Financial Statements
September 30, 2011

# 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, and each major fund of the City of Garden City, Idaho (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, and each major fund of the City of Garden City, Idaho, as of September 30, 2011, 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.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 09, 2012, 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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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Eide Bailly LLP

Boise, Idaho
January 09, 2012

The Management of the City of Garden City (the City) would like to offer the readers of the financial statements an overview and analysis of the financial activities for the Fiscal Year October 1, 2010 through September 30, 2011.

## FINANCIAL HIGHLIGHTS

- As of September 30, 2011 the assets of the City of Garden City exceeded its liabilities by $27,689,323. Of this amount, unrestricted net assets of $3,887,221 may be used to meet the City's ongoing obligations to citizens and creditors.

- As of September 30, 2011 the total net assets of the City increased by $562,029. This was due primarily to property tax collections and intergovernmental revenues that were more than expected. In addition to the favorable revenues the City continues to make efforts to increase efficiencies in operations. Of the total increase of $562,029, governmental activities accounted for $144,341.

- Total net assets of the Business Activities increased by $417,688 primarily as a result of contributions from the Urban Renewal Agency contributed and from current year operational efficiencies.

- The unrestricted net assets of Business Activities totaled $1,047,262.

## 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 consist 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 this non-major governmental fund is provided in the form of a combining statement 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, 2011, the City's assets exceeded liabilities by $27,689,323. Of this amount, $23,651,102 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 | |
|---|---|---|---|---|
| | 2009-2010 | 2010-2011 | 2009-2010 | 2010-2011 |
| Current and other assets | $ 6,295,747 | $ 6,565,217 | $ 2,057,824 | $ 1,732,101 |
| Noncurrent assets | 11,035,920 | 10,877,879 | 15,461,652 | 15,864,095 |
| Total assets | 17,331,667 | 17,443,096 | 17,519,476 | 17,596,196 |
| Short term liabilities | 4,010,009 | 3,978,676 | 1,156,631 | 904,262 |
| Long term liabilities | 967,209 | 965,630 | 1,590,000 | 1,501,401 |
| Total liabilities | 4,977,218 | 4,944,306 | 2,746,631 | 2,405,663 |
| Invested in capital assets (net of related debt) | 9,681,133 | 9,658,831 | 13,704,860 | 13,992,271 |
| Restricted for bond service requirement | - | - | - | 151,000 |
| Unrestricted net assets | 2,673,316 | 2,839,959 | 1,067,985 | 1,047,262 |
| Total net assets | $ 12,354,449 | $ 12,498,790 | $ 14,772,845 | $ 15,190,533 |

City of Garden City's Statement of Activities

| | Governmental Activities | | Business-type Activities | |
|---|---|---|---|---|
| | 2009-2010 | 2010-2011 | 2009-2010 | 2010-2011 |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | $ 1,660,302 | $ 1,665,239 | $ 6,924,029 | $ 6,969,542 |
| Operating grants and operations | 95,087 | 67,215 | - | - |
| Capital grants and contributions | - | - | 716,156 | 454,345 |
| General revenues | | | | |
| Property taxes | 3,233,318 | 3,326,176 | - | - |
| Franchise fees | 541,348 | 492,717 | - | - |
| Sales tax and other governmental | 797,277 | 900,572 | - | - |
| Unrestricted investment earnings | 24,744 | 24,982 | 384 | 26 |
| Miscellaneous | 39,601 | 31,819 | 35,909 | 43,854 |
| Transfers | 37,211 | - | (37,211) | - |
| Gain on sale of fixed assets | 9,200 | - | - | - |
| Total revenues | 6,438,088 | 6,508,720 | 7,639,267 | 7,467,767 |
| Expenses | | | | |
| General government administration | 1,567,811 | 1,586,175 | - | - |
| Public safety | 3,814,910 | 3,947,981 | - | - |
| Culture and recreation | 876,260 | 780,396 | - | - |
| Interest on long-term debt | 54,468 | 49,827 | - | - |
| Sanitation | - | - | 1,980,642 | 1,936,455 |
| Streetlights | - | - | 100,119 | 123,359 |
| Water and sewer | - | - | 4,760,564 | 4,990,265 |
| Total expenses | 6,313,449 | 6,364,379 | 6,841,325 | 7,050,079 |
| Change in Net Assets | $ 124,639 | $ 144,341 | $ 797,942 | $ 417,688 |

**Governmental activities** Governmental activities increased the City's net assets by $144,341 accounting for 26% 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 $417,688 accounting for 74% of the total growth in the net assets. Approximately $37,294 was from direct operations, approximately $(73,951) from non-operating expenses and $454,345 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, unassigned 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, unassigned fund balance of the general fund was $ 2,804,732. It may be useful to compare the unassigned fund balance to total expenditures, as a measure of the general fund's liquidity. The unassigned fund balance is estimated to be approximately 40% of the upcoming projected Fiscal Year 2012 Expenditures budget of $6,986,845.

