,812	9,670,106	13,044,643	12,754,151

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

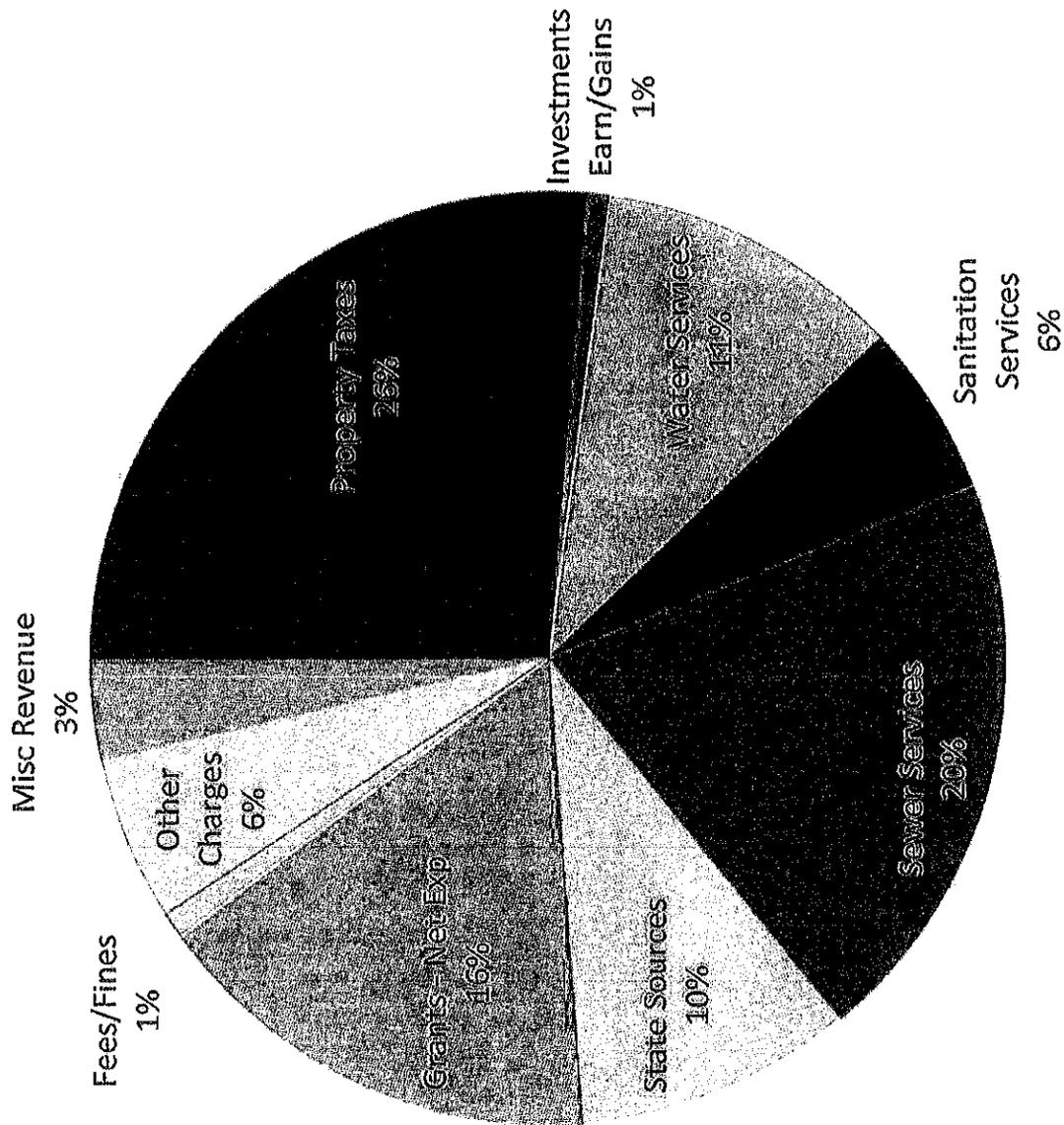
	Water		Sanitation		Sewer		Sewer Collection Project		Combining Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Operating Revenues:	421,454	571,350	235,071	212,001	1,354,227	994,978			2,010,752	1,778,329
Operating Expenses:	358,383	368,002	166,041	169,298	676,479	441,758			1,200,903	979,058
Net Operating Income	63,071	203,347	69,030	42,703	677,748	553,221			809,849	799,271
<u>Net operating income (Expense):</u>										
Wastewater Grant (Expenditure)					0	10,734		-29,919	-29,919	10,734
Interest Income	23,389	30,663	2,344	3,388	17,302	28,688		1,660	44,695	62,759
Debt Interest		-96,457							0	-96,457
Gain (Loss) Investments	-5,648	18,590	-1,860		-10,699				-18,227	18,590
Operating Transfer	578	-26,601	-21,006	-19,311	-43,542	-46,636		2,536	-61,434	-95,548
Changes in net assets	81,390	129,563	46,487	26,781	640,809	543,006		-25,723	744,963	699,360
Net Assets:										
Beginning	2,759,151	2,632,229	498,011	471,230	6,398,074	5,852,456				
Prior Period Adjust	-161,754	-2,611	-28,817		-505,707	2,611				
Ending	2,678,818	2,759,181	517,681	498,011	6,533,176	6,398,073		-25,723	9,703,952	
Internal Service Fund Portion									12,033	14,841
Change net assets of business-type activities									756,998	714,192

The following charts recaps the following:

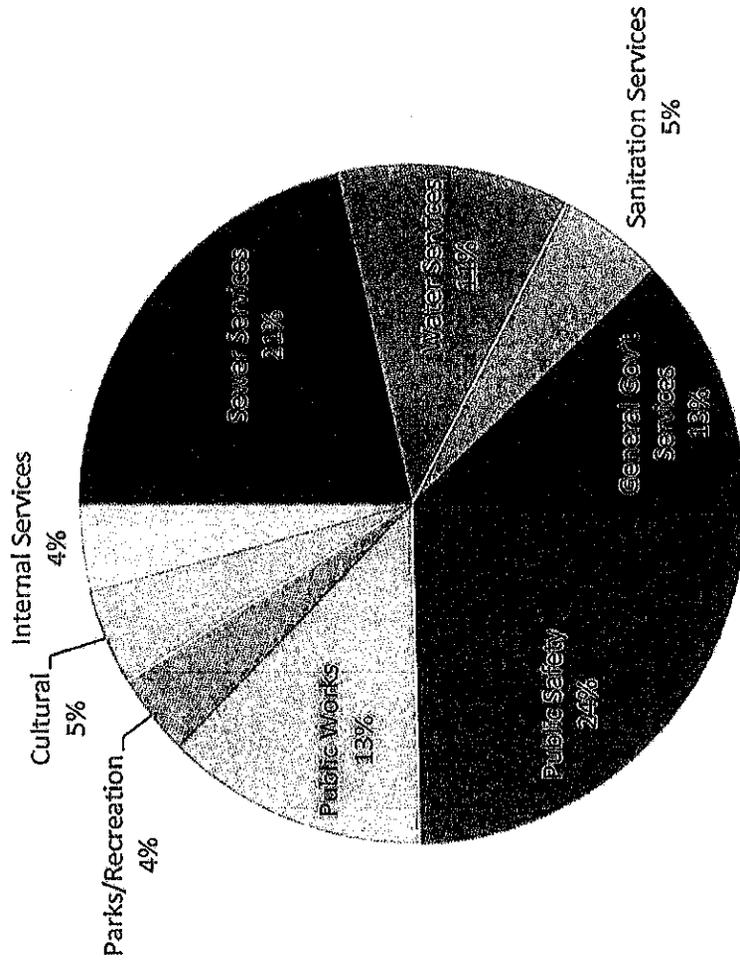
- Comparison of Assets, Liabilities and Net Assets
- Total Sources of Revenues - City Wide - by percentage
- Total Expenditures by Service Type - City Wide - by percentage
- Total Sources of General Fund Revenues - by percentage
- Total Uses of General Fund Resources - By Department



