CITY OF RIGBY
RIGBY, IDAHO

Basic Financial Statements and
Required Supplementary Information
With
Supplementary Information and
Independent Auditor's Report
Year Ended September 30, 2009

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 the City of Rigby, Idaho, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Rigby's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rigby, Idaho, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2009 on our consideration of the City of Rigby's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 22 through 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mayor and City Council
City of Rigby

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

Jensen Poulsen & Company, PLLC

JENSEN POULSEN & COMPANY, PLLC
Certified Public Accountants

December 30, 2009

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

As management of the City of Rigby, we offer the citizens of the City of Rigby's financial statements this narrative overview and analysis of the financial activities of the City of Rigby for the fiscal year ended September 30, 2009. 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.

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

Overview of the Financial Statements

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

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

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

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

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

The governmental activities of the city include: general government, public safety, highways and streets, park and recreation and cultural. The business-type activities of the City include three proprietary funds: water, sanitation, and sewer collection/ wastewater treatment.

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

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

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

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

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

Governmental-wide funds consist of the following funds:

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

Non-major funds consist of the following funds:

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

The basic governmental funds financial statements can be found on pages 12 & 14 and non-major funds on pages 36-37.

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

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

- Water Revenue Fund
- Sanitation Fund
- Sewer Fund

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

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

Government-wide Financial Analysis

City of Rigby's Net Assets

	Governmental Activities		Business-type Activities		Total - All Activities	
	2009	2008	2009	2008	2009	2008
Current and other assets	751,909	1,725,961	3,620,966	4,188,242	4,372,875	5,914,203
Capital Assets	2,559,137	2,596,363	13,753,053	9,069,574	16,312,190	11,665,937
Total Assets	3,311,046	4,322,324	17,374,019	13,257,816	20,685,065	17,580,140
Long-term liabilities outstanding	395,557	57,061	7,275,611	780,868	7,671,168	837,929
Other Liabilities	62,121	167,695	1,142,495	1,755,491	1,204,616	1,923,186
Total Liabilities	457,678	224,756	8,418,106	2,536,359	8,875,784	2,761,115
Net Assets: Invested in capital assets, net of debt	2,547,056	2,580,654	6,411,500	8,239,574	8,958,556	10,820,228
Restricted	249,817	712,787	220,595	208,917	470,412	921,704
Unrestricted	56,469	804,127	2,323,817	2,272,967	2,380,286	3,077,094
Total net assets	2,853,369	4,097,568	8,955,912	10,721,458	11,809,281	14,819,026

As noted above, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Rigby, assets exceeded liabilities by $11.8 million at September 30, 2009 vs. $14.8 million at September 30, 2008.

The largest portion of the city's net assets (57% as of Sept. 30, 2009 vs. 84% as of Sept. 30, 2008) reflects its investment in capital assets (e.g., land, building, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. At September 30, 2009 there was $12,081 owed on these capital assets vs. $15,709 owed at September 30, 2008. The city uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

The city's business-type assets increased from $13 million to $17 million. The increase of $4 million represents the additional investment in the city's wastewater treatment plant. The debt owed on the business-type assets increased from $2.5 million to $8.4 million also from the wastewater treatment plant. The net change in *invested in capital assets – net of debt* represents the $1.415 million the city contributed towards the wastewater treatment plant over and above debt. Transfer of $219,020 was made from the general fund.

Governmental activities. Governmental activities decreased the city's net assets by $1.2 million, while business-like activities increased the city's net assets by $3.2 million for a net increase of $2 million. A summary of all activities follows.

City of Rigby's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total - All Activities	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charge for service	212,314	232,636	1,788,581	1,508,551	2,000,895	1,741,187
Grants	43,681	10,195			43,681	10,195
General Revenues:					-	-
Property Tax	908,017	845,834			908,017	845,834
Interest Earning	22,331	97,123			22,331	97,123
Other Fees	125,724	246,733	22,633	1,374	148,357	248,107
State Support	366,704	398,408	-	-	366,704	398,408
					-	-
Total Revenues	1,678,771	1,830,929	1,811,214	1,509,925	3,489,985	3,340,854
					-	-
Expenditures:					-	-
General Government	507,561	532,458			507,561	532,458
Public Safety	601,543	570,407			601,543	570,407
Highway/Streets	417,638	294,381			417,638	294,381
Parks & Recreation	157,984	174,580			157,984	174,580
Cultural	204,663	182,725			204,663	182,725
Capital Outlay	77,554	374,823			77,554	374,823
Water			320,011	301,697	320,011	301,697
Sanitation			193,012	150,701	193,012	150,701
Sewer	-	-	417,173	319,240	417,173	319,240
					-	-
Total Expenditures	1,966,943	2,129,374	930,196	771,638	2,897,139	2,901,012
					-	-
Excess (Deficiency)Revenues					-	-
Over Expenditures	(288,172)	(298,445)	881,018	738,287	592,846	439,842
					-	-
Other Financing Sources:					-	-
Transfers In (Out)	(915,334)	(77,545)	915,334	16,165	-	(61,380)
Wastewater Grants			1,433,059	5,140,399	1,433,059	5,140,399
Interest Income			48,090	49,266	48,090	49,266
Debt Service Interest			(21,811)	(40,548)	(21,811)	(40,548)
Capital Contributions	-	-	-	61,380	-	61,380
Other Financing Sources	(915,334)	(77,545)	2,374,672	5,226,662	1,459,338	5,149,117
					-	-
Increase (Decrease)					-	-
In Net Assets	(1,203,506)	(375,990)	3,255,690	5,964,949	2,052,184	5,588,959
					-	-
Fund Balance:					-	-
Beginning Balance	1,508,794	1,884,781	10,721,460	4,756,508	12,230,254	6,641,289
Prior Period Adjust	-	-	(5,021,237)	-	(5,021,237)	-
Ending Balance	305,288	1,508,791	8,955,913	10,721,457	9,261,201	12,230,248

Highlight of selected revenues/expenditures are:

- Charges for all services increased 15%.
- Property taxes increased 8%.
- State revenues decreased 9%.
- All governmental activities decreased 8%.
- Business-type expenditures increased 21%.
- Change in net assets for the governmental-type activities decreased 80%.
- Change in net assets for business-type activities increased 58%.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the city's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Rigby's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City of Rigby's governmental funds reported combined fund balance of $305,288 (page 12) vs. $1,508,791 at the end of last fiscal year, a decrease of $1,203,506. The ending fund balance represents 16% reserve of current year expenditures vs. 71% reserve of the prior years fund balance to expenditures.