The general fund has maintained at least a 38% level of fund balance for three consecutive years (fiscal years 2009, 2010 and 2011) 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 $644,165 with a decrease of $64,304 from the prior year. This decrease represents the net difference amongst the following items: 1) a decrease from unrestricted net assets used for operating and non-operating purposes of $(71,885); 2) a decrease resulting from the net amount invested in capital assets of $(295,764); 3) an increase as a result of contributions from the Urban Renewal agency of $454,345; 4) a reduction of $(151,000) for the restriction of cash to be used for the debt service reserve account.

The Sanitation Fund unrestricted balance is $368,697, an increase of $80,161from 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 $34,400, with a reduction of $36,580 from the prior year. This enterprise activity continues to operate in a deficit condition. During the discussions for the Fiscal Year 2012 budget this continuing condition was discussed with the City Council. An increase in service charges will need to occur in Fiscal Year 2013 in order to avert an unrestricted Net Assets deficit condition in that year. It is anticipated that an increase of approximately $12 per customer per year will be needed in Fiscal Year 2013.

## BUDGETARY HIGHLIGHTS

**General Fund** The City's fund balance, compared to the previous year, increased by $297,175. This increase was due primarily to three factors as follows: 1) savings of $377,822 in expenditures compared to budget, 2) additional revenues of $59,486 in comparison to the budget, and 3) the beginning fund balance that was budgeted to be utilized for funding expenditures was not needed as a resource, a variance of $(140,133).

Over the course of the year there was an amendment to the budget which added $89,288 to budgeted revenues and expenditures. This amendment related primarily to increased revenues from grants and contributions.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** The City's investment in capital assets for its governmental and business-type activities at September 30, 2011 amounts to $26,256,551 (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 approximately $908,431 in capital assets during the year primarily as a result of the purchase of Utility Plant improvements for the Water and Sewer Enterprise Fund at a cost of approximately $730,193, the purchase of machinery and equipment for the Water and Sewer Enterprise Fund at a cost of approximately $45,319, the purchase of police vehicles and other machinery and equipment of approximately $43,442, and improvements to buildings at the Police Facility of approximately $89,477. Depreciation expense for the year was $857,660 and total accumulated depreciation was $10,065,794. 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 | |
|---|---|---|---|---|---|---|
| | 2009-2010 | 2010-2011 | 2009-2010 | 2010-2011 | 2009-2010 | 2010-2011 |
| Land and improvements | $ 6,907,186 | $ 6,907,186 | $ - | $ - | $ 6,907,186 | $ 6,907,186 |
| Buildings and improvements | 3,339,271 | 3,342,114 | 1,686,488 | 1,356,435 | 5,025,759 | 4,698,549 |
| Utility plant and improvements | - | - | 12,893,418 | 13,545,941 | 12,893,418 | 13,545,941 |
| Machinery and equipment | 539,463 | 378,579 | 839,954 | 726,296 | 1,379,417 | 1,104,875 |
| Total assets | $ 10,785,920 | $ 10,627,879 | $ 15,419,860 | $ 15,628,672 | $ 26,205,780 | $ 26,256,551 |

**Long-term debt** At the end of the current fiscal year, the City had $2,605,449 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 | |
|---|---|---|---|---|---|---|
| | 2009-2010 | 2010-2011 | 2009-2010 | 2010-2011 | 2009-2010 | 2010-2011 |
| Bonds payable and bond premium | $ 720,000 | $ 685,000 | $ 1,715,000 | $ 1,636,401 | $ 2,435,000 | $ 2,321,401 |
| Capital leases | 156,787 | 109,048 | - | - | 156,787 | 109,048 |
| Notes payable | 228,000 | 175,000 | - | - | 228,000 | 175,000 |
| | $ 1,104,787 | $ 969,048 | $ 1,715,000 | $ 1,636,401 | $ 2,819,787 | $ 2,605,449 |

It is noted that by state law the City of Garden City's legal debt limit for governmental funds for 2011 would be approximately $16,285,891, 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-** After holding a public hearing in May 2011, the City Council increased water and sewer utility rates by 3.45% and 6.26%, respectively. The rates were increased for the purpose of funding the the replacements of enterprise net assets as needed.

**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 2011-12, there will be a continuing 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 in fiscal year 2009, was continued in Fiscal Years 2010 and 2011 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. In order to have increased water for needed fire flow capacity, the City will be building another water reservoir. This reservoir is expected to cost approximately $2.0 million and will provide additional fire flow capacity of about 750,000 gallons of water per day.

**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 | $ 1,553,257 | $ 1,006,613 | $ 2,559,870 | $ 1,349,753 |
| Investments | 1,005,812 | - | 1,005,812 | - |
| Prepaid expenses | 28,359 | 3,562 | 31,921 | - |
| Receivables | | | | |
| Property taxes | 3,503,678 | - | 3,503,678 | 908,197 |
| Accounts | 89,731 | 721,926 | 811,657 | - |
| Interest | - | - | - | 206 |
| Due from other governmental units | 288,349 | - | 288,349 | - |
| Franchise fees | 85,350 | - | 85,350 | - |
| Grants | 10,681 | - | 10,681 | - |
| Total current assets | 6,565,217 | 1,732,101 | 8,297,318 | 2,258,156 |
| Noncurrent Assets | | | | |
| Deferred charges | - | 84,423 | 84,423 | - |
| Restricted investment for debt service | - | 151,000 | 151,000 | - |
| Long-term Investments | 250,000 | - | 250,000 | - |
| Capital assets | | | | |
| Land, infrastructure, and other assets not depreciated | 6,907,186 | - | 6,907,186 | - |
| Buildings, improvements, and equipment, net of depreciation | 3,720,693 | 15,628,672 | 19,349,365 | - |
| | $ 17,443,096 | $ 17,596,196 | $ 35,039,292 | $ 2,258,156 |