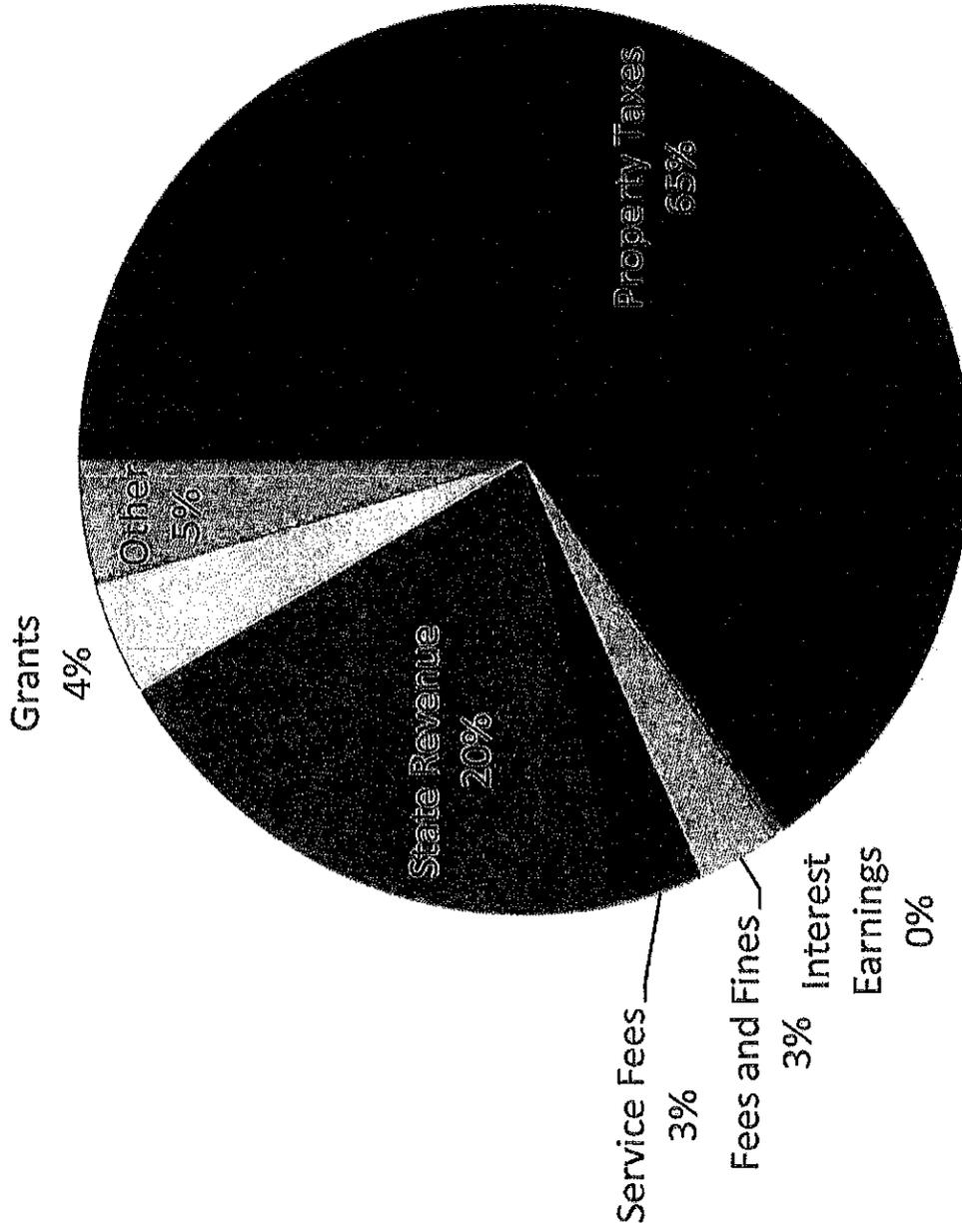
Total Sources of Revenues - City Wide



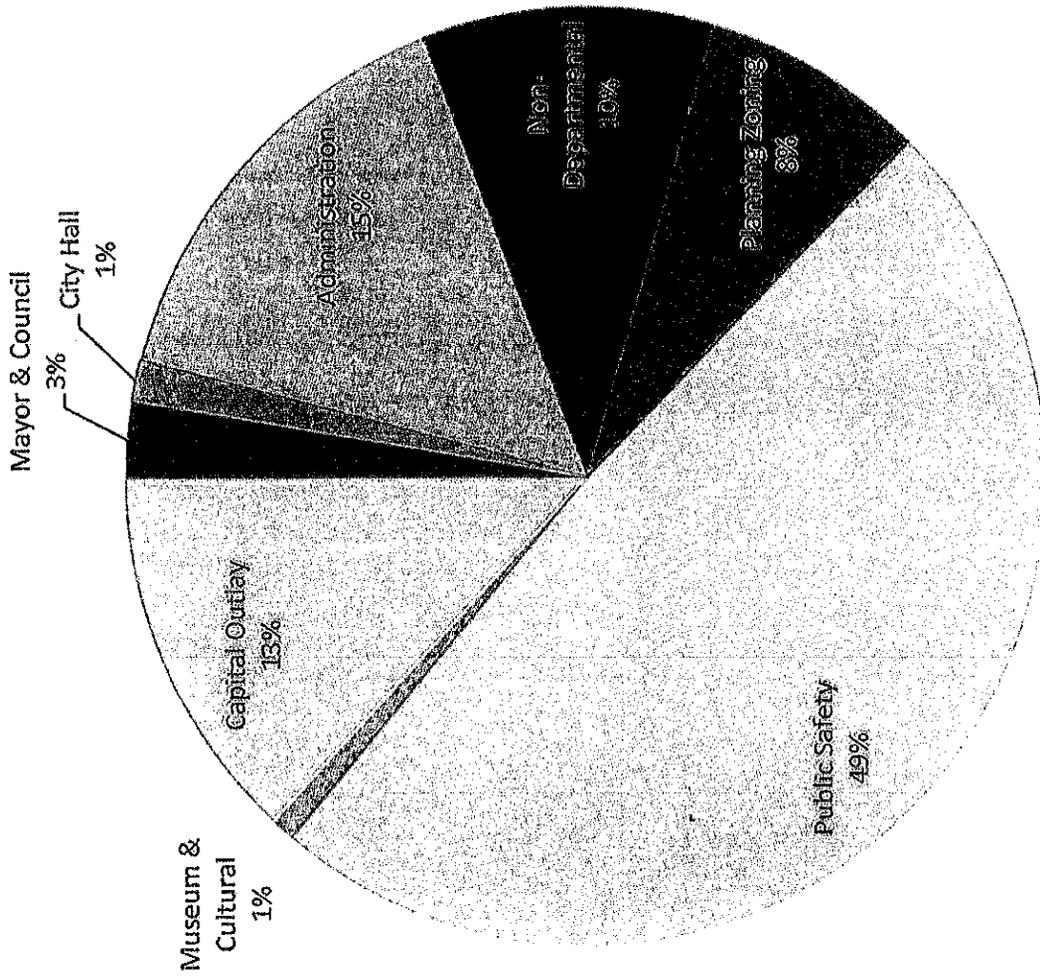
Total Expenditures By Services - City Wide



