

Financial Statements and
Independent Auditor's Report

City of Ammon, Idaho
Bonneville County

September 30, 2011

City of Ammon, Idaho

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September 30, 2011

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City of Ammon, Idaho

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Ammon
Ammon, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ammon, 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 Ammon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ammon, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2012, on our consideration of the City's internal control over financial reporting and 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 assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 8, and 42 through 44, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying supplementary information, such as the combining nonmajor fund financial statements and the accompanying schedule of expenditures of federal awards are presented for purposes of additional analysis as required by the U.S. Office of management and Budget Circular A-133, Audit for State, Local Governments, and Nonprofit Organizations, and is not a required part of the basic financial statements. The combining nonmajor fund financial statements and the accompanying schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Galusha Higgins and Galusha PC". The signature is written in a cursive, flowing style.

GALUSHA, HIGGINS & GALUSHA, P.C.
Certified Public Accountants

Idaho Falls, Idaho
January 17, 2012

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2011

This discussion and analysis of the City of Ammon, Idaho's (the City's) financial performance provides an overall review of the City's financial activities for the fiscal year ended September 30, 2011. The intent of the discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City of Ammon exceeded its liabilities at the close of fiscal year 2011 by \$52,882,134 (net assets.) Of this amount, \$20,085,492 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,114,631 in comparison with the prior year.
- As of the close of fiscal year 2011, the City of Ammon's governmental funds reported combined ending fund balances of \$7,451,209, a decrease of \$620,683 in comparison with the prior year. Approximately \$3,862,861 of this total amount is available for spending at the City's discretion (unassigned fund balance.)
- At the end of fiscal year 2011, unassigned fund balance for the general fund was \$4,103,486.
- During fiscal year 2011, the City of Ammon incurred long-term debt in the amount of \$8,410,616.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information. The Management's Discussion and Analysis are intended to serve as an introduction to the City's basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Ammon's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Ammon's 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 of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City'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 (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City of Ammon 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.)

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2011

The governmental activities of the City of Ammon include general government, public safety, streets, parks and recreation, building, and technology (an internal service fund). The business-type activities of the City of Ammon include Water, Sewer, Sanitation, and Broadband services.

The government-wide financial statements include not only the City of Ammon itself (known as the primary government), but also the legally separate Ammon Urban Renewal Agency for which the City of Ammon is financially accountable. Financial information of this component unit is reported separately from the financial information presented for the primary government itself. The Water, Sewer, and Sanitation services function as departments of the City of Ammon, and have been included as an integral part of 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 of Ammon, 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 Ammon 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 the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City'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 near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Ammon maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in balances for the general fund, the street fund, the building fund, and the parks and recreation fund. There is one internal service fund for technology.

The City of Ammon adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget for the major funds.

Proprietary Funds. The City of Ammon maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Ammon uses enterprise funds to account for its Water, Sewer, Sanitation and Broadband operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Sanitation and Broadband operations, each of which are considered to be major funds of the City of Ammon.

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.

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$52,882,134 as of September 30, 2011.

By far, the largest portion of the City's net assets is reflected in its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment.) The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, if any, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

The following table provides a summary of the City's net assets for 2011 compared to 2010:

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	24,615,363	23,048,181
Capital assets	65,749,019	55,382,428
Total assets	90,364,382	78,430,609
Liabilities		
Current and other liabilities	4,232,105	3,823,579
Long-term liabilities	33,250,143	24,839,527
Total liabilities	37,482,248	28,663,106
Net assets		
Invested in capital assets, net of debt	32,498,876	30,542,901
Restricted	297,766	297,766
Unrestricted	20,085,492	18,926,836
Total net assets	52,882,134	49,767,503

The restricted portion of the City's net assets, \$297,766, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$20,085,492, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year.

The net assets of the City, as a whole, increased \$3,114,631 from \$4,679,024 at September 30, 2010, to \$52,882,134 at September 30, 2011. Governmental activities decreased \$1,564,393 over the prior year while business-type activities increased \$4,679,024 over the same period.

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2011

Governmental Activities. Governmental activities decreased the City's net assets by \$1,564,393. Key elements of this decrease are as follows:

- A transfer to Broadband to establish this new proprietary fund.
- Reduction in the Street Fund due to depreciation.

The following table shows the changes in net assets for fiscal years 2011 and 2010.

	2010 Governmental Activities	2011 Governmental Activities	2010 Business-type Activities	2011 Business-type Activities
Revenues				
Program revenues				
Fees, fines, and charges for services	488,042	454,015	4,127,125	5,159,602
Operating grants and contributions	503,791	535,377		
Capital grants and contributions	103,868	20,813	4,048,187	3,268,831
General revenues				
Property taxes	1,646,047	1,752,727		
Intergovernmental revenues	1,001,985	1,107,149		
Miscellaneous	543,432	294,365	498,488	202,197
Total revenues	<u>4,287,165</u>	<u>4,164,446</u>	<u>8,673,800</u>	<u>8,630,630</u>
Expenses				
General government	583,728	683,989		
Law enforcement	1,191,700	1,224,046		
Fire protection	594,225	658,443		
Planning and zoning	99,166	76,399		
Engineering	30,251	30,270		
Building	364,753	309,625		
Parks	268,987	357,598		
Recreation	32,024	21,056		
Pool	83,027	101,191		
Highway and streets	908,947	1,654,518		
Capital outlay				
Depreciation				
Water			1,753,062	2,100,922
Sewer			11,094,389	1,782,077
Sanitation			519,734	550,432
Broadband				129,879
Total expenses	<u>4,156,808</u>	<u>5,117,135</u>	<u>13,367,185</u>	<u>4,563,310</u>
Transfers		<u>(611,704)</u>		<u>611,704</u>
Changes in net assets	<u>130,357</u>	<u>(1,564,393)</u>	<u>(4,693,385)</u>	<u>4,679,024</u>

City of Ammon, Idaho

Management's Discussion and Analysis September 30, 2011

Business-type Activities. Business-type operating activities increased the City's net assets by \$4,679,024. Key elements of this increase are as follows:

- Total revenues decreased by \$43,170 for the year ended September 30, 2011.
- Total expenses decreased by \$8,803,875 for the year ended September 30, 2011. This reflects the transfer to the Eastern Idaho Regional Waste Water Authority in the prior year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds. The City uses governmental funds to provide information on near-term receipts, disbursements, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of September 30, 2011, the City's governmental funds reported combined ending fund balances of \$7,451,209, a decrease of \$620,683 in comparison with the prior year. Approximately 51.8% of this total amount, \$3,862,861, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for new spending because it has already been obligated for a variety of restricted purposes.

The General Fund is the chief operating fund of the City. At September 30, 2011, unassigned fund balance of the General Fund was \$4,103,486, while total fund balance is \$4,650,481. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures.

The fund balance of the City's General Fund decreased by \$333,009 during the current fiscal year. The key factors in this are:

- Revenues decreased by \$128,549 primarily due to decreased earnings on investments.
- Expenses (including transfers) increased by \$903,328 primarily due to the transfer to the Broadband Fund.

