



Independent Auditor's Report and
Financial Statements for

**City Of Idaho Falls, Idaho Electric
Light Fund (An Enterprise Fund of
the City of Idaho Falls)**

September 30, 2010 and 2009

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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INDEPENDENT AUDITOR'S REPORT

City of Idaho Falls, Idaho
Electric Light Fund

We have audited the accompanying balance sheets of the City of Idaho Falls, Idaho, Electric Light Fund (the Fund) as of September 30, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Idaho Falls, Idaho, Electric Light Fund as of September 30, 2010 and 2009 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The City of Idaho Falls, Idaho, Electric Light Fund has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

Moss Adams LLP

Portland, Oregon
January 20, 2011

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
BALANCE SHEETS**

ASSETS

	September 30,	
	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,953,302	\$ 6,724,245
Investments	10,618,440	18,569,584
Accounts receivable, net	3,797,577	3,827,344
Power contracts receivable	1,763,928	852,027
Interest receivable	190,513	298,365
Materials and supplies	3,401,568	3,674,956
Due from other City funds	282,637	273,481
	<hr/>	<hr/>
Total current assets	31,007,965	34,220,002
	<hr/>	<hr/>
RESTRICTED ASSETS		
Cash and cash equivalents	5,942,738	5,953,279
	<hr/>	<hr/>
LONG-TERM INVESTMENTS	13,619,023	13,605,799
	<hr/>	<hr/>
UTILITY PLANT		
Plant in service	185,551,410	179,199,583
Accumulated depreciation	(98,654,290)	(93,500,220)
Construction work-in-progress	2,798,340	3,593,449
	<hr/>	<hr/>
Net utility plant	89,695,460	89,292,812
	<hr/>	<hr/>
DEFERRED CHARGES	328,553	396,000
	<hr/>	<hr/>
Total assets	<u>\$ 140,593,739</u>	<u>\$ 143,467,892</u>

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
BALANCE SHEETS**

LIABILITIES AND NET ASSETS

	September 30,	
	2010	2009
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,402,240	\$ 1,601,392
Purchased power payable	928,704	1,572,677
Due to other City funds	717	436
	<u>3,331,661</u>	<u>3,174,505</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current portion of interest payable	5,725,028	5,330,860
Current portion of bonds payable	1,954,972	2,100,333
	<u>7,680,000</u>	<u>7,431,193</u>
LONG-TERM LIABILITIES, net of current portion		
Bonds payable	5,029,084	6,984,056
Interest payable	13,790,780	17,730,236
Post-employment benefit obligation	991	-
	<u>18,820,855</u>	<u>24,714,292</u>
Total long-term liabilities, net of current portion	<u>18,820,855</u>	<u>24,714,292</u>
Total liabilities	<u>29,832,516</u>	<u>35,319,990</u>
NET ASSETS		
Invested in capital assets, net of related debt	83,039,957	80,603,755
Restricted	217,710	622,418
Unrestricted	27,503,556	26,921,729
	<u>110,761,223</u>	<u>108,147,902</u>
Total net assets	<u>110,761,223</u>	<u>108,147,902</u>
Total liabilities and net assets	<u>\$ 140,593,739</u>	<u>\$ 143,467,892</u>

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	Years Ended September 30,	
	2010	2009
OPERATING REVENUES		
Retail	\$ 42,367,647	\$ 40,502,475
Wholesale	9,860,747	10,209,447
Other	629,455	905,709
Total operating revenues	<u>52,857,849</u>	<u>51,617,631</u>
OPERATING EXPENSES		
Purchased power	29,083,525	28,524,680
Power generation	2,683,625	2,449,599
Transmission and distribution	3,007,610	3,101,794
Customer accounting and collection	1,638,176	1,665,455
General and administrative	4,459,337	4,506,517
Depreciation	5,584,485	5,384,744
Total operating expenses	<u>46,456,758</u>	<u>45,632,789</u>
OPERATING INCOME	<u>6,401,091</u>	<u>5,984,842</u>
OTHER REVENUE (EXPENSE)		
Investment earnings	488,532	789,723
Interest expense	(2,116,159)	(2,507,560)
Transfers for payments in lieu of taxes	(3,269,812)	(3,133,327)
Other, net	513,475	810,963
Total other expense	<u>(4,383,964)</u>	<u>(4,040,201)</u>
CAPITAL CONTRIBUTIONS	<u>596,194</u>	<u>1,536,942</u>
CHANGE IN NET ASSETS	2,613,321	3,481,583
NET ASSETS, beginning of year	<u>108,147,902</u>	<u>104,666,319</u>
NET ASSETS, end of year	<u>\$ 110,761,223</u>	<u>\$ 108,147,902</u>