General Fund Budgetary Highlights

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

The mayor and council adopt annual operating budgets for all funds – governmental, special assessment and proprietary funds. The city measures its success of achieving its goals through implementation of the budget process. Revenues and expenditures are recorded in the financial statements on the modified accrual basis of accounting and budgets on a cash basis of accounting. All funds remained within their authorized budgets for the year ended September 30, 2009.

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

Detailed statements of actual to budget for the general, road fund, and library and sewer construction fund are presented on pages 31 – 34 of this report. Other non-major funds balance sheet and statement of revenues, expenditures and changes in fund balances are shown on page 36 and 37.

Proprietary Funds Highlights

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

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

	Water		Sanitation		Sewer		Combining Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Operating Revenues:	587,281	575,754	221,332	194,005	1,002,601	740,166	1,811,214	1,509,925
Operating Expenses:	320,011	301,697	193,012	150,701	417,173	319,240	930,196	771,638
Net Operating Income	267,270	274,057	28,320	43,304	585,428	420,926	881,018	738,287
Nonoperating Income (Expense):								
Wastewater Grant					1,433,059	5,140,399	1,433,059	5,140,399
Interest Income	12,472	26,567	6,828	12,715	28,790	9,984	48,090	49,266
Debt Interest	(21,811)	(39,543)				(1,005)	(21,811)	(40,548)
Capital Contribution		47,630				13,750	-	61,380
Operating Transfer	37,086	-	-	-	878,248	16,165	915,334	16,165
Changes in net assets	295,017	308,711	35,148	56,019	2,925,525	5,600,219	3,255,690	5,964,949
Net Assets:								
Beginning	2,337,211	2,028,498	436,081	380,062	7,948,167	2,347,948	10,721,459	4,756,508
Prior Period Adjust	-	-	-	-	(5,021,237)	-	(5,021,237)	-
Ending	2,632,228	2,337,209	471,229	436,081	5,852,455	7,948,167	8,955,912	10,721,457

For the proprietary funds (water, sewer, sanitation) the combined beginning assets totaled $13.257 million, with $ $2.536 million in liabilities and fund balances of $10.721. The proprietary funds ended the year with assets totaling $17.374 million, liabilities of $8.418 million and ending fund equity of $8.955 million. Cash and cash investments for the governmental funds decreased $1.496 to $534,896 for a net decrease of $960,000. The proprietary funds increased their cash and cash investments by $465,000. From the decrease in governmental funds cash of $1.496, $665,000 was transferred to the proprietary funds. Overall for all funds and fund types the cash and cash investment of the city decreased from $3.966 million to $3.412 million for a net decrease of $554,000.

Economic Factors and Next Year's Budgets

For the past years budgets have been prepared and adopted using the city's known revenues and existing cash balances. Expenditures have been within their authorized amount. For the year ended September 30, 2009, the city drew down its general fund cash carryover balance by $706,910. At September 30, 2009 the general fund's cash carryover fund balance is $70,148. The road fund ended the year with a zero fund balance, library ending fund balance was $22 and the sewer construction fund ending fund balance is a negative $50,748.00. The recreation fund was closed in July 2009 and all assets and liabilities were transferred to the general fund.

The city does not have any general obligation bonds either outstanding or pending. The city has one outstanding revenue bond issue for the water fund totaling $830,000. The city is planning on issuing a sewer revenue bond in the coming year in the amount of $9 million payable over 20 to 30 years. The bond proceeds will be used to fund the to-be completed waste water treatment plant which should be completed in the summer of 2010.

Major financial obligation for the year ended was the construction of the waste water treatment plant and the closing of the recreation center. The waste water treatment plant required cash transfer from the general fund to sewer revenue of $275,000 and a cash transfer from sewer construction of $390,000 also to the sewer revenue fund. The city was required to invest $1.4 million of its resources to the waste water project. These transfers were authorized through the budget process and accounted for accordingly. The closing of the recreation fund required a cash transfer from the general fund of $210,951. Budgeted transfers for 2009 were $310,945, actual transfers totaled $727,689.

Three funds are of particular concern during the coming year: general fund, road, and the library fund. The general fund is of concern due to lack of cash reserves. The road and library funds lack of revenues to maintain their required operation at the minimum level without reliance from the general fund. General fund lacks the cash reserves to fund the shortage needed in road and library. Other funds lack the legal authority to transfer funds to either road or library. The lack of funding for the two funds operations requires a reduction in expense in the general fund.

Given the draw down in past years, prior cash reserves are at near zero amounts. The goal of future periods is to rebuild cash reserves in all funds. As to the general fund the goal is to have a cash reserve equal to 180 days of the current year's actual expenditures. The goal of the capital improvement fund is to accumulated incremental funds year over year to purchase large capital outlay items. The goal for the three enterprise funds is to maintain each fund for its operational activities, debt service obligation and future capital improvements. This rebuilding phase will be accomplished by adopting budgets that operate on known resources – current revenues – without utilizing cash balances reserves to fund the activity.

Adhering to that philosophy the council is being asked to revise the budget adopted at the beginning of FY 2009/2010 with a reduction in spending equal to the revenues available without a reliance on cash transfers from savings or other funds. Requests will be presented to reduce overall spending by $551,750. The only transfers will be from the enterprise funds to reimburse general fund for administrative services.

Internal controls of the city have been reviewed. Recent deficiencies regarding segregation of duties in payroll processing and reconciling subsidiary ledgers to the general ledger have been addressed. Additional supervision in processing payroll has been enacted. All subsidiary ledgers have been reconciled to the general ledger. The deficiency regarding financial protocol has been addressed with a new procedure whereby management must approve the expenditures in excess of $5,000. The old procedure is a composition of several ideas which at best conflicts with actual procedure. During the coming year and prior to year end a workable procedure will be re-written that follows actual procedures.