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

Net assets of the Water, Sewer, Sanitation, and Broadband funds at September 30, 2011, amounted to \$24,052,406. The total increase in net assets for the funds was \$4,679,024. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights. The City did not amend the 2010 - 2011 General Fund budget. The City budgeted for reimbursement from the other funds for general government expenditures. These reimbursements have reduced the expenditures in the General Fund. The City also budgeted to transfer to the Parks and Recreation Fund to cover its deficit.

City of Ammon, Idaho

Management's Discussion and Analysis
September 30, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$65,749,019 (net of accumulated depreciation.) Capital assets include land, infrastructure, buildings, improvements other than buildings, machinery and equipment, and when applicable, construction in process.

Major capital transactions during the year were:

- Established the Broadband fund
- Fire department purchased a Nissan Xterra and got a SCBA system
- Quail Ridge retention pond
- Purchased road grader and asphalt zipper
- Water improvement project completed and new SCADA building
- Sewer improvement project continuing

Additional information about the City's capital assets can be found in Note C of the financial statements.

Debt Administration. The City of Ammon incurred \$1,171,580 in notes payable relating to the water improvement project and \$7,239,036 related to the sewer project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Ammon is continuing to build and strengthen its tax base and economy not only by expanding existing businesses, but by attracting new businesses. New home construction has slowed, but the City is optimistic that the new subdivisions will bring new businesses and residents. Because of sound financial planning, good judgment, and restraint, City leadership has positioned itself to be able to continue to provide quality services through the economic downturn as well as continue to work on planned capital improvements. In short, we are cautiously optimistic in our economic outlook for 2012.

COMPONENT UNIT

The financial statements include the Ammon Urban Renewal Agency, a component unit of the City. The financial statements for the Agency are available at the City office. The City also has a Lighting District with minimal activity that started in 2009.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the 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 requests for additional financial information should be addressed to Jennifer Belfield, Treasurer, City of Ammon, 2135 South Ammon Road, Ammon, ID 83406.

City of Ammon, Idaho

Government-wide Statement of Net Assets September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	9,834,898	13,817,678	23,652,576	44,641
Receivables				
Property taxes	112,512		112,512	4,024
Intergovernmental	267,191	2,813	270,004	
Accounts receivable		456,403	456,403	
Other	112,577		112,577	
Internal balances	(50,032)	50,032		
Prepaid insurance	11,291		11,291	
Capital assets				
Depreciable assets, net	21,324,134	44,424,885	65,749,019	
 Total assets	31,612,571	58,751,811	90,364,382	48,665
LIABILITIES				
Current liabilities				
Accounts payable	2,732,658		2,732,658	669
Accrued salaries and benefits	59,816	36,529	96,345	
Accrued taxes payable	2,795		2,795	
Compensated absences	37,606		37,606	
Customer deposits		54,050	54,050	
Accrued interest		1,308,651	1,308,651	442
Noncurrent liabilities				
Due in more than one year		33,250,143	33,250,143	5,064,162
 Total liabilities	2,832,875	34,649,373	37,482,248	5,065,273
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	21,324,134	11,174,742	32,498,876	
Restricted				
East Hills	14,175		14,175	
Development commitments	283,591		283,591	
Debt services				2
Unrestricted	7,157,796	12,927,696	20,085,492	(5,016,610)
 Total net assets (deficit)	28,779,696	24,102,438	52,882,134	(5,016,608)

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Activities
For the Year Ended September 30, 2011

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	683,989	75,542		
Law enforcement	1,224,046	40,025		
Fire protection	658,443	50,243		
Planning and zoning	76,399	3,611		
Engineering	30,270			
Building	309,625	121,699	70,271	
Parks	357,598	7,499		20,813
Recreation	21,056	29,791		
Pool	101,191	95,810		
Highway and streets	1,654,518	29,795	465,106	
Total governmental activities	5,117,135	454,015	535,377	20,813
Business-type activities				
Water	2,100,922	1,919,427		
Sewer	1,782,077	2,374,709		3,268,831
Sanitation	550,432	817,816		
Broadband	129,879	47,650		
Total business-type activities	4,563,310	5,159,602	0	3,268,831
Total primary government	9,680,445	5,613,617	535,377	3,289,644
Component unit	301,521	0	0	0

General revenues
Property taxes
Franchise fees
Intergovernmental revenues
Earnings on investments

Total general revenues
Transfers
Change in net assets

Net assets (deficit) - beginning

Net assets (deficit) - ending

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Activities For the Year Ended September 30, 2011

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Unit
(608,447)		(608,447)	
(1,184,021)		(1,184,021)	
(608,200)		(608,200)	
(72,788)			
(30,270)		(30,270)	
(117,655)		(117,655)	
(329,286)			
8,735			
(5,381)		(5,381)	
(1,159,617)		(1,159,617)	
(4,106,930)	0	(3,713,591)	
	(181,495)	(181,495)	
	3,861,463	3,861,463	
	267,384	267,384	
	(82,229)	(82,229)	
0	3,865,123	3,865,123	
(4,106,930)	3,865,123	151,532	
			(301,521)
1,752,727		1,752,727	272,689
178,358		178,358	
1,107,149		1,107,149	
116,007	202,197	318,204	
3,154,241	202,197	3,356,438	272,689
(611,704)	611,704	0	
(1,564,393)	4,679,024	3,114,631	(28,832)
30,344,089	19,423,414	49,767,503	(4,987,776)
28,779,696	24,102,438	52,882,134	(5,016,608)

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Balance Sheet Governmental Funds September 30, 2011

	<u>General</u>	<u>Street</u>	<u>Parks & Recreation</u>	<u>Building</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	211,674	2,795,507	127,927	(241,009)	2,894,099
Investments	6,925,511				6,925,511
Receivables					
Property taxes	112,512				112,512
Intergovernmental	154,078	113,113			267,191
Other	94,222	12,385		5,970	112,577
Prepaid expenses	11,291				11,291
	<u>7,509,288</u>	<u>2,921,005</u>	<u>127,927</u>	<u>(235,039)</u>	<u>10,323,181</u>
Total assets					
LIABILITIES					
Accounts payable	2,732,658				2,732,658
Accrued salaries and benefits	33,146	2,389	5,190	5,586	46,311
Developer bonds payable	2,795				2,795
Deferred revenue	90,208				90,208
	<u>2,858,807</u>	<u>2,389</u>	<u>5,190</u>	<u>5,586</u>	<u>2,871,972</u>
Total liabilities					
FUND BALANCE					
Restricted for					
East Hill	14,175				14,175
Development commitments	283,591				283,591
Committed for					
Street projects		2,918,616			2,918,616
Parks and recreation			122,737		122,737
Assigned for					
Asset replacement	102,000				102,000
Fire Department	147,229				147,229
Unassigned	4,103,486			(240,625)	3,862,861
	<u>4,650,481</u>	<u>2,918,616</u>	<u>122,737</u>	<u>(240,625)</u>	<u>7,451,209</u>
Total fund balances					
	<u>7,509,288</u>	<u>2,921,005</u>	<u>127,927</u>	<u>(235,039)</u>	<u>10,323,181</u>
Total liabilities and fund balances					

