

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

CITY OF GARDEN CITY, IDAHO

CITY OF GARDEN CITY, IDAHO

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITORS' 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, as of and for the year ended September 30, 2007, 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, 2007, 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 February 25, 2008, 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
February 25, 2008

**CITY OF GARDEN CITY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007**

The Management of the City of Garden 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, 2006 through September 30, 2007.

FINANCIAL HIGHLIGHTS

- As September 30, 2007 the assets of the City of Garden City exceeded its liabilities by \$23,803,109. Of this amount, unrestricted net assets of \$3,104,005 may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2007 the total net assets of governmental activities increased by \$661,252. This was due to the City's concerted efforts to increase efficiencies in operations and the final installment of the sale of the old city hall. Of this amount \$499,264 was associated with governmental activities and \$161,988 with other activities.
- Total net assets of the Business Activities increased by \$1,517,721 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 \$1,007,073.

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, 2007

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, 2007, the City's assets exceeded liabilities by \$23,803,109. Of this amount, \$11,969,630 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

CITY OF GARDEN CITY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

cannot be used to liquidate these liabilities.

	City of Garden City's Net Assets			
	Governmental Activities		Business-type Activities	
	2005-2006	2006-2007	2005-2006	2006-2007
Current and other assets	\$ 4,571,055	\$ 5,362,127	\$ 2,155,425	\$ 1,888,558
Capital assets	9,900,823	9,923,474	12,163,212	13,781,417
Total assets	14,471,878	15,285,601	14,318,637	15,669,975
ST liabilities	3,112,724	3,341,195	788,171	996,485
LT liabilities	1,194,000	1,118,000	2,071,484	1,950,000
Total liabilities	4,306,724	4,459,195	2,859,655	2,946,485
Invested in capital assets (net of related debt)	8,959,155	8,729,474	9,977,476	11,716,417
Unrestricted	1,205,999	2,096,932	1,481,506	1,007,073
Total net assets	\$ 10,165,154	\$ 10,826,406	\$ 11,458,982	\$ 12,723,490

The 2006 current assets has been restated from \$4,456,055 to \$4,571,055 and unrestricted net assets have been restated from \$1,090,999 to \$1,205,999 to properly accrue library revenue received in November 2006 as a receivable and properly record library revenue received in November 2005 as net assets. Since the amount received is the same from year to year, this restatement had no effect on revenues.

REVENUES	City of Garden City's Statement of Activities			
	Governmental Activities		Business-type Activities	
	2005-2006	2006-2007	2005-2006	2006-2007
Program revenues				
Charges for services	\$ 1,728,175	\$ 1,806,904	\$ 6,565,987	\$ 7,681,876
Operating grants and operations	24,268	26,475	-	-
Capital grants and contributions	-	-	294,380	759,869
General revenues				
Property taxes	2,734,554	2,862,909	-	-
Franchise fees	292,531	445,789	-	-
Sales tax and other governmental	929,858	991,561	-	-
Unrestricted investment earnings	39,822	59,776	-	-
Miscellaneous	-	-	9,258	31,026
Gain on sale of fixed assets	211,486	59,768	3,226	10,391
Total revenues	5,960,694	6,253,182	6,872,851	8,483,162

CITY OF GARDEN CITY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

	Governmental Activities		Business-type Activities	
	2005-2006	2006-2007	2005-2006	2006-2007
EXPENSES				
General government administration	1,382,327	1,539,428	-	-
Public safety	3,043,885	3,280,338	-	-
Culture and recreation	651,772	717,241	-	-
Interest on long-term debt	48,483	54,923	-	-
Sanitation	-	-	1,634,778	1,722,192
Streetlights	-	-	70,969	72,560
Water and sewer	-	-	3,921,512	5,423,902
Total expenses	5,126,467	5,591,930	5,627,259	7,218,654
NET REVENUE	\$ 834,227	\$ 661,252	\$ 1,245,592	\$ 1,264,508

Governmental activities Governmental activities increased the City's net assets by \$661,252 accounting for 10% 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 \$1,517,721 accounting for 70% of the total growth in the net assets. Approximately \$500,000 was from direct operations and approximately \$1 million from contribution of water and sewer lines from 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 \$2,058,215 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 20% of the upcoming projected FY 2008-2009 expense budget.

