Financial Statements
September 30, 2010

City of Garden City, Idaho

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Financial Statements

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EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 07, 2011, 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.

Eide Bailly LLP

Boise, Idaho
January 07, 2011

The Management of the City of Garden City, Idaho would like to offer the readers of the financial statements an overview and analysis of the financial activities for the Fiscal Year October 1, 2009 through September 30, 2010.

FINANCIAL HIGHLIGHTS

- As of September 30, 2010 the assets of the City of Garden City (the City) exceeded its liabilities by $27,127,294. Of this amount, unrestricted net assets of $3,741,301 may be used to meet the City's ongoing obligations to citizens and creditors.

- As of September 30, 2010 the total net assets of the City increased by $921,581. This was due primarily to the donation of $711,032 for a public park facility from the Urban Renewal Agency and secondarily, $210,549 to the City's continuing efforts to increase efficiencies in operations. Of this amount $124,639 was associated with governmental activities.

- Total net assets of the Business Activities increased by $796,942 as a result of $714,509 in contributions from other governmental agencies, of which the Urban Renewal Agency contributed $711,032 and $82,433 from current year operational efficiencies.

- The total unrestricted net assets of Business Activities totaled $1,067,985.

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).

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 two 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 fund is 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 information 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, 2010, the City's assets exceeded liabilities by $27,127,294. Of this amount, $23,385,993 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. 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	
	2008-2009	2009-2010	2008-2009	2009-2010
Current and other assets	$ 6,223,772	$ 6,295,747	$ 1,955,909	$ 2,057,824
Noncurrent assets	10,901,019	11,035,920	14,980,941	15,461,652
Total assets	17,124,791	17,331,667	16,936,850	17,519,476
Short term liabilities	3,790,194	4,010,009	1,245,947	1,156,631
Long term liabilities	1,104,787	967,209	1,715,000	1,590,000
Total liabilities	4,894,981	4,977,218	2,960,947	2,746,631
Invested in capital assets (net of related debt)	9,664,724	9,681,133	13,145,941	13,704,860
Unrestricted	2,565,086	2,673,316	829,962	1,067,985
Total net assets	$ 12,229,810	$ 12,354,449	$ 13,975,903	$ 14,772,845

City of Garden City's Statement of Activities

	Governmental Activities		Business-type Activities	
	2008-2009	2009-2010	2008-2009	2009-2010
Revenues				
Program revenues				
Charges for services	$ 1,734,406	$ 1,660,302	$ 7,001,514	$ 6,924,029
Operating grants and operations	32,523	95,087	-	-
Capital grants and contributions	914,887	-	227,380	716,156
General revenues				
Property taxes	3,195,735	3,233,318	-	-
Franchise fees	493,858	541,348	-	-
Sales tax and other governmental	909,799	797,277	-	-
Unrestricted investment earnings	11,023	24,744	2,704	384
Miscellaneous	11,807	39,601	31,922	35,909
Transfers	33,798	37,211	(33,798)	(37,211)
Gain (loss) on sale of fixed assets	(1,553)	9,200	1,354	-
Total revenues	7,336,283	6,438,088	7,231,076	7,639,267
Expenses				
General government administration	1,501,111	1,567,811	-	-
Public safety	3,677,130	3,814,910	-	-
Culture and recreation	831,043	876,260	-	-
Interest on long-term debt	58,938	54,468	-	-
Sanitation	-	-	2,153,830	1,980,642
Streetlights	-	-	100,945	101,119
Water and sewer	-	-	4,852,766	4,760,564
Total expenses	6,068,222	6,313,449	7,107,541	6,842,325
Change in Net Assets	$ 1,268,061	$ 124,639	$ 123,535	$ 796,942

Governmental activities Governmental activities increased the City's net assets by $124,639 accounting for 14% of the total growth in the net assets. The increase was primarily from increased efficiencies.

Business-type activities Business-type activities increased the City's net assets by $796,942 accounting for 86% of the total growth in the net assets. Approximately $205,421 was from direct operations, approximately $(119,511) from non-operating expenses and $ 711,032 from contributions from the Urban Renewal Agency.

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 $2,535,916 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 40% of the upcoming projected FY 2010-2011 expense budget.

The general fund has maintained at least a 34% level of fund balance for three consecutive years (fiscal years 2008, 2009 and 2010) based on continuing efforts by staff in all departments at maintaining operational efficiencies while maintaining current service levels.