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets *September 30, 2011*

Total fund balances - governmental funds	7,451,209
Amounts reported for governmental activities in the statement of net assets are different due to the following items:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
The cost of the assets excluding the internal service fund is \$43,357,862, and the accumulated depreciation is \$22,115,331.	21,242,531
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	90,208
Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities at year end consisted of :	
Compensated absences	(37,606)
Internal service funds are used by management to charge the costs of information technology to individual funds. The governmental portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	<u>33,354</u>
Total net assets - governmental activities	<u><u>28,779,696</u></u>

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

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

REVENUES	General	Street	Parks & recreation	Building	Total Governmental Funds
Property taxes	1,724,142				1,724,142
Franchise fees	178,358	26,661			205,019
Licenses and permits	85,964			121,699	207,663
Intergovernmental revenue	1,107,149	465,106			1,572,255
Planning	3,611				3,611
Recreation fees			131,591		131,591
Earnings on investments	72,165	42,865		730	115,760
Grants and donations			20,813	70,271	91,084
Miscellaneous revenue	79,846	3,134	1,509		84,489
Total revenues	3,251,235	537,766	153,913	192,700	4,135,614
EXPENDITURES					
General government	665,394				665,394
Law enforcement	1,224,046				1,224,046
Fire protection	457,272				457,272
Planning and zoning	76,399				76,399
Engineering	30,270				30,270
Building				299,179	299,179
Parks			399,705		399,705
Recreation			21,056		21,056
Pool			101,191		101,191
Highway and streets		807,992			807,992
Capital outlay	73,793				73,793
Total expenditures	2,527,174	807,992	521,952	299,179	4,156,297
Revenues over (under) expenditures	724,061	(270,226)	(368,039)	(106,479)	(20,683)
OTHER FINANCING SOURCES (USES)					
Operating transfers	(1,057,070)		457,070		(600,000)
Revenues and other financing sources over (under) expenditures	(333,009)	(270,226)	89,031	(106,479)	(620,683)
Fund balance at October 1, 2010	4,983,490	3,188,842	33,706	(134,146)	8,071,892
Fund balance at September 30, 2011	4,650,481	2,918,616	122,737	(240,625)	7,451,209

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Reconciliation of the Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities *September 30, 2011*

Total net change in fund balances - governmental funds	(620,683)
Amounts reported for governmental activities in the statement of activities are different due to the following:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense \$1,479,798 exceeded capital outlays \$512,563 in the current period.	(967,235)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year.	28,585
In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year vacation leave used exceeded vacation leave earned by this amount.	2,274
The governmental activities transferred \$11,704 of equipment to the proprietary funds, reducing the assets in the statement of activities. The governmental activities disposed of \$7,960 of equipment during the year.	(19,663)
Internal service funds are used by management to charge the costs of information technology to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	<u>12,329</u>
Total change in net assets - governmental activities	<u><u>(1,564,393)</u></u>

The accompanying notes are an integral part of this statement.

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City of Ammon, Idaho

Statement of Net Assets Proprietary Funds September 30, 2011

	Business-type Activities Enterprise Funds	
	Water	Sewer
ASSETS		
Current assets		
Cash	5,755,808	5,792,885
Accounts receivable	124,826	277,316
Grant receivable		2,813
	5,880,634	6,073,014
Total current assets		
Non-current assets		
Capital assets		
Net of accumulated depreciation	20,658,447	23,002,219
	26,539,081	29,075,233
Total assets		
LIABILITIES		
Current		
Accounts payable		
Accrued salaries and benefits	13,471	6,032
Accrued interest payable	779,790	528,861
Customer deposits	54,050	
	847,311	534,893
Total current liabilities		
Long-term debt	14,251,867	18,998,276
	15,099,178	19,533,169
Total liabilities		
NET ASSETS		
Invested in capital assets, net of related debt	6,406,580	4,003,943
Unrestricted	5,033,323	5,538,121
	11,439,903	9,542,064
Total net assets		

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Net Assets Proprietary Funds September 30, 2011

Business-type Activities Enterprise Funds			Governmental Activities Internal
Sanitation	Broadband	Total	Service Funds
1,632,946	636,039	13,817,678	15,288
54,261		456,403	
1,687,207	636,039	14,276,894	15,288
269,150	495,069	44,424,885	81,603
1,956,357	1,131,108	58,701,779	96,891
12,324	4,702	36,529	13,505
		1,308,651	
12,324	4,702	1,399,230	13,505
		33,250,143	
12,324	4,702	34,649,373	13,505
269,150	495,069	11,174,742	
1,674,883	631,337	12,877,664	83,386
1,944,033	1,126,406	24,052,406	83,386
		50,032	
		24,102,438	

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended September 30, 2011

	Business-type Activities Enterprise Funds	
	Water	Sewer
	OPERATING REVENUES	
Charges for services	1,816,486	2,334,790
Connection fees	77,538	30,140
Penalties	23,371	
Miscellaneous	2,032	9,779
	<u>1,919,427</u>	<u>2,374,709</u>
OPERATING EXPENSES		
Power	341,308	6,085
Treatment		654,212
Operation and maintenance	645,972	539,961
Salaries and benefits	177,831	93,769
Depreciation	516,955	161,593
	<u>1,682,066</u>	<u>1,455,620</u>
Income (loss) from operations	<u>237,361</u>	<u>919,089</u>
NON-OPERATING REVENUES (EXPENSES)		
Capital Contribution - City of Shelley		789,519
Capital Contribution from IBSD		2,400,000
Grants		79,312
Capital Assets Transferred from		
Non-Enterprise Funds	5,852	
Earnings on investments	84,509	88,822
Interest expense	(423,480)	(331,081)
	<u>(333,119)</u>	<u>3,026,572</u>
OTHER FINANCING SOURCES (USES)		
Transfers	(601,672)	1,672
	<u>(601,672)</u>	<u>1,672</u>

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended September 30, 2011

Business-type Activities Enterprise Funds			Governmental Activities Internal
Sanitation	Broadband	Total	Service Funds
817,816	47,650	5,016,742	250,071
		107,678	
		23,371	
		11,811	
817,816	47,650	5,159,602	250,071
		347,393	
		654,212	
234,959	71,771	1,492,663	92,334
245,395	41,593	558,588	118,880
74,701	21,138	774,387	8,281
555,055	134,502	3,827,243	219,495
262,761	(86,852)	1,332,359	30,576
		789,519	
		2,400,000	
		79,312	
	5,852	11,704	
21,460	7,406	202,197	247
		(754,561)	
21,460	13,258	2,728,171	247
0	1,200,000	600,000	0
0	1,200,000	600,000	0

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2011

	Business-type Activities Enterprise Funds	
	Water	Sewer
Change in net assets	<u>(697,430)</u>	<u>3,947,333</u>
Net assets at October 1, 2010	<u>12,137,333</u>	<u>5,594,731</u>
Net assets at September 30, 2011	<u><u>11,439,903</u></u>	<u><u>9,542,064</u></u>
Change in net assets - enterprise funds		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		
Change in net assets of business-type activities		

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Combined Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended September 30, 2011

Business-type Activities Enterprise Funds			Governmental Activities Internal
Sanitation	Broadband	Total	Service Funds
284,221	1,126,406	4,660,530	30,823
1,659,812		19,391,876	52,563
1,944,033	1,126,406	24,052,406	83,386
		4,660,530	
		18,494	
		4,679,024	