The increase in the fund balance of the governmental funds over the prior year was due to the Mayor's efforts to set aside additional funds to bolster the City's fund balance for future improvements related to growth and infrastructure improvements.

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, 2007

Unrestricted net assets of the proprietary funds are as follows: Water and Sewer Fund - \$706,817; Sanitation fund \$185,031 and Street Light Fund - \$115,225.

BUDGETARY HIGHLIGHTS

General Fund The City's fund balance, comparative to the previous year, increased due to the consistency in its revenue projections derived from sales tax, revenue sharing and fines and forfeitures and lower than expected expenditures. The City's fund balance also included funds received from the sale of the old City Hall property in the amount of \$161,988. The sale is final and no more funds from the old City Hall property will be received in the fiscal year ending September 30, 2008.

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, 2007 amounts to \$23,958,104 (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 \$2,605,247 in capital assets during the year due to the construction of a new operations center. Depreciation expense for the year was \$706,684 and total accumulated depreciation was \$7,344,967.

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

	Governmental Activities		Business-type Activities		Total	
	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007
Land and improvements	\$ 6,580,673	\$ 6,610,538	\$ -	\$ -	\$ 6,580,673	\$ 6,610,538
Construction in progress	-	-	320,629	1,062,771	320,629	1,062,771
Buildings and improvements	3,031,856	3,058,074	358,556	323,326	3,390,412	3,381,400
Utility plant and improvements	-	-	10,747,031	11,532,787	10,747,031	11,532,787
Machinery and equipment	288,294	254,862	736,996	862,533	1,025,290	1,117,395
Total assets	\$ 9,900,823	\$ 9,923,474	\$12,163,212	\$13,781,417	\$22,064,035	\$23,704,891

Long-term debt At the end of the current fiscal year, the City had \$3,259,000 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	
	2005-2006	2006-2007	2005-2006	2006-2007	2005-2006	2006-2007
Bonds payable	\$ 850,000	\$ 820,000	\$ 2,175,000	\$ 2,065,000	\$ 3,025,000	\$ 2,885,000
Capital leases	-	-	10,736	-	10,736	-
Notes payable	418,000	374,000	-	-	418,000	374,000
Total	\$ 1,268,000	\$ 1,194,000	\$ 2,185,736	\$ 2,065,000	\$ 3,453,736	\$ 3,259,000

CITY OF GARDEN CITY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

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 2007 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 2007-2008 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 has recently completed a Comprehensive Plan 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 will be completed in the upcoming fiscal year. 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, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,804,701	\$ 1,094,927	\$ 2,899,628	\$ 1,162,750
Restricted cash	2,326	-	2,326	-
Receivables				
Property taxes	3,058,951	-	3,058,951	739,532
Accounts	9,320	740,529	749,849	-
Interest	-	-	-	3,211
Due from other governmental units	403,742	-	403,742	-
Franchise fees	83,087	-	83,087	-
Total current assets	<u>5,362,127</u>	<u>1,835,456</u>	<u>7,197,583</u>	<u>1,905,493</u>
NONCURRENT ASSETS				
Deferred charges	-	53,102	53,102	-
Capital assets				
Land, infrastructure, and other assets not depreciated	6,610,538	1,062,771	7,673,309	-
Buildings, improvements, and equipment, net of depreciation	<u>3,312,936</u>	<u>12,718,646</u>	<u>16,031,582</u>	<u>-</u>
	<u>\$ 15,285,601</u>	<u>\$ 15,669,975</u>	<u>\$ 30,955,576</u>	<u>\$ 1,905,493</u>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 75,279	\$ 676,356	\$ 751,635	\$ -
Accrued payroll and taxes	187,610	57,316	244,926	-
Customer deposits	-	140,203	140,203	-
Interest payable	5,837	7,610	13,447	-
Unearned revenue	2,996,469	-	2,996,469	721,747
Current portion of long-term liabilities	76,000	115,000	191,000	-
Total current liabilities	3,341,195	996,485	4,337,680	721,747
NONCURRENT LIABILITIES				
Notes payable	328,000	-	328,000	-
Bonds payable	790,000	1,950,000	2,740,000	-
Total liabilities	4,459,195	2,946,485	7,405,680	721,747
NET ASSETS				
Invested in capital assets, net of related debt	8,729,474	11,716,417	20,445,891	-
Unrestricted	2,096,932	1,007,073	3,104,005	1,183,746
Total net assets	10,826,406	12,723,490	23,549,896	1,183,746
	\$ 15,285,601	\$ 15,669,975	\$ 30,955,576	\$ 1,905,493