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 8344.

s/
David Swager, CPA
City Clerk/Treasurer

November 30, 2009

BASIC FINANCIAL STATEMENTS

CITY OF RIGBY
Statement of Net Assets
September 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 361,088	$ 2,348,168	$ 2,709,256
Cash - restricted for bond	-	220,595	220,595
Investments	115,614	366,585	482,199
Receivables (net)	252,808	684,217	937,025
Prepaid expenses	22,399	1,401	23,800
Capital assets, net of depreciation	2,265,478	13,731,899	15,997,377
Capital assets, non-depreciable	293,659	21,154	314,813
Total assets	$ 3,311,046	$ 17,374,019	$ 20,685,065
LIABILITIES			
Current liabilities			
Accounts payable	$ 191,915	$ 205,275	$ 397,190
Other payable	185,523	770,466	955,989
Salaries & benefits payable	14,298	5,032	19,330
Water deposits	-	76,722	76,722
Current portion of long term debt	3,821	85,000	88,821
Total current liabilities	$ 395,557	$ 1,142,495	$ 1,538,052
Long-term liabilities			
Debt portion due in more than one year	8,260	7,256,553	7,264,813
Compensated absences	53,861	19,058	72,919
Total liabilities	457,678	8,418,106	8,875,784
NET ASSETS			
Invested in capital assets, net of related debt	2,547,056	6,411,500	8,958,556
Restricted for:			
Capital projects	217,292	-	217,292
Debt service	-	220,595	220,595
Community development and improvement projects	32,525	-	32,525
Unrestricted	56,496	2,323,817	2,380,313
Total net assets	$ 2,853,369	$ 8,955,913	$ 11,809,281

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, 2009

Functions/Programs	Expenses	Program Revenues: Fees, Fines, & Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental activities:							
General government	$ 431,753	$ 38,191		$ 38,250	$ (355,312)		$ (355,312)
Public safety	771,347	64,859			(706,488)		(706,488)
Public works	390,862	107,578	$ 112,835		(170,449)		(170,449)
Parks and recreation	204,701	10,717			(193,984)		(193,984)
Cultural	207,217	22,471	5,431		(179,315)		(179,315)
Interest on long term debt	833				(833)		(833)
Total governmental activities	2,006,713	243,816	118,266	38,250	(1,606,381)		(1,606,381)
Business-type activities:							
Water fund	320,011	581,243				$ 261,232	261,232
Interest on long term debt	21,811					(21,811)	(21,811)
Sanitation fund	193,012	204,737				11,725	11,725
Sewer fund	417,173	1,002,601		1,433,059		2,018,487	2,018,487
Interest on long term debt	-					-	-
Total business-type activities	952,007	1,788,581	-	1,433,059	-	2,269,633	2,269,633
Total primary government	$ 2,958,721	$ 2,032,397	$ 118,266	$ 1,471,309	(1,606,381)	2,269,633	663,251
	General revenues:						
	Taxes:						
	Property taxes, levied for general purposes				751,435		751,435
	Property taxes, levied for library				62,638		62,638
	Property taxes, levied for park and recreation fund				51,231		51,231
	Property taxes, levied for public works				42,809		42,809
	Property taxes, levied for capital projects				17,568		17,568
	State sales taxes				100,603		100,603
	State revenue sharing				90,812		90,812
	State liquor allocation				62,454		62,454
	Earnings on investments				22,331	48,090	70,421
	Miscellaneous				75,631	22,636	98,267
	Transfers				(915,334)	915,334	-
	Total general revenues and transfers				362,178	986,060	1,348,238
	Changes in net assets				(1,244,203)	3,255,693	2,011,489
	Net assets--beginning				4,097,571	10,721,457	14,819,028
	Prior period adjustment				-	(5,021,237)	(5,021,237)
	Net assets--ending				$ 2,853,369	$ 8,955,913	$ 11,809,281

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

CITY OF RIGBY
Balance Sheet
Governmental Funds
September 30, 2009

ASSETS	General Fund	Road Fund	Library Fund	Sewer Construction Fund	Non Major Funds	Total Governmental Funds
Cash	$ -	$ -	$ 8,414	$ 127,022	$ 283,846	$ 419,282
Investments	115,614	-	-	-	-	115,614
Taxes receivable	45,354	1,867	4,026	-	3,985	55,232
Other receivables	61,341	47,583	1,976	-	3,017	113,917
Interfund receivable	-	83,659	-	-	-	83,659
Prepaid expenses	21,092	491	714	-	102	22,399
Total assets	$ 243,401	$ 133,600	$ 15,130	$ 127,022	$ 290,950	$ 810,103
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Current Liabilities:						
Cash overdraft	$ 16,706	$ 41,488	$ -	$ -	$ -	$ 58,194
Accounts payable	14,561	81,311	10,177	645	1,561	108,255
Other payable	8,398	-	-	177,125	-	185,523
Benefits payable	346	-	-	-	-	346
Salaries payable	9,396	2,184	1,882	-	490	13,952
Deferred revenue	40,187	8,617	3,049	-	3,033	54,886
Interfund payable	83,659	-	-	-	-	83,659
Contingent liability	-	-	-	-	-	-
Total current liabilities	173,253	133,600	15,108	177,770	5,084	504,815
FUND BALANCE:						
Reserved for:						
Roads	-	-	-	-	-	-
Capital projects	-	-	-	(50,748)	267,322	216,574
Community development	-	-	22	-	18,544	18,566
Unreserved fund balance	70,148	-	-	-	-	70,148
Total fund balance	70,148	-	22	(50,748)	285,866	305,288
Total liabilities and fund balance	$ 243,401	$ 133,600	$ 15,130	$ 127,022	$ 290,950	$ 810,103

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, 2009

Total fund balances - governmental funds		$ 305,288
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	$4,167,195	
Depreciation expense to date	(1,608,058)	2,559,137
Property taxes received that are not available to pay for current period expenditures are deferred in the funds.		54,886
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	(53,861)	
Bonds payable - L.I.D.	(12,081)	(65,942)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		-
Total net assets for governmental activities.		$ 2,853,369