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
STATEMENTS OF CASH FLOWS**

	Years Ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 49,146,106	\$ 49,650,396
Receipts from City	2,820,453	2,605,586
Payments to suppliers	(32,865,377)	(33,081,392)
Payments to employees	(5,182,401)	(5,038,614)
Payments to City for services used	(2,665,680)	(2,707,843)
Net cash flows from operating activities	11,253,101	11,428,133
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers for payments in lieu of taxes	(3,269,812)	(3,133,327)
Other, net	513,475	810,963
Net cash flows from noncapital financing activities	(2,756,337)	(2,322,364)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Plant expenditures and construction of capital assets	(5,390,938)	(7,472,768)
Change in materials and supplies	273,388	(113,524)
Principal payments on bonds	(2,100,333)	(2,323,808)
Interest payments on bonds	(5,594,668)	(5,616,192)
Net cash flows from capital and related financing activities	(12,812,551)	(15,526,292)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(69,151,912)	(63,754,890)
Proceeds from sale and maturity of investments	77,089,831	69,607,407
Interest on investments	596,384	787,906
Net cash flows from investing activities	8,534,303	6,640,423
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	4,218,516	219,900
CASH AND CASH EQUIVALENTS, beginning of year		
	12,677,524	12,457,624
CASH AND CASH EQUIVALENTS, end of year		
	\$ 16,896,040	\$ 12,677,524

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
STATEMENTS OF CASH FLOWS**

	Years Ended September 30,	
	2010	2009
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 6,401,091	\$ 5,984,842
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	5,584,485	5,384,744
Changes in operating assets and liabilities		
Accounts receivable	29,767	(174,086)
Power contracts receivable	(911,901)	804,966
Due from/to other City funds	(8,875)	7,714
Accounts payable and accrued liabilities	800,848	(1,015,276)
Purchased power payable	(643,973)	435,973
Post-employment benefit obligation and asset	1,659	(744)
Net cash flows from operating activities	<u>\$ 11,253,101</u>	<u>\$ 11,428,133</u>
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
Amortization of debt related deferred charges included in interest expense	<u>\$ 66,779</u>	<u>\$ 66,779</u>
Contributed utility plant by governmental authorities	<u>\$ 589,892</u>	<u>\$ 583,561</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, current	\$ 10,953,302	\$ 6,724,245
Cash and cash equivalents, restricted	<u>5,942,738</u>	<u>5,953,279</u>
Cash and cash equivalents, end of year	<u>\$ 16,896,040</u>	<u>\$ 12,677,524</u>

NOTE 1 – NATURE OF ORGANIZATION AND OPERATIONS

The City of Idaho Falls, Idaho, Electric Light Fund (the Fund) is an enterprise fund of the City of Idaho Falls, Idaho (the City) that owns, maintains and operates the electric utility for the City. The City Council has the authority to set rates and charges for services in order to meet the anticipated requirements of the Fund.

The Fund provides energy service primarily to residential, commercial and limited industrial customers located in a 17 square mile area. In order to secure power resources, the Fund has entered into a Block and Slice Power Agreement with Bonneville Power Administration (BPA) and has taken ownership of various generation facilities. In addition, the Fund is a member of Utah Associated Municipal Power Systems (UAMPS) where the Fund is able to purchase power and sell power to other members and on the open market. Internal generation is produced by two projects, Gem State Project and the Bulb Turbine Project (3 turbines).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation – The Fund is considered an enterprise and operates as a proprietary fund. The financial statements of the Fund have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Fund follows applicable accounting and reporting pronouncements issued by the Governmental Accounting Standards Board (GASB) as well as applicable pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless those pronouncements conflict with or contradict the GASB pronouncements. The Fund has elected not to follow pronouncements issued by FASB after November 30, 1989.