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2011

	Business-type Activities Enterprise Funds	
	Water	Sewer
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	1,891,856	2,278,041
Cash payments to suppliers for goods and services	(985,333)	(1,201,184)
Cash payments to employees for services used	(177,831)	(93,769)
	<u>728,692</u>	<u>983,088</u>
Net cash flows provided (used) by operating activities		
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant, and equipment	(1,450,440)	(10,050,899)
Proceeds from long-term debt	1,171,580	7,239,036
Interest paid on long-term debt		
Cash (used)/received for broadband	(600,000)	
Cash received from grants restricted for capital purposes		3,473,871
	<u>(878,860)</u>	<u>662,008</u>
Net cash flows provided (used) by capital and related financing activities		
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	84,509	88,822
	<u>84,509</u>	<u>88,822</u>
Net cash flows provided (used) by investing activities		
 Net increase (decrease) in cash and cash equivalents	(65,659)	1,733,918
 Cash and cash equivalents at beginning of year	<u>5,821,467</u>	<u>4,058,967</u>
 Cash and cash equivalents at end of year	<u>5,755,808</u>	<u>5,792,885</u>

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2011

Business-type Activities Enterprise Funds			Governmental Activities Internal
Sanitation	Broadband	Total	Service Funds
822,540	47,650	5,040,087	250,071
(234,930)	(67,069)	(2,488,516)	(84,986)
(245,395)	(41,593)	(558,588)	(118,880)
342,215	(61,012)	1,992,983	46,205
(66,888)	(510,355)	(12,078,582)	(45,870)
		8,410,616	
	1,200,000	600,000	
		3,473,871	
(66,888)	689,645	405,905	(45,870)
21,460	7,406	202,197	247
21,460	7,406	202,197	247
296,787	636,039	2,601,085	582
1,336,159	0	11,216,593	14,706
1,632,946	636,039	13,817,678	15,288

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2011

	Business-type Activities Enterprise Funds	
	Water	Sewer
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Income (loss) from operations	237,360	919,089
 ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Depreciation	516,955	161,593
Decrease (increase) in accounts receivable	(35,015)	(96,668)
Increase (decrease) in accrued liabilities	1,947	(926)
Increase (decrease) in customer deposits	7,445	
Net cash flows provided (used) by operating activities	728,692	983,088
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from developers		

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statements of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2011

Business-type Activities Enterprise Funds			Governmental Activities Internal
Sanitation	Broadband	Total	Service Funds
262,761	(86,852)	1,332,358	30,576
74,701	21,138	774,387	8,281
4,724		(126,959)	
29	4,702	5,752	7,348
342,215	(61,012)	1,992,983	46,205
0	0	0	0

The accompanying notes are an integral part of this statement.

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City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

1. **General.** The City of Ammon (the City) is a municipal corporation governed by an elected mayor and six-member council.

The financial statements listed in the table of contents have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial position.

2. **Discretely Presented Component Unit.** In conformity with generally accepted accounting principles, the basic financial statements of Ammon Urban Renewal Agency have been included in the financial reporting entity as a discretely presented component unit, emphasizing their nature as a legally separate entity from the City. It is presented as a separate column within the basic financial statements.

Ammon Urban Renewal Agency (the Agency). This component unit has a board, which is appointed by the Mayor of the City with the advice and consent of the Ammon City Council. The Ammon Urban Renewal Agency rehabilitates deteriorating or deteriorated areas. It has a fiscal year end of September 30.

For financial reporting purposes, the City of Ammon, Idaho, combines the general maintenance and operating accounts of the Agency with all other funds which the management of the City has oversight responsibility and the governing authority to significantly influence operations.

A copy of the Ammon Urban Renewal Agency audit may be obtained at the City office.

3. **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 City. The effect of interfund activity within the governmental and business-type activities columns has been removed from these statements. Governmental activities, which generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the reporting entity's assets and liabilities, with the difference reported as net assets (invested in capital assets, net of debt; restricted net assets; or unrestricted net assets). Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt. Restricted net assets result when constraints placed on net assets use are imposed by third parties, through constitutional provisions, or enabling legislation.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available. Restricted net asset balance will fluctuate as related accounting transactions occur. Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, but they can be unilaterally removed.

The statement of activities demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. 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, activity, or component unit, and (2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues.

4. Fund Financial Statements. The City segregated transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds focus is on the sources, uses, and balance of current financial resources. The City has presented the following major governmental funds.

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Street Fund - The Street Fund is used to account for funds received and expended for the construction and renovation of thoroughfares, arterial streets, and other improvements in the City.

Parks and Recreation Fund - The Parks and Recreation Fund is used to account for funds received and expended for the construction and renovation of parks, pools, and other recreational activities in the City.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Water and Sewer Funds - The Water and Sewer Funds are used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations, and maintenance of the water and sewer systems, and billing and collection activities.

Sanitation Fund - The Sanitation Fund is used to account for operations of solid waste collection and disposal services. All costs are financed through charges to sanitation customers.

Broadband Fund - The Broadband Fund is used to account for operations of the City's fiber optic system. All costs will be financed through charges to broadband customers, or as an inter-entity service provided to the Water and General Funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In addition internal service funds account for data processing provided to other departments of the City on a cost reimbursement basis.

5. Measurement Focus / Basis of Accounting. The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless they conflict or contradict guidance of the Governmental Accounting Standards Board.

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements, fund financial statements for proprietary funds, and the internal service fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received. 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 needed. The indirect expenses primarily comprised of central governmental services are included in general government in the statement of activities.

6. Budgetary Control. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and proprietary funds. All annual appropriations lapse at fiscal year end. The department heads submit the budget to the City Council and a public hearing is held prior to adoption of the budget. Prior to October 1, the budget is enacted through passage of an appropriation ordinance. The budget includes the general, special revenue, and enterprise funds. The level of control (level at which expenditures should not exceed budget) is the fund. The legal level of control is the appropriation ordinance.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances have not been accounted for by the City.

The General, Street, and Park Statements of Revenues, Expenditures, and Changes in Fund Balance present a comparison of budgetary data to actual results. These reports utilize the same basis of accounting for both budgetary purposes and actual results.

7. Cash and Investments. Cash includes amounts in demand deposits as well as short-term investments with original maturities of three months or less. Cash also includes amounts held in the local government investment pool and money market accounts. State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements. Investments of the primary government consist of certificates of deposits with original maturities of greater than three months, and amounts held in the state's diversified bond fund. Investments in the component unit consist of obligations of the United States Government and are stated at amortized cost, which approximates market value.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

8. Capital Assets. Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical information is not available. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater.

Donated capital assets are recorded at estimated fair value at the date of donation. Renewals and betterments are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. The City accepted no donated assets during the year ended September 30, 2011.