CITY OF GARDEN CITY, IDAHO
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General government	\$ 1,539,428	\$ 1,069,551	\$ -	\$ -	\$ (469,877)
Public safety	3,280,338	563,328	26,475	-	(2,690,535)
Culture and recreation	717,241	174,025	-	-	(543,216)
Interest on long-term debt	54,923	-	-	-	(54,923)
Total governmental activities	5,591,930	1,806,904	26,475	-	(3,758,551)
BUSINESS-TYPE ACTIVITIES					
Sanitation	1,722,192	1,780,561	-	-	58,369
Streetlights	72,560	81,769	-	-	9,209
Water and sewer	5,423,902	5,819,546	-	759,869	1,155,513
Total business-type activities	7,218,654	7,681,876	-	759,869	1,223,091
Total primary government	\$ 12,810,584	\$ 9,488,780	\$ 26,475	\$ 759,869	\$(2,535,460)
COMPONENT UNIT					
Urban Renewal	\$ 256,354	\$ -	\$ -	\$ -	\$ (256,354)

CITY OF GARDEN CITY, IDAHO
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Change in net assets				
Net (expense) revenue	\$ (3,758,551)	\$ 1,223,091	\$ (2,535,460)	\$ (256,354)
General revenues				
Shared revenues				
Property taxes, levied for general purposes	2,796,577	-	2,796,577	556,896
Property taxes, levied for debt service	66,332	-	66,332	-
Franchise fees	445,789	-	445,789	-
Sales tax and other governmental	991,561	-	991,561	-
Unrestricted investment earnings	59,776	-	59,776	41,623
Miscellaneous	-	31,026	31,026	-
Gain on sale of fixed assets	59,768	10,391	70,159	-
Total general revenues	<u>4,419,803</u>	<u>41,417</u>	<u>4,461,220</u>	<u>598,519</u>
CHANGE IN NET ASSETS	661,252	1,264,508	1,925,760	342,165
NET ASSETS, BEGINNING, as restated	<u>10,165,154</u>	<u>11,458,982</u>	<u>21,624,136</u>	<u>841,581</u>
NET ASSETS, ENDING	<u>\$ 10,826,406</u>	<u>\$ 12,723,490</u>	<u>\$ 23,549,896</u>	<u>\$ 1,183,746</u>

CITY OF GARDEN CITY, IDAHO
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General	Other Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,786,990	\$ 17,711	\$ 1,804,701
Receivables			
Property taxes	2,993,473	65,478	3,058,951
Accounts	9,320	-	9,320
Due from other governmental units	403,742	-	403,742
Franchise fees	83,087	-	83,087
Restricted cash	2,326	-	2,326
	<u>\$ 5,278,938</u>	<u>\$ 83,189</u>	<u>\$ 5,362,127</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 57,932	\$ 17,347	\$ 75,279
Accrued payroll and taxes	187,610	-	187,610
Deferred revenue	2,975,181	65,478	3,040,659
	3,220,723	82,825	3,303,548
FUND BALANCE			
Unreserved	2,058,215	364	2,058,579
	<u>\$ 5,278,938</u>	<u>\$ 83,189</u>	<u>\$ 5,362,127</u>

CITY OF GARDEN CITY, IDAHO
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Fund balance - total governmental funds	\$ 2,058,579
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.	9,923,474
Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds.	44,190
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(5,837)
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	<u>(1,194,000)</u>
Net assets of governmental activities	<u><u>\$ 10,826,406</u></u>