The Uniform System of Accounts, as prescribed by the Federal Energy Regulatory Commission (FERC), is the basis for the Fund's accounting policies.

Cash equivalents – Cash equivalents include investments, including restricted investments, with maturities of less than 90 days at the origination date.

Restricted cash and cash equivalents – Cash and investments for which the use is restricted to renewal and replacement requirements of the bond ordinance and to the payment of debt service are classified as restricted cash and cash equivalents. Investments consist of obligations of the United States Government and certain United States Government agencies.

Investments – The Fund accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains (losses) are reported as a component of investment earnings in the Statement of Revenues, Expenses and Changes in Net Assets.

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Concentration of credit risk – The Fund’s financial instruments that are exposed to concentration of credit risk consist primarily of cash, investments and receivables.

The Fund maintains its cash and investments in bank deposit accounts which exceed federally insured limits. The Fund has not experienced any losses in such accounts and believes its cash and investments are not exposed to any significant credit risk.

Credit is extended to customers generally without collateral requirements; however, deposits are obtained from certain customers and formal shut-off procedures are in place. The Fund continually evaluates its wholesale power customers by reviewing credit ratings and financial credit worthiness of existing and new customers.

Accounts receivable – Accounts receivable are recorded when invoices are issued. Delinquent customer receivables are carried for a period of five years from the date of the last payment received before they can be written off. The allowance for doubtful accounts includes all amounts with no activity for one year. The allowance for doubtful accounts was \$986,355 and \$866,122 at September 30, 2010 and 2009, respectively.

Materials and supplies – Materials and supplies consist primarily of items for construction and maintenance of utility plant and are stated at average cost which approximates fair value.

Utility plant – Utility plant assets are stated at cost (See Note 5). Cost includes contracted services, direct labor and materials and certain overhead items. The provision for depreciation is determined by the straight-line method over the estimated useful lives of the assets (as specified by the Federal Energy Regulatory Commission (FERC) for utility plant) ranging from three to fifty years. The cost of maintenance and repairs is expensed as incurred; renewals, replacements and betterments are capitalized if over \$10,000. The actual or average cost of property replaced or renewed is removed from utility plant and such cost plus removal cost less salvage is charged to accumulated depreciation.

Bond issue costs – Bond issue costs are being amortized using the straight-line method over the term of the Bond. Bond issue costs are included in deferred charges.

Compensated absences – The Fund accrues accumulated unpaid vacation, sick leave and longevity bonus benefits as the obligation is incurred. The accrued liability for unpaid benefits at September 30, 2010 and 2009 was \$928,116 and \$858,025, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Net assets – Net assets consist of the following components:

- **Invested in capital assets, net of related debt** – This component of net assets consists of capital assets, net of accumulated depreciation, less outstanding balances of any debt borrowings that are attributable to the acquisition, construction or improvement of those assets plus unexpended bond issuance costs.
- **Restricted** – This component of net assets consists of assets restricted by bond agreements.
- **Unrestricted** – This component of net assets consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

Revenue recognition – The Fund recognizes revenue as earned and classifies revenue as either operating or non-operating depending on the nature. The Fund utilizes cycle billing and records revenue billed to its customers when the meters are read. In addition, the Fund recognizes unbilled revenue, revenues from electric power delivered but not yet billed. At September 30, 2010 and 2009 unbilled revenue was approximately \$1,890,000 and \$1,880,000, respectively.

Forward contracts – In the normal course of business the Fund executes various physical transactions for the procurement of power in future time periods. The Fund uses forward contracts to lock in firm physical supply of energy products to match and cover energy loads. The Fund records contract terms upon physical delivery of energy as the contracts are considered normal purchase or normal sales. At September 30, 2010, the fund had one forward contract expiring December 2010, one forward contract expiring January 2011, two forward contracts expiring March 2011, and two open contracts expiring March 2012.

Contributed capital – Consists of cash or non-cash contributions received from either outside sources or other City funds for the construction of utility plant. Contributions are recorded as revenues.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Risks and uncertainties – The Fund is subject to certain operating risks that could have a material impact on future operations and financial performance. These risks and uncertainties include water conditions, weather and natural disaster related disruptions, collective bargaining labor disputes, fish and other endangered species act issues, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance, and/or licensing of hydroelectric facilities and the deregulation of the electrical utility industry.