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, 2009

REVENUES	General Fund	Road Fund	Library Fund	Sewer Construction Fund	Non Major Funds	Total Governmental Funds
Local Revenue:						
Property taxes	$ 742,104	$ 34,701	$ 62,925	$ -	$ 68,287	$ 908,017
Earnings on investments	6,243	992	-	9,592	5,504	22,331
Fees and fines	37,052	-	-	-	-	37,052
Charges for services	47,336	69,211	22,471	18,687	54,609	212,314
Miscellaneous and other revenue	52,660	16,666	2,972	-	16,374	88,672
State revenues	234,231	116,997	7,498	-	7,978	366,704
Grants	38,250	-	5,431	-	-	43,681
Total revenue	1,157,876	238,567	101,297	28,279	152,752	1,678,771
EXPENDITURES						
General government	507,561	-	-	-	-	507,561
Public safety	601,543	-	-	-	-	601,543
Street and public improvement	-	322,919	-	11,750	82,969	417,638
Parks and recreation	-	-	-	-	157,984	157,984
Cultural	-	-	204,663	-	-	204,663
Capital outlay	27,813	15,493	7,507	-	26,741	77,554
Contingent liability	-	-	-	-	-	-
Total expenditures	1,136,917	338,412	212,170	11,750	267,694	1,966,943
Excess (deficiency) of revenue over expenditures	20,959	(99,845)	(110,873)	16,529	(114,942)	(288,172)
OTHER FINANCING SOURCES (USES)						
Transfers	(727,869)	83,659	85,100	(588,574)	232,350	(915,334)
Net change in fund balances	(706,910)	(16,186)	(25,773)	(572,045)	117,408	(1,203,506)
Fund Balance - Beginning	777,058	16,186	25,795	521,297	168,458	1,508,794
Fund Balance - Ending	$ 70,148	$ -	$ 22	$ (50,748)	$ 285,866	$ 305,288

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, 2009

Net Change in fund balances-total governmental funds		$ (1,203,506)
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	$ 112,790	
Depreciation expense	(147,306)	(34,516)
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 - 2009	54,886	
Deferred revenue - 2008	(37,705)	17,181
Payments of bonds is an expenditure in the governmental funds, but the payments reduce long term debt in the Statement of Activities.		
Bonds payable		3,628
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 - 2009	(53,861)	
Compensated absences - 2008	44,980	(8,881)
Loss on disposal of capital assets (junked)		(2,710)
Write-off of recreation center accounts receivable		(15,398)
Change in Net Assets of Governmental Activities		$ (1,244,203)

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

CITY OF RIGBY
Statement of Net Assets
Proprietary Funds
September 30, 2009

	Water Fund	Sanitation	Sewer Fund	Total
ASSETS				
Cash	$ 809,550	$ 219,306	$ 1,319,312	$ 2,348,168
Cash - restricted for bond	220,595	-	-	220,595
Investments	324,663	-	41,922	366,585
Other receivables	104,239	24,421	555,557	684,217
Capital assets, net of depreciation	2,016,368	240,851	11,474,680	13,731,899
Capital assets, non-depreciable	20,254	-	900	21,154
Prepaid expenses	422	366	613	1,401
Total assets	$ 3,496,091	$ 484,944	$ 13,392,984	$ 17,374,019
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 30,976	$ 3,618	$ 170,681	$ 205,275
Other payable	-	-	770,466	770,466
Water deposits	76,722	-	-	76,722
Salaries payable	1,029	1,327	2,676	5,032
Current bond payable	85,000	-	-	85,000
Current capital lease payable	-	-	-	-
Total current liabilities	193,727	4,945	943,823	1,142,495
Noncurrent liabilities:				
Bond payable - long term	665,000	-	6,591,553	7,256,553
Compensated absences payable	5,136	8,770	5,152	19,058
Total liabilities	863,863	13,715	7,540,528	8,418,106
NET ASSETS				
Invested in capital assets, net of related debt	1,286,622	240,851	4,884,027	6,411,500
Restricted for debt service	220,595	-	-	220,595
Net assets - unrestricted	1,125,011	230,378	968,428	2,323,817
Total net assets	$ 2,632,228	$ 471,229	$ 5,852,456	$ 8,955,913

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, 2009

	Water Fund	Sanitation	Sewer Fund	Total
OPERATING REVENUE				
Consumer charges	$ 581,243	$ 204,737	$ 1,002,601	$ 1,788,581
Other revenue	6,038	16,595	-	22,633
Total operating revenue	587,281	221,332	1,002,601	1,811,214
OPERATING EXPENSES				
Salaries	56,472	85,437	43,536	185,445
Payroll taxes	5,210	6,728	4,240	16,178
Insurance - employee	9,224	20,065	8,381	37,670
Retirement - employee	6,290	8,484	5,198	19,972
Municipal shop building	1,203	1,203	1,203	3,609
Utilities	91,367	-	60,471	151,838
Office supplies and postage	2,446	1,976	2,983	7,405
Maintenance and repairs	39,281	7,663	209,879	256,823
Training and travel	1,632	-	974	2,606
Supplies	2,161	939	2,126	5,226
Fuel	1,387	16,597	1,236	19,220
Depreciation	78,393	42,012	66,891	187,296
Miscellaneous expense	22,570	1,908	10,055	34,533
Irrigation assessments	2,375	-	-	2,375
Total operating expense	320,011	193,012	417,173	930,196
Operating income (loss)	267,270	28,320	585,428	881,018
NONOPERATING REVENUE (EXPENSE)				
Wastewater project grant income	-	-	1,433,059	1,433,059
Interest income	12,472	6,828	28,790	48,090
Interest expense	(21,811)	-	-	(21,811)
Total nonoperating revenue (expense)	(9,339)	6,828	1,461,849	1,459,338
Income (loss) before contributions and transfers	257,931	35,148	2,047,277	2,340,356
Capital contributions	-	-	-	-
Operating transfers	37,086	-	878,248	915,334
Changes in net assets	295,017	35,148	2,925,525	3,255,690
NET ASSETS				
Total net assets - beginning	2,337,211	436,081	7,948,168	10,721,460
Prior years adjustment	-	-	(5,021,237)	(5,021,237)
Total net assets - ending	$ 2,632,228	$ 471,229	$ 5,852,456	$ 8,955,913