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

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

The balance in the Water and Sewer Fund is $708,469, with an increase of $173,735 from the prior year. This increase represents an increase in net assets generated from operations.

The Sanitation Fund unrestricted balance is $288,536, an increase of $79,258 from the prior fiscal year. This increase is due primarily to less than expected increases in costs from the contract franchise hauler.

The Street Lights Fund unrestricted balance is $70,980, with a reduction of $14,970 from the prior year. Since the remaining unrestricted balance will cover approximately 61% of the budgeted expenditures for this activity in the fiscal year 2010-11, 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 $124,500. This increase was due primarily to a net savings of $ 237,245 in expenditures compared to budget, revenues and fund balance used as a resource of $ (121,945) less than budgeted, and proceeds from the sale of police vehicles of $ 9,200 more than budgeted.

Over the course of the year there was an amendment to the budget which added $249,846 to budgeted revenues and expenditures. This amendment related primarily to increased revenues from grants and contributions, franchise fees, traffic school fees and fines and forfeitures revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets The City's investment in capital assets for its governmental and business-type activities at September 30, 2010 amounts to $23,385,993 (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 $323,820 in capital assets during the year primarily as a result of the purchase of equipment for the Water and Sewer Enterprise Fund at a cost of approximately $391,000,the capitalization of water and sewer facilities held as construction in progress of approximately $359,000, the purchase of sewer and water facilities at a cost of approximately $660,000 and the purchase of police vehicles/equipment of approximately $148,000. Depreciation expense for the year was $874,343 and total accumulated depreciation was $9,208,135. See Note 4 of the financial statements for further detail associated with the capital assets.

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

	Governmental Activities		Business-type Activities		Total	
	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010
Land and improvements	$ 6,907,186	$ 6,907,186	$ -	$ -	$ 6,907,186	$ 6,907,186
Work in progress	-	-	357,735	-	357,735	-
Buildings and improvements	3,369,723	3,339,271	1,450,624	1,686,488	4,820,347	5,025,759
Utility plant and improvements	-	-	12,538,306	12,893,418	12,538,306	12,893,418
Machinery and equipment	624,110	539,463	634,276	839,954	1,258,386	1,379,417
Total assets	$ 10,901,019	$ 10,785,920	$ 14,980,941	$ 15,419,860	$ 25,881,960	$ 26,205,780

Long-term debt At the end of the current fiscal year, the City had $2,819,787 in outstanding debt including bonds, capital leases 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	
	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010
Bonds payable	$ 771,000	$ 720,000	$ 1,835,000	$ 1,715,000	$ 2,606,000	$ 2,435,000
Capital leases	202,295	156,787	-	-	202,295	156,787
Notes payable	263,000	228,000	-	-	263,000	228,000
	$ 1,236,295	$ 1,104,787	$ 1,835,000	$ 1,715,000	$ 3,071,295	$ 2,819,787

It is noted that by state law the City of Garden City's legal debt limit for governmental funds for 2010 would be approximately $18,496,000 which represents 2% of the market valuation of the real and personal property in its taxing area. See Note 5 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S PLANS

Enterprise Fund Utility Rates- The Fiscal Year 2010-2011 utility rates were discussed during the budget process and the City Council is considering an adjustment to rates during the fiscal year. 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 Master Plan as a component part of its Comprehensive Plan in Fiscal Year 2009. During fiscal year 2010-11, there will be an emphasis on rehabilitating and refurbishing the water and sewer plant and related facilities utilizing contributions from the Urban Renewal Agency as the primary source for funding these projects. This work was started last fiscal year, was continued in Fiscal Year 2010 and will continue in the future at a pace that will correspond with available funding from the Urban Renewal Agency and on a planned and priority basis as outlined by the Master Plan.

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: James R. Krueger-Treasurer/Clerk, City of Garden City, 6015 Glenwood Street, Garden City, Idaho 83714-1347.