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – RESTRICTED ASSETS – CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents at September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Restricted by 1991 General Obligation Electric Refunding Bonds Ordinance		
Renewal and Replacement Account	\$ 2,102,224	\$ 2,102,224
Debt Service Account	3,840,000	3,850,541
Restricted Security Deposits	<u>514</u>	<u>514</u>
 Total restricted cash and cash equivalents	 <u>\$ 5,942,738</u>	 <u>\$ 5,953,279</u>

NOTE 4 – CASH AND INVESTMENTS

The Fund maintains its deposits on a pooled basis with other City funds. In addition, the Fund has deposits held separately by a trustee which are classified as restricted.

Deposits – At September 30, 2010 and 2009, the carrying amount of the Fund’s deposits was \$26,354,910 and \$24,985,875, respectively, and the respective bank balances totaled \$26,484,284 and \$25,212,836, respectively. Of the bank balances, \$15,394,905 and \$19,760,252, respectively, were insured or collateralized with pooled securities held by the pledging financial institution in the name of the City.

Custodial credit risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Fund’s deposits may not be returned. As of September 30, 2010 and 2009, some of the Fund’s deposits totaling \$11,089,379 and \$5,452,584, respectively, were not covered by federal depository insurance or by collateral held by the City’s agent or pledging financial institution’s trust department or agent in the name of the City, and thus were exposed to custodial credit risk.

Custodial credit risk – Investments – As of September 30, 2010 and 2009, the Fund’s investments were covered by federal depository insurance or by collateral held by the City’s agent or pledging financial institution’s trust department or agent in the name of the City, and thus no investments were exposed to custodial credit risk.

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations primarily by investing in shorter term securities, money market funds, or similar investment pools.

CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CASH AND INVESTMENTS – (continued)

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the City’s policy to limit investments to the safest types of securities and to diversify the City’s investment portfolio so that potential losses on securities will be minimized. The City follows Idaho statute that outlines qualifying investment options.

The Fund’s investment maturities (in years) at September 30, 2010 and 2009 are summarized below:

	2010				
	Fair Value	Less than 1	1-5	1-10	More than 10
Investment type:					
Commercial Paper	\$ 1,159,570	\$ 1,159,570	\$ -	\$ -	\$ -
U.S. Agencies	13,619,023	-	10,104,598	3,509,196	5,229
Total investments	\$ 14,778,593	\$ 1,159,570	\$ 10,104,598	\$ 3,509,196	\$ 5,229
	2009				
	Fair Value	Less than 1	1-5	1-10	More than 10
Investment type:					
Commercial Paper	\$ 6,011,316	\$ 6,011,316	\$ -	\$ -	\$ -
U.S. Agencies	13,855,716	249,917	13,600,500	-	5,299
Total investments	\$ 19,867,032	\$ 6,261,233	\$ 13,600,500	\$ -	\$ 5,299

The following is a reconciliation of the amounts reported as cash and cash equivalents on the balance sheet and the amounts categorized above as deposits:

	2010	2009
Reconciliation of deposits categorization		
Cash and cash equivalents reported on balance sheet	\$ 10,953,302	\$ 6,724,245
Restricted cash and cash equivalents reported on balance sheet	5,942,738	5,953,279
Investments categorized as deposits	9,458,870	12,308,351
Total deposits categorized	\$ 26,354,910	\$ 24,985,875

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CASH AND INVESTMENTS - (continued)

The following is a reconciliation of the amounts reported as investments on the balance sheet and the amounts categorized above as investments.

