

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**CITY OF GARDEN CITY, IDAHO**

# CITY OF GARDEN CITY, IDAHO

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## INDEPENDENT AUDITORS' REPORT

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Members of the City Council  
**City of Garden City, Idaho**  
Garden City, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Idaho, (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Garden City, Idaho's management. Our responsibility is to express opinions 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Garden City, Idaho, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2009, on our consideration of the City of Garden City, Idaho'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 conjunction with this report in considering the results of our audit.

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The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 Garden City, Idaho's, basic financial statements. 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 of the City of Garden City, Idaho. 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the typed text of the firm's name.

Boise, Idaho  
January 16, 2009

**CITY OF GARDEN CITY, IDAHO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008**

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The Management of the City of Garden City (the City) would like to offer the readers of the financial statements an overview and analysis of the financial activities for the Fiscal Year October 1, 2007 through September 30, 2008.

**FINANCIAL HIGHLIGHTS**

- As of September 30, 2008 the assets of the City of Garden City exceeded its liabilities by \$24,814,117. Of this amount, unrestricted net assets of \$2,783,530 may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2008 the total net assets of Governmental Activities increased by \$135,343. This was due to the City's continuing efforts to increase efficiencies in operations.
- Total net assets of the Business Activities increased by \$1,128,878 as a result of current year operations and capital contributions of water and sewer lines.
- The total unrestricted net assets of the enterprise fund totaled \$625,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These financial statements are comprised of the three components:

- 1) government-wide financial statements
- 2) fund financial statements
- 3) other supplementary information

**Government-wide Financial Statements**

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

The statement of net assets presents information on all City 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 as to whether the financial position of the City 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, parks and recreation, community services, community development, and other charges. The major business-type activities of the City include water, wastewater treatment, solid waste disposal, and street lighting. The government-wide financial statements include the City of Garden City (known as the primary government).

**CITY OF GARDEN CITY, IDAHO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008**

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**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, 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 of Garden City can be divided into two categories: governmental funds, and proprietary 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 government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of available resources, as well as on balances of available 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 current 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 the comparison between the two.

The City maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and other funds. Data from the other two funds are combined into this single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds** The City maintains proprietary funds in the form of enterprise funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains three individual enterprise funds. Information is presented separately in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the Sanitation, Water and Sewer, and Street Light Funds, which are considered major funds.

**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.

**Other information** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. Component unit in the form of the Garden City Urban Renewal Agency (Agency) is also included.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net assets may serve as a useful indicator of a government's financial position. At September 30, 2008, the City's assets exceeded liabilities by \$24,814,117. Of this amount, \$22,030,587 is related to capital assets net of related debt. Capital assets are used to provide services to citizens and they are not available for future spending.

**CITY OF GARDEN CITY, IDAHO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2008**

Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City of Garden City's Net Assets

	Governmental Activities		Business-type Activities	
	2006-2007	2007-2008	2006-2007	2007-2008
Current and other assets	\$ 5,362,127	\$ 5,662,446	\$ 1,888,558	\$ 1,422,721
Capital assets	9,923,474	9,921,219	13,781,417	15,177,368
Total assets	<u>15,285,601</u>	<u>15,583,665</u>	<u>15,669,975</u>	<u>16,600,089</u>
Short term liabilities	3,341,195	3,587,916	996,485	912,721
Long term liabilities	1,118,000	1,034,000	1,950,000	1,835,000
Total liabilities	<u>4,459,195</u>	<u>4,621,916</u>	<u>2,946,485</u>	<u>2,747,721</u>
Invested in capital assets (net of related debt)	8,729,474	8,803,219	11,716,417	13,227,368
Unrestricted	2,096,932	2,158,530	1,007,073	625,000
Total net assets	<u>\$ 10,826,406</u>	<u>\$ 10,961,749</u>	<u>\$ 12,723,490</u>	<u>\$ 13,852,368</u>

City of Garden City's Statement of Activities

	Governmental Activities		Business-type Activities	
	2006-2007	2007-2008	2006-2007	2007-2008
<b>REVENUES</b>				
Program revenues				
Charges for services	\$ 1,728,175	\$ 1,441,114	\$ 6,565,987	\$ 7,279,530
Operating grants and operations	24,268	42,044	-	-
Capital grants and contributions	-	-	294,380	1,165,477
General revenues				
Property taxes	2,734,554	3,064,465	-	-
Franchise fees	292,531	462,942	-	-
Sales tax and other governmental	929,858	934,750	-	-
Unrestricted investment earnings	39,822	34,501	-	47,450
Miscellaneous	-	39,663	9,258	7,712
Gain on sale of fixed assets	211,486	62,550	3,226	5,848
Total revenues	<u>5,960,694</u>	<u>6,082,029</u>	<u>6,872,851</u>	<u>8,506,017</u>

**CITY OF GARDEN CITY, IDAHO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008**

EXPENSES

General government				
administration	1,382,327	1,424,415	-	-
Public safety	3,043,885	3,600,091	-	-
Culture and recreation	651,772	877,655	-	-
Interest on long-term				
debt	48,483	44,525	-	-
Sanitation	-	-	1,634,778	2,117,272
Streetlights	-	-	70,969	109,827
Water and sewer	-	-	3,921,512	5,150,040
Total expenses	<u>5,126,467</u>	<u>5,946,686</u>	<u>5,627,259</u>	<u>7,377,139</u>

NET REVENUE	<u>\$ 834,227</u>	<u>\$ 135,343</u>	<u>\$ 1,245,592</u>	<u>\$ 1,128,878</u>
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**Governmental activities** Governmental activities increased the City's net assets by \$135,343 accounting for 11% of the total growth in the net assets. The increase was from increased efficiencies as well as receiving the last payment from the sale of the City land.