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Current Assets				
Cash and cash equivalents	$ 1,289,643	$ 1,221,022	$ 2,510,665	$ 981,437
Investments	1,052,153	-	1,052,153	-
Prepaid expenses	29,453	4,917	34,370	-
Receivables				
Property taxes	3,495,042	-	3,495,042	825,846
Accounts	91,195	797,985	889,180	
Interest	-	-	-	122
Due from other governmental units	241,499	33,900	275,399	-
Franchise fees	87,670	-	87,670	-
Grants	9,092	-	9,092	-
Total current assets	6,295,747	2,057,824	8,353,571	1,807,405
Noncurrent Assets				
Deferred charges	-	41,792	41,792	-
Investments	250,000	-	250,000	-
Capital assets				
Land, infrastructure, and other assets not depreciated	6,907,186	3,023,622	9,930,808	-
Buildings, improvements, and equipment, net of depreciation	3,878,734	12,396,238	16,274,972	-
	$ 17,331,667	$ 17,519,476	$ 34,851,143	$ 1,807,405

See Notes to Financial Statements

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 206,965	$ 630,155	$ 837,120	$ 706
Accrued payroll and taxes	331,550	85,247	416,797	-
Customer deposits	-	181,134	181,134	-
Due to primary government	-	-	-	33,900
Interest payable	10,776	6,535	17,311	-
Deferred revenue	3,323,140	128,560	3,451,700	712,865
Current portion of long-term liabilities	137,578	125,000	262,578	-
Total current liabilities	4,010,009	1,156,631	5,166,640	747,471
Noncurrent Liabilities				
Notes payable	175,000	-	175,000	-
Lease Payable	107,209	-	107,209	-
Bonds payable	685,000	1,590,000	2,275,000	-
Total liabilities	4,977,218	2,746,631	7,723,849	747,471
Net Assets				
Invested in capital assets, net of related debt	9,681,133	13,704,860	23,385,993	-
Unrestricted	2,673,316	1,067,985	3,741,301	1,059,934
Total net assets	12,354,449	14,772,845	27,127,294	1,059,934
	$ 17,331,667	$ 17,519,476	$ 34,851,143	$ 1,807,405

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government					
Governmental Activities					
General government	$ 1,567,811	$ 1,019,760	$ -	$ -	$ (548,051)
Public safety	3,814,910	484,280	38,842	-	(3,291,788)
Culture and recreation	876,260	156,262	56,245	-	(663,753)
Interest on long-term debt	54,468	-	-	-	(54,468)
Total governmental activities	6,313,449	1,660,302	95,087	-	(4,558,060)
Business-Type Activities					
Sanitation	1,980,642	2,058,905	-	-	78,263
Streetlights	101,119	78,706	-	-	(22,413)
Water and sewer	4,760,564	4,786,418	-	716,156	742,010
Total business-type activities	6,842,325	6,924,029	-	716,156	797,860
Total primary government	$ 13,155,774	$ 8,584,331	$ 95,087	$ 716,156	$ (3,760,200)
Component Unit					
Urban Renewal	$ 729,505	$ -	$ -	$ -	$ (729,505)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Change in net assets				
Net (expense) revenue	$ (4,558,060)	$ 797,860	$ (3,760,200)	$ (729,505)
General revenues				
Shared revenues				
Property taxes, levied for general purposes	3,164,910	-	3,164,910	856,445
Property taxes, levied for debt service	68,408	-	68,408	-
Franchise fees	541,348	-	541,348	-
Sales tax and other governmental	797,277	-	797,277	-
Investment earnings	24,744	384	25,128	4,657
Miscellaneous	39,601	35,909	75,510	-
Fixed Assets transfer from Enterprise Fund	37,211	(37,211)	-	-
Gain on disposal of fixed assets	9,200	-	9,200	-
Total general revenues	4,682,699	(918)	4,681,781	861,102
Change in Net Assets	124,639	796,942	921,581	131,597
Net Assets, Beginning of Year	12,229,810	13,975,903	26,205,713	928,337
Net Assets, End of Year	$ 12,354,449	$ 14,772,845	$ 27,127,294	$ 1,059,934

	General	Other Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 1,289,643	$ -	$ 1,289,643
Investments	1,052,153	-	1,052,153
Prepaid expenses	29,453	-	29,453
Receivables			
Property taxes	3,427,877	67,165	3,495,042
Accounts	91,195	-	91,195
Due from other governmental units	241,499	-	241,499
Franchise fees	87,670	-	87,670
Grants	9,092	-	9,092
Long-term investments	250,000	-	250,000
	$ 6,478,582	$ 67,165	$ 6,545,747
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ 206,965	$ -	$ 206,965
Accrued payroll and taxes	331,550	-	331,550
Deferred revenue	3,404,151	67,165	3,471,316
	3,942,666	67,165	4,009,831
Fund Balance			
Unreserved	2,535,916	-	2,535,916
Total fund balance	2,535,916	-	2,535,916
	$ 6,478,582	$ 67,165	$ 6,545,747