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

CITY OF RIGBY
Statement of Cash Flows
Proprietary Funds
September 30, 2009

	Water Fund	Sanitation	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 554,418	$ 218,378	$ 968,621	$ 1,741,417
Payments to suppliers and employees	(228,561)	(146,067)	(216,975)	(591,603)
Cash provided by customer deposits	579	-	-	579
Net cash provided (used) by operating activities	326,436	72,311	751,646	1,150,393
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from (to) general fund	37,086	-	878,248	915,334
Net cash provided (used) by noncapital financing activities	37,086	-	878,248	915,334
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Cash received for wastewater project (net of expenses)	-	-	1,753,457	1,753,457
Cash paid for JRWWS grant (net of revenue)	-	-	-	-
Cash paid for construction and equipment	(40,776)	-	(4,829,998)	(4,870,774)
Principle payments on capital lease	-	-	-	-
Bond principle payments	(80,000)	-	-	(80,000)
Interest paid on bonds and leases	(21,811)	-	-	(21,811)
Net cash provided (used) by capital and related financing activities	(142,587)	-	(3,076,541)	(3,219,128)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	12,472	6,828	28,790	48,090
Purchase of investments	(324,663)		(41,922)	(366,585)
Net cash provided (used) from investing activities	12,472	6,828	(13,132)	6,168
Net increase (decrease) in cash and cash equivalents	(91,256)	79,139	110,537	98,420
Cash and cash equivalents-beginning of year	1,121,401	140,166	1,208,775	2,470,342
Cash and cash equivalents-end of year	$ 1,030,145	$ 219,305	$ 1,319,312	$ 2,568,762
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$ 267,270	$ 28,320	$ 585,428	$ 881,018
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	78,393	42,012	66,891	187,296
(Increase) decrease in consumer accounts receivable	(32,863)	(2,954)	(33,980)	(69,797)
Increase (decrease) in customer deposits	579	-	-	579
(Increase) decrease in customer prepaids	(422)	(366)	(613)	(1,401)
Increase (decrease) in accounts payable	13,479	5,299	133,920	152,698
Net cash provided by operating activities	$ 326,436	$ 72,311	$ 751,646	$ 1,150,393

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

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.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, Continued

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING, Continued

Measurement Focus, Basis of Accounting

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

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

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

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

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

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, 2009 based on market prices. Cash also includes funds held at the Local Government Investment Pool. The cash at the Local Government Investment Pool earns interest at a variable rate and is available upon demand. Earnings on the pooled funds are apportioned and paid or credited to the funds based on the balance of each participating fund.

Cash and Cash Equivalents

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

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles. Because property taxes attach as an enforceable lien after three years of delinquency, the City feels that all receivables are collectible.

Property Tax Calendar

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

Property taxes attach as an enforceable lien as of December 20 following the levy in August. Therefore, no amount has been set aside for an allowance for doubtful accounts. Property taxes collected after December 1, 2009 are classified as deferred revenue.

Inventories and Prepaid Items

The City does not have any inventory items at September 30, 2009.

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

General Fund – Prepaid Workers Compensation	$ 5,152
General Fund – Prepaid Liability Insurance	$15,940
Road Fund	$ 491
Library Fund	$ 714
Non-Major Funds	$ 102

C. ASSETS, LIABILITIES, AND EQUITY, Continued

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

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

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

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

NOTE 2 DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City's deposit and investment balances as of September 30, 2009:

	Pooled Cash and Investments
Demand Deposits	$ 935,231
Certificates of Deposit	1,906,632
State Investment Pool	87,988
Investments	417,474
Money Market	64,725
Total	$ 3,412,050

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, 2009. The City does not have a deposit policy.

NOTE 2 DEPOSITS AND INVESTMENTS, Continued

Depository Institution	Bank Balance	Book Balance	FDIC Insured	Collateralized	Uninsured
Zions Bank	$2,663,413	$2,618,905	$346,640	$ 2,100,000	$ 216,773
US Bank	220,595	220,595	220,595	0	0
State Invest. Pool	87,794	87,988	0	0	87,794
Petty Cash	0	2,364	0	0	2,364
Money Market Accts:					
Edward Jones	52,001	52,001	0	0	52,001
Key Investment	12,724	12,724	12,724	0	0
Total	$3,036,527	$2,994,577	$579,959	$ 2,100,000	$ 358,932

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2009, $356,568 of the government's bank balance of $3,036,527 was exposed to custodial credit risk as can be seen in the previous table. The remaining $2,364 is petty cash on hand.

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

Investments

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

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

As of September 30, 2009, the City has the following investments. All investments are reported at their fair market value.

Investment	Maturity	Fair Value
Federal Agency Obligations		
Federal National Mort. Assoc	Various	5,519
Federal Home Loan Mortgage	Various	100,037
Federal Farm Association	Various	211,903
Mortgage Backed Securities		
Federal Home Loan Mortgage	Various	1,292
Structured Asset Secs. Corp	July 25, 2024	811
Mutual Funds		
Goldman Sachs Ultra Short Fund	n/a	14,407
Putnam Money Market	n/a	83,505
Total Investments		$ 417,474

NOTE 2 DEPOSITS AND INVESTMENTS, Continued

Investments, continued

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

Individual Issuer	% of Total Investment
Federal Farm Association	51%
Putnam Money Market	20%
Federal Home Loan Mortgage	24%

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:

	General Fund	Street and Road Fund	Library Fund	Other Governmental Funds	Enterprise Funds		
					Water	Sewer	Sanitation
Local Sources							
Property Taxes	$ 45,354	$ 1,867	$ 4,026	$ 3,985	$ 0	$ 0	$ 0
Consumer Fees	0	0	0	0	80,178	96,402	22,870
Other	0	0	0	0	24,061	459,155	1,551
Total Local	$ 45,354	$ 1,867	$ 4,026	$ 3,985	$ 104,239	$ 555,557	$ 24,421
State Sources							
Other State Revenue	$ 61,341	$ 47,583	$ 1,976	$ 3,017			
Total State	$ 61,341	$ 47,583	$ 1,976	$ 3,017			

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, 2009 there are the following interfund receivables or payables:

	Interfund Receivable	Interfund Payable
Major Funds		
General Fund		$ 83,659
Road Fund	$ 83,659	

The interfund receivable and payable is to account for a cash transfer made by the General Fund to the Road Fund. The transfer was recorded in September 2009 but the cash was not transferred until October 2009.