See Notes to Financial Statements

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Unit |
| Liabilities and Net Assets | | | | |
| Current Liabilities | | | | |
| Accounts payable | $ 244,556 | $ 472,488 | $ 717,044 | $ 900 |
| Accrued payroll and taxes | 188,766 | 33,580 | 222,346 | - |
| Compensated absences, current portion | 27,888 | - | 27,888 | - |
| Customer deposits | - | 193,281 | 193,281 | - |
| Due to primary government | - | - | - | 26,811 |
| Interest payable | 10,614 | 2,094 | 12,708 | - |
| Deferred revenue | 3,365,772 | 67,819 | 3,433,591 | 784,827 |
| Current portion of long-term liabilities | 141,080 | 135,000 | 276,080 | - |
| Total current liabilities | 3,978,676 | 904,262 | 4,882,938 | 812,538 |
| Noncurrent Liabilities | | | | |
| Compensated absences payable | 137,662 | - | 137,662 | - |
| Notes payable | 119,000 | - | 119,000 | - |
| Lease payable | 58,968 | - | 58,968 | - |
| Bonds payable | 650,000 | 1,501,401 | 2,151,401 | - |
| Total liabilities | 4,944,306 | 2,405,663 | 7,349,969 | 812,538 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 9,658,831 | 13,992,271 | 23,651,102 | - |
| Restricted for bond service requirement | - | 151,000 | 151,000 | - |
| Unrestricted | 2,839,959 | 1,047,262 | 3,887,221 | 1,445,618 |
| Total net assets | 12,498,790 | 15,190,533 | 27,689,323 | 1,445,618 |
| | $ 17,443,096 | $ 17,596,196 | $ 35,039,292 | $ 2,258,156 |

| 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 | $ 1,586,175 | $ 1,099,270 | $ - | $ - | $ (486,905) |
| Public safety | 3,947,981 | 434,019 | 24,127 | - | (3,489,835) |
| Culture and recreation | 780,396 | 131,950 | 43,088 | - | (605,358) |
| Interest on long-term debt | 49,827 | - | - | - | (49,827) |
| Total governmental activities | 6,364,379 | 1,665,239 | 67,215 | - | (4,631,925) |
| Business-Type Activities | | | | | |
| Sanitation | 1,936,455 | 2,015,707 | - | - | 79,252 |
| Streetlights | 123,359 | 79,335 | - | - | (44,024) |
| Water and sewer | 4,990,265 | 4,874,500 | - | 454,345 | 338,580 |
| Total business-type activities | 7,050,079 | 6,969,542 | - | 454,345 | 373,808 |
| Total primary government | $ 13,414,458 | $ 8,634,781 | $ 67,215 | $ 454,345 | $ (4,258,117) |
| Component Unit | | | | | |
| Urban Renewal | $ 477,671 | $ - | $ - | $ - | $ (477,671) |

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Unit |
| Change in net assets | | | | |
| Net (expense) revenue | $ (4,631,925) | $ 373,808 | $ (4,258,117) | $ (477,671) |
| General revenues | | | | |
| Shared revenues | | | | |
| Property taxes, levied for general purposes | 3,195,181 | - | 3,195,181 | 859,077 |
| Property taxes, levied for debt service | 130,995 | - | 130,995 | - |
| Franchise fees | 492,717 | - | 492,717 | - |
| Sales tax and other governmental | 900,572 | - | 900,572 | - |
| Investment earnings | 24,982 | 26 | 25,008 | 4,278 |
| Miscellaneous | 31,819 | 43,854 | 75,673 | - |
| Total general revenues | 4,776,266 | 43,880 | 4,820,146 | 863,355 |
| Change in Net Assets | 144,341 | 417,688 | 562,029 | 385,684 |
| Net Assets, Beginning of Year | 12,354,449 | 14,772,845 | 27,127,294 | 1,059,934 |
| Net Assets, End of Year | $ 12,498,790 | $ 15,190,533 | $ 27,689,323 | $ 1,445,618 |