Fund balance - total governmental funds	$ 2,535,916
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.	10,785,920
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	148,176
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(10,776)
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(1,104,787)
Net assets of governmental activities	$ 12,354,449

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 3,175,972	$ 68,408	$ 3,244,380
Licenses and permits	34,866	-	34,866
Charges for services	984,894	-	984,894
Intergovernmental	797,277	-	797,277
Fines and forfeitures	484,280	-	484,280
Grants	95,087	-	95,087
Franchise fees	541,348	-	541,348
Interest	24,744	-	24,744
Library fees	156,262	-	156,262
Miscellaneous	39,601	-	39,601
Total revenues	6,334,331	68,408	6,402,739
Expenditures			
General government	1,504,950	-	1,504,950
Public safety	3,645,483	-	3,645,483
Culture and recreation	808,305	-	808,305
Capital outlay	147,933	-	147,933
Debt service			
Principal	96,508	35,000	131,508
Interest	15,852	33,408	49,260
Total expenditures	6,219,031	68,408	6,287,439
Excess of Revenues over Expenditures	115,300	-	115,300
Other Financing Sources			
Proceeds from sale of asset held for sale	9,200	-	9,200
Net Change in Fund Balance	124,500	-	124,500
Fund Balance, Beginning of Year	2,411,416	-	2,411,416
Fund Balance, End of Year	$ 2,535,916	$ -	$ 2,535,916

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2010

Net change in fund balances - total governmental funds	$	124,500
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 ($300,243) exceeds capital outlay ($147,933).		(152,310)
Assets transferred from Enterprise Funds are not shown in Government funds as revenues.		37,211
Some property tax revenue that provides a current resource is not reported as a revenue in the statement of activities.		(11,062)
Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		(5,208)
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.		131,508
Change in net assets of governmental activities	$	124,639

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 784,571	$ 365,608	$ 70,843	$ 1,221,022
Prepaid expenses	4,341	288	288	4,917
Due from other governmental units	33,900	-	-	33,900
Customer accounts receivable less allowance for uncollectible accounts of $9,340, $3,300, and $0, respectively	603,329	186,849	7,807	797,985
Total current assets	1,426,141	552,745	78,938	2,057,824
Noncurrent Assets				
Capital assets				
Improvements on building and land	3,023,622	-	-	3,023,622
Utility plant and improvements	16,937,179	-	-	16,937,179
Machinery and equipment	2,808,197	4,543	186,682	2,999,422
	22,768,998	4,543	186,682	22,960,223
Accumulated depreciation	(7,456,640)	(3,257)	(80,466)	(7,540,363)
Total noncurrent assets	15,312,358	1,286	106,216	15,419,860
Other Assets				
Deferred charges, net of accumulated amortization	41,792	-	-	41,792
	$ 16,780,291	$ 554,031	$ 185,154	$ 17,519,476

See Notes to Financial Statements

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 363,641	$ 259,510	$ 7,004	$ 630,155
Accrued payroll and taxes	79,594	4,699	954	85,247
Interest payable	6,535	-	-	6,535
Deferred revenue	128,560	-	-	128,560
Customer deposits	181,134	-	-	181,134
Current portion of long-term liabilities	125,000	-	-	125,000
Total current liabilities	884,464	264,209	7,958	1,156,631
Noncurrent Liabilities				
Bonds payable	1,590,000	-	-	1,590,000
Total noncurrent liabilities	1,590,000	-	-	1,590,000
Total liabilities	2,474,464	264,209	7,958	2,746,631
Net Assets				
Invested in capital assets, net of related debt	13,597,358	1,286	106,216	13,704,860
Unrestricted	708,469	288,536	70,980	1,067,985
Total net assets	14,305,827	289,822	177,196	14,772,845
	$ 16,780,291	$ 554,031	$ 185,154	$ 17,519,476