CITY OF GARDEN CITY, IDAHO

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –

GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,801,107	\$ 66,332	\$ 2,867,439
Licenses and permits	30,245	-	30,245
Charges for services	935,458	-	935,458
Intergovernmental	991,561	-	991,561
Fines and forfeitures	562,622	-	562,622
Grants	26,475	-	26,475
Franchise fees	445,789	-	445,789
Interest	53,788	5,988	59,776
Rent	256	-	256
Library fees	161,270	-	161,270
Miscellaneous	117,053	-	117,053
Total revenues	<u>6,125,624</u>	<u>72,320</u>	<u>6,197,944</u>
EXPENDITURES			
General government	1,335,083	-	1,335,083
Public safety	3,209,493	-	3,209,493
Culture and recreation	665,410	-	665,410
Capital outlay	228,922	120,750	349,672
Debt service			
Principal	44,000	30,000	74,000
Interest	18,810	36,332	55,142
Total expenditures	<u>5,501,718</u>	<u>187,082</u>	<u>5,688,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	623,906	(114,762)	509,144
OTHER FINANCING SOURCES			
Proceeds from sale of asset held for sale	-	156,000	156,000
Operating transfers in (out)	88,835	(88,835)	-
Total other financing sources (uses)	<u>88,835</u>	<u>67,165</u>	<u>156,000</u>
NET CHANGE IN FUND BALANCE	712,741	(47,597)	665,144
FUND BALANCE, beginning of year as restated	<u>1,345,474</u>	<u>47,961</u>	<u>1,393,435</u>
FUND BALANCE, end of year	<u>\$ 2,058,215</u>	<u>\$ 364</u>	<u>\$ 2,058,579</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, 2007

Net change in fund balances - total governmental funds	\$ 665,144
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 capital outlays (\$220,952) exceeded depreciation expense (\$198,301).	22,651
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.	(96,232)
Some property tax revenue in the statement of activities that do not provide current financial resources is not reported as revenue in the funds.	(4,530)
Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.	219
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.	<u>74,000</u>
Change in net assets of governmental activities	<u><u>\$ 661,252</u></u>

CITY OF GARDEN CITY, IDAHO
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2007

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 878,784	\$ 109,918	\$ 106,225	\$ 1,094,927
Customer accounts receivable less allowance for uncollectible accounts of \$9,340, \$3,300, and \$0, respectively	539,252	192,277	9,000	740,529
Total current assets	1,418,036	302,195	115,225	1,835,456
NONCURRENT ASSETS				
Capital assets				
Improvements on building and land	1,761,464	-	-	1,761,464
Utility plant and improvements	14,356,520	-	-	14,356,520
Machinery and equipment	2,405,696	4,543	186,682	2,596,921
Construction in process	1,062,771	-	-	1,062,771
	19,586,451	4,543	186,682	19,777,676
Accumulated depreciation	(5,937,594)	(530)	(58,135)	(5,996,259)
Total noncurrent assets	13,648,857	4,013	128,547	13,781,417
OTHER ASSETS				
Deferred charges, net of accumulated amortization	53,102	-	-	53,102
	<u>\$ 15,119,995</u>	<u>\$ 306,208</u>	<u>\$ 243,772</u>	<u>\$ 15,669,975</u>

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 559,192	\$ 117,164	\$ -	\$ 676,356
Accrued payroll and taxes	57,316	-	-	57,316
Interest payable	7,610	-	-	7,610
Customer deposits	140,203	-	-	140,203
Current portion of long-term liabilities	115,000	-	-	115,000
Total current liabilities	<u>879,321</u>	<u>117,164</u>	<u>-</u>	<u>996,485</u>
NONCURRENT LIABILITIES				
Bonds payable	1,950,000	-	-	1,950,000
Total liabilities	<u>2,829,321</u>	<u>117,164</u>	<u>-</u>	<u>2,946,485</u>
NET ASSETS				
Invested in capital assets, net of related debt	11,583,857	4,013	128,547	11,716,417
Unrestricted	706,817	185,031	115,225	1,007,073
Total net assets	<u>12,290,674</u>	<u>189,044</u>	<u>243,772</u>	<u>12,723,490</u>
	<u>\$ 15,119,995</u>	<u>\$ 306,208</u>	<u>\$ 243,772</u>	<u>\$ 15,669,975</u>