Sources of General Fund Revenues



Uses of General Fund Resources



BASIC FINANCIAL STATEMENTS

CITY OF RIGBY
Statement of Net Assets
September 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents.....	\$ 435,489	\$ 3,287,226	\$ 3,722,715
Investments.....	122,168	1,923,173	2,045,341
Receivables (net).....	368,222	231,708	599,930
Prepaid expenses.....	17,839	10,933	28,772
Capital assets, net of depreciation.....	1,989,601	12,962,998	14,952,599
Capital assets, non-depreciable.....	408,659	681,311	1,089,970
Total assets.....	<u>\$ 3,341,978</u>	<u>\$ 19,097,349</u>	<u>\$ 22,439,327</u>
LIABILITIES			
Current liabilities			
Accounts payable.....	\$ 62,534	\$ 127,262	\$ 189,796
Other payable.....	79,192	386,747	465,939
Salaries & benefits payable.....	42,144	13,376	55,520
Water deposits.....	-	91,314	91,314
Current portion of long term debt.....	18,656	61,934	80,590
Total current liabilities	<u>\$ 202,526</u>	<u>\$ 680,633</u>	<u>\$ 883,159</u>
Long-term liabilities			
Debt portion due in more than one year.....	50,788	8,382,160	8,432,948
Compensated absences.....	62,829	15,750	78,579
Total liabilities.....	<u>\$ 316,143</u>	<u>\$ 9,078,543</u>	<u>\$ 9,394,686</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	\$ 2,328,816	\$ 5,200,215	\$ 7,529,031
Restricted for:			
Capital projects.....	363,074	-	363,074
Debt service.....	-	-	-
Community development and improvement projects.....	43,508	-	43,508
Unrestricted	290,437	4,818,593	5,109,030
Total net assets.....	<u>\$ 3,025,835</u>	<u>\$ 10,018,808</u>	<u>\$ 13,044,643</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, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Fees, Fines, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
General government.....	\$ 400,718	\$ 36,391	\$ 37,329	\$ (326,998)		\$ (326,998)
Public safety.....	769,483	52,140	13,453	(703,891)		(703,891)
Public works.....	403,146	85,006	\$ 118,291	(199,849)		(199,849)
Parks and recreation.....	125,430	793		(124,637)		(124,637)
Cultural.....	144,018	20,498	27,685	(91,048)		(91,048)
Interest on long term debt.....	438			(438)		(438)
Internal Service Charges.....	55,346			(55,346)		(55,346)
Total governmental activities.....	1,898,579	194,827	123,078	(1,502,207)		(1,502,207)
Business-type activities:						
Water fund.....	358,383	421,685	-		\$ 63,302	63,302
Sanitation fund.....	167,921	233,932			66,011	66,011
Sewer fund.....	706,397	1,354,132			647,735	647,735
Internal Service Charges.....	76,431				(76,431)	(76,431)
Total business-type activities.....	1,309,132	2,009,748			700,617	700,617
Total primary government.....	\$ 3,207,711	\$ 2,204,575	\$ 123,078	\$ (1,502,207)	\$ 700,617	\$ (801,591)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				761,133		761,133
Property taxes, levied for library				99,353		99,353
Property taxes, levied for park and recreation fund				59,225		59,225
Property taxes, levied for public works				137,725		137,725
Property taxes, levied for capital projects				19,742		19,742
State sales taxes				111,657		111,657
State revenue sharing				97,180		97,180
State liquor allocation				55,528		55,528
Earnings on investments				5,983	28,348	34,330
Miscellaneous				79,821	1,004	80,825
Gain (loss) on sale of assets				(67,166)		(67,166)
Internal Service Charges				49,577	68,464	118,041
Transfers				41,434	(41,434)	-
Total general revenues and transfers				1,451,191	56,381	1,507,572
Changes in net assets				(51,017)	756,998	705,982
Net assets--beginning				3,084,044	9,670,105	12,754,149
Transfer of internal service fixed assets					287,982	287,982
Prior period adjustment				(7,192)	(696,278)	(703,470)
Net assets--ending				\$ 3,025,835	\$ 10,018,806	\$ 13,044,641

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

CITY OF RIGBY
Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Road Fund	Non Major Funds	Total Governmental Funds
ASSETS				
Cash.....	\$ 95,316	\$ (120,206)	\$ 443,576	\$ 418,686
Investments.....	122,077	-	-	122,077
Taxes receivable.....	69,239	6,714	15,020	90,973
Other receivables.....	106,717	154,329	16,203	277,249
Interfund receivable.....	-	-	-	-
Prepaid expenses.....	10,704	6,706	429	17,839
Total assets.....	<u>\$ 404,053</u>	<u>\$ 47,543</u>	<u>\$ 475,228</u>	<u>\$ 926,824</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Current Liabilities:				
Accounts payable.....	\$ 31,358	\$ 9,746	\$ 14,873	\$ 55,977
Other payable.....	-	-	7,362	7,362
Payroll liabilities.....	8,188	5,539	5,290	19,017
Salaries payable.....	18,113	2,243	2,482	22,838
Deferred revenue.....	54,755	5,081	11,690	71,526
Deferred expenditures.....	-	68,655	-	68,655
Interfund payable.....	-	-	-	-
Total current liabilities.....	<u>\$ 112,414</u>	<u>\$ 91,264</u>	<u>\$ 41,697</u>	<u>\$ 245,375</u>
FUND BALANCE:				
Restricted.....	\$ -	\$ (43,721)	\$ 356,131	\$ 312,410
Committed.....	-	-	44,211	44,211
Assigned.....	-	-	33,189	33,189
Unassigned.....	291,639	-	-	291,639
Total fund balance.....	<u>291,639</u>	<u>(43,721)</u>	<u>433,531</u>	<u>681,449</u>
Total liabilities and fund balance.....	<u>\$ 404,053</u>	<u>\$ 47,543</u>	<u>\$ 475,228</u>	<u>\$ 926,824</u>

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

CITY OF RIGBY
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
September 30, 2011

Total fund balances - governmental funds \$ 681,449

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	\$ 4,207,406	
Depreciation expense to date	<u>(1,809,146)</u>	2,398,260

Property taxes received that are not available to pay for current period expenditures are deferred in the funds.		71,526
--	--	--------

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

Compensated absences payable	(62,829)	
Capital lease payable	(65,208)	
Bonds payable - L.I.D.	<u>(4,236)</u>	(132,273)

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>6,873</u>
---	--	--------------

Total net assets for governmental activities. \$ 3,025,835

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, 2011

	General Fund	Road Fund	Non Major Funds	Total Governmental Funds
REVENUES				
Local Revenue:				
Property taxes.....	\$ 761,793	\$ 87,126	\$ 175,363	\$ 1,024,282
Earnings on investments.....	4,025	-	1,957	5,982
Fees and fines.....	36,428	-	-	36,428
Charges for services.....	39,533	74,093	108,271	221,897
Miscellaneous and other revenue.....	54,034	50,583	43,431	148,048
State revenues.....	240,838	123,904	17,914	382,656
Grants.....	49,482	-	29,719	79,201
Total revenue.....	<u>1,186,133</u>	<u>335,706</u>	<u>376,655</u>	<u>1,898,494</u>
EXPENDITURES				
General government.....	450,830	-	-	450,830
Public safety.....	587,200	-	6,453	593,653
Street and public improvement.....	-	366,919	26,522	393,441
Parks and recreation.....	-	-	65,752	65,752
Cultural.....	10,002	-	121,665	131,667
Capital outlay.....	157,196	-	67,066	224,262
Contingent liability.....	-	-	-	-
Total expenditures.....	<u>1,205,228</u>	<u>366,919</u>	<u>287,458</u>	<u>1,859,605</u>
Excess (deficiency) of revenue over expenditures.....	(19,095)	(31,213)	89,197	38,889
OTHER FINANCING SOURCES (USES)				
Other Financing Source.....	85,000	-	-	85,000
Transfers.....	31,434	(9,211)	19,211	41,434
Net change in fund balances.....	97,339	(40,424)	108,408	165,323
Fund Balance - Beginning.....	194,300	3,895	325,123	523,318
Prior Period Adjustment.....	-	(7,192)	-	(7,192)
Fund Balance - Ending.....	<u>\$ 291,639</u>	<u>\$ (43,721)</u>	<u>\$ 433,531</u>	<u>\$ 681,449</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, 2011

Net Change in fund balances-total governmental funds \$ 165,323

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

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

Capitalized assets	117,291	
Depreciation expense	<u>(142,751)</u>	(25,460)

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

Deferred revenue - 2011	71,526	
Deferred revenue - 2010	<u>(66,448)</u>	5,078

Debt payments are treated as an expenditure in the governmental funds, but the payments reduce long term debt in the Statement of Activities.