**Business-type activities** Business-type activities increased the City's net assets by \$1,128,878 accounting for 89% of the total growth in the net assets. There was a direct operational loss of approximately \$36,600 and approximately \$1,165,000 for water and sewer lines was contributed by developers.

**FINANCIAL ANALYSIS OF THE GOVERNMENTS' FUNDS**

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

**Governmental Funds** The purpose of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of cash and near cash resources. Such information is useful in assessing the City'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.

The general fund is the City's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,058,556 which was the same as the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. The unreserved and total fund balance is estimated to be 34% of the upcoming projected FY 2008-2009 expense budget.

The General Fund has maintained the 34% level of fund balance for two consecutive years (fiscal year 2007 and 2008) based on continuing efforts by staff in all departments at maintaining operational efficiencies while still maintaining service levels. With the upcoming downturn in the economy this approach will be of paramount importance in order to retain the City's financial well being.

**Proprietary Funds** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**CITY OF GARDEN CITY, IDAHO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008**

Unrestricted net assets and explanations for the changes of the proprietary funds are as follows:

The balance in the Water and Sewer Fund is \$363,713, with a decrease of \$343,104 from the prior year. This decrease is primarily due to the effects of the declining building industry, which resulted in a significant decline in building permits issued in the fiscal year ended September 30, 2008.

The Sanitation Fund unrestricted balance is \$162,792, a decline of \$22,239 from the prior fiscal year. This decline is due primarily to increased costs for solid waste disposal that were not covered with rate increases to Garden City customers. The rates charged to Garden City customers have been increased in fiscal year 2008-09 to cover the prior year and current year solid waste disposal cost increases.

The Street Lights Fund unrestricted balance is \$98,495, with a reduction of \$16,730 from the prior year. Since the remaining unrestricted balance will cover approximately 98% of the budgeted expenditures for this activity in fiscal year 2008-09, there is no eminent need to increase customer rates in the foreseeable future for the Street Lights proprietary activities.

**BUDGETARY HIGHLIGHTS**

**General Fund** The City's fund balance, compared to the previous year, increased by \$341. Although General Fund revenues and transfers from other funds were \$258,800 and 77,000, respectively, less than budgeted, expenditures were also less than budgeted by \$336,146.

Over the course of the year there were no revisions or amendments made to the Budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets** The City's investment in capital assets for its governmental and business type activities at September 30, 2008 amounts to \$25,098,587 (net of accumulated depreciation). This investment in capital assets includes land, buildings, non-building improvements - including water and sewer service lines, streetlights, automobiles and equipment. The City added \$1,396,696 in capital assets during the year due to the construction of a new operations center. Depreciation expense for the year was \$751,108 and total accumulated depreciation was \$7,942,521.

City of Garden City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008
Land and improvements	\$ 6,610,538	\$ 6,610,538	\$ -	\$ -	\$ 6,610,538	\$ 6,610,538
Work in progress	-	-	1,062,771	328,195	1,062,771	328,195
Buildings and improvements	3,058,074	2,972,661	323,326	1,534,152	3,381,400	4,506,813
Utility plant and improvements	-	-	11,532,787	12,630,524	11,532,787	12,630,524
Machinery and equipment	254,862	338,020	862,533	684,497	1,117,395	1,022,517
<b>Total assets</b>	<b>\$ 9,923,474</b>	<b>\$ 9,921,219</b>	<b>\$ 13,781,417</b>	<b>\$ 15,177,368</b>	<b>\$ 23,704,891</b>	<b>\$ 25,098,587</b>

**CITY OF GARDEN CITY, IDAHO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008**

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**Long-term debt** At the end of the current fiscal year, the City had \$3,068,000 in outstanding debt consisting of special assessment bonds and notes payable. All of the debt was secured by specific revenue sources or the related equipment.

City of Garden City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2006-2007	2007-2008	2006-2007	2007-2008	2006-2007	2007-2008
Bonds payable	\$ 820,000	\$ 790,000	\$ 2,065,000	\$ 1,950,000	\$ 2,885,000	\$ 2,740,000
Capital leases	-	-	-	-	-	-
Notes payable	374,000	328,000	-	-	374,000	328,000
	<u>\$ 1,194,000</u>	<u>\$ 1,118,000</u>	<u>\$ 2,065,000</u>	<u>\$ 1,950,000</u>	<u>\$ 3,259,000</u>	<u>\$ 3,068,000</u>

No new debt was incurred in the current fiscal year. It is noted that by state law the City of Garden City's legal debt limit for governmental funds for 2008 would be approximately \$22,270,000 which represents 2% of the market valuation of the real and personal property in its taxing area.

**ECONOMIC FACTORS AND NEXT YEAR'S PLANS**

**Enterprise Fund Utility Rates** The FY 2008-2009 budget rate increase averaged was 5% for monthly services for water, sewer, sanitation, and streetlights. These rates are set by Council resolution including a public hearing for fee increases in excess of 5% of the fee previously charged.

**Pending Conditions of Significant Importance** The City completed a Comprehensive Plan in 2007 that outlines the direction for the near term and beyond. This includes, but not limited to, the future development of those areas of impact within the City limits. Tied in with that, is a Master Plan that was drafted in the summer of 2008 and awaits City Council adoption. The direction of these plans will continue to shape the City of Garden City and the financial impact of this direction is not yet fully known.

**Requests for Information** This financial report is designed to provide a general overview of the City of Garden City'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 addressed to Attn: Treasurer, City of Garden City, 6015 Glenwood Street, Garden City, Idaho 83714-1347.