	<u>2010</u>	<u>2009</u>
Reconciliation of investments categorization		
Investments reported on balance sheet	\$ 24,237,463	\$ 32,175,383
Less investments categorized with deposits	<u>(9,458,870)</u>	<u>(12,308,351)</u>
Total investments categorized	<u>\$ 14,778,593</u>	<u>\$ 19,867,032</u>

NOTE 5 - UTILITY PLANT

Changes in utility plant for the year ended September 30, 2010 are as follows:

	<u>2009</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>2010</u>
Plant in service				
Land	\$ 2,002,747	\$ -	\$ -	\$ 2,002,747
Generating facilities	102,482,481	116,141	-	102,598,622
Distribution facilities	46,307,103	2,828,775	-	49,135,878
Transmission facilities	13,051,563	3,035,022	-	16,086,585
General plant	13,319,414	802,659	(430,770)	13,691,303
Intangibles	2,036,275	-	-	2,036,275
	<u>179,199,583</u>	<u>6,782,597</u>	<u>(430,770)</u>	<u>185,551,410</u>
Construction work-in-progress	<u>3,593,449</u>	<u>5,279,299</u>	<u>(6,074,408)</u>	<u>2,798,340</u>
Accumulated depreciation	<u>(93,500,220)</u>	<u>(5,584,485)</u>	<u>430,415</u>	<u>(98,654,290)</u>
Net utility plant	<u>\$ 89,292,812</u>	<u>\$ 6,477,411</u>	<u>\$ (6,074,763)</u>	<u>\$ 89,695,460</u>

The Fund's generating facilities consist of the Bulb Turbine Project and the Gem State Project. These projects are being operated under FERC licenses, issued to the City, expiring February 1, 2029 and November 30, 2033, respectively. The City is required to renew FERC licenses to continue to operate the facilities beyond the expiration dates.

NOTE 6 – PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

The Public Employee Retirement System of Idaho (PERSI), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. Statutes governing PERSI are Title 59, Chapter 13 and Title 50, Chapter 15 of the Idaho Code. PERSI is a defined benefit plan requiring that both the member and the employer contribute. In addition to retirement benefits for the member, benefits are provided for disability, death and to survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state employees, the legislature provided for political subdivisions to participate by contractual agreement with PERSI. The benefits and obligations to contribute to the plans are established by and may be amended by the Idaho State Legislature. Financial reports for the plan are available from PERSI upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each year of credited service, the annual service retirement allowance is 2.00% or 2.30% (depending upon employee classification) of average monthly salary for the highest consecutive 42 months.

For the years ended September 30, 2010 and 2009, the required employee and employer contribution rates as determined by PERSI was 6.23% of covered payroll. The Fund's contributions required and paid were \$505,684 and \$518,415 for the years ended September 30, 2010 and 2009, respectively.

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS

The City makes available postretirement health insurance in accordance with a City resolution to City employees who retire under PERSI from the City before attaining age 65.

Currently, the City pays \$100 toward each retiree's monthly insurance premium. The retiree pays the balance and all future increases until the retiree reaches age 65 or at the expiration of ten years from the date of retirement, whichever comes first. The City Council may decrease or increase premium contributions of future retirees. However, in no event shall the City decrease the City's premium contribution below the contribution in effect at the time the employee retires.

There were 7 retirees who met the eligibility requirements and participated in the insurance program. Expenditures for post retirement health insurance are recognized on a pay-as-you-go basis. During the year, expenditures of \$9,100 were recognized for postretirement health insurance. Projected future insurance costs for the current retirees are \$32,800.

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS – (continued)

The City also contributes to the retiree’s monthly insurance premium with a subsidy of 1.68% of total active employee’s insurance premium. During the year this subsidy amounted to \$106,200. The City Council may decrease or increase this premium contribution at any time.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially-determined amounts regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the types of benefits provided under the terms of the plan and on the pattern of shared costs between the employer and plan members, at the time of each valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions are as follows:

Valuation date	July 1, 2009
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Rolling 30-year
Amortization period	30 years
Discount rate	4.50%
Health care cost trend rates – medical:	There is no trend on the \$100 per retiree per month benefit. The annual trend on the 1.68% subsidy benefit is 6.0% in year 1, 7.6% in year 2, 6.7% in year 3 gradually decreasing to 4.9% in fiscal year 2061 and remaining at 4.9% thereafter.
Growth in membership	0.00%
Mortality	Basis – RP-2000 Combined Mortality Tables
Probability of enrollment upon retirement	75% Electric 15% Non-Electric
Salary increase	3.75%

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS – (continued)