CITY OF GARDEN CITY, IDAHO

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –
 PROPRIETARY FUNDS
 YEAR ENDED SEPTEMBER 30, 2007**

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
OPERATING REVENUES				
Charges for services	\$ 5,733,509	\$ 1,777,309	\$ 81,769	\$ 7,592,587
Miscellaneous revenues	86,037	3,252	-	89,289
Total operating revenues	<u>5,819,546</u>	<u>1,780,561</u>	<u>81,769</u>	<u>7,681,876</u>
OPERATING EXPENSES				
Personal services	2,036,908	300,542	22,826	2,360,276
Contractual services	2,325,281	1,407,960	7,299	3,740,540
Supplies	127,664	12,160	-	139,824
Repairs	198,309	-	-	198,309
Depreciation and amortization	503,241	530	7,443	511,214
Telephone and utilities	134,780	-	34,933	169,713
Bad debt	2,874	1,000	59	3,933
Total operating expenses	<u>5,329,057</u>	<u>1,722,192</u>	<u>72,560</u>	<u>7,123,809</u>
OPERATING INCOME	490,489	58,369	9,209	558,067
NONOPERATING REVENUES (EXPENSES)				
Gain on disposal of fixed assets	10,391	-	-	10,391
Interest revenue	31,026	-	-	31,026
Interest expense	(94,845)	-	-	(94,845)
Total nonoperating revenues	<u>(53,428)</u>	<u>-</u>	<u>-</u>	<u>(53,428)</u>
INCOME BEFORE CONTRIBUTIONS				
CONTRIBUTIONS	437,061	58,369	9,209	504,639
Contributions from developers	<u>759,869</u>	<u>-</u>	<u>-</u>	<u>759,869</u>
CHANGE IN NET ASSETS	1,196,930	58,369	9,209	1,264,508
NET ASSETS, beginning of year	<u>11,093,744</u>	<u>130,675</u>	<u>234,563</u>	<u>11,458,982</u>
NET ASSETS, end of year	<u>\$ 12,290,674</u>	<u>\$ 189,044</u>	<u>\$ 243,772</u>	<u>\$ 12,723,490</u>

CITY OF GARDEN CITY, IDAHO
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2007

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 5,632,317	\$ 1,777,440	\$ 81,424	\$ 7,491,181
Payments to suppliers	(2,408,550)	(1,418,181)	(48,158)	(3,874,889)
Payments for overhead	(678,503)	(245,542)	(11,413)	(935,458)
Payments to employees	(1,146,051)	(55,000)	(11,413)	(1,212,464)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,399,213	58,717	10,440	1,468,370
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	(95,165)	-	-	(95,165)
Payments on bonds payable	(110,000)	-	-	(110,000)
Proceeds from sale of assets	14,885	-	-	14,885
Acquisition of capital assets	(1,365,731)	(4,543)	-	(1,370,274)
Payments on capital lease	(10,736)	-	-	(10,736)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,566,747)	(4,543)	-	(1,571,290)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	31,026	-	-	31,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(136,508)	54,174	10,440	(71,894)
CASH AND CASH EQUIVALENTS, beginning of year	1,015,292	55,744	95,785	1,166,821
CASH AND CASH EQUIVALENTS, end of year	\$ 878,784	\$ 109,918	\$ 106,225	\$ 1,094,927

CITY OF GARDEN CITY, IDAHO
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2007

	Water and Sewer Fund	Sanitation Fund	Street Lights Fund	Total
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 490,489	\$ 58,369	\$ 9,209	\$ 558,067
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	503,241	530	7,443	511,214
Changes in assets and liabilities				
Accounts receivable	(7,762)	(2,121)	(286)	(10,169)
Accounts payable	377,484	1,939	(5,926)	373,497
Accrued payroll and taxes	10,982	-	-	10,982
Customer deposits	24,779	-	-	24,779
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,399,213</u></u>	<u><u>\$ 58,717</u></u>	<u><u>\$ 10,440</u></u>	<u><u>\$ 1,468,370</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Noncash investing and financing activities				
Contributions of water and sewer lines	\$ 759,869	\$ -	\$ -	\$ 759,869

CITY OF GARDEN CITY, IDAHO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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 (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. URA 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

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

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

NOTES TO FINANCIAL STATEMENTS

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:

	<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

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, 2007 was \$22,304.