Capital lease payable	19,792	
Bonds payable	<u>4,023</u>	23,815

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

Compensated absences - 2011	(62,829)	
Compensated absences - 2010	<u>55,844</u>	(6,985)

Governmental funds report lease payments as expenditures while governmental activities report the lease arrangement as a capital lease and capital asset acquisition. This is the amount of the lease payable.

(85,000)

Gain (loss) on disposal of capital assets

(67,166)

Income recognized on the sale of assets in governmental funds not reported in the Statement of Activities.

(54,854)

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.

(5,768)

Change in Net Assets of Governmental Activities

\$ (51,017)

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

CITY OF RIGBY
Statement of Net Assets
Proprietary Funds
September 30, 2011

	Water Fund	Sanitation	Sewer Fund	Sewer Collection	Total	Internal Service Funds
ASSETS						
Cash.....	\$ 571,626	\$ 357,938	\$ 887,260	\$ 1,261,901	\$ 3,078,725	\$ 24,197
Cash - restricted for bond.....	-	-	201,198	-	201,198	-
Investments.....	372,411	-	1,550,762	-	1,923,173	-
Receivables.....	40,743	26,679	151,024	13,262	231,708	-
Capital assets, net of depreciation.....	1,769,521	147,230	10,728,862	-	12,645,613	317,385
Capital assets, non-depreciable.....	21,154	-	-	660,157	681,311	-
Prepaid expenses.....	-	6,524	4,409	-	10,933	-
Total assets.....	\$ 2,775,455	\$ 538,371	\$ 13,523,516	\$ 1,935,320	\$ 18,772,661	\$ 341,582

LIABILITIES

Current Liabilities:						
Accounts payable.....	\$ 6,870	\$ 4,273	\$ 22,220	\$ 87,343	\$ 120,706	\$ 13,113
Other payable.....	-	-	368,114	15,459	383,573	6,350
Water deposits.....	91,314	-	-	-	91,314	-
Salaries payable & payroll liabilities.....	2,240	7,586	3,447	-	13,273	205
Current portion of long term debt.....	-	-	61,934	-	61,934	-
Total current liabilities.....	100,424	11,859	455,715	102,802	670,800	19,668
Noncurrent liabilities:						
Bond payable - long term.....	-	-	6,529,619	1,852,541	8,382,160	-
Compensated absences payable.....	3,515	8,831	3,404	-	15,750	-
Total liabilities.....	\$ 103,939	\$ 20,690	\$ 6,988,738	\$ 1,955,343	\$ 9,068,710	\$ 19,668

NET ASSETS

Invested in capital assets, net of related debt.....	\$ 1,790,675	\$ 147,230	\$ 4,199,243	\$ (1,192,384)	\$ 4,944,764	\$ 317,385
Restricted for debt service.....	-	-	-	-	-	-
Net assets - unrestricted.....	880,841	370,451	2,335,535	1,172,361	4,759,188	4,529
Total net assets.....	\$ 2,671,516	\$ 517,681	\$ 6,534,778	\$ (20,023)	\$ 9,703,952	\$ 321,914

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.

314,854

Net assets of business-type activities

\$ 10,018,806

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, 2011

	Water Fund	Sanitation	Sewer Fund	Sewer Collection Project	Total	Internal Service Funds
OPERATING REVENUE						
Consumer charges.....	\$ 419,183	\$ 233,932	\$ 1,356,634	\$ -	\$ 2,009,748	\$ -
Other revenue.....	(231)	1,139	96	-	1,004	-
Other Services.....	-	-	-	-	-	118,041
Total operating revenue.....	<u>418,952</u>	<u>235,071</u>	<u>1,356,729</u>	<u>-</u>	<u>2,010,752</u>	<u>118,041</u>
OPERATING EXPENSES						
Salaries.....	31,649	49,470	85,772	-	166,892	10,476
Payroll taxes.....	5,121	6,883	11,107	-	23,111	1,011
Insurance - employee.....	12,441	8,152	21,101	-	41,695	1,678
Retirement - employee.....	4,958	5,418	9,606	-	19,982	1,079
Municipal shop building	4,124	4,124	5,683	-	13,930	8,475
Utilities.....	398	-	64,935	-	65,333	-
Office supplies and postage.....	3,808	2,921	4,048	-	10,776	-
Maintenance and repairs.....	189,344	48,984	33,082	-	271,409	26,040
Training and travel.....	556	19	723	-	1,298	-
Supplies.....	1,906	31	14,363	-	16,300	6,364
Fuel.....	1,865	-	6,016	-	7,881	42,139
Depreciation.....	60,806	30,769	318,291	-	409,866	34,419
Miscellaneous expense.....	38,218	9,271	101,751	-	149,240	96
Irrigation assessments.....	3,189	-	-	-	3,189	-
Total operating expense.....	<u>358,383</u>	<u>166,041</u>	<u>676,479</u>	<u>-</u>	<u>1,200,903</u>	<u>131,777</u>
Operating income (loss).....	<u>60,569</u>	<u>69,030</u>	<u>680,250</u>	<u>-</u>	<u>809,849</u>	<u>(13,736)</u>
NONOPERATING REVENUE (EXPENSE)						
Wastewater project grant income.....	-	-	-	-	-	-
Wastewater project expenditures.....	-	-	-	(29,919)	(29,919)	-
Interest income.....	23,389	2,344	17,302	1,660	44,695	-
Interest expense.....	-	-	-	-	-	-
Gain (loss) on investments.....	(5,648)	(1,880)	(10,699)	-	(18,227)	-
Reserve for debt service.....	-	-	-	-	-	-
Capital contributions.....	-	-	-	-	-	-
Operating transfers.....	(4,222)	(21,006)	(44,442)	8,236	(61,434)	20,000
Changes in net assets.....	<u>74,088</u>	<u>48,487</u>	<u>642,411</u>	<u>(20,023)</u>	<u>744,964</u>	<u>6,264</u>
NET ASSETS						
Total net assets - beginning.....	2,759,181	498,011	6,398,074	-	-	315,650
Prior years adjustment.....	(161,754)	(28,817)	(505,707)	-	-	-
Total net assets - ending.....	<u>\$ 2,671,516</u>	<u>\$ 517,681</u>	<u>\$ 6,534,778</u>	<u>\$ (20,023)</u>	<u>\$ -</u>	<u>\$ 321,914</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 \$ 12,033