| | General | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|
| Assets | | | |
| Cash and cash equivalents | $ 1,553,257 | $ - | $ 1,553,257 |
| Investments | 1,005,812 | - | 1,005,812 |
| Prepaid assets | 28,359 | - | 28,359 |
| Receivables | | | |
| Property taxes | 3,372,683 | 130,995 | 3,503,678 |
| Accounts | 89,731 | - | 89,731 |
| Due from other governmental units | 288,349 | - | 288,349 |
| Franchise fees | 85,350 | - | 85,350 |
| Grants | 10,681 | - | 10,681 |
| Long-term investments | 250,000 | - | 250,000 |
| | $ 6,684,222 | $ 130,995 | $ 6,815,217 |
| Liabilities and Fund Balance | | | |
| Liabilities | | | |
| Accounts payable | $ 244,556 | $ - | $ 244,556 |
| Accrued payroll and taxes | 188,766 | - | 188,766 |
| Accrued vacation | 27,888 | - | 27,888 |
| Deferred revenue | 3,389,921 | 130,995 | 3,520,916 |
| | 3,851,131 | 130,995 | 3,982,126 |
| Fund Balance | | | |
| Nonspendable | 28,359 | - | 28,359 |
| Unassigned | 2,804,732 | - | 2,804,732 |
| Total fund balance | 2,833,091 | - | 2,833,091 |
| | $ 6,684,222 | $ 130,995 | $ 6,815,217 |

| | |
|---|---|
| Fund balance - total governmental funds | $ 2,833,091 |
| 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. | 10,627,879 |
| Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds. | 155,144 |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | (10,614) |
| Accrued vacation is not due and payable in the current period and therefore is not reported in the funds. | (137,662) |
| Long-term debt is not due and payable in the current period and therefore is not reported in the funds. | (969,048) |
| Net assets of governmental activities | $ 12,498,790 |

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended September 30, 2011

| | General | Debt Service Fund | Total Governmental Funds |
|---|---|---|---|
| Revenues | | | |
| Taxes | $ 3,188,213 | $ 130,995 | $ 3,319,208 |
| Licenses and permits | 35,562 | - | 35,562 |
| Charges for services | 1,063,707 | - | 1,063,707 |
| Intergovernmental | 900,572 | - | 900,572 |
| Fines and forfeitures | 434,019 | - | 434,019 |
| Grants | 67,215 | - | 67,215 |
| Franchise fees | 492,717 | - | 492,717 |
| Interest | 24,982 | - | 24,982 |
| Library fees | 131,950 | - | 131,950 |
| Miscellaneous | 31,819 | - | 31,819 |
| Total revenues | 6,370,756 | 130,995 | 6,501,751 |
| Expenditures | | | |
| General government | 1,496,455 | - | 1,496,455 |
| Public safety | 3,675,875 | - | 3,675,875 |
| Culture and recreation | 713,599 | - | 713,599 |
| Capital outlay | 132,919 | - | 132,919 |
| Debt service | | | |
| Principal | 47,739 | 88,000 | 135,739 |
| Interest | 6,994 | 42,995 | 49,989 |
| Total expenditures | 6,073,581 | 130,995 | 6,204,576 |
| Excess of Revenues over Expenditures | 297,175 | - | 297,175 |
| Fund Balance, Beginning of Year | 2,535,916 | - | 2,535,916 |
| Fund Balance, End of Year | $ 2,833,091 | $ - | $ 2,833,091 |

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

Year Ended September 30, 2011

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 297,175 |
| 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 ($290,960) exceeded capital outlays ($132,919) . | | (158,041) |
| The payoff of accrued vacation leave is recognized as an expenditure in the modified accrual basis of accounting when paid. However in the Statement of Activities this cost is recognized as an expense when accrued. | | (137,662) |
| Some property tax revenue in the statement of activities that do not provide current financial resources is not reported as revenue in the funds. | | 6,968 |
| Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. | | 162 |
| 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. | | 135,739 |
| Change in net assets of governmental activities | $ | 144,341 |

| | Water and Sewer Fund | Sanitation Fund | Street Lights Fund | Total |
|---|---|---|---|---|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | $ 660,333 | $ 316,957 | $ 29,323 | $ 1,006,613 |
| Prepaid assets | 3,562 | - | - | 3,562 |
| Customer accounts receivable less allowance for uncollectible accounts of $9,340, $3,300, and $0, respectively | 527,276 | 186,672 | 7,978 | 721,926 |
| Total current assets | 1,191,171 | 503,629 | 37,301 | 1,732,101 |
| Noncurrent Assets | | | | |
| Restricted investment for debt service | 151,000 | - | - | 151,000 |
| Capital assets | | | | |
| Improvements on building and land | 3,023,622 | - | - | 3,023,622 |
| Utility plant and improvements | 17,667,372 | - | - | 17,667,372 |
| Machinery and equipment | 2,853,516 | 4,543 | 186,682 | 3,044,741 |
| | 23,695,510 | 4,543 | 186,682 | 23,886,735 |
| Accumulated depreciation | (8,014,987) | (4,166) | (87,910) | (8,107,063) |
| Total noncurrent assets | 15,680,523 | 377 | 98,772 | 15,779,672 |
| Other Assets | | | | |
| Deferred charges, net of accumulated amortization | 84,423 | - | - | 84,423 |
| | $ 16,956,117 | $ 504,006 | $ 136,073 | $ 17,596,196 |