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, including restricted cash, was \$2,901,954 and the bank balance was \$3,124,242. Of the bank balance, \$368,657 was covered by federal depository insurance and \$240,167 was collateralized by securities held in the entity's name, and the remaining \$2,515,418 was uninsured and uncollateralized. All cash is held in a regional financial institution.

NOTES TO FINANCIAL STATEMENTS

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.

As part of the City'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, 2007, 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	\$ 240,167

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 a heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal 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

NOTES TO FINANCIAL STATEMENTS

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.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

The following summarizes the intergovernmental receivables at September 30, 2007:

Source		
State of Idaho		
State tax commission		\$ 219,101
State liquor dispensary		38,322
Ada County		
Court revenue		31,319
City of Boise		
		115,000
Total		<u>\$ 403,742</u>

NOTE 4 - CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance October 1, 2006	Additions	Deletions	Transfers	Balance September 30, 2007
Governmental activities					
Capital assets, not depreciated					
Land and land improvements	\$ 6,580,673	\$ 29,865	\$ -	\$ -	\$ 6,610,538
Construction in progress	-	-	-	-	-
Total capital assets, not depreciated	<u>6,580,673</u>	<u>29,865</u>	<u>-</u>	<u>-</u>	<u>6,610,538</u>
Capital assets, depreciated					
Buildings and improvements	3,274,855	93,716	-	-	3,368,571
Machinery and equipment	<u>1,194,763</u>	<u>97,371</u>	<u>-</u>	<u>-</u>	<u>1,292,134</u>
Total capital assets, depreciated	<u>4,469,618</u>	<u>191,087</u>	<u>-</u>	<u>-</u>	<u>4,660,705</u>
Less accumulated depreciation for					
Buildings and improvements	(242,999)	(67,498)	-	-	(310,497)
Machinery and equipment	<u>(906,469)</u>	<u>(130,803)</u>	<u>-</u>	<u>-</u>	<u>(1,037,272)</u>
Total accumulated depreciation	<u>(1,149,468)</u>	<u>(198,301)</u>	<u>-</u>	<u>-</u>	<u>(1,347,769)</u>
Total net capital assets, depreciated	<u>3,320,150</u>	<u>(7,214)</u>	<u>-</u>	<u>-</u>	<u>3,312,936</u>
Governmental activities capital assets, net	<u>\$ 9,900,823</u>	<u>\$ 22,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,923,474</u>

NOTES TO FINANCIAL STATEMENTS

	Balance October 1, 2006	Additions	Deletions	Transfers	Balance September 30, 2007
Business-type activities					
Capital assets, not depreciated					
Construction in progress	\$ 320,629	\$ 1,062,771	\$ -	\$ (320,629)	\$ 1,062,771
Total capital assets, not depreciated	320,629	1,062,771	-	(320,629)	1,062,771
Capital assets, depreciated					
Improvements on buildings	1,761,464	-	-	-	1,761,464
Utility plant and improvements	13,276,022	759,869	-	320,629	14,356,520
Machinery and equipment	2,308,918	307,503	(19,500)	-	2,596,921
Total capital assets, depreciated	17,346,404	1,067,372	(19,500)	320,629	18,714,905
Less accumulated depreciation for					
Improvements on buildings and land	(1,402,908)	(35,230)	-	-	(1,438,138)
Utility plant and improvements	(2,528,991)	(294,742)	-	-	(2,823,733)
Machinery and equipment	(1,571,922)	(177,472)	15,006	-	(1,734,388)
Total accumulated depreciation	(5,503,821)	(507,444)	15,006	-	(5,996,259)
Business-type activities capital assets, net	<u>\$ 12,163,212</u>	<u>\$ 1,622,699</u>	<u>\$ (4,494)</u>	<u>\$ -</u>	<u>\$ 13,781,417</u>

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

Governmental activities	
Administration	\$ 55,620
Public safety	70,845
Culture and recreation	71,836
Total depreciation expense - governmental activities	<u>\$ 198,301</u>
Business-type activities	
Water and sewer	\$ 499,471
Sanitation	530
Streetlights	7,443
Total depreciation expense - business-type activities	<u>\$ 507,444</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

NOTE 5 – LONG-TERM DEBT

Long-term debt consisted of the following as of September 30, 2007:

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.