\$ 756,998

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

CITY OF RIGBY
Statement of Cash Flows
Proprietary Funds
September 30, 2011

	Water Fund	Sanitation	Sewer Fund	Sewer Collection	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers.....	\$ 452,574	\$ 233,077	\$ 1,279,119	\$ -	\$ 1,964,770	\$ 118,041
Payments to suppliers and employees.....	(343,211)	(134,510)	(387,361)	-	(865,082)	(81,205)
Cash provided by customer deposits.....	8,971	-	-	-	8,971	-
Net cash provided (used) by operating activities.....	<u>118,334</u>	<u>98,567</u>	<u>891,758</u>	<u>-</u>	<u>1,108,659</u>	<u>36,836</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) general fund.....	578	(21,006)	(41,006)	-	(61,434)	20,000
Net cash provided (used) by noncapital financing activities.....	<u>578</u>	<u>(21,006)</u>	<u>(41,006)</u>	<u>-</u>	<u>(61,434)</u>	<u>20,000</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Cash received for wastewater project (net).....	-	-	56,264	1,260,241	1,316,505	-
Cash paid for JRWS grant (net of revenue).....	-	-	-	-	-	-
Cash paid for construction and equipment.....	(48,006)	(4,200)	(72,199)	-	(124,405)	(63,638)
Principle payments on capital lease.....	-	-	-	-	-	-
Bond principle payments.....	-	-	-	-	-	-
Interest paid on bonds and leases.....	-	-	-	-	-	-
Net cash provided (used) by capital and related financing activities.....	<u>(48,006)</u>	<u>(4,200)</u>	<u>(15,935)</u>	<u>1,260,241</u>	<u>1,192,100</u>	<u>(63,638)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income.....	23,389	2,344	17,302	1,660	44,695	-
Purchase of investments.....	(16,521)	-	(944,957)	-	(961,478)	-
Net cash provided (used) from investing activities.....	<u>6,868</u>	<u>2,344</u>	<u>(927,655)</u>	<u>1,660</u>	<u>(916,783)</u>	<u>-</u>
Net increase (decrease) in cash.....	77,774	75,705	(92,838)	1,261,901	1,322,542	(6,802)
Cash and cash equivalents-beginning of year.....	491,349	282,233	1,183,798	-	1,957,380	30,999
Cash and cash equivalents-end of year.....	<u>\$ 569,123</u>	<u>\$ 357,938</u>	<u>\$ 1,090,959</u>	<u>\$ 1,261,901</u>	<u>\$ 3,279,921</u>	<u>\$ 24,197</u>

Reconciliation of operating income to net cash provided by operating activities						
Operating income.....	\$ 60,569	\$ 69,030	\$ 680,250	\$ -	\$ 809,849	\$ (13,736)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation.....	60,806	30,769	318,291	-	409,866	34,419
(Increase) decrease in accounts receivable.....	33,622	(1,994)	(77,609)	-	(45,981)	-
Increase (decrease) in customer deposits.....	8,971	-	-	-	8,971	-
(Increase) decrease in customer prepaids.....	-	(4,369)	(3,505)	-	(7,874)	-
Increase (decrease) in accounts payable.....	(45,634)	5,131	(25,669)	-	(66,172)	16,153
Net cash provided by operating activities.....	<u>\$ 118,334</u>	<u>\$ 98,567</u>	<u>\$ 891,758</u>	<u>\$ -</u>	<u>\$ 1,108,659</u>	<u>\$ 36,836</u>

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

CITY OF RIGBY

Notes to the Financial Statements September 30, 2011

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.

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.

CITY OF RIGBY

Notes to the Financial Statements September 30, 2011

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, Continued

Basis of Presentation, continued

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.

The City reports the following major enterprise funds:

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

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

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

Measurement Focus, Basis of Accounting

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

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.

CITY OF RIGBY

Notes to the Financial Statements September 30, 2011

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, Continued

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.

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, 2011 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.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2011**

C. ASSETS, LIABILITIES, AND EQUITY, Continued

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, 2011 are classified as deferred revenue.

Inventories and Prepaid Items

The City does not have any inventory items at September 30, 2011.

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	\$10,704
Road Fund	\$ 6,706
Sanitation Fund	\$ 6,524
Non-Major Funds	\$ 4,838

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

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2011**

C. ASSETS, LIABILITIES, AND EQUITY, Continued

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 Balance Reserves

The City of Rigby implemented GASB Statement #54 during the fiscal year which categorizes fund balance into five categories. The five categories of fund balance are nonspendable, restricted, committed, assigned, and unassigned. For the year ended September 30, 2011, the City had fund balances which were restricted, committed, assigned, and unassigned of \$308,912, \$44,212, \$33,189, and \$295,136 respectively. Restricted funds are those which are constrained to being used for a specific purpose by external parties, constitutional provisions, or enabling legislation. Committed funds are those which are constrained to being used for a specific purpose by the City itself. Assigned Funds are amounts intended to be used for specific purposes as expressed by the City's management. Unassigned funds are those which are available for any purpose.

NOTE 2

DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City's deposit and investment balances as of September 30, 2011:

	<u>Pooled Cash and Investments</u>
Demand Deposits	\$ 749,366
Certificates of Deposit	331,021
State Investment Pool	7,866
Investments	2,045,251
Money Market	<u>2,634,462</u>
Total	<u>\$ 5,758,016</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, 2011. The City does not have a deposit policy.

<u>Depository Institution</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>FDIC Insured</u>	<u>Collateralized</u>	<u>Uninsured</u>
Zions Bank	\$3,382,778	\$3,373,775	\$500,000	\$ 2,882,778	\$ 0
Bank of Commerce	331,020	331,020	250,000	0	81,020
Wells Fargo	10,011	9,950	9,950	0	0
State Invest. Pool	7,864	7,879	0	0	7,864
Petty Cash	0	90	0	0	90
Investment Accts:					
Edward Jones	428,830	428,830	633	0	428,197
Key Investment	372,411	372,411	35,132	0	337,279
RBC Wealth	251,704	251,704	0	0	251,704
US Bank	<u>992,307</u>	<u>992,307</u>	<u>0</u>	<u>0</u>	<u>992,307</u>
Total	<u>\$5,776,925</u>	<u>\$ 5,758,016</u>	<u>\$805,665</u>	<u>\$ 2,882,778</u>	<u>\$ 2,098,461</u>

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2011**

NOTE 2 DEPOSITS AND INVESTMENTS, Continued

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2011, \$862,863 of the government's cash and investments bank balance of \$5,766,914 was exposed to custodial credit risk. 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 – 1) Corporate Bonds, 2) Federal Agency Obligations, 3) Mortgage Backed Securities, and 4) Mutual Funds.

As of September 30, 2011, the City has the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Money Market	n/a	112,863
Federal Agency Obligations		
Federal National Mort. Assoc	Various	325
Federal Home Loan Mortgage	Various	117,321
Federal Farm Association	Various	219,958
Mortgage Backed Securities		
Structured Asset Secs. Corp	July 25, 2024	720
Federal Home Loan Mortgage	Various	1,299
Mutual Funds		
Franklin Adjustable US Gov Sec	n/a	180,957
Franklin US Gov Sec Fund CL C	n/a	195,117
Goldman Sachs Ultra Short Fund	n/a	14,219
Putnam Money Market	n/a	35,560
Pimco Short Term Fund	n/a	251,704
Bonds		
Corporate Issued	Various	401,616
Foreign Issued	Various	51,399
Fixed Income	Various	462,193
Total Investments		<u>\$ 2,045,251</u>

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	12%
Federal Farm Association	11%
Franklin US Gov Sec Fund CL C	10%
Franklin Adjustable US Gov Sec	9%
Federal Home Loan Mortgage	6%
Corporate Issue Bonds	20%
Fixed Income Bonds	23%

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2011**

NOTE 2 DEPOSITS AND INVESTMENTS, Continued

Investments, continued

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

NOTE 3 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	\$ 69,238	\$ 6,714	\$ 15,021	\$ 0	\$ 0	\$ 0	\$ 0
Consumer Fees	0	0	0	39,946	82,695	26,679	
Other	0	76,181	10,125	798	81,591	0	
Total Local	<u>\$ 69,238</u>	<u>\$ 82,895</u>	<u>\$ 25,146</u>	<u>\$ 40,744</u>	<u>\$ 164,286</u>	<u>\$ 26,679</u>	
State Sources							
Other State Revenue	\$106,718	\$ 78,148	\$ 6,077				
Total Receivable	<u>\$175,956</u>	<u>\$161,043</u>	<u>\$ 30,013</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, 2011 there are no interfund receivables or payables.