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Operating Revenues				
Charges for services	$ 4,786,418	$ 2,058,905	$ 78,706	$ 6,924,029
Miscellaneous revenues	35,909	-	-	35,909
Total operating revenues	4,822,327	2,058,905	78,706	6,959,938
Operating Expenses				
Personnel services	1,518,810	92,881	15,798	1,627,489
Contractual services	1,107,066	1,564,716	-	2,671,782
Overhead	665,074	308,590	11,231	984,895
Supplies	426,713	13,546	16,264	456,523
Repairs	215,749	-	-	215,749
Depreciation and amortization	569,521	909	7,443	577,873
Telephone and utilities	175,033	-	50,383	225,416
Total operating expenses	4,677,966	1,980,642	101,119	6,759,727
Operating Income (Loss)	144,361	78,263	(22,413)	200,211
Nonoperating Revenues (Expenses)				
Capital contribution to general fund	(37,211)	-	-	(37,211)
Interest revenue	298	86	-	384
Interest expense	(82,598)	-	-	(82,598)
Total nonoperating (expenses) revenues	(119,511)	86	-	(119,425)
Income (Loss) Before Contributions	24,850	78,349	(22,413)	80,786
Contributions from Other Governmental Agencies	716,156	-	-	716,156
Change in Net Assets	741,006	78,349	(22,413)	796,942
Net Assets, Beginning of Year	13,564,821	211,473	199,609	13,975,903
Net Assets, End of Year	$ 14,305,827	$ 289,822	$ 177,196	$ 14,772,845

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Cash Flows from				
Operating activities				
Receipts from customers and users	$ 4,950,042	$ 2,081,001	$ 78,932	$ 7,109,975
Payments to suppliers	(2,289,309)	(1,455,290)	(66,495)	(3,811,094)
Payments for overhead	(665,074)	(308,590)	(11,231)	(984,895)
Payments to employees	(1,512,312)	(94,920)	(15,607)	(1,622,839)
Net Cash from (used for) Operating Activities	483,347	222,201	(14,401)	691,147
Cash Flows from Capital and Related Financing Activities				
Interest paid	(82,978)	-	-	(82,978)
Payments on bonds payable	(120,000)	-	-	(120,000)
Proceeds from sale of assets	1,080	-	-	1,080
Acquisition of capital assets	(1,051,313)	-	-	(1,051,313)
Cash contributions from Other Governmental Agencies	714,509	-	-	714,509
Net Cash used for Capital and Related Financing Activities	(538,702)	-	-	(538,702)
Cash Flows from Investing Activities				
Interest received	298	86	-	384
Net Increase (Decrease) in Cash and Cash Equivalents	(55,057)	222,287	(14,401)	152,829
Cash and Cash Equivalents, Beginning of Year	839,628	143,321	85,244	1,068,193
Cash and Cash Equivalents, End of Year	$ 784,571	$ 365,608	$ 70,843	$ 1,221,022

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Reconciliation of operating income to net cash from (used for) operating activities				
Operating income	$ 144,361	$ 78,263	$ (22,413)	$ 200,211
Adjustments to reconcile operating income to net cash from (used for) operating activities				
Depreciation and amortization	569,521	909	7,443	577,873
Changes in assets and liabilities				
Accounts receivable	(12,991)	22,096	226	9,331
Prepaids	(3,008)	338	338	(2,332)
Accounts payable	(361,740)	122,634	(186)	(239,292)
Accrued payroll and taxes	6,498	(2,039)	191	4,650
Deferred revenue	128,560	-	-	128,560
Customer deposits	12,146	-	-	12,146
Net Cash from (used for) Operating Activities	$ 483,347	$ 222,201	$ (14,401)	$ 691,147
Supplemental Disclosure of Cash Flow Information				
Noncash investing and financing activities				
Contributions of water and sewer lines	$ 35,431	$ -	$ -	$ 35,431

Note 1 - Summary of Significant Accounting Policies

The City of Garden City, Idaho (the 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 (URA). The URA is a separate and distinct legal entity created by state statute. The Directors for URA are appointed by the Mayor and approved by the City Council. The URA provides urban renewal services for the citizens of the City. Complete financial statements can be obtained from the offices of the Urban Renewal Offices at City Hall, 6015 Glenwood Drive, Garden City Idaho 83714.

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 non-fiduciary 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.

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.

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 non-operating 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 non-operating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments 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. 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:

	Estimated Useful Life (Years)
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 cost 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.

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 partially self-insures accident insurance. Each fund accounts for uninsured risks of loss.

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, 2010 was $33,614.

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 $3,812,818 and bank balances totaled $3,819,953. Of the total cash and investment balances, $1,267,219 was covered by Federal Deposit Insurance Corporation (FDIC) insurance, $141,183 was covered by the National Credit Union Administration Insurance, $500,000 was invested through Certificate of Account Deposit Registry (CDARS), which allows for investments in FDIC backed investment instruments. All cash and investments are held in regional or national financial institutions. 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.
- Repurchase agreements secured by the above.