The table below summarizes the City’s annual cost, expected contributions to the plan, and changes in the net OPEB obligation for fiscal years ended September 30, 2010 and 2009. These calculations are based on the Actuarial Valuation Date of July 1, 2009:

	2010	2009
Annual Required Contribution	\$ 219,080	\$ 153,615
Interest on net OPEB obligation	1,392	528
Adjustment to Annual Required Contribution	(1,194)	(378)
Annual OPEB Cost (Expense)	219,278	153,765
Actual contribution (employer-paid benefits)	(137,700)	(133,380)
Increase in net OPEB obligation	81,578	20,385
Net OPEB Obligation – Beginning of Year	30,938	10,553
Net OPEB Obligation – End of Year	\$ 112,516	\$ 30,938
Fund’s allocated share of City liability (asset)	\$ 991	\$ (744)

Schedule of funding progress follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll		UAAL as a Percentage of Covered Payroll
					Electric	Non-Electric	
July 1, 2007	\$ -	\$ 1,737,696	\$ 1,737,696	0%	\$ 4,395,392	\$ 24,513,816	6%
July 1, 2009	\$ -	\$ 2,217,868	\$ 2,217,868	0%	\$ 5,030,850	\$ 28,072,794	7%

Schedule of three year trend information follows:

Fiscal Year Ending	Annual OPEB Expense (AOE)	Actual Contributions		Actual Contributions as a Percentage of AOE*	Net OPEB Obligation/ at End of Year **
		Electric	Non-Electric		
September 30, 2008	\$152,556	\$11,980	\$130,023	93%	\$10,553
September 30, 2009	\$153,765	\$13,421	\$119,959	87%	\$30,938
September 30, 2010	\$219,278	\$13,869	\$123,831	63%	\$112,516

* Equals actual incurred claims plus administration less retiree contributions as a percentage of AOE.

** Equals prior year Net OPEB obligation plus current year AOE less actual current year contributions.

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - BONDS PAYABLE

Bonds outstanding at September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
1991 General Obligation Electric Refunding Deferred Interest Bonds due April 1, 1997 through 2015, interest rates vary according to maturity from 6.95% to 9.35%. Original amount of bonds was \$47,947,985.	\$ 6,984,056	\$ 9,084,389
Less current portion	<u>(1,954,972)</u>	<u>(2,100,333)</u>
Bonds payable, net of current portion	<u>\$ 5,029,084</u>	<u>\$ 6,984,056</u>

1991 General Obligation Electric Refunding Deferred Interest Bonds - The 1991 Bonds are not subject to optional redemption prior to maturity. Proceeds of the 1991 Bonds were used to refund the 1986 General Obligation Electric Refunding Bonds. The 1991 Bonds constitute a general obligation of the City, payable from operating revenues. If operating revenues are not sufficient to pay the obligation, the Bonds are payable from ad valorem taxes to be levied without limitations as to rate or amount on all the taxable property within the City and are collateralized by a pledge of the net revenues of the Fund.

The Fund must comply with certain requirements established by the 1991 Bond ordinance. Related accrued interest was \$19,515,808 and \$23,061,096 as of September 30, 2010 and 2009, respectively. The bond fair market value information is not available.

The following is a summary of changes in bonds payable and related accrued interest for the year ended September 30, 2010.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Bonds payable	<u>\$ 9,084,389</u>	<u>\$ -</u>	<u>\$ 2,100,333</u>	<u>\$ 6,984,056</u>
Accrued interest	<u>\$ 23,061,096</u>	<u>\$ 2,049,380</u>	<u>\$ 5,594,668</u>	<u>\$ 19,515,808</u>

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – BONDS PAYABLE – (continued)

Maturities – Principal and interest expense maturities on bonds payable at September 30, 2010 are as follows:

	Principal		Interest
2011	\$ 1,954,972	\$	5,725,028
2012	1,820,851		5,849,149
2013	1,693,715		5,956,285
2014	785,658		3,019,342
2015	728,860		3,056,140
	\$ 6,984,056	\$	23,605,944

Remaining outstanding balance of defeased 1979 Bonds total \$14,555,000 at September 30, 2010. These refunded bonds constitute a contingent liability of the Fund only to the extent that cash and investments presently in the control of the refunding trustees are not sufficient to meet debt service requirements, and are therefore excluded from the financial statements because the likelihood of additional funding requirements is considered remote.