See Notes to Financial Statements

| | Water and Sewer Fund | Sanitation Fund | Street Lights Fund | Total |
|---|---|---|---|---|
| Liabilities and Net Assets | | | | |
| Current Liabilities | | | | |
| Accounts payable | $ 335,159 | $ 134,764 | $ 2,565 | $ 472,488 |
| Accrued payroll and taxes | 33,076 | 168 | 336 | 33,580 |
| Deferred revenue | 67,819 | - | - | 67,819 |
| Interest payable | 2,094 | - | - | 2,094 |
| Customer deposits | 193,281 | - | - | 193,281 |
| Current portion of long-term liabilities | 135,000 | - | - | 135,000 |
| Total current liabilities | 766,429 | 134,932 | 2,901 | 904,262 |
| Noncurrent Liabilities | | | | |
| Bonds payable | 1,501,401 | - | - | 1,501,401 |
| Total noncurrent liabilities | 1,501,401 | - | - | 1,501,401 |
| Total liabilities | 2,267,830 | 134,932 | 2,901 | 2,405,663 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 13,893,122 | 377 | 98,772 | 13,992,271 |
| Restricted | | | | |
| Restricted for bond service requirement | 151,000 | - | - | 151,000 |
| Unrestricted | 644,165 | 368,697 | 34,400 | 1,047,262 |
| Total net assets | 14,688,287 | 369,074 | 133,172 | 15,190,533 |
| | $ 16,956,117 | $ 504,006 | $ 136,073 | $ 17,596,196 |

| | Water and Sewer Fund | Sanitation Fund | Street Lights Fund | Total |
|---|---|---|---|---|
| Operating Revenues | | | | |
| Charges for services | $ 4,874,500 | $ 2,015,707 | $ 79,335 | $ 6,969,542 |
| Miscellaneous revenues | 43,854 | - | - | 43,854 |
| Total operating revenues | 4,918,354 | 2,015,707 | 79,335 | 7,013,396 |
| Operating Expenses | | | | |
| Personal services | 1,498,357 | 67,499 | 38,034 | 1,603,890 |
| Contractual services | 1,209,320 | 1,549,444 | - | 2,758,764 |
| Overhead | 747,945 | 304,674 | 11,088 | 1,063,707 |
| Supplies | 426,624 | 13,929 | 13,252 | 453,805 |
| Repairs | 328,426 | - | - | 328,426 |
| Depreciation and amortization | 562,117 | 909 | 7,444 | 570,470 |
| Telephone and utilities | 143,499 | - | 53,541 | 197,040 |
| Total operating expenses | 4,916,288 | 1,936,455 | 123,359 | 6,976,102 |
| Operating income (loss) | 2,066 | 79,252 | (44,024) | 37,294 |
| Nonoperating Revenues (Expenses) | | | | |
| Interest revenue | 26 | - | - | 26 |
| Interest expense | (73,977) | - | - | (73,977) |
| Total nonoperating (expenses) revenues | (73,951) | - | - | (73,951) |
| Income (Loss) before Contributions | (71,885) | 79,252 | (44,024) | (36,657) |
| Contributions from other governmental agencies | 454,345 | - | - | 454,345 |
| Change in Net Assets | 382,460 | 79,252 | (44,024) | 417,688 |
| Net Assets, Beginning of Year | 14,305,827 | 289,822 | 177,196 | 14,772,845 |
| Net Assets, End of Year | $ 14,688,287 | $ 369,074 | $ 133,172 | $ 15,190,533 |

| | Water and Sewer Fund | Sanitation Fund | Street Lights Fund | Total |
|---|---|---|---|---|
| Cash Flows from Operating Activities | | | | |
| Receipts from customers and users | $ 4,945,813 | $ 2,015,884 | $ 79,164 | $ 7,040,861 |
| Payments to suppliers | (2,135,572) | (1,687,831) | (70,944) | (3,894,347) |
| Payments for overhead | (747,945) | (304,674) | (11,088) | (1,063,707) |
| Payments to employees | (1,544,875) | (72,030) | (38,652) | (1,655,557) |
| Net Cash from (used for) Operating Activities | 517,421 | (48,651) | (41,520) | 427,250 |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Interest paid | (78,425) | - | - | (78,425) |
| Payments on bonds payable | (125,000) | - | - | (125,000) |
| Investments restricted for debt service | (151,000) | - | - | (151,000) |
| Proceeds from sale of revenue bonds used to refund 2001 bonds | 1,650,100 | - | - | 1,650,100 |
| Refunding of 2001 revenue bonds | (1,590,000) | - | - | (1,590,000) |
| Payment of bond financing costs | (60,100) | - | - | (60,100) |
| Acquisition of capital assets | (775,512) | - | - | (775,512) |
| Cash contribution from other governmental agencies | 488,252 | - | - | 488,252 |
| Net Cash used for Capital and Related Financing Activities | (641,685) | - | - | (641,685) |
| Cash Flows from Investing Activities | | | | |
| Interest received | 26 | - | - | 26 |
| Net Decrease in Cash and Cash Equivalents | (124,238) | (48,651) | (41,520) | (214,409) |
| Cash and Cash Equivalents, Beginning of Year | 784,571 | 365,608 | 70,843 | 1,221,022 |
| Cash and Cash Equivalents, End of Year | $ 660,333 | $ 316,957 | $ 29,323 | $ 1,006,613 |