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	\$ 63,018	\$ 31,584
Road Fund	35,000	44,211
Water Fund	101,584	101,006
Sanitation	0	21,006
Sewer Fund	187,464	228,470
Non-Major Funds	74,211	35,000

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

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2011**

NOTE 5 LONG-TERM OBLIGATIONS

Police Vehicles

During fiscal year 2011, the City entered into a capital lease agreement with Government Vehicle Leasing Company for the lease and subsequent purchase of 4 police vehicles. Payments are due in five annual installments of \$19,792, including interest at a rate of 8.2%. Principal due on the lease payments as of September 30, 2011 is \$65,208.

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, 2011 were \$4,236.

Sewer Revenue Bond Issue:

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.

Wastewater Project loans

As discussed above, the Department of Environmental Quality is providing loan funds to the City which are being used to finance the construction of the wastewater treatment facility as well as improvements to the wastewater collection system. As of September 30, 2011, the loan balance payable to the DEQ was \$5,444,094. The loan is interest free. As of the date of the financial statements, a repayment schedule had not been finalized as the construction phase on the collection system was not complete.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2011**

NOTE 5 LONG-TERM OBLIGATIONS, Continued

The following schedule recaps the changes in long-term obligations for the fiscal year ending September 30, 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>
Governmental-type activities				
L.I.D. #7 Bonds	\$ 8,259	\$ 0	\$ 4,023	\$ 4,236
Government Vehicle Leasing Co.	0	85,000	19,792	65,208
Compensated absences	<u>55,844</u>	<u>6,985</u>	<u>0</u>	<u>62,829</u>
<i>Total governmental-type</i>	<u>\$ 64,103</u>	<u>\$ 91,985</u>	<u>\$ 23,815</u>	<u>\$ 132,273</u>
Business-type activities				
Sewer DEQ Loan	\$ 4,000,000	\$ 1,852,541	\$ 408,447	\$ 5,444,094
Sewer USDA Loan	2,591,553	408,447	0	3,000,000
Compensated absences	<u>32,008</u>	<u>0</u>	<u>16,058</u>	<u>15,750</u>
<i>Total business-type activities</i>	<u>\$ 6,623,561</u>	<u>\$ 2,260,988</u>	<u>\$ 424,505</u>	<u>\$ 8,459,844</u>

Maturities of long-term obligations are as follows:

2012	\$ 80,591
2013	73,701
2014	77,165
2015	80,817
2016	64,876
Thereafter	<u>8,136,389</u>
Total	<u>\$ 8,513,539</u>

Interest in the amount of \$438 was paid out of the LID fund for the LID #7 Bonds.

Amounts payable to the DEQ on the sewer loan have been included in the "thereafter" portion of the five year maturity schedule. A final repayment schedule has not provided to the City.

CITY OF RIGBY

Notes to the Financial Statements
September 30, 2011

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, 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	408,659	0	0	408,659
Depreciable Assets:				
Buildings/Sites	\$ 1,269,679	\$ 15,114	\$ (140,088)	\$ 1,144,705
Equipment	1,239,839	98,987	(50,437)	1,288,389
Infrastructure	<u>1,362,463</u>	<u>3,190</u>	<u>0</u>	<u>1,365,653</u>
<i>Total capital assets</i>	<i>4,280,640</i>	<i>117,291</i>	<i>(190,525)</i>	<i>4,207,406</i>
Less: accumulated depreciation	<u>(1,734,898)</u>	<u>(142,751)</u>	<u>68,504</u>	<u>(1,809,145)</u>
<i>Governmental activity capital assets, net</i>	<u><i>\$ 2,545,742</i></u>	<u><i>\$ (25,460)</i></u>	<u><i>\$ (122,021)</i></u>	<u><i>\$ 2,398,261</i></u>
Business-type Activities				
Non-depreciable Assets:				
Work-in-progress	\$ 10,094,766	\$ 660,157	\$(10,094,766)	\$ 660,157
Land	21,154	0	0	21,154
Depreciable Assets:				
Water Fund				
Buildings & equipment	\$ 2,339,108	\$ 42,306	\$ (6,369)	\$ 2,375,045
Less: accumulated depreciation	<u>(551,087)</u>	<u>(60,806)</u>	<u>6,369</u>	<u>(605,524)</u>
<i>Water capital assets, net</i>	<u><i>1,788,021</i></u>	<u><i>(18,500)</i></u>	<u><i>0</i></u>	<u><i>1,769,521</i></u>
Sanitation Fund				
Buildings & equipment	376,077	4,200	(7,525)	372,752
Less: accumulated depreciation	<u>(200,398)</u>	<u>(30,769)</u>	<u>5,645</u>	<u>(225,522)</u>
<i>Sanitation capital assets, net</i>	<u><i>175,679</i></u>	<u><i>(26,569)</i></u>	<u><i>(1,880)</i></u>	<u><i>147,230</i></u>
Sewer				
Buildings & equipment	1,382,892	10,321,111	0	11,704,003
Less: accumulated depreciation	<u>(408,990)</u>	<u>(318,105)</u>	<u>(248,046)</u>	<u>(975,141)</u>
<i>Sewer capital assets, net</i>	<u><i>973,902</i></u>	<u><i>10,003,006</i></u>	<u><i>(248,046)</i></u>	<u><i>10,728,862</i></u>
<i>Business-type activities capital assets, net</i>	<u><i>\$ 13,053,522</i></u>	<u><i>\$10,618,094</i></u>	<u><i>\$(10,344,692)</i></u>	<u><i>\$13,326,924</i></u>
Internal Service Fund				
Buildings & equipment	\$ 931,337	\$ 63,638	\$ 0	\$ 994,975
Less: accumulated depreciation	<u>(643,171)</u>	<u>(34,419)</u>	<u>0</u>	<u>(677,590)</u>
<i>Internal Service capital assets, net</i>	<u><i>\$ 288,166</i></u>	<u><i>\$ 29,219</i></u>	<u><i>\$ 0</i></u>	<u><i>\$ 317,385</i></u>

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2011**

NOTE 6 CAPITAL ASSETS, Continued

Depreciation expense was charged to functions as follows:

General government	\$ 142,751
Water fund	60,806
Sanitation fund	30,769
Sewer fund	318,105
Internal Service	<u>34,419</u>
	<u>\$ 586,850</u>

NOTE 7 COMMITMENTS AND CONTINGENCIES

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 as well as additional costs incurred to correct the filtration problems. Currently, the Court has order a case litigation plan and has established a schedule for the case. According to the attorney representing the City in this matter, the City of Rigby has a substantial chance of prevailing in the lawsuit. However, should they not prevail, the City would have to pay the retainer to the contractor.

On November 7, 2011, the City filed suit against a local developer for failure to reimburse the City for costs associated with the Rigby Towne Square subdivision. On December 30, 2011, the City was paid \$81,000 by the developer in exchange for a full release of the suit.

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 \$4,000,000 which would bring the debt limits approved by the patrons to \$17,000,000. The additional funds are to be used for repair and upgrade of wastewater infrastructure and collection systems. The judicial confirmation was approved on December 7, 2011.

On January 17, 2012, the City awarded the contract for the second construction phase of the sewer collection project. The amount of contract was \$3,029,000.