**CITY OF GARDEN CITY, IDAHO**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,993,157	\$ 573,664	\$ 2,566,821	\$ 759,714
Prepaid expenses	430	3,960	4,390	-
Receivables				
Property taxes	3,273,448	-	3,273,448	868,062
Accounts	14,994	795,765	810,759	-
Interest	-	-	-	85
Due from other governmental units	270,037	-	270,037	-
Franchise fees	89,045	-	89,045	-
Grants	21,335	-	21,335	-
Total current assets	<u>5,662,446</u>	<u>1,373,389</u>	<u>7,035,835</u>	<u>1,627,861</u>
<b>NONCURRENT ASSETS</b>				
Deferred charges	-	49,332	49,332	-
Capital assets				
Land, infrastructure, and other assets not depreciated	6,610,538	328,195	6,938,733	774,920
Buildings, improvements, and equipment, net of depreciation	<u>3,310,681</u>	<u>14,849,173</u>	<u>18,159,854</u>	<u>-</u>
	<u>\$ 15,583,665</u>	<u>\$ 16,600,089</u>	<u>\$ 32,183,754</u>	<u>\$ 2,402,781</u>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 73,763	\$ 529,190	\$ 602,953	\$ 239,269
Accrued payroll and taxes	276,372	99,886	376,258	-
Customer deposits	-	161,376	161,376	-
Interest payable	5,761	7,269	13,030	-
Unearned revenue	3,148,020	-	3,148,020	805,976
Current portion of long-term liabilities	84,000	115,000	199,000	-
Total current liabilities	3,587,916	912,721	4,500,637	1,045,245
<b>NONCURRENT LIABILITIES</b>				
Notes payable	279,000	-	279,000	-
Bonds payable	755,000	1,835,000	2,590,000	-
Total liabilities	4,621,916	2,747,721	7,369,637	1,045,245
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,803,219	13,227,368	22,030,587	774,920
Unrestricted	2,158,530	625,000	2,783,530	582,616
Total net assets	10,961,749	13,852,368	24,814,117	1,357,536
	<u>\$ 15,583,665</u>	<u>\$ 16,600,089</u>	<u>\$ 32,183,754</u>	<u>\$ 2,402,781</u>

**CITY OF GARDEN CITY, IDAHO**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>					
<b>GOVERNMENTAL ACTIVITIES</b>					
General government	\$ 1,424,415	\$ 922,486	\$ -	\$ -	\$ (501,929)
Public safety	3,600,091	432,108	42,044	-	(3,125,939)
Culture and recreation	877,655	86,520	-	-	(791,135)
Interest on long-term debt	44,525	-	-	-	(44,525)
Total governmental activities	5,946,686	1,441,114	42,044	-	(4,463,528)
<b>BUSINESS-TYPE ACTIVITIES</b>					
Sanitation	2,117,272	2,086,897	-	-	(30,375)
Streetlights	109,827	81,055	-	-	(28,772)
Water and sewer	5,150,040	5,111,578	-	1,165,477	1,127,015
Total business-type activities	7,377,139	7,279,530	-	1,165,477	1,067,868
Total primary government	\$ 13,323,825	\$ 8,720,644	\$ 42,044	\$ 1,165,477	\$ (3,395,660)
<b>COMPONENT UNIT</b>					
Urban Renewal	\$ 581,563	\$ -	\$ -	\$ -	\$ (581,563)

**CITY OF GARDEN CITY, IDAHO**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Change in net assets				
Net (expense) revenue	\$ (4,463,528)	\$ 1,067,868	\$ (3,395,660)	\$ (581,563)
General revenues				
Shared revenues				
Property taxes, levied for general purposes	3,000,776	-	3,000,776	727,178
Property taxes, levied for debt service	63,689	-	63,689	-
Franchise fees	462,942	-	462,942	-
Sales tax and other governmental	934,750	-	934,750	-
Investment earnings	34,501	47,450	81,951	28,175
Miscellaneous	39,663	7,712	47,375	-
Gain on sale of fixed assets	62,550	5,848	68,398	-
Total general revenues	<u>4,598,871</u>	<u>61,010</u>	<u>4,659,881</u>	<u>755,353</u>
CHANGE IN NET ASSETS	135,343	1,128,878	1,264,221	173,790
NET ASSETS, BEGINNING	<u>10,826,406</u>	<u>12,723,490</u>	<u>23,549,896</u>	<u>1,183,746</u>
NET ASSETS, ENDING	<u>\$ 10,961,749</u>	<u>\$ 13,852,368</u>	<u>\$ 24,814,117</u>	<u>\$ 1,357,536</u>

**CITY OF GARDEN CITY, IDAHO**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2008**

	<u>General</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,993,157	\$ -	\$ 1,993,157
Prepaid expenses	430	-	430
Receivables			
Property taxes	3,203,885	69,563	3,273,448
Accounts	14,994	-	14,994
Due from other governmental units	270,037	-	270,037
Franchise fees	89,045	-	89,045
Grants	21,335	-	21,335
	<u>\$ 5,592,883</u>	<u>\$ 69,563</u>	<u>\$ 5,662,446</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 73,763	\$ -	\$ 73,763
Accrued payroll and taxes	276,372	-	276,372
Deferred revenue	<u>3,184,192</u>	<u>69,563</u>	<u>3,253,755</u>
	3,534,327	69,563	3,603,890
 <b>FUND BALANCE</b>			
Unreserved	<u>2,058,556</u>	<u>-</u>	<u>2,058,556</u>
Total fund balance	<u>2,058,556</u>	<u>-</u>	<u>2,058,556</u>
	<u>\$ 5,592,883</u>	<u>\$ 69,563</u>	<u>\$ 5,662,446</u>

**CITY OF GARDEN CITY, IDAHO**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

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Fund balance - total governmental funds \$ 2,058,556

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

Capital assets, net of depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds. 9,921,219

Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds. 105,735

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (5,761)

Long-term debt is not due and payable in the current period and therefore is not reported in the funds. (1,118,000)