Buildings and improvements and equipment assets are depreciated using the straight-line depreciation method over the following estimated useful lives:

Assets	Years
Buildings	30
Equipment	3-15
Vehicles	5-7
Infrastructure	15-60

9. Transactions Between Funds. Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds. The City generally has eliminated the interfund activity from the government-wide financial statements.
10. Compensated Absences. Government Accounting Standards Board codification specifies that a liability should be accrued for leave benefits that meet the following conditions:
- a. The employer's obligation relative to employee rights to receive compensation for future absences is attributable to employee services already rendered.
 - b. The obligation related to rights that vest or accumulate.
 - c. Payment of the obligation is probable.
 - d. The amount can be reasonably estimated.

The City records a liability for accrued vacation and sick time when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City uses the vesting method to calculate the compensated absence liability.

In proprietary funds, compensated absences are expended when earned. The entire amount of compensated absences is reported as a liability.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

11. Fund Balances. The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 5). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. In the governmental fund financial statements, fund balances are reported in five classifications.

Nonspendable fund balance	Inventories represent fund balance amounts that are not in spendable form.
Restricted	Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
Committed	Committed is that portion of fund balance that has been approved by the highest level of formal action of the City and does not lapse at year-end.
Assigned	Assigned fund balance is fund balance reporting occurring by the City under the direction of the Treasurer.
Unassigned	Fund balance that has not been reported in any other classification.

City of Ammon has a revenue spending policy that provides policy for programs with multiple revenue sources. The Treasurer will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Treasurer has the authority to deviate from this policy if it is in the best interest of the City.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

<i>Total fund balance</i>	4,650,481
Less:	
Restricted for East Hills	14,175
Restricted for development commitments	283,591
Assigned for asset replacement	102,000
Assigned for fire department	147,229
Available for Appropriation	4,103,486

12. Net Assets. Net assets represent the difference between assets and liabilities on the government-wide financial statements. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Total restricted resources at year-end were \$297,766.

13. Property Taxes. Property taxes attach as an enforceable lien on property as of the second Monday in January. Taxes are levied on the second Monday in September and are payable in two installments on December 20, and June 20, of the following year. The City receives remittances from the county on a monthly basis. The City's property tax revenues are recognized when they become available.
14. Cash and Cash Equivalents. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments within a maturity of three months or less when purchased to be cash equivalents.
15. Risk Management. The City is exposed to a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) employee torts; (c) professional liability, i.e. errors and omissions; (d) environmental damage; (e) workers' compensation, i.e. employee injuries; and (f) medical insurance costs of employees. Commercial policies transferring the risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.
16. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B DEPOSITS AND INVESTMENTS

As of September 30, 2011, the City had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Deposits	6,210,860	6,210,860	N/A
State Treasurer's investment pool	11,291,685	11,291,685	144 days
State Diversified Bond Fund	5,992,381	6,259,180	4.1 years
Total	<u>23,494,926</u>	<u>23,761,725</u>	

The City's bank and investment balances as of September 30, 2011, were \$23,385,534.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE B DEPOSITS AND INVESTMENTS, continued

Interest rate risk: The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit risk: The City's deposits and investments at year end are limited to the State Investment Pool, the State Diversified Bond Fund (DBF), bank deposits, the Smith Barney money market, and certificates of deposits with various banks and credit unions located in Idaho. The City has reduced its concentration of credit risk by using several financial institutions. The formal policy as of September 30, 2011, was to limit investment with any one investment or financial institution to the maximum FDIC insurable amount of \$250,000.

Custodial credit risk: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2011, \$18,275,016 of the City's deposits and investments were exposed to custodial credit risk because it was uninsured and uncollateralized. Of the deposits and investments, \$11,291,685 and \$6,259,180 were held in the State Treasurer's investment pool and diversified bond fund, respectively, which are not insured or guaranteed by the FDIC.

The City has elected to invest in the LGIP through the Idaho State Treasurer. The Idaho State Treasurer provides oversight for investments by or through any department or institute of the State of Idaho. Amounts held by the LGIP were held in the following investments: government agency notes, commercial paper, corporate bonds, money markets, U.S. treasury notes, Idaho repurchase agreements, and purchased accrued interest. All investments for the LGIP are collateralized with securities held by the LGIP's safekeeping agent in the LGIP's name. The investments held by the LGIP are carried at cost, which is not materially different than fair value (determined by the Idaho State Treasurer's office). These investments are subject to risk from market and interest rate fluctuations.

The City invests in the DBF through the Idaho State Treasurer. Amounts held by the DBF were held in the following investments: corporate securities, mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, U.S. Government agency securities, U.S. Treasury securities money market funds, and accrued interest. The investments held by the DBF are carried at fair value (determined by the Idaho State Treasurer's office). These investments are subject to risk from market and rate fluctuations.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE C CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance 10/01/10	Capital Acquisitions	Capital Disposals	Transfers	Balance 09/30/11
Governmental Activities					
Land	931,900				931,900
Construction in progress	0				0
Buildings and improvements	1,733,752	123,318			1,857,070
Infrastructure	37,829,772				37,829,772
Machinery and equipment	2,457,095	435,115	9,287	(40,956)	2,841,967
Accumulated depreciation	(20,679,076)	(1,488,078)	(1,327)	29,252	(22,136,574)
Governmental activities capital assets, net	<u>22,273,443</u>	<u>(929,645)</u>	<u>7,960</u>	<u>(11,704)</u>	<u>21,324,134</u>
Business-type activities					
Water					
Land	54,155				54,155
Construction in progress	525,649			(525,649)	
Buildings and improvements	5,129,412	1,335,840		523,977	6,989,229
Infrastructure	15,574,576	104,500			15,679,076
Machinery and equipment	775,788	10,100		20,478	806,366
Accumulated depreciation	(2,338,798)	(516,955)		(14,626)	(2,870,379)
Water capital assets, net	<u>19,720,782</u>	<u>933,485</u>		<u>4,180</u>	<u>20,658,447</u>
Sewer					
Construction in progress	6,886,549	10,006,982			16,893,531
Buildings and improvements	499,635	41,920		1,672	543,227
Infrastructure	7,540,518				7,540,518
Machinery and equipment	58,989	2,000			60,989
Accumulated depreciation	(1,874,451)	(161,593)			(2,036,044)
Sewer capital assets, net	<u>13,111,240</u>	<u>9,889,309</u>		<u>1,672</u>	<u>23,002,221</u>
Sanitation					
Machinery and equipment	734,655	66,888			801,543
Accumulated depreciation	(457,692)	(74,701)			(532,393)
Sanitation capital assets, net	<u>276,963</u>	<u>(7,813)</u>			<u>269,150</u>
Broadband					
Infrastructure		482,105			482,105
Machinery & equipment		28,250		20,478	48,728
Accumulated depreciation		(21,138)		(14,626)	(35,764)
Broadband capital assets, net		<u>489,217</u>		<u>5,852</u>	<u>495,069</u>
Business-type activities	<u>33,108,985</u>	<u>11,304,198</u>	<u>0</u>	<u>11,704</u>	<u>44,424,887</u>

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE C CAPITAL ASSETS, continued

Depreciation expense was charged to current function of the primary government as follows:

Governmental activities	
General government	28,073
Fire protection	201,171
Building	11,589
Parks and recreation	42,212
Highways and streets	1,196,752
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	8,279
Total governmental activities	<u>1,488,076</u>
Business-type activities	
Water	516,955
Sewer	161,593
Sanitation	74,701
Broadband	21,138
Total business-type activities	<u>774,387</u>

NOTE D RETIREMENT SYSTEM

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing, multiple-employer, public retirement system was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer 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. 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 month of credited service, the annual service retirement allowance is 2% (2/3% police / firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand-alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2011, the required contribution rates as a percentage of covered payrolls for members was 6.23% for general members, and 7.69% for police / firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members, and 10.73% for police / firefighter members. The City's contributions required and paid were \$152,398, \$143,835, and \$135,775, for the three years ended September 30, 2011, 2010, and 2009, respectively.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE E NET ASSETS

Enterprise Funds. The total unrestricted net assets were \$12,927,696 at September 30, 2011. The City has started accumulating assets collected from the increase in water and sewer rates for the repayment of debt and to establish the reserve accounts that will be required when the water and sewer bonds are closed. At September 30, 2011, the City has accumulated \$505,353 in the Water Fund and \$444,500 in the Sewer Fund.