NOTE 4 INTERFUND TRANSACTIONS, Continued

Interfund Transfers

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

	Transfers To	Transfers From
Major Funds		
General Fund		$ 727,869
Library Fund	$ 85,100	
Road Fund	83,659	41,922
Water Fund		37,086
Sewer Fund	920,170	
Sewer Construction Fund		588,574
Non-Major Funds	306,522	

Transfers between all major and nonmajor funds were made to cover expenditures from operations. Additional transfer of completed construction of $588,574 was transferred from the sewer construction funds to the sewer fund.

NOTE 5 LONG-TERM OBLIGATIONS

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

Water Revenue Bonds payable at September 30, 2009 are comprised of the following individual issue: Water Revenue Bonds, Series 2003 due in semi-annual principal and interest installments on April 1 and October 1 each year through October 1, 2016. The effective rate of interest for this bond is 3.7391817%. $750,000 is outstanding at September 30, 2009.

Bond Reserve Requirement:
The bond covenants require the City to maintain a bond reserve fund equal to the maximum annual debt service on the bonds, or 125 percent of the average annual debt service of the bonds not to exceed 10 percent of the proceeds of the bonds ($150,000). The reserve fund and the monies therein are irrevocably pledged to the payment of the bonds, such funds may be applied upon the final maturity of the principal and interest on the bonds. The amount funded for the reserve fund was $220,595 which exceeds the amount allowed by the bond covenants. The account is recorded in the financial statements as restricted for debt service, and the amount at September 30, 2009 is $220,595.

NOTE 5 LONG-TERM OBLIGATIONS, Continued

Local Improvement District #7 Bond Issue:

On July 31, 2002 the City issued $40,455 of Local Improvement District (L.I.D.) #7 Bonds to help fund the construction of public improvements of the water lines along Ramona Avenue. The bond is payable in annual installments of principal and interest, at 5.30%, in the amount of $4,461. Installments are due July 31 beginning in the year 2003 and commence for 10 years. Bonds outstanding at September 30, 2009 were $12,080.

New loans

A loan from the Department of Environmental Quality (DEQ) in the amount of $4,000,000 has been secured for construction of the Waste-Water Treatment project. Payments will not begin until the project is completed.

A loan from the United States Department of Agriculture (USDA) in the amount of $2,591,553 has been secured for construction of the Waste-Water Treatment project. Payments will not begin until the project is completed.

The following schedule recaps the changes in long-term obligation for the fiscal year ending September 30, 2009:

Governmental-type activities	Beginning Balance	Additions	Subtractions	Ending Balance
L.I.D. #7 Bonds	$ 15,709	$ 0	$ 3,629	$ 12,080
Compensated absences	44,950	8,911	0	53,861
Total governmental-type	*$ 60,659*	*$ 8,911*	*$ 3,629*	*$ 65,941*
Business-type activities				
Water Revenue Bonds	$ 830,000	$ 0	$ 80,000	$ 750,000
Sewer DEQ Loan				4,000,000
Sewer USDA Loan				2,591,553
Compensated absences	30,868	0	11,810	19,058
Total business-type activities	*$ 860,868*	*$ 0*	*$ 91,810*	*$ 7,360,611*

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

	Total	2010	2011	2012	2013	2014	2015-2017
Business-type activities							
Water Revenue Bond	$750,000	$ 85,000	$ 85,000	$90,000	$90,000	$95,000	$305,000
Governmental-type activities							
L.I.D. #7 Bonds	12,080	3,821	4,023	4,236	0	0	0
Total	$762,080	$ 88,821	$89,023	$94,236	$90,000	$95,000	$305,000

NOTE 5 LONG-TERM OBLIGATIONS, Continued

Interest in the amount of $21,811 was paid out in the Water Fund on the Water Revenue Bonds. Interest in the amount of $833 was paid out of the LID fund for the LID #7 Bonds.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

Governmental Activities	Beginning Balance	Capital Acquisitions	Sales / Other Changes	Ending Balance
Non-depreciable Assets:				
Work-in-progress	$ 0	$ 0	$ 0	$ 0
Land	293,659	0	0	293,659
Depreciable Assets:				
Buildings/Sites	$ 1,253,698	$ 5,319	$ 0	$ 1,259,017
Equipment	1,189,612	69,220	6,775	1,252,057
Infrastructure	1,324,213	38,250	0	1,362,463
Total capital assets	*4,061,182*	*112,789*	*6,775*	*4,167,196*
Less: accumulated depreciation	1,464,816	147,305	4,065	1,608,056
Governmental activity capital assets, net	*$ 2,596,366*	*$ (34,516)*	*$ 2,710*	*$ 2,559,140*
Business-type Activities				
Non-depreciable Assets:				
Work-in-progress	$ 5,607,686	$ 4,809,887	$ 0	$ 10,417,573
Land	21,154	0	0	21,154
Depreciable Assets:				
Water Fund				
Buildings & equipment	$ 2,812,070	$ 40,776	$ 0	$ 2,852,846
Less: accumulated depreciation	758,085	78,393	0	836,478
Water capital assets, net	*2,053,985*	*(37,617)*	*0*	*2,016,368*
Sanitation Fund				
Buildings & equipment	604,959	0	135,748	469,211
Less: accumulated depreciation	322,095	42,012	135,748	228,359
Sanitation capital assets, net	*282,864*	*(42,012)*	*0*	*240,852*
Sewer				
Buildings & equipment	1,596,126	20,110	8,574	1,607,662
Less: accumulated depreciation	492,238	66,891	8,574	550,555
Sewer capital assets, net	*1,103,888*	*(46,781)*	*0*	*1,057,107*
Business-type activities capital assets, net	*$ 9,069,577*	*$4,683,477*	*$ 0*	*$13,753,054*

Depreciation expense was charged to functions as follows:

General government	$ 147,305
Water fund	78,393
Sanitation fund	42,012
Sewer fund	66,891
	$ 334,601

NOTE 7 CONTINGENT LIABILITIES

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

There are no contingent liabilities as of September 30th, 2009 that need to be reported.