Net assets of governmental activities \$ 10,961,749

**CITY OF GARDEN CITY, IDAHO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2008**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 2,939,231	\$ 63,689	\$ 3,002,920
Licenses and permits	50,920	-	50,920
Charges for services	871,566	-	871,566
Intergovernmental	934,750	-	934,750
Fines and forfeitures	432,108	-	432,108
Grants	42,044	-	42,044
Franchise fees	462,942	-	462,942
Interest	34,501	-	34,501
Library fees	86,520	-	86,520
Miscellaneous	39,663	-	39,663
Total revenues	<u>5,894,245</u>	<u>63,689</u>	<u>5,957,934</u>
<b>EXPENDITURES</b>			
General government	1,364,126	364	1,364,490
Public safety	3,520,828	-	3,520,828
Culture and recreation	813,018	-	813,018
Capital outlay	201,570	-	201,570
Debt service			
Principal	46,000	30,000	76,000
Interest	10,912	33,689	44,601
Total expenditures	<u>5,956,454</u>	<u>64,053</u>	<u>6,020,507</u>
<b>DEFICIENCY OF REVENUES</b>			
<b>UNDER EXPENDITURES</b>	(62,209)	(364)	(62,573)
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of asset held for sale	62,550	-	62,550
Total other financing sources	<u>62,550</u>	<u>-</u>	<u>62,550</u>
<b>NET CHANGE IN FUND BALANCE</b>	341	(364)	(23)
<b>FUND BALANCE, beginning of year</b>	<u>2,058,215</u>	<u>364</u>	<u>2,058,579</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 2,058,556</u>	<u>\$ -</u>	<u>\$ 2,058,556</u>

**CITY OF GARDEN CITY, IDAHO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2008**

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Net change in fund balances - total governmental funds \$ (23)

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$203,825) exceeded capital outlay (\$201,570) (2,255)

Governmental funds report cash received on the sale of assets as revenues. However, in the Statement of Activities, the portion of assets sold is separated out from the land held for an investment on the Statement of Net Assets. (62,550)

Deletions of capital assets on the statement of net assets are not shown on the governmental funds income statement. This is the amount of gain/loss from deletions on the government-wide financial statements. 62,550

Some property tax revenue in the statement of activities that do not provide current financial resources is not reported as revenue in the funds. 61,545

Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. 76

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. 76,000

Change in net assets of governmental activities \$ 135,343

**CITY OF GARDEN CITY, IDAHO**  
**STATEMENT OF NET ASSETS –PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2008**

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 377,009	\$ 103,478	\$ 93,177	\$ 573,664
Prepaid expenses	1,320	1,320	1,320	3,960
Customer accounts receivable less allowance for uncollectible accounts of \$9,340, \$3,300, and \$0, respectively	<u>581,653</u>	<u>205,982</u>	<u>8,130</u>	<u>795,765</u>
Total current assets	959,982	310,780	102,627	1,373,389
<b>NONCURRENT ASSETS</b>				
Capital assets				
Buildings and improvements	3,020,104	-	-	3,020,104
Utility plant and improvements	15,764,003	-	-	15,764,003
Machinery and equipment	2,393,866	4,543	186,682	2,585,091
Work in process	<u>328,195</u>	<u>-</u>	<u>-</u>	<u>328,195</u>
	21,506,168	4,543	186,682	21,697,393
Accumulated depreciation	<u>(6,453,007)</u>	<u>(1,439)</u>	<u>(65,579)</u>	<u>(6,520,025)</u>
Total noncurrent assets	15,053,161	3,104	121,103	15,177,368
<b>OTHER ASSETS</b>				
Deferred charges, net of accumulated amortization	<u>49,332</u>	<u>-</u>	<u>-</u>	<u>49,332</u>
	<u>\$ 16,062,475</u>	<u>\$ 313,884</u>	<u>\$ 223,730</u>	<u>\$ 16,600,089</u>

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 388,428	\$ 138,362	\$ 2,400	\$ 529,190
Accrued payroll and taxes	88,528	9,626	1,732	99,886
Interest payable	7,269	-	-	7,269
Customer deposits	161,376	-	-	161,376
Current portion of long-term liabilities	115,000	-	-	115,000
Total current liabilities	<u>760,601</u>	<u>147,988</u>	<u>4,132</u>	<u>912,721</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable	1,835,000	-	-	1,835,000
Total noncurrent liabilities	<u>1,835,000</u>	<u>-</u>	<u>-</u>	<u>1,835,000</u>
Total liabilities	2,595,601	147,988	4,132	2,747,721
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	13,103,161	3,104	121,103	13,227,368
Unrestricted	363,713	162,792	98,495	625,000
Total net assets	<u>13,466,874</u>	<u>165,896</u>	<u>219,598</u>	<u>13,852,368</u>
	<u>\$ 16,062,475</u>	<u>\$ 313,884</u>	<u>\$ 223,730</u>	<u>\$ 16,600,089</u>