NOTE F AMMON URBAN RENEWAL AGENCY

1. Reporting entity. The component unit in the government-wide financial statements includes the financial data of the Ammon Urban Renewal Agency (Agency), the City's only discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the City in accordance with state urban renewal law.
2. Summary of significant accounting policies. The basis of accounting for the government-wide financial statements is the accrual basis of accounting.
3. Cash and investments. At September 30, 2011, the carrying amount and bank balance of the Agency's deposits was \$44,639. The entire balance was covered by federal depository insurance.
4. Bonds payable. The Agency issued \$2,935,000 of Multi-mode Variable Rate Revenue Allocation (Tax Increment) Bonds, Series 1999A in July 1999. The payment on these bonds is interest only, until maturity at August 1, 2024. The interest rate on these bonds is variable. The Agency exercised their optional redemption rights and redeemed \$955,000 of these bonds since original issue bringing the principal remaining balance to \$1,980,000.
5. Restricted fund balance. A portion of the fund balance of the Debt Service Reserve Fund was created to segregate portion of fund balance for debt service, including both principal and interest payments.
6. Notes payable. On January 28, 1998, the Agency entered into a Limited Recourse Promissory Note (Phase I Note, Series 1997A Project Note) payable in the amount of \$917,150 to CPI / Ammon Limited Partnership. The note bears interest at 9.0%. The principal balance on the note at September 30, 2011, is \$917,150. Future debt service payments on the note are not specified.

On January 28, 1998, the Agency entered into a Limited Recourse Promissory Note (Phase I Note, Bond Project Series 1997B Project) payable in the amount of \$46,915 to CPI / Ammon Limited Partnership. The note bears interest at 5.88%. The principal balance on the note at September 30, 2011, is \$46,915. Future debt service payments on the note are not specified.

The recourse of CPI / Ammon Limited Partnership for payment on these notes is limited solely to the funds in the Revenue Allocation Fund, after payment of interest and principal on the bonds and payments to fund the Administrative Fund. The Agency's obligation to make revenue allocation payments to CPI / Ammon Limited Partnership terminates for taxes collected and paid to the Agency for the calendar year beginning January 1, 2024.

Interest accrued on these notes through September 30, 2011, was approximately \$2,120,000.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE F **AMMON URBAN RENEWAL AGENCY, continued**

7. Changes in general long-term debt. A summary of the changes in the General Long-term Debt is as follows:

	Series 1999A Bonds	Notes Payable
Balance, October 1, 2010	2,355,000	964,065
Net principal payment	375,000	
Balance, September 30, 2011	1,980,000	964,065

8. Letter-of-credit. The Agency entered into an irrevocable Direct-pay Letter-of-Credit dated July 21, 1999, with Wells Fargo Bank in order to secure and facilitate payment of principal and interest on the Series 1999 Bonds (the Bonds). The agreement amount is not to exceed the outstanding principal amount of the Bonds and 45 days' interest calculated at 12% per annum. The Letter-of-Credit has been extended until August 1, 2015. The letter-of-credit fee is due in advance on August 1 of each year and is equal to 1.125% of the outstanding principal of the Bonds plus 45 days' interest. The letter-of-credit fees incurred and paid during the year ended September 30, 2011, was \$25,173.
9. Economic dependency. The Agency receives approximately 90% of its tax revenue from three entities.
10. Property tax revenue. Current property tax revenue is not meeting original expectations. When the Series 1999 Bonds were entered into, property tax revenue was expected to have increased significantly enough to make the principal payments as well as the interest. Although the required interest payments are being made, the Agency will not be able to make the principal payment in 2024 when it becomes due if property tax revenues do not increase significantly.

NOTE G **NOTES PAYABLE**

The City entered into a \$15,000,000 loan with the Department of Environmental Quality (DEQ) for improvements to the water system on March 8, 2008. This loan will be secured by a revenue bond in the amount of \$15,000,000. Within five years of project completion, the City is required to establish a reserve account in an amount equal to 1 year's payment of principal and interest. The loan requires biannual payments of principal and interest at 3.00% to be amortized over 20 years from the completion of the project. The interest during the construction period has begun accruing at the first disbursement and will either be paid to the DEQ or incorporated into the final loan at the completion of the project.

The City entered into a \$15,000,000 loan with the Department of Environmental Quality (DEQ) to fund the City's portion of the regionalization project (Eastern Idaho Regional Wastewater System) on April 24, 2008. This loan will be secured by a revenue bond in the amount of \$10,000,000. The loan has been increased to \$25,000,000 as confirmed by judicial review. The City is required to establish at the time of the issuance of the bond a reserve fund in an amount equal to 1 year's payment of principal and interest. The loan requires biannual payments of principal and interest at 2.25% to be amortized over 30 years from the completion of the project.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE G NOTES PAYABLE, continued

The interest during the construction period has begun accruing at the first disbursement and will either be paid to the DEQ or incorporated into the final loan at the completion of the project.

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

	Balance October 1, 2010	Additions	Payments	Balance September 30, 2011
Construction loan - Water	13,080,287	1,171,580		14,251,867
Construction loan - Sewer	11,759,240	7,239,036		18,998,276
 Total	24,839,527	8,410,616	0	33,250,143

NOTE H COMMITMENTS AND CONTINGENCIES

The City has committed to pay \$615,000 for engineering to re-route the sewer lines, \$2,120,569 for construction, and \$120,000 for observation to verify the integrity and accuracy of construction as a part of a settlement with IBSD. The following schedule summarizes the construction commitments:

Project	Original bid Plus changes	Expenditures Recorded Through 9/30	Remaining Construction Obligation
Interceptor Segment			
Engineering	615,000	505,300	109,700
Construction	2,120,569	1,045,142	1,075,427
Observation	120,000	38,110	81,890
Total	2,855,569	1,588,552	1,267,017

NOTE I COMMITMENT TO REGIONAL SEWER PROJECT

The City initially authorized a bond issue of \$15,000,000 as their portion of the bond necessary for their involvement in the Eastern Idaho Regional Wastewater Authority (EIRWWA). The Department of Environmental Quality (DEQ) has decreased the interest rate to 2.25%. The City was able to increase the amount of money \$10,000,000 to \$25,000,000 because the expenses were declared ordinary and necessary. This was confirmed by judicial review. This is a joint venture with the City of Shelley, City of Ammon, Bonneville County, and Bingham County and will provide wastewater services for residents and businesses in the service area.

