

**CITY OF
IDAHO FALLS, IDAHO**



**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED
SEPTEMBER 30, 2008

CITY OF IDAHO FALLS, IDAHO
Comprehensive Annual Financial Report
For the fiscal year ended September 30, 2008

Prepared By:
Municipal Services Division
Finance Department
Thane Sparks
Controller

City of Idaho Falls, Idaho
 Comprehensive Annual Financial Report
 For the Year Ended September 30, 2008

Table of Contents

Introductory Section	Page No.
Title Page	
Letter of Transmittal	1
GFOA Certificate of Achievement.....	4
Principal Officials	5
Organizational Chart.....	6
Financial Section	
Independent Auditor's Report.....	7
Management's Discussion and Analysis	9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Non-GAAP Basis - Budget and Actual:	
General Fund.....	24
Statement of Net Assets – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	27
Statement of Cash Flows – Proprietary Funds.....	28
Notes to the Financial Statements	31
Combining Statements and Individual Fund Schedules:	
Combining Statements – Nonmajor Governmental Funds:	
Fund Descriptions.....	56
Combining Balance Sheet – Nonmajor Governmental Funds.....	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	62
Individual Fund Schedules of Revenues, Expenditures, and Changes in Fund Balances – Non-GAAP Basis - Budget and Actual:	
Street Fund	66
Recreation Fund	67
Library Fund.....	68
Airport Passenger Facility Charge Fund.....	69
MERF Fund	70
Electric Light Public Purpose Fund.....	71
Business Improvement District Fund.....	72
Golf Fund	73
Sanitary Sewer Capital Improvement Fund.....	74
Municipal Capital Improvement Fund.....	75

City of Idaho Falls

Comprehensive Annual Financial Report

For the Year Ended September 30, 2008

Table of Contents, Continued

Street Capital Improvement Fund.....	76
Bridge and Arterial Street Fund.....	77
Water Capital Improvement Fund.....	78
Surface Drainage Fund.....	79
Traffic Light Capital Improvement Fund	80

Statistical Section

Exhibit
Number

A-1	Statistical Section Divider	82
	Financial Trend Information	
B-1	Net Assets by Component, last seven fiscal years.....	83
B-2	Changes in Net Assets, last seven fiscal years.....	84
B-3	Fund Balances of Governmental Funds, last ten fiscal years	86
B-4	Changes in Fund Balances of Governmental Funds, last ten fiscal years	87
B-5	Tax Revenues by Source, Governmental Funds, last ten fiscal years.....	88
	Revenue Capacity Information	
C-1	Assessed Value and Actual Value of Taxable Property, last ten fiscal years	89
C-2	Direct and Overlapping Property Tax Levies, last ten fiscal years	90
C-3	Principal Property Tax Payers, last ten fiscal years	92
C-4	Property Tax Levies and Collections, last ten fiscal years	93
	Debt Capacity Information	
D-1	Ratios of Outstanding Debt by Type, last ten fiscal years.....	94
D-2	Ratios of General Bonded Debt Outstanding, last ten fiscal years	95
D-3	Direct and Overlapping Governmental Activities Debt as of September 30, 2008.....	96
D-4	Legal Debt Margin Information, last ten fiscal years	97
D-5	Pledged-Revenue Coverage, last ten fiscal years.....	98
	Demographic and Economic Information	
E-1	Demographic and Economic Statistics, last ten years	99
E-2	Principal Employers, prior year and seven years ago	100
	Operating Information	
F-1	Full-time Equivalent City of Idaho Falls Government Employees by Function/Program, last ten fiscal years	101
F-2	Operating Indicators by Function/Program, last ten fiscal years.....	102
F-3	Capital Asset Statistics by Function/Program, last ten fiscal years.....	103

City of Idaho Falls
Comprehensive Annual Financial Report
For the Year Ended September 30, 2008
Table of Contents, Continued

Single Audit Section

Schedule of Expenditures of Federal Awards	105
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	107
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Passenger Facility Charge (PFC) Programs.....	109
Independent Auditors' Report on Schedule of Passenger Facility Charges Collected and Expended	111
Schedule of Passenger Facility Charges Collected and Expended	113
Schedule of Findings and Questioned Costs	114

INTRODUCTORY SECTION



City of Idaho Falls

CONTROLLER'S OFFICE

P.O. Box 50220
Idaho Falls, ID 83405-0220

February 3, 2009

To the Honorable Mayor, Members of the City Council
And Citizens of Idaho Falls

The Comprehensive Annual Financial Report (CAFR) of the City of Idaho Falls (City) for the fiscal year ended September 30, 2008 is hereby submitted. Responsibility for the accuracy of the data, and the completeness and fairness of the presentations, including all disclosures, rests with the City and is based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The administration believes the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

Rudd & Company PLLC, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are contained in the single audit section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City of Idaho Falls was incorporated in 1889 under the laws of the State of Idaho. The City operates under a Mayor-Council form of government and provides the following services: general administrative services, planning and building, public safety (police, fire, ambulance and animal control), parks and recreation, streets, library, public works, airport, water and sewer, sanitation and electric utility.