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 certificates of deposit, overnight repurchase agreements and the State of Idaho Local Investment Pool which comply with the City's investment policy. As of September 30, 2010 the amount of cash, cash equivalents and invested cash is as follows:

	Maturities	Fair Value
Cash	N/A	$ 637,041
Cash Equivalents		
Money Market Accounts	Daily	256,015
State of Idaho Local Government Investment Pool	107 days	1,623,693
Certificates of Deposit	One year or less	1,052,153
Certificates of Deposit	January 13, 2013	250,000
		$ 3,818,902

Credit Risk. Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation and 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 City holds no investment vehicles that are rated by rating organizations.

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's investment policy is to have at least two different financial institutions in which all cash and cash investments are placed. The City has investments placed with twelve different financial institutions, with the objective of mitigating the concentration of credit risk. The following table represents the City's diversification of its investments:

	Amount Deposited	% of Total
US Bank Cash Management Accounts	$ 466,993	12.23%
Idaho Banking Company Checking Account	28,865	0.76%
Les Bois Credit Union Checking Account	141,183	3.70%
Zions Bank Money Market Account	215,896	5.65%
Idaho Banking Flexible Spending Account	40,119	1.06%
State of Idaho Local Government Investment Pool	1,623,693	42.51%
Wells Fargo Bank Certificate of Deposit	50,477	1.32%
Idaho Banking Certificate of Deposit	200,000	5.24%
Mountain West Bank, Certificates of Deposit	550,830	14.42%
Banner Bank, Certificates of Deposit	200,000	5.24%
Washington Trust Bank, Certificates of Deposit	50,846	1.33%
Bank of the Cascades, Certificates of Deposit	250,000	6.54%
	$ 3,818,902	100.00%

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.

Note 3 - Intergovernmental Receivables

The following summarizes the intergovernmental receivables at September 30, 2010:

State of Idaho	
State tax commission	$ 165,703
State liquor dispensary	36,829
Ada County	
Court revenue	22,167
Office of Highway Safety	16,800
Garden City Urban Renewal Agency	33,900
Total	$ 275,399

Note 4 - Capital Assets

Changes in capital assets are as follows:

	October 1,	Additions	Deletions	Transfers	September 30,
Governmental activities					
Capital assets, not depreciated					
Land and land improvements	$ 6,907,186	$ -	$ -	$ -	$ 6,907,186
Capital assets, depreciated					
Buildings and improvements	3,863,356	-	-	55,626	3,918,982
Machinery and equipment	1,505,023	147,933	(52,662)	27,229	1,627,523
Total capital assets, depreciated	5,368,379	147,933	(52,662)	82,855	5,546,505
Less accumulated depreciation for					
Buildings and improvements	(493,633)	(86,078)	-	-	(579,711)
Machinery and equipment	(880,913)	(214,165)	52,662	(45,644)	(1,088,060)
Total accumulated depreciation	(1,374,546)	(300,243)	52,662	(45,644)	(1,667,771)
Total net capital assets, depreciated	3,993,833	(152,310)	-	37,211	3,878,734
Governmental activities					
Capital assets, net	$ 10,901,019	$ (152,310)	$ -	$ 37,211	$ 10,785,920

	October 1,	Additions	Deletions	Transfers	September 30,
Business-type activities					
Capital assets, not depreciated					
Construction/Work in progress	$ 357,735	$ -	$ -	$ (357,735)	$ -
Capital assets, depreciated					
Improvements of buildings	3,020,104	3,518	-	-	3,023,622
Utility plant and improvements	15,978,563	1,014,242	-	(55,626)	16,937,179
Machinery and equipment	2,636,446	391,289	(1,084)	(27,229)	2,999,422
Total capital assets, depreciated	21,635,113	1,409,049	(1,084)	(82,855)	22,960,223
Less accumulated depreciation for					
Improvements of buildings	(1,546,354)	(60,431)	-	-	(1,606,785)
Utility plan and improvements	(3,463,383)	(334,135)	-	22,237	(3,775,281)
Machinery and equipment	(2,002,170)	(179,534)	-	23,407	(2,158,297)
Total accumulated depreciation	(7,011,907)	(574,100)	-	45,644	(7,540,363)
Total net capital assets, depreciated	14,623,206	834,949	(1,084)	(37,211)	15,419,860
Business-type activities Capital assets, net	$ 14,980,941	$ 834,949	$ (1,084)	$ (394,946)	$ 15,419,860