The treatment facility is in the construction phase. The costs of the project are being allocated based on the anticipated users of the system. Currently, this results in 70% being allocated to the City of Ammon. The City of Ammon paid \$258,145 to the Authority during the 2010-2011 fiscal year.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE I COMMITMENT TO REGIONAL SEWER PROJECT, continued

The City has signed a contract for engineering services for the interceptor line from Ammon to Shelley for \$1,195,000 and contracts for \$9,155,215 for the construction of the interceptor lines. The federal portion of the project is being funded with a Section 595 grant from the U.S. Army Corps of Engineers and the City is funding their portion with the bond. The final costs to the City for the project depend on the amount paid by the federal government, the participation from other parties, and the actual costs at the time of construction. The following schedule summarizes the construction commitments:

Project	Original bid Plus changes	Expenditures Recorded Through 9/30	Remaining Construction Obligation
Interceptor Segment B & C			
Engineering	1,195,000	1,037,235	157,765
Construction	9,155,215	8,027,653	1,127,562
Total	10,350,215	9,064,888	1,285,327

NOTE J COMMITMENT TO WATER PROJECT

The citizens of the City authorized a bond issue of \$15,000,000 to upgrade the City's water system and the City has borrowed \$14,251,867 from the DEQ at year end. The City had completed the construction process at September 30, 2011. The City has an outstanding balance with the construction companies at September 30, 2011, of \$30,883.

NOTE K INTERFUND TRANSFERS

The City transferred \$457,070 to Parks and Recreation from the General Fund to cover costs in excess of revenues. The City has elected to reflect Parks and Recreation in a separate fund and transfer up to the budgeted deficit from the General fund. The City also transferred \$1,200,000 to the Broadband fund from the Water and the General Funds. The purpose of this transfer was to cover the building of the fiber-optic network.

NOTE L DEFICIT FUND BALANCE

The Building Fund balance is in a deficit of \$240,626 at September 30, 2011. This amount is expected to be collected as soon as the Building Fund is able to generate a surplus.

NOTE M JOINT VENTURE – EASTERN IDAHO REGIONAL WASTE WATER AUTHORITY

The City is participating in a joint venture with the City of Shelley, Bingham County, and Bonneville County for a new treatment plant for waste water. The City entered into a joint powers agreement to provide joint financing, design, acquisition, construction, management, and operation of a regional waste water treatment and disposal facility.

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE M JOINT VENTURE – EASTERN IDAHO REGIONAL WASTE WATER AUTHORITY,
continued

A separate legal entity, Eastern Idaho Regional Waste Water Authority (EIRWWA), was created. It is governed by a board made up of representatives from each of the members of the joint powers agreement. Capitalized assets acquired by the members of the joint powers agreement for EIRWWA during the construction phase, are donated to the Authority as that phase becomes operational.

The Board of the EIRWWA assesses and collects from each participating member discharge/hookup fees, operation and maintenance fees, and fees to pay for costs in excess of defined equivalent residential unit (ERU) allocations each year.

Each member must collect, as a minimum, discharge/hookup fees, and operation and maintenance fees established by the board and remit them to the Authority. Each member may also establish its own operation and maintenance fees and discharge/hookup fees in addition to those determined by the board as well as debt service fees. Each member of the joint powers agreement pays a percentage of the repair, operation, and maintenance of the facility and transmission lines. Currently, each member is individually responsible for repayment of any debt they incur during construction.

In the event of a federal, state, or local court action, concerning the facility, each member will assume responsibility for such litigation in a direct proportion to the percentage of use of the system. If the facility needs to expand in the future and the Authority does not have adequate funds in their reserve fund accumulated from the discharge/hookup fees, each member of the joint powers agreement will pay additional funds necessary to construct the complete next phase of the development of the facility.

During the fiscal year ended September 30, 2010, the facility began accepting flow from the Shelley, Bonneville County, and Bingham County. As per the joint powers agreement, the City of Ammon distributed the capitalized assets acquired during the construction of the treatment plant to the Authority (\$9,564,999). The initial capitalization of the EIRWWA as of September 30, 2010, was \$27,863,728.

The Eastern Interceptor line was completed subsequent to year end. At year end, the City was not yet connected to the plant but is obligated to contribute the difference in what the current customers pay in fees and the operating costs until the City customers are connected.

The Eastern Idaho Regional Wastewater Authority has a fiscal year end of September 30. Financial statements are available at:

EIRWWA
618 E 1250 N
Shelley, ID 83274

City of Ammon, Idaho

Notes to Financial Statements
September 30, 2011

NOTE N CAPITAL CONTRIBUTIONS

As of September 30, 2011, the City had received capital contributions from Shelley and IBSD. Both contributions are for work to be performed by the City on behalf of the two groups. The City of Ammon is currently constructing an interceptor which will connect to IBSD and will be turned over to them when the project is complete. Shelley's donation is for their portion of the costs associated with the EIRWWA expenses that was paid to the City of Ammon.

NOTE O RESTRICTED NET ASSETS

As of September 30, 2011, the City had restricted net assets for commitments to spend \$62,500 for a stoplight on the corner of Eagle Road and Sunnyside in Ammon, Idaho, and \$14,175 for East Hills. The City also has commitments of \$90,000 for the traffic signal at Ammon and Sunnyside, \$28,402 for First street road improvements, \$75,810 for Seventeenth street improvements, \$4,214 for a fence on a commercial lot, and \$22,665 for a bridge on Tildy.

NOTE P SUBSEQUENT EVENTS

Management of the City evaluated subsequent events through January 17, 2012, which was the date the financial statements were available to be issued. Since September 30, 2011, the City has begun to flow to EIRWWA using the newly developed sewer additions.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ammon, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balance
 -Budget and Actual-
 Governmental Funds
 For the Year Ended September 30, 2011

	General		
	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	1,732,705	1,724,142	(8,563)
Franchise fees	200,000	178,358	(21,642)
Licenses and permits	69,200	85,964	16,764
Intergovernmental revenue	1,052,239	1,107,149	54,910
Planning	3,000	3,611	611
Earnings on investments	142,143	72,165	(69,978)
Grants and awards	420,000		(420,000)
Miscellaneous revenues	51,550	79,846	28,296
	<u>3,670,837</u>	<u>3,251,235</u>	<u>(419,602)</u>
EXPENDITURES			
General government	762,256	665,394	96,862
Law enforcement	1,222,366	1,224,046	(1,680)
Fire protection	832,495	457,272	375,223
Planning and zoning	83,655	76,399	7,256
Engineering	45,696	30,270	15,426
Capital outlay	74,000	73,793	207
	<u>3,020,468</u>	<u>2,527,174</u>	<u>493,294</u>
Revenues over (under) expenditures	650,369	724,061	73,692
OTHER FINANCING SOURCES (USES)			
Operating transfers	(1,076,263)	(1,057,070)	19,193
Revenues and other financing sources over (under) expenditures and other uses	<u>(425,894)</u>	<u>(333,009)</u>	<u>92,885</u>
Fund balance at October 1, 2010		<u>4,983,490</u>	
Fund balance at September 30, 2011		<u>4,650,481</u>	

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balance
 -Budget and Actual-
 Governmental Funds
 For the Year Ended September 30, 2011

	Street		
	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Franchise fees		26,661	26,661
Intergovernmental revenue	460,034	465,106	5,072
Earnings on investments	34,799	42,865	8,066
Miscellaneous revenue		3,134	3,134
Total revenues	494,833	537,766	42,933
EXPENDITURES			
Highway and streets	1,272,817	807,992	464,825
Total expenditures	1,272,817	807,992	464,825
Revenues over (under) expenditures	(777,984)	(270,226)	542,557
OTHER FINANCING SOURCES (USES)			
Operating transfers			0
Revenues and other financing sources over (under) expenditures and other uses	(777,984)	(270,226)	542,557
Fund balance at October 1, 2010		3,188,842	
Fund balance at September 30, 2011		2,918,616	

The accompanying notes are an integral part of this statement.