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

As of September 30th, 2009 the City of Rigby construction of the Waste-Water Treatment plant was substantially complete. The Waste-Water Treatment plant is being funded by an Idaho Community Development Block grant of $500,000, USDA Rural Development grant and loan totaling $4,000,000, an Idaho DEQ loan in the amount of $3,000,000 and cash reserves of the City of Rigby. Funds expended as of September 30th, 2009 totaled $10,417,575 of the $10,235,000 budgeted for this project.

The wastewater treatment plant was fully operational as of September 30th, 2009. However, the filtration system has not been fully tested and will not be fully tested until spring of 2010. The city is currently withholding final payment of $450,466 until the filtration system is fully tested.

NOTE 10 RELATED PARTY TRANSACTIONS

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

NOTE 11 PENSION ACTIVITY—EMPLOYER REPORTING

Public Employee Retirement System of Idaho – The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on member's years of service, age, and compensation. In addition, benefits are provided for disability,

NOTE 11 PENSION ACTIVITY—EMPLOYER REPORTING, Continued

death and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in the Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provides for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

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

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

The contribution requirements of the City of Rigby and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2009, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.65% for police/firefighters.

The employer rate as a percentage of covered payroll was 10.39% to 10.74% for general members and 10.74% for police/firefighters. The City of Rigby's contributions required and paid were $105,882, $91,256 and $77,290 for the three years ended September 30, 2009, 2008, and 2007, respectively.

NOTE 12 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At September 30, 2009 the following fund has excess expenditures over appropriation:

Fund	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
LID #7 Fund	$ 4,117	$ 4,461	$ 344

NOTE 13 DEFICIT FUND BALANCE

At September 30, 2009 the following fund had deficit fund balances:

Sewer Construction Fund	50,748

NOTE 14 PRIOR PERIOD ADJUSTMENT

A prior period adjustment of $5,021,237 was created to record the USDA and DEQ loans as reported in note 4. These amounts were treated as grant revenues in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RIGBY
Budget to Actual Comparison Schedule
General Fund
For Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
REVENUES	Original	Final	Amounts	Positive (Negative)
Local Sources:				
Local Revenue:				
Property taxes	$ 749,315	$ 749,315	$ 742,104	$ (7,211)
Earnings on investments	45,000	45,000	6,243	(38,757)
Fees and fines	44,050	44,050	37,052	(6,998)
Charges for services	43,000	43,000	47,336	4,336
Miscellaneous and other revenue	58,960	58,960	52,660	(6,300)
State revenues	271,966	271,966	234,231	(37,735)
Grants	-	-	38,250	38,250
Total revenue	1,212,291	1,212,291	1,157,876	(54,415)
EXPENDITURES				
General government	715,383	715,383	507,561	207,822
Public safety	726,604	726,604	601,543	125,061
Capital outlay	220,500	220,500	27,813	192,687
Total expenditures	1,662,487	1,662,487	1,136,917	525,570
Excess (deficiency) of revenue over expenditures	(450,196)	(450,196)	20,959	471,155
OTHER FINANCING SOURCES (USES)				
Transfers	(310,945)	(310,945)	(727,869)	(416,924)
Net change in fund balances	(761,141)	(761,141)	(706,910)	54,231
Fund Balance - Beginning	777,058	777,058	777,058	-
Fund Balance - Ending	$ 15,917	$ 15,917	$ 70,148	$ 54,231

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
REVENUES	Original	Final	Amounts	Positive (Negative)
Local Sources:				
Local Revenue:				
Property taxes	$ 35,028	$ 35,028	$ 34,701	$ (327)
Earnings on investments	7,000	7,000	992	(6,008)
Charges for services	57,000	57,000	69,211	12,211
Miscellaneous and other revenue	21,800	21,800	16,666	(5,134)
State revenues	128,951	128,951	116,997	(11,954)
Total revenue	249,779	249,779	238,567	(11,212)
EXPENDITURES				
Street and public improvement	436,360	436,360	322,919	113,441
Contingent liability	-	-	-	-
Capital outlay	110,000	110,000	15,493	94,507
Total expenditures	546,360	546,360	338,412	207,948
Excess (deficiency) of revenue over expenditures	(296,581)	(296,581)	(99,845)	196,736
OTHER FINANCING SOURCES (USES)				
Transfers	356,581	356,581	83,659	(272,922)
ADJUSTMENTS				
To adjust expenditures for capital outlay accruals	-	-	-	-
Net change in fund balances	60,000	60,000	(16,186)	(76,186)
FUND BALANCES				
Beginning of the year	16,186	16,186	16,186	-
End of the year	$ 76,186	$ 76,186	$ -	$ (76,186)

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

CITY OF RIGBY
Budget to Actual Comparison Schedule
Library Fund
For Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
REVENUES	Original	Final	Amounts	Positive (Negative)
Local Sources:				
Local Revenue:				
Property taxes	$ 61,298	$ 61,298	$ 62,925	$ 1,627
Charges for services	24,200	24,200	25,443	1,243
State revenues	11,160	11,160	7,498	(3,662)
Grants	30,000	30,000	5,431	(24,569)
Total revenue	126,658	126,658	101,297	(25,361)
EXPENDITURES				
Cultural	251,756	251,756	204,663	47,093
Capital outlay	17,000	17,000	7,507	9,493
Total expenditures	268,756	268,756	212,170	56,586
Excess (deficiency) of revenue over expenditures	(142,098)	(142,098)	(110,873)	31,225
OTHER FINANCING SOURCES (USES)				
Transfers	142,098	142,098	85,100	(56,998)
Net change in fund balances	-	-	(25,773)	(25,773)
FUND BALANCES				
Beginning of the year	25,795	25,795	25,795	-
End of the year	$ 25,795	$ 25,795	$ 22	$ (25,773)