\$ 820,000

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.

\$ 374,000

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.

\$ 2,065,000

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all debt outstanding at September 30, 2007, are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 76,000	\$ 53,243	\$ 115,000	\$ 91,315
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	203,543
2013-2017	329,000	139,610	735,000	281,508
2018-2022	255,000	81,734	725,000	90,895
2023-2027	185,000	18,354	-	-
	<u>\$ 1,194,000</u>	<u>\$ 471,920</u>	<u>\$ 2,065,000</u>	<u>\$ 915,890</u>

Total interest cost incurred during 2007 was \$150,307 which related to long-term debt and capital leases.

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 2007, based on data available from Ada County as of August 31, 2007, would be approximately \$22,270,000.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2007:

	Long-term Debt at Oct. 1, 2006			Long-term Debt at Sept. 30, 2007	
		Debt issued	Debt Retired		Due Within One Year
Governmental activities					
Bonds payable	\$ 850,000	\$ -	\$ (30,000)	\$ 820,000	\$ 30,000
Capital leases	-	-	-	-	-
Notes payable	418,000	-	(44,000)	374,000	46,000
Governmental activities long-term liabilities	<u>\$1,268,000</u>	<u>\$ -</u>	<u>\$ (74,000)</u>	<u>\$ 1,194,000</u>	<u>\$ 76,000</u>
Business-type activities					
Capital leases	\$ 10,736	\$ -	\$ (10,736)	\$ -	\$ -
Bonds payable	2,175,000	-	(110,000)	2,065,000	115,000
Business-type activities long-term liabilities	<u>\$2,185,736</u>	<u>\$ -</u>	<u>\$ (120,736)</u>	<u>\$ 2,065,000</u>	<u>\$ 115,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - 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 7 - 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, 2007, 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 \$479,756, \$415,773, and \$412,829 for the three years ended September 30, 2007, 2006, and 2005, respectively.

NOTE 8- PRIOR PERIOD ADJUSTMENT

The City determined the following adjustment to beginning fund balance was necessary due to correcting an error. The error related to the proper recognition of intergovernmental revenue as a receivable as of September 30, 2006.

The beginning fund balance on the Statement of Revenue, Expenditures, and Changes in Fund Balances and beginning net assets on the Statement of Activities was adjusted by \$115,000 as follows:

	<u>Fund Balance</u>	<u>Net Assets</u>
Balance previously reported	\$ 1,230,474	\$ 10,050,154
Adjustment to accrued revenue into proper period	<u>115,000</u>	<u>115,000</u>
Balances as restated	<u>\$ 1,345,474</u>	<u>\$ 10,165,154</u>

NOTES TO FINANCIAL STATEMENTS

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 \$1,162,750. 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, 2007, 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	\$ 1,162,750

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.

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, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,843,046	\$ 2,843,046	\$ 2,801,107	\$ (41,939)
Licenses and permits	27,350	27,350	30,245	2,895
Charges for services	1,015,458	1,015,458	935,458	(80,000)
Intergovernmental	932,565	932,565	991,561	58,996
Fines and forfeitures	410,850	410,850	562,622	151,772
Grants	21,000	21,000	26,475	5,475
Franchise fees	360,000	360,000	445,789	85,789
Interest	20,000	20,000	53,788	33,788
Rent	301	301	256	(45)
Library fees	135,200	135,200	161,270	26,070
Miscellaneous	40,575	40,575	117,053	76,478
Total revenues	<u>5,806,345</u>	<u>5,806,345</u>	<u>6,125,624</u>	<u>319,279</u>
EXPENDITURES				
General government	1,496,808	1,496,808	1,335,083	161,725
Public safety	3,274,696	3,274,696	3,209,493	65,203
Culture and recreation	694,326	694,326	665,410	28,916
Capital outlay	171,372	171,372	228,922	(57,550)
Debt service				
Principal	74,000	74,000	44,000	30,000
Interest	55,143	55,143	18,810	36,333
Total expenditures	<u>5,766,345</u>	<u>5,766,345</u>	<u>5,501,718</u>	<u>264,627</u>
EXCESS OF REVENUES OVER EXPENDITURES	40,000	40,000	623,906	583,906
OTHER FINANCING USES				
Operating transfer in (out)	<u>(40,000)</u>	<u>(40,000)</u>	<u>88,835</u>	<u>128,835</u>
EXCESS OF REVENUES AND OTHER USES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>712,741</u>	<u>\$ 712,741</u>
FUND BALANCE, beginning of year as restated			<u>1,345,474</u>	
FUND BALANCE, end of year			<u>\$ 2,058,215</u>	