| | Water and Sewer Fund | Sanitation Fund | Street Lights Fund | Total |
|---|---|---|---|---|
| Reconciliation of Operating Income to Net Cash from (used for) Operating Activities | | | | |
| Operating income (loss) | $ 2,066 | $ 79,252 | $ (44,024) | $ 37,294 |
| Adjustments to reconcile operating income to net cash from (used for) operating activities | | | | |
| Depreciation and amortization | 562,117 | 909 | 7,444 | 570,470 |
| Changes in assets and liabilities | | | | |
| Accounts receivable | 76,053 | 177 | (171) | 76,059 |
| Prepaids | 779 | 288 | 288 | 1,355 |
| Accounts payable | (28,482) | (124,746) | (4,439) | (157,667) |
| Accrued payroll and taxes | (46,518) | (4,531) | (618) | (51,667) |
| Deferred revenue | (60,741) | - | - | (60,741) |
| Customer deposits | 12,147 | - | - | 12,147 |
| Net Cash from (used for) Operating Activities | $ 517,421 | $ (48,651) | $ (41,520) | $ 427,250 |

## Note 1 - Summary of Significant Accounting Policies

The City of Garden City (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*. As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected to apply private sector standards issued prior to November 30, 1989 as long as they don't contradict GASB. The City has also elected not to apply to its proprietary private sector standards 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 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.

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.

**Fund Balance Classification**

The City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted**—Amounts that can be spent only for specific purposes because of the City Code, state or federal laws, or externally-imposed conditions by grantors or creditors.

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

**Assigned—**Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by City Council.

**Unassigned**—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet as discussed above. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

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.

**General Fund**

The General Fund has Unassigned Fund Balance of $2,804,731at September 30, 2011. Prepaid items of $28,359 are considered Nonspendable. The City has no restrictions, commitments or assignments of fund balance as of September 30, 2011.

**Cash and Cash Equivalents**

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

**Investments**

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

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

**Property Taxes Receivable and Deferred Revenue**

Within the governmental fund financial statement, property taxes, including those within the Component Unit, are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.
Available tax proceeds include property tax receivables expected to be collected within sixty days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. 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. Compensated absences are typically paid from the general fund. 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. 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 of $75,406 representing bond issuance costs for the 2001 Revenue Bonds are being amortized over the life of that bond, and bond issuance costs of $60,100 on the 2011 Revenue Bonds will be amortized over the remaining life of the bonds. Current year amortization expense is $3,770. The unamortized amount of the deferred costs for Revenue Bond Series 2001 and Revenue Bond Series 2011is $84,423.

**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.

## Note 2 - Cash and Investments

At year end, the carrying amount of the primary government's deposits, including restricted investments was $3,966,681 and bank balances totaled $4,143,856. Of the total cash and investment balances, $1,624,081 was covered by Federal Deposit Insurance Corporation (FDIC) insurance, $74,904 was covered by the National Credit Union Administration Insurance, $502,009 was invested through Certificate of Account Deposit Registry (CDARS), which allows for investments in FDIC backed investment instruments and $1,942,862 was uninsured and uncollateralized. 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.

As identified in Note 6, the City issued Revenue Bond Series 2011 on September 1, 2011. The bond covenants for Bond Series 2011 require that a restricted cash balance be maintained in the Water and Sewer Enterprise fund to be used only for the payment of principal and interest in the event that the city is unable to make those payments on a timely basis using available cash on hand in the Water and Sewer Enterprise Fund. The City opted to utilize available cash to fund this debt service reserve versus purchasing insurance for that purpose and put it into a certificate of deposit. The balance in the restricted investment account is $151,000 and is shown in the Water and Sewer Fund balance sheet as restricted investment and Restricted Net Assets for that same amount.

The Code and the City investment policy limit 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. All investments have maturities that are no more than three years. As of September 30, 2011 the amount of cash, cash equivalents and invested cash is as follows:

| | Maturities | Fair Value |
|---|---|---|
| Cash | N/A | $ 697,227 |
| Cash Equivalents | | |
| Money market accounts | Daily | 505,484 |
| State of Idaho Local Government Investment Pool | N/A | 1,685,333 |
| Investments | | |
| Certificates of deposit | One year or less | 854,812 |
| Certificates of deposit - restricted | September 30, 2013 | 151,000 |
| Certificates of deposit - unrestricted | January 13, 2013 | 250,000 |
| | | $ 4,143,856 |

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 is not invested in any debt instruments or investments that are rated by ratings organizations. This risk is mitigated by investments that are insured by the FDIC, NCUA and by credit ratings on quality ratings of A or better.

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 five different financial institutions in which all cash and cash investments are placed and in which no more than 50% of all available cash invested is in any one institution at one time. The City has investments placed with ten 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 | $ 508,977 | 12.28% |
| Idaho Banking Company | 313,347 | 7.56% |
| Mountain West Bank | 744,646 | 17.97% |
| Les Bois Credit Union | 74,904 | 1.81% |
| Zions Bank | 216,804 | 5.24% |
| State of Idaho Local Government Investment Pool | 1,685,333 | 40.67% |
| Wells Fargo | 50,616 | 1.22% |
| Key Bank | 248,383 | 5.99% |
| Washington Trust Bank | 50,846 | 1.23% |
| Bank of the Cascades | 250,000 | 6.03% |
| | $ 4,143,856 | 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, 2011:

| | |
|---|---|
| State of Idaho | |
| State tax commissions | $ 172,579 |
| State liquor dispensary | 36,105 |
| Office of Highway Safety | 3,359 |
| Ada County | |
| Court revenue | 26,716 |
| Garden City Urban Renewal Agency | 49,590 |
| Total | $ 288,349 |