**CITY OF GARDEN CITY, IDAHO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2008**

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,111,578	\$ 2,086,897	\$ 81,055	\$ 7,279,530
Miscellaneous revenues	7,712	-	-	7,712
Total operating revenues	<u>5,119,290</u>	<u>2,086,897</u>	<u>81,055</u>	<u>7,287,242</u>
<b>OPERATING EXPENSES</b>				
Personnel services	1,666,660	173,095	23,869	1,863,624
Contractual services	1,450,566	1,675,695	4,789	3,131,050
Overhead	602,334	257,819	11,413	871,566
Supplies	207,098	9,345	-	216,443
Repairs	422,409	-	16,780	439,189
Depreciation and amortization	542,700	909	7,444	551,053
Telephone and utilities	167,186	-	45,526	212,712
Bad debt	113	409	6	528
Total operating expenses	<u>5,059,066</u>	<u>2,117,272</u>	<u>109,827</u>	<u>7,286,165</u>
OPERATING INCOME (LOSS)	60,224	(30,375)	(28,772)	1,077
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Gain on disposal of fixed assets	5,848	-	-	5,848
Interest revenue	35,625	7,227	4,598	47,450
Capital outlay	-	-	-	-
Interest expense	(90,974)	-	-	(90,974)
Total nonoperating revenues (expenses)	<u>(49,501)</u>	<u>7,227</u>	<u>4,598</u>	<u>(37,676)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>				
	10,723	(23,148)	(24,174)	(36,599)
Contributions from developers	1,112,353	-	-	1,112,353
Cash contributions from developers	53,124	-	-	53,124
CHANGE IN NET ASSETS	1,176,200	(23,148)	(24,174)	1,128,878
NET ASSETS, beginning of year	<u>12,290,674</u>	<u>189,044</u>	<u>243,772</u>	<u>12,723,490</u>
NET ASSETS, end of year	<u>\$ 13,466,874</u>	<u>\$ 165,896</u>	<u>\$ 219,598</u>	<u>\$ 13,852,368</u>

**CITY OF GARDEN CITY, IDAHO**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2008**

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 5,097,949	\$ 2,072,783	\$ 81,919	\$ 7,252,651
Payments to suppliers	(2,419,343)	(1,655,536)	(64,283)	(4,139,162)
Payments for overhead	(602,334)	(257,819)	(11,413)	(871,566)
Payments to employees	(1,635,448)	(173,095)	(23,869)	(1,832,412)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	440,824	(13,667)	(17,646)	409,511
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Interest paid	(91,315)	-	-	(91,315)
Payments on bonds payable	(115,000)	-	-	(115,000)
Proceeds from sale of assets	38,200	-	-	38,200
Acquisition of capital assets	(863,233)	-	-	(863,233)
Payments from developers	53,124	-	-	53,124
<b>NET CASH (USED) PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(978,224)	-	-	(978,224)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	35,625	7,227	4,598	47,450
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(501,775)	(6,440)	(13,048)	(521,263)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	878,784	109,918	106,225	1,094,927
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 377,009	\$ 103,478	\$ 93,177	\$ 573,664

**CITY OF GARDEN CITY, IDAHO**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2008**

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 60,224	\$ (30,375)	\$ (28,772)	\$ 1,077
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation and amortization	542,700	909	7,444	551,053
Changes in assets and liabilities				
Accounts receivable	(42,401)	(13,705)	870	(55,236)
Prepays	(1,320)	(1,320)	(1,320)	(3,960)
Accounts payable	(170,764)	30,824	4,132	(135,808)
Accrued payroll and taxes	31,212	-	-	31,212
Customer deposits	21,173	-	-	21,173
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 440,824</b>	<b>\$ (13,667)</b>	<b>\$ (17,646)</b>	<b>\$ 409,511</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Noncash investing and financing activities				
Contributions of water and sewer lines	\$ 1,112,353	\$ -	\$ -	\$ 1,112,353

**CITY OF GARDEN CITY, IDAHO**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Garden City (City) was incorporated May 9, 1967. The City operates under a mayor and council form of government and provides the following services as authorized by its charter: Public Safety (police), Sanitation, Culture-Recreation, Public Improvements, Planning and Zoning, and General Administrative Services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the GASB, the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

*Financial Reporting Entity*

For financial reporting purposes, in conformity with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the financial statements for the City include all organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Under Statement No. 39, component units are organizations that are included in the reporting entity because of the significance of their operational or financial relationships with the City.

The Component Unit column in the Government-wide financial statements is the financial data of the City's single component unit, the Urban Renewal Agency (Agency). The Agency is a separate and distinct legal entity created by state statute. The Directors for the Agency are appointed by the Mayor and approved by the City Council. The Agency provides urban renewal services for the citizens of the City. Complete financial statements can be obtained from the offices of Forrest-Beaumont & Andrus Consulting, Inc. at 4948 Kootenai, Boise, Idaho.

The City contributes to the multi-employer Public Employer Retirement System of Idaho (the System). The System is administered by the State of Idaho and the City is not the major participant in the plan; therefore, the plan financial statements are not included in this report.

*Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

## NOTES TO FINANCIAL STATEMENTS

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund is used to account for all revenues earned and expenses incurred in the operation of the water and wastewater systems.

Sanitation Fund - The Sanitation fund is used to account for all revenues earned and expenses incurred in the operation of the sanitation department.

## NOTES TO FINANCIAL STATEMENTS

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Streetlight Fund - The Streetlight fund is used to account for all revenues earned and expenses incurred in the operation of the City's streetlights.

These funds are used to account for operations financed and operated in a manner similar to private business when the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or the governing body has decided that periodic determination of revenues earned, expenditures incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the government when elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges for services to customers for sales and services. The Water and Sewer Funds also recognizes as operating revenue the portion of hook-on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### *Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments, including restricted cash, with a maturity of three months or less when purchased to be cash equivalents.

### *Investments*

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, commercial paper, corporate bonds, repurchase agreements, City coupon and local improvement district bonds.

Investments are stated at fair value as determined by quoted market prices, except for the certificates of deposit which are non-participating contracts, and are therefore carried at amortized costs. The City pools its investment funds to maximize interest income. The City allocates interest income on investments to the various funds based on the average balance of the net contribution of the respective fund.

### *Property Taxes Receivable and Deferred Revenue*

Within the governmental fund financial statement, property taxes, including those within the Component Unit, are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20.

## NOTES TO FINANCIAL STATEMENTS

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Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the City and its Component Unit is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as deferred revenue at the City and its Component Unit's year end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for the City and its Component Unit.

### *Customer Services Receivable*

Amounts owed to the City for customer services are due from area residents and businesses and relate to water and sewer, trash, and street lighting services provided by the City.

### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated fixed assets are valued at their estimated fair value on the date donated. Public domain fixed assets consisting of roads, bridges, streets and sidewalks, and lighting systems are also reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Depreciation is recorded by use of the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	<u>Estimated Useful Life (Years)</u>
Buildings and improvements	50
Service lines and land improvements	10-50
Machinery and equipment	3-25
Public domain infrastructure	30-50

Maintenance, repairs and minor renewals are charged to operations as incurred. When an asset is disposed of, accumulated depreciation is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred during construction of capital assets of business-type activities are capitalized when they are material. There was no interest costs included as part of the costs of capital assets under construction in the current year.

### *Compensated Absences Payable*

The City provides vacation and sick leave to its full-time employees. Earned vacation is paid to employees when taken or paid to employees or beneficiaries upon the employees' termination, retirement or death. The City does not pay earned sick pay upon the employees' termination, retirement or death. Therefore, sick pay is not accrued since the amount cannot be reasonably estimated.

## NOTES TO FINANCIAL STATEMENTS

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### *Risk Management*

The City is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for property and liability insurance. The City's exposure to loss from its participation in ICRMP is limited to the extent of their deductible only.

The City also partially self-insures health and accident insurance. Each fund accounts for uninsured risks of loss. Self-insurance is limited to the difference between the deductible paid by the employee and the deductible covered by the insurance policy.

### *Deferred Charges*

Deferred charges consist of \$75,406 of bond issuance costs on the 2001 General Obligation bond. These costs are being amortized over the life of the bond, which matures in 2021. Current year amortization expense was \$3,770 and total accumulated amortization at September 30, 2008 was \$26,074.

### *Bonded Indebtedness*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize long-term obligations as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Revenue bonds series 2001 provided funding for construction of the Water Filtration System. Revenues collected by the Water and Sewer Fund are the primary source of monies to retire the bonds.

General obligation bonds series 2004 were issued to provide funding for construction of the new City Hall and Library. These bonds are direct general obligations of the City payable from the proceeds of ad valorem taxes to be levied on all taxable property in the City.

## **NOTE 2 - CASH AND INVESTMENTS**

At year end, the carrying amount of the primary government's deposits was \$2,566,821 and the bank balance was \$2,716,657. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining \$2,516,657 was uninsured and uncollateralized. All cash is held in a national financial institution.

## NOTES TO FINANCIAL STATEMENTS

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Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The City policy allows for investment of idle funds consistent with the Idaho State Code 67-1210 and 67-1210A.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

*Interest Rate Risk.* Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. The City is invested in overnight repurchase agreements which complies with the City's investment policy. Currently, all investments are in cash equivalents that have daily maturities.

*Credit Risk.* Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. The investments of the City are not rated and the City is in compliance with their investment policy regarding rated investments.

*Concentration of Credit Risk.* When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. Government, mutual funds, and other pooled investments are exempt from disclosure. The City is in compliance with their investment policy on credit risk.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City accepts the risk of having certain cash balances above FDIC insurance. The City's investment in the cash management account was held by the counterparty that was acting as the City's agent in the securities transactions. This amount represents 100% of the City's cash equivalents.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

The following summarizes the intergovernmental receivables at September 30, 2008:

Source

State of Idaho		
State tax commission	\$	149,235
State liquor dispensary		40,295
Ada County		
Court revenue		32,181
Sales tax		48,326
Total	\$	<u>270,037</u>

### NOTE 4 – CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance October 1, 2007	Additions	Deletions	Transfers	Balance September 30, 2008
Governmental activities					
Capital assets, not depreciated					
Land and land improvements	\$ 6,610,538	\$ -	\$ -	\$ -	\$ 6,610,538
Total capital assets, not depreciated	6,610,538	-	-	-	6,610,538
Capital assets, depreciated					
Buildings and improvements	3,368,571	-	-	-	3,368,571
Machinery and equipment	1,292,134	201,570	(129,098)	-	1,364,606
Total capital assets, depreciated	4,660,705	201,570	(129,098)	-	4,733,177
Less accumulated depreciation for					
Buildings and improvements	(310,497)	(85,412)	-	-	(395,909)
Machinery and equipment	(1,037,272)	(118,413)	129,098	-	(1,026,587)
Total accumulated depreciation	(1,347,769)	(203,825)	129,098	-	(1,422,496)
Governmental activities capital assets, net	<u>\$ 9,923,474</u>	<u>\$ (2,255)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,921,219</u>

## NOTES TO FINANCIAL STATEMENTS

	Balance October 1, 2007	Additions	Deletions	Transfers	Balance September 30, 2008
Business-type activities					
Capital assets, not depreciated					
Construction in progress	\$ 1,062,771	\$ 524,064	\$ -	\$(1,258,640)	\$ 328,195
Total capital assets, not depreciated	1,062,771	524,064	-	(1,258,640)	328,195
Capital assets, depreciated					
Buildings and improvements	1,761,464	-	-	1,258,640	3,020,104
Utility plant and improvements	14,356,520	1,407,483	-	-	15,764,003
Machinery and equipment	2,596,921	44,039	(55,869)	-	2,585,091
Total capital assets, depreciated	18,714,905	1,451,522	(55,869)	1,258,640	21,369,198
Less accumulated depreciation for					
Buildings and improvements	(1,438,138)	(47,814)	-	-	(1,485,952)
Utility plant and improvements	(2,823,733)	(309,747)	-	-	(3,133,480)
Machinery and equipment	(1,734,388)	(189,722)	23,517	-	(1,900,593)
Total accumulated depreciation	(5,996,259)	(547,283)	23,517	-	(6,520,025)
Business-type activities capital assets, net	<u>\$ 13,781,417</u>	<u>\$ 1,428,303</u>	<u>\$ (32,352)</u>	<u>\$ -</u>	<u>\$ 15,177,368</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities		
Administration		\$ 59,924
Public safety		79,264
Culture and recreation		64,637
Total depreciation expense - governmental activities		<u>\$ 203,825</u>
Business-type activities		
Water and sewer		\$ 538,930
Sanitation		909
Streetlights		7,444
Total depreciation expense - business-type activities		<u>\$ 547,283</u>