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

Governmental activities	
Administration	$ 62,861
Public safety	169,427
Culture and recreation	67,955
Total depreciation expense-governmental activities	$ 300,243
Business-type activities	
Water and sewer	$ 565,748
Sanitation	909
Street lights	7,443
Total depreciation expense-business type activities	$ 574,100
Depreciation expense associated with leased assets included as part of governmental activities-Public Safety depreciation expense	$ 48,061

Note 5 - Long-Term Debt

Long-term debt consisted of the following as of September 30, 2010:

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 2025, 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.	$	720,000
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.	$	228,000
Lease payable		
On October 1, 2008, the City entered into a lease/purchase agreement with US National Bank for ordinary and necessary public safety vehicles that cost $240,305. The lease is payable in semi-annual installments of $20,795 in January and $27,367 in July each year through 2014. The interest rate on the lease is 4.95% and is secured by the vehicles.	$	156,787
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.	$	1,715,000

The annual requirements to amortize all debt outstanding at September 30, 2010, are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	$ 137,578	$ 48,730	$ 125,000	$ 78,418
2012	139,241	42,506	130,000	73,543
2013	150,536	35,995	135,000	68,343
2014	107,432	29,512	140,000	62,740
2015	40,000	26,303	145,000	56,720
2016-2020	235,000	103,245	845,000	175,045
2021-2025	295,000	44,150	195,000	9,555
	$ 1,104,787	$ 330,441	$ 1,715,000	$ 524,364

Total interest cost incurred during 2010 was $137,066 which related to long-term debt and capital leases.

The City is obligated under a lease accounted for as a capital lease. The leased asset and related obligation are accounted for in the Statement of Net Assets in the Government-Wide Financial Statements. The original capitalized amount of the capital lease was $240,305 with total accumulated depreciation of $93,319. Depreciation expense in the current year associated with the lease was $48,061.

The following is a schedule of future minimum payments under the capital lease, together with the net present value of the minimum lease payments as of September 30, 2010.

2011	$ 54,733
2012	54,733
2013	54,733
2014	6,573
Minimum lease payments for the capital lease	170,772
Less: Amount representing interest	(13,985)
Present value of minimum lease payments at September 30, 2010	$ 156,787

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2010:

	2009 Balance	Debt issued	Debt Retired	2010 Balance	One Year
Governmental activities					
Bonds payable	$ 755,000	$ -	$ (35,000)	$ 720,000	$ 35,000
Capital leases	202,295	-	(45,508)	156,787	49,578
Notes payable	279,000	-	(51,000)	228,000	53,000
Governmental activities long-term liabilities	$ 1,236,295	$ -	$ (131,508)	$ 1,104,787	$ 137,578
Business-type activities					
Bonds payable	$ 1,835,000	$ -	$ (120,000)	$ 1,715,000	$ 125,000
Business-type activities long-term liabilities	$ 1,835,000	$ -	$ (120,000)	$ 1,715,000	$ 125,000

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 2010, based on data available from Ada County as of August 31, 2010, would be approximately $18,496,000.

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 42 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $2,239,364. Principal and interest paid for the current year and total customer net revenues were $202,598 and $483,347, 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 $1,014,183, payable through August 1, 2025. For the current year, principal and interest paid and total property tax revenues were $68,408.

Note 7 - Contingent Liabilities

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Any disallowed claims, including accounts already collected, could become a liability of the City. City management believes disallowance, if any, will not be material.

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, 2010, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the City and its employees, respectively, and 10.73% and 7.69% for police for the City and its employees, respectively.

The City's contributions required and paid were $469,985, $484,122, $501,775 for the three years ended September 30, 2010, and 2009, and 2008, respectively.

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 $425,105. All cash is held in a national financial institution and is insured.

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 uninsured and unregistered but are fully collateralized by the investment purchased under the agreement. As of September 30, 2010 the balance in the sweep account was immaterial.

The Agency also voluntarily invests in the State of Idaho Local Government Investment Pool (LGIP), which does not have a credit rating. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. The LGIP is a part of the Joint Powers Investment Pool managed by the State of Idaho Treasurer's Office and was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. Oversight is with the Treasurer of the State of Idaho and Idaho Code 67-1210A defines allowable investments. The fair value of the Agency's investment in the pool is the same as the value of the pool shares.