## Note 4 - Capital Assets

Changes in capital assets are as follows:

| | October 1, 2010 | Additions | Deletions | September 30, 2011 |
|---|---|---|---|---|
| Governmental Activities | | | | |
| Capital assets, not depreciated | | | | |
| Land and land improvements | $ 6,907,186 | $ - | $ - | $ 6,907,186 |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 3,918,982 | 89,477 | - | 4,008,459 |
| Machinery and equipment | 1,627,523 | 43,442 | - | 1,670,965 |
| Total capital assets, depreciated | 5,546,505 | 132,919 | - | 5,679,424 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (579,711) | (86,634) | - | (666,345) |
| Machinery and equipment | (1,088,060) | (204,326) | - | (1,292,386) |
| Total accumulated depreciation | (1,667,771) | (290,960) | - | (1,958,731) |
| Total net capital assets, depreciated | 3,878,734 | (158,041) | - | 3,720,693 |
| Governmental Activities Capital Assets, Net | $ 10,785,920 | $ (158,041) | $ - | $ 10,627,879 |

| | October 1, 2010 | Additions | Deletions | September 30, 2011 |
|---|---|---|---|---|
| Business-Type Activities | | | | |
| Capital assets, depreciated | | | | |
| Buildings and improvements | $ 3,023,622 | $ - | $ - | $ 3,023,622 |
| Utility plant and improvements | 16,937,179 | 730,193 | - | 17,667,372 |
| Machinery and equipment | 2,999,422 | 45,319 | - | 3,044,741 |
| Total capital assets, depreciated | 22,960,223 | 775,512 | - | 23,735,735 |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (1,606,785) | (60,403) | - | (1,667,188) |
| Utility plant and improvements | (3,775,281) | (347,320) | - | (4,122,601) |
| Machinery and equipment | (2,158,297) | (158,977) | - | (2,317,274) |
| Total accumulated depreciation | (7,540,363) | (566,700) | - | (8,107,063) |
| Business-Type Activities Capital Assets, Net | $ 15,419,860 | $ 208,812 | $ - | $ 15,628,672 |

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

| | |
|---|---|
| Governmental Activities | |
| Administration | $ 64,089 |
| Public safety | 170,507 |
| Culture and recreation | 56,364 |
| Total depreciation expense - governmental activities | $ 290,960 |
| Business-Type Activities | |
| Water and sewer | $ 558,347 |
| Sanitation | 909 |
| Street lights | 7,444 |
| Total depreciation expense - business-type activities | $ 566,700 |
| Depreciation Expense associated with Leased Assets included as Part of Governmental Activities - Public Safety Depreciation Expense | $ 45,258 |

## Note 5 - Long-Term Debt

Long-term debt consisted of the following as of September 30, 2011:

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. $ 685,000

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. $ 175,000

Lease payable

On October 1, 2008 the City entered into a lease/purchase agreements 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 of each year through July 2014. The interest rate on the lease is 4.95% and is secured by the vehicles. $ 109,048

Business-Type Activities

Revenue Bonds

On September 1, 2011, the City issued $1,510,000 in Revenue Bonds to refinance the Revenue Bonds that were originally issued on November 1, 2001 for the construction of the Water Filtration System. The bonds are payable in annual principal installments varying from $135,000 to $175,000 through September 2021, plus interest ranging from 2% to 4% payable semi-annually. $ 1,510,000

| | |
|---|---|
| Premium | 126,401 |
| Total Revenue Bonds | $ 1,636,401 |

The annual requirements to amortize all debt outstanding at September 30, 2011, are as follows:

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2012 | $ 91,000 | $ 39,183 | $ 135,000 | $ 48,333 |
| 2013 | 98,000 | 35,176 | 135,000 | 43,700 |
| 2014 | 101,000 | 30,821 | 140,000 | 41,000 |
| 2015 | 40,000 | 26,303 | 140,000 | 38,200 |
| 2016 | 45,000 | 24,623 | 150,000 | 35,400 |
| 2017 - 2012 | 245,000 | 92,800 | 810,000 | 98,300 |
| 2022 - 2026 | 240,000 | 29,973 | - | - |
| | $ 860,000 | $ 278,879 | $ 1,510,000 | $ 304,933 |

Total interest cost incurred during 2011 was $123,804 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 $141,380. Depreciation expense in the current year associated with the lease was $45,258. The following is a schedule of the future minimum payments under the capital lease, together with the net present value of the minimum lease payments as of September 30, 2011:

| | |
|---|---|
| 2012 | $ 54,733 |
| 2013 | 54,733 |
| 2014 | 6,573 |
| Minimum lease payments for capital lease | 116,039 |
| Less: Amount representing interest | (6,991) |
| Present value of minimum lease payments at September 30, 2011 | $ 109,048 |

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 2011, based on data available from Ada County as of August 31, 2011, would be approximately $16,285,800.