City of Ammon, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balance
 -Budget and Actual-
 Governmental Funds
 For the Year Ended September 30, 2011

	Parks and Recreation		
	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Recreation fees	125,200	131,591	6,391
Grants and awards	465,000	20,813	(444,187)
Miscellaneous revenues	5,000	1,509	(3,491)
	595,200	153,913	(441,287)
EXPENDITURES			
Parks	935,508	399,705	535,803
Recreation	29,230	21,056	8,174
Pool	97,532	101,191	(3,659)
	1,062,270	521,952	540,318
Revenues over (under) expenditures	(467,070)	(368,039)	99,031
OTHER FINANCING SOURCES (USES)			
Operating transfers	457,070	457,070	0
Revenues and other financing sources over (under) expenditures and other uses	(10,000)	89,031	99,031
Fund balance at October 1, 2010		33,706	
Fund balance at September 30, 2011		122,737	

The accompanying notes are an integral part of this statement.

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OTHER FINANCIAL INFORMATION

City of Ammon, Idaho

All Nonmajor Funds
Combining Balance Sheet
September 30, 2011

	<u>Building</u>	<u>All Nonmajor Funds</u>
ASSETS		
Cash	(241,009)	(241,009)
Accounts receivable	<u>5,970</u>	<u>5,970</u>
Total assets	<u><u>(235,039)</u></u>	<u><u>(235,039)</u></u>
LIABILITIES		
Accrued salaries and benefits	<u>5,586</u>	<u>5,586</u>
Total liabilities	<u>5,586</u>	<u>5,586</u>
FUND BALANCES		
Unreserved	<u>(240,625)</u>	<u>(240,625)</u>
Total fund balances	<u>(240,625)</u>	<u>(240,625)</u>
Total liabilities and fund balances	<u><u>(235,039)</u></u>	<u><u>(235,039)</u></u>

City of Ammon, Idaho

All Nonmajor Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended September 30, 2011

	Building	All Nonmajor Funds
REVENUES		
Licenses and permits	121,699	121,699
Earnings on investments	730	730
Grants and donations	70,271	70,271
	<hr/>	<hr/>
Total revenues	192,700	192,700
EXPENDITURES		
Building	299,180	299,180
	<hr/>	<hr/>
Total expenditures	299,180	299,180
Revenues over (under) expenditures	<hr/> (106,480) <hr/>	<hr/> (106,480) <hr/>
OTHER FINANCING SOURCES (USES)		
Operating transfers	<hr/> 0 <hr/>	<hr/> 0 <hr/>
Revenues and other financing sources over (under) expenditures	(106,480)	(106,480)
Fund balance at October 1, 2010	<hr/> (134,145) <hr/>	<hr/> (134,145) <hr/>
Fund balance (deficit) at September 30, 2011	<hr/> <u>(240,625)</u> <hr/>	<hr/> <u>(240,625)</u> <hr/>

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Single Audit Section

City of Ammon, Idaho

September 30, 2011

**INDEPENDENT AUDITOR'S 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***

Mayor and City Council
City of Ammon
Ammon, Idaho

We have audited the basic financial statements of City of Ammon as of and for the year ended September 30, 2011, and have issued our report thereon dated January 17, 2012. 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

Management of the City of Ammon is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Ammon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Ammon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Ammon'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of City of Ammon in a separate letter dated January 17, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Galusha Higgins and Galusha PC". The signature is written in a cursive, flowing style.

GALUSHA, HIGGINS & GALUSHA, P.C.
Certified Public Accountants

Idaho Falls, Idaho
January 17, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and City Council
City of Ammon
Ammon, Idaho

Compliance

We have audited the compliance of City of Ammon with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2011. City of Ammon's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of City of Ammon's management. Our responsibility is to express an opinion on City of Ammon's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Ammon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Ammon's compliance with those requirements.

In our opinion, the City of Ammon complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control over Compliance

The management of City of Ammon is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Ammon's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Ammon's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the Mayor and City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Galusha Higgins and Galusha PC".

GALUSHA, HIGGINS & GALUSHA, P.C.
Certified Public Accountants

Idaho Falls, Idaho
January 17, 2012

City of Ammon, Idaho

Schedule of Findings and Questioned Costs Fiscal Year Ended September 30, 2011

SECTION I - SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified.

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Type of auditor's report issued on compliance for major programs: Unqualified.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grants for Clean Water State Revolving Funds-loan

Dollar threshold used to distinguish between type A and type B programs:

 \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

City of Ammon, Idaho

Schedule of Findings and Questioned Costs *Fiscal Year Ended September 30, 2011*

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDITS

None

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

City of Ammon, Idaho

Schedule of Expenditures of Federal Awards Fiscal Year Ended September 30, 2011

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Disbursements/ Expenditures
U.S. Department of Department of the Interior		
Passed through State of Idaho		
Land and Water Conservation Fund	15.916	19,775
Total Department of the Interior		19,775
Environmental Protection Agency		
Passed through the State of Idaho		
Capitalization Grants for Clean Water State Revolving Funds-loan	66.458	7,239,036
Capitalization Grants for Drinking Water State Revolving Funds-loan	66.468	1,171,580
Total Environmental Protection Agency		8,410,616
U.S. Department of Energy		
Energy Efficiency/Conservation Block Grant	81.128	70,271
Total U.S. Department of Energy		70,271
U.S. Department of Defense		
Department of the Army, Office of the Chief of Engineers Section 595 Program		79,313
Total Expenditures of Federal Awards		8,579,975

City of Ammon, Idaho

Notes to Schedule of Expenditures of Federal Awards
Fiscal Year Ended September 30, 2011

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented using the modified basis of accounting as described in Note A to the City's financial statements.

NOTE B LOANS OUTSTANDING

The City had the following loan balances outstanding at September 30, 2011. Loans made during the year are included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving Funds - loan	66.458	<u>18,998,276</u>
Capitalization Grants for Drinking Water State Revolving Funds - loan	66.468	<u>14,251,867</u>

City of Ammon, Idaho

Summary of Schedule of Prior Audit Findings *Fiscal Year Ended September 30, 2011*

No prior year findings.