An annual audit of the Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool. Copies of the report may be obtained from the Idaho State Treasurer's Office, 700 West Jefferson Street, Suite 126, Boise, Idaho 83702.

As of September 30, 2010, the amount of deposits invested in these cash equivalents is:

Investment Type	Maturities	Fair Value
Cash equivalents		
Money Market	N/A	$ 226,267
State of Idaho Local Government Investment Pool		
External Investment Pool	107 days	532,996
		$ 759,263

Interest Rate Risk. The Agency's formal policy is to invest only in vehicles with maturities of one year or less to mitigate exposure to fair value losses caused by changing interest rates.

Credit Risk and Custodial Credit Risk. In the event of a bank failure, the Agency's deposits may not be returned or that an issuer or other counter party to an investment will not fulfill its obligations. The Agency's formal policy is to only deposit in banks that are FDIC insured and only invest in A grade or higher vehicles for collateralization.

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 to analyze the benefits of diversification against its costs for each investment. If diversification is considered impracticable, the Agency accepts the risk associated with that concentration. However, the Agency will separate enterprise fund deposits from general fund deposits through the use of different investment vehicles. Idaho Code 67-2739 does limit the total deposits of a state depository.

Required Supplementary Information
September 30, 2010

City of Garden City, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended September 30, 2010

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget
Revenues				
Taxes	$ 3,125,611	$ 3,125,611	$ 3,175,972	$ 50,361
Licenses and permits	38,897	38,897	34,866	(4,031)
Charges for services	971,565	993,292	984,894	(8,398)
Intergovernmental	840,050	840,050	797,277	(42,773)
Fines and forfeitures	423,600	475,926	484,280	8,354
Grants	31,000	68,903	95,087	26,184
Franchise fees	480,000	550,162	541,348	(8,814)
Interest	15,000	15,000	24,744	9,744
Library fees	151,927	181,927	156,262	(25,665)
Miscellaneous	23,157	60,935	39,601	(21,334)
Total revenues	6,100,807	6,350,703	6,334,331	(16,372)
Expenditures				
General government	1,573,153	1,641,638	1,504,950	136,688
Public safety	3,763,943	3,770,831	3,645,483	125,348
Culture and recreation	700,112	763,572	808,305	(44,733)
Capital outlay	37,800	162,461	147,933	14,528
Debt service				
Principal	119,381	96,508	96,508	-
Interest	12,041	21,266	15,852	5,414
Total expenditures	6,206,430	6,456,276	6,219,031	237,245
Excess of Revenues Over (Under) Expenditures	(105,623)	(105,573)	115,300	220,873
Other Financing Uses				
Operating transfer in (out)	-	-	-	-
Proceeds from sale of asset held for sale	-	-	9,200	9,200
Proceeds from capital lease	-	-	-	-
Excess of Revenues and Other Uses Over Expenditures	$ (105,623)	$ (105,573)	124,500	$ 230,073
Fund Balance, Beginning of Year			2,411,416	
Fund Balance, End of Year			$ 2,535,916	

See Notes to Required Supplementary Information

Note 1 - 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.

Other Financial Information
September 30, 2010

City of Garden City, Idaho

	Debt Service Library	Total Non Major Governmental Funds
Assets		
Receivables		
Property taxes	$ 67,165	$ 67,165
	$ 67,165	$ 67,165
Liabilities and Fund Balance		
Liabilities		
Deferred revenue	$ 67,165	$ 67,165
	67,165	67,165
Fund Balance		
Unreserved	-	-
	$ 67,165	$ 67,165

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Non-Major Government Funds
Year Ended September 30, 2010

	Debt Service Library	Total Governmental Funds
Revenues		
Taxes	$ 68,408	$ 68,408
Total revenues	68,408	68,408
Expenditures		
Debt service		
Principal	35,000	35,000
Interest	33,408	33,408
Total expenditures	68,408	68,408
Deficiency of Revenues Under Expenditures	-	-
Net Change in Fund Balance	-	-
Fund Balance, Beginning of Year	-	-
Fund Balance, End of Year	$ -	$ -

Supplementary Information
September 30, 2010

City of Garden City, Idaho

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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*

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, 2010, which collectively comprise the City of Garden City, Idaho's basic financial statements and have issued our report thereon dated January 07, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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*.

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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.

Eide Bailly LLP

Boise, Idaho
January 07, 2011