As provided in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the City has elected to not retroactively capitalize their infrastructure assets.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5 – LONG-TERM DEBT

Long-term debt consisted of the following as of September 30, 2008:

#### Governmental activities

##### General obligation bonds

On December 21, 2004, the City issued \$860,000 in General Obligation bonds for the construction of the new City Hall and Library. The bonds are payable in annual principal installments varying from \$30,000 to \$65,000 through August 2024, plus interest ranging from 2.85% to 4.95% payable semi-annually. The bonds are secured by *ad valorem* taxes to be levied against all taxable property within the City.

\$ 790,000

##### Notes payable

In fiscal year 1999, the City received a \$675,000 loan from First Security Bank to finance the construction of the new police building. The loan is due in annual principal installments varying from \$46,000 to \$61,000 through April 1, 2014, plus interest at 4.75% payable semi-annually, and is collateralized by the building.

\$ 328,000

#### Business-type activities

##### Revenue bonds

On November 1, 2001, the City issued \$2,650,000 in Revenue bonds for the construction of the Water Filtration System. The bonds are payable in annual principal installments varying from \$115,000 to \$195,000 through September 2021, plus interest ranging from 3.5% to 4.9% payable semi-annually. The City has the option to redeem any bonds maturing on or after September 1, 2012, on any interest payment date on or after September 1, 2011, in whole or in part, at the discretion of the City, at the redemption prices of 100% of the principal amount, plus any accrued but unpaid interest.

\$ 1,950,000

## NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all debt outstanding at September 30, 2008, are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 84,000	\$ 50,143	\$ 115,000	\$ 87,233
2010	86,000	46,660	120,000	82,978
2011	88,000	42,995	125,000	78,418
2012	91,000	39,182	130,000	73,543
2013	98,000	35,176	135,000	68,343
2014-2018	276,000	125,165	770,000	248,690
2019-2023	270,000	70,012	555,000	55,370
2024-2028	125,000	9,346	-	-
	<u>\$ 1,118,000</u>	<u>\$ 418,679</u>	<u>\$ 1,950,000</u>	<u>\$ 694,575</u>

Total interest cost incurred during 2008 was \$135,575 which related to long-term debt.

In Idaho, a municipality is allowed a debt limit, excluding enterprise fund debt, of 2% of the market valuation of the real and personal property in its taxing area. The City's legal debt limits for governmental funds for 2008, based on data available from Ada County as of August 31, 2008, would be approximately \$23,193,000

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2008:

	Long-term Debt at Oct. 1, 2007	Debt issued	Debt Retired	Long-term Debt at Sept. 30, 2008	Due Within One Year
<b>Governmental activities</b>					
Bonds payable	\$ 820,000	\$ -	\$ (30,000)	\$ 790,000	\$ 35,000
Capital leases	-	-	-	-	-
Notes payable	374,000	-	(46,000)	328,000	49,000
Governmental activities long-term liabilities	<u>\$ 1,194,000</u>	<u>\$ -</u>	<u>\$ (76,000)</u>	<u>\$ 1,118,000</u>	<u>\$ 84,000</u>
<b>Business-type activities</b>					
Bonds payable	\$ 2,065,000	\$ -	\$ (115,000)	\$ 1,950,000	\$ 115,000
Business-type activities long-term liabilities	<u>\$ 2,065,000</u>	<u>\$ -</u>	<u>\$ (115,000)</u>	<u>\$ 1,950,000</u>	<u>\$ 115,000</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6- PLEDGED REVENUES

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$2,650,000 in water and sewer system revenue bonds issued in November 2001. Proceeds from the bonds provided financing for a water filtration facilities. The bonds are payable solely from water and sewer customer net revenues and are payable through September 2021. Annual principal and interest payments on the bonds are expected to require less than 18 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,644,873. Principal and interest paid for the current year and total customer net revenues were \$206,315 and \$602,924, respectively.

The City has pledged a portion of future *ad valorem* property tax revenues to be levied against all taxable property in the City to repay \$860,000 in bonds issued in December, 2004 to finance the building of the new library and city hall. The bonds are payable solely from the property taxes. The additional property tax levy produces 100 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is \$1,152,147, payable through August 1, 2025. For the current year, principal and interest paid, and total property tax revenues were \$63,689.

### NOTE 7 - CONTINGENT LIABILITIES

The City has been named as defendant in various legal actions, the results of which are not presently determinable. However, in the opinion of City management, the amount of losses that might be sustained, if any, would not materially affect the City's financial position.

### NOTE 8 - DEFINED BENEFIT PENSION PLAN

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 both the member and the employer to contribute. The plan provides benefits based on members' 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 Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the fiscal year ended September 30, 2008, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the City and its employees, respectively, and 10.11% and 7.65% for police for the City and its employees, respectively.

The City's contributions required and paid were \$501,775, \$479,756, and \$415,773 for the three years ended September 30, 2008, 2007, and 2006, respectively.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9– COMPONENT UNIT

The Garden City Urban Renewal Agency (Agency) is a separate and distinct legal entity of the City of Garden City (City) created by and existing under the Idaho Urban Renewal Law of 1965, as amended. The Directors for the Agency are appointed by the Mayor and approved by the City Council. The Agency provides urban renewal services for the citizens of the City.

The following is a summary of the disclosures required for a fair presentation of the component unit in the City's financial statements.