The accompanying CAFR includes the financial activities of the City, the primary government, and its component unit, The Idaho Falls Redevelopment Agency.

The City of Idaho Falls is located in the southeastern corner of the State. The City currently occupies a land area of approximately 20 square miles with an estimated population of 54,500. The City has the authority to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by State statute to extend its boundaries by annexation, which occurs as deemed appropriate by the City Council.

Policy-making and legislative authority are vested in a governing council consisting of the Mayor and six Council members. The Council is responsible, among other things, for passing ordinances, adopting the budget, confirming committee members and working with various department heads as assigned by the Mayor. The Mayor is responsible for carrying out the policies and ordinances of the Council, overseeing the day-to-day operations of the City; and appointing the heads of the various departments. The Mayor and Council are elected on a non-partisan basis.

Council members serve four-year staggered terms, with three Council members elected every two years. The Mayor is elected to serve a four-year term. The Mayor and Council members are elected at large.

An operating, equipment, and capital budget, including proposed expenditures and the means of financing them is proposed by the Mayor to the City Council for approval. Budgets are integrated into the accounting system to facilitate management control during the year. Budgetary control is enhanced for governmental funds through the use of an encumbrance system. As purchase orders are issued, corresponding appropriations are reserved by the use of encumbrances for later payment so that appropriations may not be overspent.

Local economy

The Idaho Falls economy can be characterized as a regional center for retail, wholesale, medical, educational and governmental services. Underlying the City economy is a very strong base of agriculture production and processing in barley, potatoes, wheat and cattle. Offsetting the agriculture base is the scientific and hi-tech research and supporting businesses for the Idaho National Labs. This scientific sector means a highly educated work force and high incomes in the local economy. This diversified and regional market economy provides economic stability in jobs, incomes and tax base.

The regional market area extends from the City of Blackfoot to the south of Idaho Falls into Montana and Wyoming on the north and east and on into central Idaho. The state and federal offices in Idaho Falls also serve the Idaho portion of this area. The City is also the County seat. The regional medical center hospital, medical specialties and services are concentrated in Idaho Falls.

The three state universities have a large classroom and research presence in the City and are associated with the National Labs. A two year college provides technical training. There are two school districts and several private school systems.

Idaho Falls is the regional market center on the western side of Yellowstone Park and Jackson Hole. To the west is the Craters of the Moon. The outdoor activities of fly fishing, hunting, skiing, snowmobiling, hiking and sightseeing support many businesses and manufacturers. The tourism and entertainment business within the City is growing and supporting more and more jobs and businesses. The state's largest museum is in Idaho Falls which anchors a growing cultural tourism sector.

Because of its location in a region with a varied economic base, unemployment is relatively stable. During the past ten years, the unemployment rate has declined from a high of 3.7 percent (1998) to a

low of 2.4 percent in the year (2007). The unemployment rate at the end of fiscal year 2008 was 3.6% which reflects the declining economy which is expected to decline in the months ahead. Idaho Falls continues to experience some of the lowest unemployment rates in the nation. The economy is expected to continue to diversify and grow in the manufacturing and technology industries.

Long-term financial planning

Unreserved fund balance in the general fund (28 percent of total general fund O&M expenses) falls below the policy guidelines set by the Council for budgetary and planning purposes of at least 4 months of O&M expenses in reserve.

- The Council also maintains and reviews a five year capital plan that outlines major purchases and projects. Some of the major projects being planned and reviewed are the reconstruction of the intersection at Hitt Road and 1st Street, replacement of the D Street and Yellowstone underpass, and a new building to house the law enforcement. Funding options are being considered and are not set at this time. The City is continuing to improve park area centered on the greenbelt for the benefit of the residents and visitors of this area.

Relevant financial policies

It is the City's policy that "onetime" resource inflows not be used for operating purposes. Accordingly all grants received are designated and spent for the purposes that they were applied for.

Major initiatives

A few of the important initiatives facing the City to be addressed at the State level are water rights, highway funding, road maintenance, day care licensing, property taxes, annexation authority, revenue sharing, and local option taxation.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Idaho Falls for its comprehensive annual financial report for the fiscal year ended September 30, 2007. This was the nineteenth consecutive year that the City of Idaho Falls has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the City Controller's Office, together with assistance from other Departments and Divisions of the City, and the assistance of the City's independent auditor, Rudd & Company PLLC. All of these efforts are greatly appreciated.

Respectfully submitted,

Thane Sparks
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Idaho Falls
Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

City of Idaho Falls

Principal Officials

September 30, 2008

City Council

Jared Fuhriman
Ida Hardcastle
Karen Cornwell
Thomas Hally
Michael Lehto
Ken Taylor
Sharon Parry

Mayor
Mayor Pro Tem/Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

Other Principal Officers

Dale Storer
David Christiansen
Dean Ellis
Jackie Flowers
Len Nelson
Steve Roos
S. Craig Lords
Renee Magee
Chad Stanger
Robert Wright
Brian Sagendorf

City Attorney
Parks & Recreation Director
Fire Chief
Electric Light Director
Airport Director
Police Chief
Municipal Services Director
Planning & Zoning Director
Public Works Director
Library Director
Human Resources Director