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.

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2011**

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, 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, 2011, 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 10.73% for general members and 10.73% for police/firefighters. The City of Rigby’s contributions required and paid were \$96,263, \$111,337, and \$105,882 for the three years ended September 30, 2011, 2010, and 2009, respectively.

NOTE 12 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At September 30, 2011 the following funds had excess expenditures over appropriation:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
General Fund	\$ 1,171,753	\$ 1,211,681	\$ 39,928
Lid #7	4,067	4,461	394
Sewer Construction Fund	0	25,000	25,000

NOTE 13 DEFICIT FUND BALANCE

At September 30, 2011 the following fund had a deficit fund balance:

Road Fund	43,721
Building Department Fund	8,028

CITY OF RIGBY

**Notes to the Financial Statements
September 30, 2011**

NOTE 14 PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$7,192 was made to reverse over-accrued revenue in the Road Fund which was reported in a prior period, which results in a reduction of current fund balance.

A prior period adjustment of \$408,447 was made to the Sewer Fund to correct loan proceeds which were treated as revenue/receivable in a prior period, which results in a reduction of current net assets.

A prior period adjustment of \$9,612 was made to the Sewer Fund to reverse over-accrued revenue which was reported in a prior period, which results in a reduction of current net assets.

A prior period adjustment of \$34,828 was made to the Sewer Fund to correct accounts receivable reported in a prior period, which results in an increase of current net assets.

A prior period adjustment of \$25,067 was made to the Sewer Fund to correct accumulated depreciation and fixed asset amounts which were placed into service in a prior period, which results in a reduction of current net assets.

Prior period adjustments of \$161,754, \$28,817, and \$97,409 were made to the Water Fund, Sanitation Fund, and Sewer Fund, respectively, to correct net assets for fixed assets transferred into the Internal Service Fund in a prior period, which results in a reduction of current net assets.

NOTE 15 POST RETIREMENT BENEFITS

The City of Rigby does not provide post-retirement benefits to its employees and has no reporting requirement under GASB #45.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIGBY
Budget to Actual Comparison Schedule
General Fund
For Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Local Sources:				
Local Revenue:				
Property taxes.....	\$ 754,757	\$ 754,757	\$ 761,793	\$ 7,036
Earnings on investments.....	1,200	1,200	4,025	2,825
Fees and fines.....	37,600	37,600	36,428	(1,172)
Charges for services.....	49,000	49,000	39,533	(9,467)
Miscellaneous and other revenue.....	43,500	43,500	54,034	10,534
State revenues.....	228,153	228,153	240,838	12,685
Grants.....	23,000	49,525	49,482	(43)
Total revenue.....	<u>1,137,210</u>	<u>1,163,735</u>	<u>1,186,133</u>	<u>22,398</u>
EXPENDITURES				
General government.....	462,459	462,459	450,830	11,629
Public safety.....	615,769	616,794	587,200	29,594
Cultural.....	9,000	9,000	10,002	(1,002)
Capital outlay.....	58,000	83,500	157,196	(73,696)
Total expenditures.....	<u>1,145,228</u>	<u>1,171,753</u>	<u>1,205,228</u>	<u>(33,475)</u>
Excess (deficiency) of revenue over expenditures.....	(8,018)	(8,018)	(19,095)	(11,077)
OTHER FINANCING SOURCES (USES)				
Other Financing Source.....	-	-	85,000	85,000
Transfers.....	8,018	8,018	31,435	23,417
Net change in fund balances.....	-	-	97,340	97,340
Fund Balance - Beginning.....	<u>194,301</u>	<u>194,301</u>	<u>194,301</u>	<u>-</u>
Fund Balance - Ending.....	<u>\$ 194,301</u>	<u>\$ 194,301</u>	<u>\$ 291,641</u>	<u>\$ 97,340</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Local Sources:				
Local Revenue:				
Property taxes.....	\$ 89,153	\$ 89,153	\$ 87,126	\$ (2,027)
Earnings on investments.....	-	-	-	-
Charges for services.....	71,000	71,000	74,093	3,093
Miscellaneous and other revenue.....	11,800	11,800	50,583	38,783
State revenues.....	125,397	125,397	123,904	(1,493)
Total revenue.....	<u>297,350</u>	<u>297,350</u>	<u>335,706</u>	<u>38,356</u>
EXPENDITURES				
Street and public improvement.....	357,350	387,350	366,919	20,431
Capital outlay.....	-	-	-	-
Total expenditures.....	<u>357,350</u>	<u>387,350</u>	<u>366,919</u>	<u>20,431</u>
Excess (deficiency) of revenue over expenditures.....	(60,000)	(90,000)	(31,213)	58,787
OTHER FINANCING SOURCES (USES)				
Transfers.....	55,000	90,000	(9,211)	(99,211)
Net change in fund balances.....	(5,000)	-	(40,424)	(40,424)
FUND BALANCES				
Beginning of the year.....	3,895	3,895	3,895	-
Prior Period Adjustment.....			(7,192)	(7,192)
End of the year.....	<u>\$ (1,105)</u>	<u>\$ 3,895</u>	<u>\$ (43,721)</u>	<u>\$ (47,616)</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, 2011**

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.

The City amended their original budget on September 20, 2011. The City satisfied the basic requirements of budget amendments by appropriately advertising and conducting a budget hearing.

NOTE 2 EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

Expenditures exceeded budgeted amounts in the following funds and amounts as shown:

	Budgeted	Actual	Excess
	<u>Expenditures</u>	<u>Expenditures</u>	<u>Over</u>
			<u>Budget</u>
General Fund	\$ 1,171,753	\$ 1,205,228	\$ 33,475

SUPPLEMENTARY INFORMATION

CITY OF RIGBY
Combining Balance Sheet - Non Major Funds
September 30, 2011

	Special Revenue							Capital Projects			
	Library Fund	Arterial Road Fund	Park Fund	Building Department Fund	Utility Assistance Trust Fund	Police Drug Fund	Capital Improvement	Water Construction	Sewer Construction Fund	LID #7	Totals
ASSETS											
Cash.....	\$ 2,663	\$ 44,211	\$ 23,001	\$ 7,450	\$ 10,000	\$ 9,950	\$ 85,019	\$ 250,972	\$ 5,416	\$ 4,894	\$ 443,576
Taxes receivable.....	8,043	-	5,233	-	-	-	1,744	-	-	-	15,020
Other receivables.....	7,712	-	2,531	-	-	-	5,960	-	-	-	16,203
Interfund receivable.....	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses.....	165	-	264	-	-	-	-	-	-	-	429
Total assets.....	\$ 18,583	\$ 44,211	\$ 31,029	\$ 7,450	\$ 10,000	\$ 9,950	\$ 92,723	\$ 250,972	\$ 5,416	\$ 4,894	\$ 475,228

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts payable.....	\$ 1,704
Other payable.....	186
Salaries payable.....	2,029
Payroll liabilities.....	120
Deferred Expenditures.....	-
Deferred revenue.....	6,205
Total liabilities.....	10,244
Accounts payable.....	\$ 3,424
Other payable.....	-
Salaries payable.....	453
Payroll liabilities.....	160
Deferred Expenditures.....	-
Deferred revenue.....	4,114
Total liabilities.....	8,151
Accounts payable.....	\$ -
Other payable.....	-
Salaries payable.....	-
Payroll liabilities.....	-
Deferred Expenditures.....	-
Deferred revenue.....	-
Total liabilities.....	-

FUND BALANCE:

Restricted.....	-	-	-	-	-	3,497	91,352	250,972	5,416	4,894	356,131
Committed.....	-	44,211	-	-	-	-	-	-	-	-	44,211
Assigned.....	8,339	-	22,878	(8,028)	10,000	-	-	-	-	-	33,189
Total fund balance.....	8,339	44,211	22,878	(8,028)	10,000	3,497	91,352	250,972	5,416	4,894	433,531
Total liabilities and fund balance.....	\$ 18,583	44,211	\$ 31,029	\$ 7,450	\$ 10,000	\$ 9,950	\$ 92,723	\$ 250,972	\$ 5,416	\$ 4,894	\$ 475,228

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, 2011

	Special Revenue							Capital Projects				Total
	Library Fund	Arterial Road Fund	Park Fund	Building Department Fund	Utility Assistance Trust Fund	Police Drug Fund	Capital Improvements Fund	Water Construction Fund	Sewer Construction Fund	LID #7		
REVENUES												
Local Revenue:												
Property taxes.....	\$ 97,254	\$ -	\$ 58,587	\$ -	\$ -	\$ -	\$ 19,522	\$ -	\$ -	\$ -	\$ -	\$ 175,363
Earnings on investments.....	-	-	-	-	-	-	285	1,672	-	-	-	1,957
Charges for services.....	20,498	-	-	12,606	-	-	64,854	2,756	2,756	4,801	-	108,271
Miscellaneous and other revenue.....	3,234	-	1,247	-	-	9,950	4,000	-	-	-	25,000	43,431
State revenues.....	8,229	-	7,270	-	-	-	2,415	-	-	-	-	17,914
Grants.....	4,734	-	-	-	-	-	24,985	-	-	-	-	29,719
Total revenue.....	133,949	-	67,104	12,606	-	9,950	116,061	4,428	27,756	4,801	-	376,655
EXPENDITURES												
Street and public improvement.....	-	-	-	22,061	-	-	-	-	-	4,461	-	26,522
Public safety.....	-	-	-	-	-	6,453	-	-	-	-	-	6,453
Parks and recreation.....	-	-	65,752	-	-	-	-	-	-	-	-	65,752
Culture.....	121,665	-	-	-	-	-	-	-	-	-	-	121,665
Capital outlay.....	-	-	-	-	-	-	42,066	-	-	-	25,000	67,066
Total expenditures.....	121,665	-	65,752	22,061	-	6,453	42,066	-	25,000	4,461	-	287,458
Excess (deficiency) of revenue over expenditures.....	12,284	-	1,352	(9,455)	-	3,497	73,995	4,428	2,756	340	-	89,197
OTHER FINANCING SOURCES (USES)												
Transfers.....	-	44,211	-	-	10,000	-	(35,000)	-	-	-	-	19,211
Net change in fund balances.....	12,284	44,211	1,352	(9,455)	10,000	3,497	38,995	4,428	2,756	340	-	108,408
FUND BALANCES												
Beginning of the year.....	(3,945)	-	21,526	1,427	-	-	52,357	246,544	2,660	4,554	-	325,123
End of the year.....	\$ 8,339	\$ 44,211	\$ 22,878	\$ (8,028)	\$ 10,000	\$ 3,497	\$ 91,352	\$ 250,972	\$ 5,416	\$ 4,894	\$ 4,894	\$ 433,531

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

CITY OF RIGBY
Schedule of Expenditures
General Fund
For Year Ended September 30, 2011

		<u>Total Expenditures</u>
GENERAL GOVERNMENT		
Mayor & Council		
Payroll related expenditures	\$	29,485
Public relations		2,189
Other		130
Total Mayor & Council		\$ 31,804
City Hall		
Payroll related expenditures	\$	1,598
Utilities & telephone		9,713
Maintenance		5,753
Total City Hall		\$ 17,064
Administration		
Payroll related expenditures	\$	144,017
Office expenditures		33,097
Bank fees		5,176
Other		545
Total Administration		\$ 182,835
Non-departmental		
Payroll related expenditures	\$	71,538
Legal & professional		16,500
Bonds & insurance		34,931
Other		500
Total Non-departmental		\$ 123,469
Planning & Zoning		
Payroll related expenditures	\$	44,889
Office expenditures		2,106
Engineering fees		19,675
Other		28,988
Total Planning & Zoning		\$ 95,658
TOTAL GENERAL GOVERNMENT EXPENDITURES		\$ 450,830
PUBLIC SAFETY		
Payroll related expenditures	\$	504,443
Office expenditures		14,955
Utilities & telephone		14,139
Police expenditures		40,204
Maintenance & repairs		13,460
TOTAL PUBLIC SAFETY		\$ 587,201
CULTURAL		
Museum, rodeo, & discretionary cultural expenditures		\$ 10,002
CAPITAL OUTLAY		
City Hall	\$	381
Police		119,314
Airport		37,500
TOTAL CAPITAL OUTLAY		\$ 157,195
TOTAL GOVERNMENTAL EXPENDITURES		\$ 1,205,228

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

JENSEN POULSEN & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and City Council
City of Rigby
Rigby, ID 83442.

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Rigby, Idaho, as of and for the year ended September 30, 2011, which collectively comprise the City of Rigby's basic financial statements and have issued our report thereon dated March 1, 2012. 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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, 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 (2011-01). 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.

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 February 21, 2012.

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

JENSEN POULSEN & COMPANY, PLLC
Certified Public Accountants

Idaho Falls, Idaho
March 1, 2012

CITY OF RIGBY

**Schedule of Audit Findings and Responses
September 30, 2011**

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES

2011-01 — Lack of adherence to financial protocol.

Condition:

The City is not adhering 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 Prior Findings and Questioned Costs
September 30, 2011**

Findings on Prior Findings:

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES

2010-01 — Lack of adherence to financial protocol.

Status: The City continues to not adhere to their financial protocol. See finding 2011-01

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

Status: The City corrected this deficiency in the current year. Amounts recorded in accounts receivable in the general ledger reconciled to subsidiary ledgers.

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

Status: The City has improved controls in this area by hiring a person responsible for accounts payable and payroll processing.

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

Mayor and City Council
City of Rigby
Rigby, Idaho 83442

Compliance

We have audited the compliance of City of Rigby with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Rigby's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Rigby's management. Our responsibility is to express an opinion on the City of Rigby's compliance based on our audit.

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

In our opinion, the City of Rigby, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control over Compliance

The management of the City of Rigby is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Rigby's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Rigby's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *Material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Jensen Poulson & Company PLLC

JENSEN POULSEN & COMPANY, PLLC
Certified Public Accountants

Idaho Falls, ID
March 1, 2012

CITY OF RIGBY

**Summary of Auditor's Results
September 30, 2011**

Financial Statements

Internal Control over Financial Reporting:

- Type of auditor's report issued – Unqualified.
- Material weakness identified—None.
- Reportable conditions identified that are not considered to be material weaknesses—2011-1.

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Programs

CFDA Number:
#10.760

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

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

Auditee Qualified as Low Risk Auditee: No.

CITY OF RIGBY

**Schedule of Expenditures of Federal Awards
For the year ended September 30, 2011**

Pass Through Entitlement/Grants

	<u>Federal CFDA No.</u>	<u>Accrued Grant and Loan Disbursements</u>
<u>United States Department of Agriculture</u>		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,852,540
<u>United States Department of Commerce</u>		
Community Development Block Grant	14.228	96,964
<u>United States Department of Transportation</u>		
Highway Planning and Construction	20.205	3,072
State and Community Highway Safety	20.600	4,010
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	<u>6,796</u>
 Total Expenditures		 <u>\$ 1,963,382</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF PRESENTATION

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

NOTE B SUBRECIPIENTS

Of the federal expenditures presented in this schedule, City of Rigby provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA No.</u>	<u>Amount</u>
Community Development Block Grant	14-228	\$96,964