#### *Cash and Cash Equivalents*

At year end, the bank balance of the Agency's deposits was \$1,019,510. All cash is held in a national financial institution. As part of the Agency's main business cash management account, excess deposits are swept nightly into an investment account under a Repurchase Agreement with the bank. These deposits are fully collateralized by the investment purchased under the agreement. As of September 30, 2008, the amount of deposits invested in these cash equivalents is:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash equivalents		
Cash Management Account	Daily	\$ 1,019,510

*Interest Rate Risk.* The Agency does not have an investment policy regarding interest rate risk. Currently, all investments are in cash equivalents that have daily or monthly maturities.

*Credit Risk.* The investments of the Agency are not rated and the Agency does not have a policy regarding rated investments.

*Concentration of Credit Risk.* When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Agency has no policy limiting the amount it may invest in any one issuer.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments were held in the Agency's name at the end of the year.

### NOTE 10-SUBSEQUENT EVENT

The City entered into a five year capital lease with US Bank as of October 1, 2008 of \$184,244 for the lease purchase of police vehicles. The total principal and interest payments, which begin in January, 2009, are \$207,952 and are payable through July, 2013.

**CITY OF GARDEN CITY, IDAHO**  
***REQUIRED SUPPLEMENTARY INFORMATION***

**CITY OF GARDEN CITY, IDAHO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,018,380	\$ 3,018,380	\$ 2,939,231	\$ (79,149)
Licenses and permits	28,700	28,700	50,920	22,220
Charges for services	963,566	963,566	871,566	(92,000)
Intergovernmental	922,354	922,354	934,750	12,396
Fines and forfeitures	537,994	537,994	432,108	(105,886)
Grants	32,900	32,900	42,044	9,144
Franchise fees	465,000	465,000	462,942	(2,058)
Interest	50,000	50,000	34,501	(15,499)
Rent	101	101	-	(101)
Library fees	196,600	196,600	86,520	(110,080)
Miscellaneous	-	-	39,663	39,663
Total revenues	<u>6,215,595</u>	<u>6,215,595</u>	<u>5,894,245</u>	<u>(321,350)</u>
<b>EXPENDITURES</b>				
General government	1,581,864	1,581,864	1,364,126	217,738
Public safety	3,695,192	3,695,192	3,520,828	174,364
Culture and recreation	786,361	786,361	813,018	(26,657)
Capital outlay	100,000	100,000	201,570	(101,570)
Debt service				
Principal	76,000	76,000	46,000	30,000
Interest	53,178	53,178	10,912	42,266
Total expenditures	<u>6,292,595</u>	<u>6,292,595</u>	<u>5,956,454</u>	<u>336,141</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>				
	(77,000)	(77,000)	(62,209)	14,791
<b>OTHER FINANCING SOURCES</b>				
Operating transfer in	77,000	77,000	-	(77,000)
Gain on sale of asset	-	-	62,550	62,550
Total other financing sources	<u>77,000</u>	<u>77,000</u>	<u>62,550</u>	<u>(14,450)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>341</u>	<u>\$ 341</u>
FUND BALANCE, beginning of year			<u>2,058,215</u>	
FUND BALANCE, end of year			<u>\$ 2,058,556</u>	

**CITY OF GARDEN CITY, IDAHO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2008**

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*Budgets and Budgetary Accounting*

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to September 1, the City Treasurer/Budget Director and Mayor, with input from the City's Department heads, prepare a proposed budget for the fiscal year commencing on October 1. Final approval of the proposed budget is then made by the City Council. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at City Hall to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an ordinance.

Amendments to the budget are approved by Council prior to September 30. The proposed amendments are published and public hearings are conducted at City Hall. The amendments are legally enacted through passage of an ordinance.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. The budget included in the financial statements is the legal budget as amended.

**CITY OF GARDEN CITY, IDAHO**

*OTHER FINANCIAL INFORMATION*

**CITY OF GARDEN CITY, IDAHO**  
**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENT FUNDS**  
**SEPTEMBER 30, 2008**

	Debt Service Library	Capital Projects	Total Non-Major Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables			
Property taxes	69,563	-	69,563
	<u>\$ 69,563</u>	<u>\$ -</u>	<u>\$ 69,563</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Deferred revenue	\$ 69,563	\$ -	\$ 69,563
	69,563	-	69,563
 <b>FUND BALANCE</b>			
Unreserved	-	-	-
	<u>\$ 69,563</u>	<u>\$ -</u>	<u>\$ 69,563</u>

**CITY OF GARDEN CITY, IDAHO**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –**  
**NON-MAJOR GOVERNMENT FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2008**

	Debt Service Library	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 63,689	\$ -	\$ 63,689
Total revenues	<u>63,689</u>	<u>-</u>	<u>63,689</u>
<b>EXPENDITURES</b>			
General government	-	364	364
Debt service			
Principal	30,000	-	30,000
Interest	33,689	-	33,689
Total expenditures	<u>63,689</u>	<u>364</u>	<u>64,053</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	-	(364)	(364)
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(364)</u>	<u>(364)</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>364</u>	<u>364</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF GARDEN CITY, IDAHO**

***SUPPLEMENTARY INFORMATION***



CPAs & BUSINESS ADVISORS

**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***

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Members of the City Council  
**City of Garden City, Idaho**  
Garden City, Idaho

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Garden City, Idaho, as of and for the year ended September 30, 2008, which collectively comprise the City of Garden City, Idaho's basic financial statements and have issued our report thereon dated January 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered City of Garden City, Idaho'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 of Garden City, Idaho's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Garden City, Idaho's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Garden City, Idaho's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Garden City, Idaho's financial statements that is more than inconsequential will not be prevented or detected by the City of Garden City, Idaho's internal control.

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

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

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether City of Garden City, Idaho'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 or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of City of Garden City, Idaho in a separate letter dated January 16, 2009.

This report is intended solely for the information and use of the audit committee, management, City Council, 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
January 16, 2009