CITY OF GARDEN CITY, IDAHO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2007

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, 2007

	Debt Service Library	Capital Projects	Total Non Major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 17,711	\$ 17,711
Receivables			
Property taxes	65,478	-	65,478
	<u>\$ 65,478</u>	<u>\$ 17,711</u>	<u>\$ 83,189</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ -	\$ 17,347	\$ 17,347
Deferred revenue	65,478	-	65,478
	<u>65,478</u>	<u>17,347</u>	<u>82,825</u>
FUND BALANCE			
Unreserved	-	364	364
	<u>\$ 65,478</u>	<u>\$ 17,711</u>	<u>\$ 83,189</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, 2007**

	Debt Service Library	Capital Projects	Total Governmental Funds
REVENUES			
Taxes	\$ 66,332	\$ -	\$ 66,332
Interest	-	5,988	5,988
Total revenues	<u>66,332</u>	<u>5,988</u>	<u>72,320</u>
EXPENDITURES			
Capital outlay	-	120,750	120,750
Debt service			
Principal	30,000	-	30,000
Interest	36,332	-	36,332
Total expenditures	<u>66,332</u>	<u>120,750</u>	<u>187,082</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	-	(114,762)	(114,762)
OTHER FINANCING SOURCES			
Proceeds from sale of asset held for sale	-	156,000	156,000
Operating transfers out	-	(88,835)	(88,835)
Total other financing sources	<u>-</u>	<u>67,165</u>	<u>67,165</u>
NET CHANGE IN FUND BALANCE	-	(47,597)	(47,597)
FUND BALANCE, beginning of year	-	47,961	47,961
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ 364</u>	<u>\$ 364</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***

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, 2007, which collectively comprise the City of Garden City, Idaho's basic financial statements and have issued our report thereon dated February 25, 2008. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as 2007-1 to be significant deficiencies in internal control over financial reporting.

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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.

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. However, we believe that none of the significant deficiencies described above is a material weakness.

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 February 25, 2008.

City of Garden City, Idaho's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Garden City, Idaho's response and, accordingly, we express no opinion on it.

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 cursive script that reads "Eide Bailly LLP".

Boise, Idaho
February 25, 2008

**CITY OF GARDEN CITY, IDAHO
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2007**

2007-1

Criteria:

Management should have an internal control system in place designed to provide for the preparation of the financial statements being audited. This includes proper reporting on a modified accrual basis of accounting and the ability to convert the trial balance from modified accrual to full accrual under the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. It also includes the ability to prepare the footnote disclosures required by GASB.

Condition:

During 2006, Statement on Auditing Standard No. 112 Communicating Internal Control Related Matters Identified in an Audit was released which changed and expanded the definition of a material weakness and significant deficiency. Due to these expanded definitions, clients must be able to accurately prepare their own financial statements without assistance or adjustment by the auditor. The Treasury Department prepares internal financial statements on a monthly basis, however, as auditors, we were requested to prepare the audited financial statements and footnotes thereby resulting in non-compliance with the auditing standard requirements and a significant deficiency. This circumstance is not unusual in an organization of this size due to time constraints of management and costs associated with compliance of the standard.

Effect:

Management must rely on the auditing firm to report financial data reliably in accordance with generally accepted accounting principles.

Cause:

The size of the City and the limited number of accounting personnel makes it difficult to implement this level internal control.

Recommendation:

Management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response and Action Plan of Management:

Management is currently implementing procedures that will enable the treasury department to prepare financial statements in compliance with GASB 34 requirements.