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2011:

| | 2010 Balance | Debt Issued | Debt Retired | 2011 Balance | Due in One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Bonds payable | $ 720,000 | $ - | $ (35,000) | $ 685,000 | $ 35,000 |
| Capital leases | 156,787 | - | (47,739) | 109,048 | 50,080 |
| Notes payable | 228,000 | - | (53,000) | 175,000 | 56,000 |
| Governmental activities long-term liabilities | $ 1,104,787 | $ - | $ (135,739) | $ 969,048 | $ 141,080 |
| Business-Type Activities | | | | | |
| Bonds payable | $ 1,715,000 | $ 1,510,000 | $ (1,715,000) | $ 1,510,000 | $ 135,000 |
| Business-type activities long-term liabilities | $ 1,715,000 | $ 1,510,000 | $ (1,715,000) | $ 1,510,000 | $ 135,000 |

The City held Revenue Bonds Series 2001 to provide funding for construction of the Water Filtration System. On September 1, 2011, those bond series were refunded with the Revenue Bonds Series 2011. The remaining principal balance of $1,590,000 was refunded in accordance with the bond covenants on the first date that these bonds could be called and paid. The Revenue Bond Series 2011 were sold for a premium of $126,401 and the total principal balance to be paid through maturity of September 2021 that is $80,000 less than bond series 2001. The net cash flow savings of the new and old bond series is $221,012. The net present value of the cash savings is a net economic gain for this refunding transaction of $191,752.

## Note 6 - Pledged Revenues

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay $1,510,000 in water and sewer system revenue bonds issued on September 1, 2011. Proceeds from these bonds were used to refund Revenue Bonds Series 2001 that provided financing for 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 36 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,814,933. Principal and interest paid for the current year and total customer net revenues were $203,598 (based on the refinanced revenue bond series 2001) and $517,417, 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 $947,013, payable through August 1, 2025. For the current year, principal and interest paid and total property tax revenues were $67,165.

## 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, 2011, 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 $463,081, $469,985, $484,122 for the three years ended September 30, 2011, and 2010, and 2009, respectively.

## Note 9 - Subsequent Event

Under the terms of the note payable, the City has the option to pay the remaining principal balance at an interest payment date. On October 1, 2011, the City opted to pay off the entire remaining balance of $175,000.

## Note 10 - Component Unit

The Garden City Urban Renewal Agency (the Agency) is a separate and distinct legal entity of the City of Garden City (the 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 $467,935. All cash is held in national financial institutions and is insured.

As part of the Agency's 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, 2011 the sweep account was not in use.

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, 2011, the amount of deposits invested in these cash equivalents is:

| Investment Type | Maturities | Fair Value |
|---|---|---|
| Cash equivalents | | |
| Money Market | N/A | $ 172,029 |
| State of Idaho Local Government Investment Pool | | |
| External Investment Pool | N/A | 905,097 |
| | | $ 1,077,126 |

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 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, 2011

# City of Garden City, Idaho

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended September 30, 2011

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance With Final Budget |
|---|---|---|---|---|
| Revenues | | | | |
| Taxes | $ 3,134,941 | $ 3,134,941 | $ 3,188,213 | $ 53,272 |
| Licenses and permits | 32,975 | 32,975 | 35,562 | 2,587 |
| Charges for services | 1,063,707 | 1,063,707 | 1,063,707 | - |
| Intergovernmental | 775,511 | 825,511 | 900,572 | 75,061 |
| Fines and forfeitures | 455,160 | 455,160 | 434,019 | (21,141) |
| Grants | 26,615 | 61,152 | 67,215 | 6,063 |
| Franchise fees | 551,452 | 551,452 | 492,717 | (58,735) |
| Interest | 22,780 | 22,780 | 24,982 | 2,202 |
| Library fees | 134,180 | 138,931 | 131,950 | (6,981) |
| Miscellaneous | 24,661 | 24,661 | 31,819 | 7,158 |
| Total revenues | 6,221,982 | 6,311,270 | 6,370,756 | 59,486 |
| Expenditures | | | | |
| General government | 1,679,994 | 1,701,192 | 1,496,455 | 204,737 |
| Public safety | 3,817,984 | 3,819,525 | 3,675,875 | 143,650 |
| Culture and recreation | 734,824 | 751,373 | 713,599 | 37,774 |
| Capital outlay | 74,580 | 124,580 | 132,919 | (8,339) |
| Debt service | | | | |
| Principal | 44,963 | 46,609 | 47,739 | (1,130) |
| Interest | 9,770 | 8,124 | 6,994 | 1,130 |
| Total expenditures | 6,362,115 | 6,451,403 | 6,073,581 | 377,822 |
| Excess of Revenues over (under) Expenditures | $ (140,133) | $ (140,133) | 297,175 | $ 437,308 |
| Fund Balance, Beginning of Year | | | 2,535,916 | |
| Fund Balance, End of Year | | | $ 2,833,091 | |

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 Information
September 30, 2011

# City of Garden City, Idaho

**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 (the City's), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 09, 2012. The auditors opinion included an explanatory paragraph on the adoption of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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'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.


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**Compliance and other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Boise, Idaho
January 09, 2012