NOTE 9 – TRANSACTIONS WITH THE CITY

The Fund sells energy to the City at rates established by the City Council. Sales to the City for the years ended September 30, 2010 and 2009 were \$2,829,609 and \$2,598,115, respectively. The Fund is charged by the General Fund of the City for services provided by the City in connection with professional services, meter reading, customer accounting and collection and other general overhead. The charge is based upon an estimate of the percentage of the total cost directly benefiting the Fund. Charges for the years ended September 30, 2010 and 2009 were \$2,665,961 and \$2,708,086, respectively. The Fund also makes payments in lieu of taxes to the City's General Fund and Traffic Light Capital Improvement Fund based upon a rate applied to a percentage of power usage, a fixed amount as a return on the General Fund's original investment and a percentage of certain power sales. Such payments for the years ended September 30, 2010 and 2009 were \$3,269,812 and \$3,133,327, respectively.

**CITY OF IDAHO FALLS, IDAHO
ELECTRIC LIGHT FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Bonneville Power Administration (BPA) – Effective October 1, 2001, the Fund entered into a Block and Slice Power Sales Agreement with the Bonneville Power Administration (BPA). The provisions of this agreement establishes the terms under which the Fund is committed to purchase power for a period of ten years. The Power Sales Agreement specifies that BPA rates are variable and includes provisions for various adjustments depending on actual load and BPA costs. In addition, the Slice portion of the agreement includes a true up provision that allows BPA to recover Slice costs not previously recovered during the fiscal year. BPA assesses this true up on an annual basis subsequent to year-end. The true up is paid, or refunded if a credit, in installments during the next fiscal year. The Slice portion of the agreement commits the Fund to purchase a certain percentage of BPA generation and may result in surplus power that the Fund intends to sell on the open market.

Bulb Turbine Project – Effective October 1, 2006, the Fund entered into a 5-year power sales agreement to sell the entire output of the Bulb Turbine Project to BPA. The rate is based on an energy market index with a cap and a floor. For the years ended September 30, 2010 and 2009, the Fund's power sales to BPA under this agreement were \$4,302,978 and \$3,588,019, respectively.

Gem State Project – The Fund has entered into a Power Sales Contract and Ground Lease Agreement with PacifiCorp, formerly Utah Power & Light Company. Under the Power Sales Contract, PacifiCorp is entitled to a maximum of 39% of the energy to be produced from the Gem State Project through 2023. PacifiCorp is required to pay annual amounts equal to its entitlement percentage rate times (i) the variable costs of operating and maintaining the Gem State Project and (ii) the agreed-upon fixed capital cost, plus (iii) 5% of the amounts set forth in (i) and (ii).

For the years ended September 30, 2010 and 2009, PacifiCorp payments under this agreement were \$2,656,243 and \$2,712,080, respectively. The Fund may, with three years notice, reduce the PacifiCorp entitlement to 25%.

Utah Associated Municipal Power Systems (UAMPS) – Effective October 1, 1996, the Fund entered into a contract with UAMPS whereby the Fund agreed to purchase any additional energy requirements not met by BPA and Gem State from UAMPS or other sources. Planned purchases and sales to and from UAMPS are based on either market price at MONA or the cost of the resource. Unplanned purchases and sales to and from UAMPS are based on the market price at MONA. For the years ended September 30, 2010 and 2009, power purchases from UAMPS were \$3,773,164 and \$5,879,577, respectively. The contract also allows for the Fund to sell surplus energy to UAMPS. For the years ended September 30, 2010 and 2009, power sales to UAMPS were \$1,510,025 and \$1,555,409, respectively.

Horse Butte Wind Project – Horse Butte Wind Project is a wind project UAMPS proposes to construct east of the City of Idaho Falls. The project is approved for a 100 MW interconnect with current subscription levels at 56.8 MW. The Fund intends to participate in the construction of the wind project through its membership to UAMPS. The City Council authorized the power sales contract at a 3 MW subscription level. The project commenced construction in 2010.

Litigation – The Fund is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of the Fund's management, the ultimate liability with respect to these proceedings and claims will not have a material adverse effect on the Fund's financial position.