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

CITY OF RIGBY
Budget to Actual Comparison Schedule
Sewer Construction Fund
For Year Ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
REVENUES	Original	Final	Amounts	Positive (Negative)
Local Revenue:				
Earnings on investments	-	-	9,592	9,592
Charges for services	187,920	187,920	18,687	(169,233)
Total revenue	187,920	187,920	28,279	(159,641)
EXPENDITURES				
Capital outlay	187,920	187,920	11,750	176,170
Total expenditures	187,920	187,920	11,750	176,170
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	(588,574)	(588,574)
Net change in fund balance	-	-	(572,045)	(572,045)
FUND BALANCES				
Beginning of the year	521,297	521,297	521,297	-
End of the year	$ 521,297	$ 521,297	$ (50,748)	$ (572,045)

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

CITY OF RIGBY

Notes to the Required Supplementary Information
September 30, 2009

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

SUPPLEMENTARY INFORMATION

CITY OF RIGBY
Combining Balance Sheet - Non Major Funds
September 30, 2009

	Special Revenue			Capital Projects			
	Park Fund	Building Department Fund	City Recreation Fund	Capital Improvement	Water Construction	LID #7	Totals
ASSETS							
Cash	$ 13,189	$ 238	$ -	$ 43,213	$ 222,268	$ 4,938	$283,846
Taxes receivable	3,044	-	-	941	-	-	3,985
Other receivables	1,399	-	-	649	969	-	3,017
Prepaid expenses	102	-	-	-	-	-	102
Total assets	$ 17,734	$ 238	$ -	$ 44,803	$ 223,237	$ 4,938	$290,950
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Accounts payable	$ 1,493	$ 68	$ -	$ -	$ -	$ -	$ 1,561
Salaries payable	320	170	-	-	-	-	490
Interfund payable	-	-	-	-	-	-	-
Deferred revenue	2,315	-	-	718	-	-	3,033
Total liabilities	4,128	238	-	718	-	-	5,084
FUND BALANCE:							
Reserved for:							
Capital projects	-	-	-	44,085	223,237	-	267,322
Community development	13,606	-	-	-	-	4,938	18,544
Total fund balance	13,606	-	-	44,085	223,237	4,938	285,866
Total liabilities and fund balance	$ 17,734	$ 238	$ -	$ 44,803	$ 223,237	$ 4,938	$290,950

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, 2009

	Special Revenue			Capital Projects			
REVENUES	Park Fund	Building Department Fund	City Recreation Fund	Capital Improvements	Water Construction	LID #7	Total
Local Revenue:							
Property taxes	$ 50,924	$ -	$ -	$ 17,363	$ -	$ -	$ 68,287
Earnings on investments	-	-	-	851	4,577	76	5,504
Charges for services	-	17,523	19,320	-	13,700	4,066	54,609
Miscellaneous and other revenue	1,028	2,500	12,846	-	-	-	16,374
State revenues	5,908	-	-	2,070	-	-	7,978
Total revenue	57,860	20,023	32,166	20,284	18,277	4,142	152,752
EXPENDITURES							
Street and public improvement	-	78,508	-	-	-	4,461	82,969
Parks and recreation	53,088	-	104,896	-	-	-	157,984
Capital outlay	8,635	-	3,787	14,319	-	-	26,741
Total expenditures	61,723	78,508	108,683	14,319	-	4,461	267,694
Excess (deficiency) of revenue over expenditures	(3,863)	(58,485)	(76,517)	5,965	18,277	(319)	(114,942)
OTHER FINANCING SOURCES (USES							
Transfers	-	58,485	210,951	-	(37,086)	-	232,350
Net change in fund balances	(3,863)	-	134,434	5,965	(18,809)	(319)	117,408
FUND BALANCES							
Beginning of the year	17,469	-	(134,434)	38,120	242,046	5,257	168,458
End of the year	$ 13,606	$ -	$ -	$ 44,085	$ 223,237	$ 4,938	$285,866

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

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CITY OF RIGBY

Schedule of Audit Findings and Responses
September 30, 2009

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES

2009-01 — Lack of adherence to financial protocol.

Condition:

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

Criteria:

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

Effect:

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

Cause:

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

Recommendation:

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

Response:

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

CITY OF RIGBY

Schedule of Prior Findings and Questioned Costs
September 30, 2009

Findings on Prior Findings:

FINDINGS—FINANCIAL STATEMENT AUDIT

A. SIGNIFICANT DEFICIENCIES

2008-01— Insufficient awareness of financial protocol.
2008-02 — Lack of adherence to financial protocol.
2008-03 — Failure to reconcile significant subsidiary accounts to the detailed general ledger.
2008-04 — Lack of segregation of duties in payroll processing.

SINGLE AUDIT

JENSEN POULSEN & COMPANY, PLLC

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

Mayor and City Council
City of Rigby
Rigby, Idaho 83442

Compliance

We have audited the compliance of City of Rigby with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The City's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Rigby's management. Our responsibility is to express an opinion on the City of Rigby's compliance based on our audit.

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

In our opinion, the City of Rigby, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control over Compliance

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

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

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

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

The City of Rigby's 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 Poulsen & Company PLLC

JENSEN POULSEN & COMPANY, PLLC
Certified Public Accountants

Idaho Falls, ID
December 30, 2009

CITY OF RIGBY

Summary of Auditor's Results
September 30, 2009

Financial Statements

Internal Control over Financial Reporting:

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

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:	Name of Federal Program:
#10.760	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, 2009

Pass Through Entitlement/Grants	Federal CFDA No.	Cash Basis Grant Awarded	Accrued Grant and Loan Disbursements
United States Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	$ 982,991	$ 2,978,763
Department of Commerce			
Community Development Block Grant/State's Program	14.228	$ 0	$ 24,554
Military Division			
Homeland Security Grant Program	97.067	$ 11,960	$ 11,960
Total Awards		$ 994,951	
Total Expenditures			$ 3,015,277

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.

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