

CITY OF BURLEY, IDAHO

**Basic Financial Statements
With Supplemental Information**

September 30, 2011



CITY OF BURLEY, IDAHO
BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2011
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FINANCIAL SECTION



Evans & Poulsen P.A.

Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's

Edward G. Evans, CPA
Jeffrey D. Poulsen, CPA

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Burley, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of City of Burley (the City), as of and for the fiscal 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's management. Our responsibility is to express an opinion 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, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City of Burley as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund, 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 23, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6a through 6e be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund and fiduciary fund financial statements, as well as the combining and individual agency fund schedules of receipts, disbursements, and changes in fund balance are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the combining and individual agency fund schedules of receipts, disbursements, and changes in fund balance 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.

Evans & Poulsen

Evans & Poulsen, P.A.
January 23, 2012

City of Burley
Management Discussion and Analysis
Fiscal Year Ending - September 30, 2011

Management’s Discussion and Analysis Report

The management of the City of Burley, Idaho, presents this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. This Management’s Discussion and Analysis is based upon currently known facts, decisions, and conditions that existed as of the date of the independent auditor’s report.

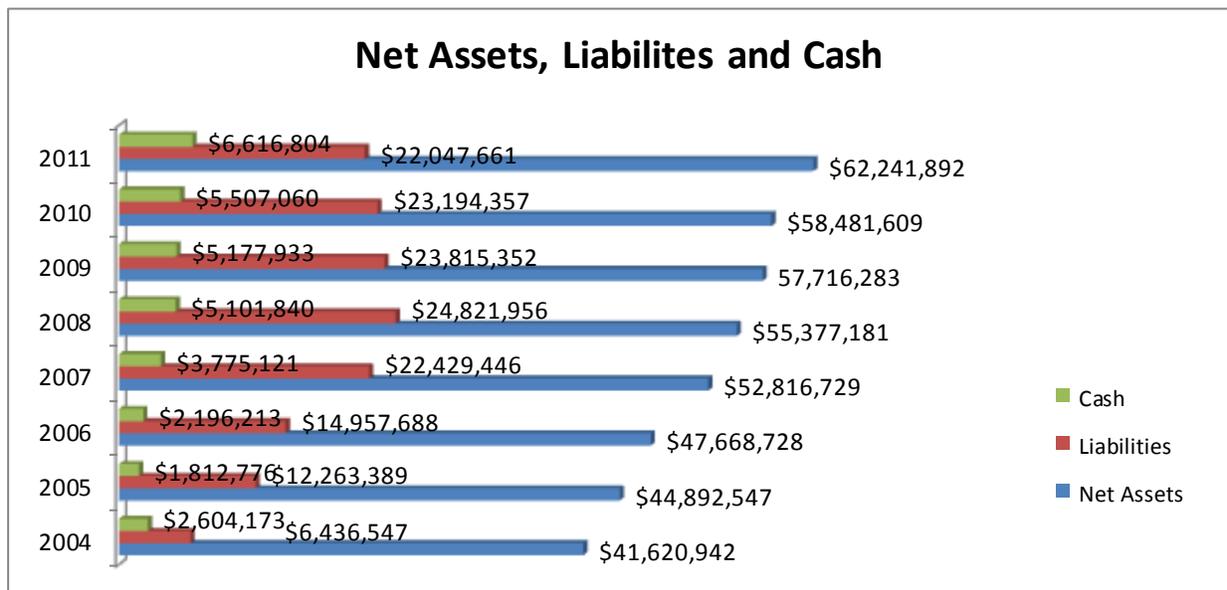
Government-wide Financial Analysis

The City is required to present its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34) which also requires the management discussion and analysis.

Analysis of Net Assets

The City total net assets for the fiscal year ended September 30, 2011, is \$62,241,892 compared to \$58,481,609 for September 30, 2011. This is an increase in net assets of \$3,760,283. The increase in net assets is due to an increase of cash of \$969,545 for all funds, \$1,920,184 increase in other capital assets primarily in the governmental funds and a decrease in debt in all funds.

Liabilities for the City as a whole decreased by \$1,146,696 from September 30, 2010 to September 30, 2011. The decrease in liabilities was primarily due to debt payments made on the new well and storage tank and debt payments on the wastewater plant. The payments for water and wastewater (including the G.O. Bond for wastewater) totaled \$1,702,219. Total liabilities for all funds were \$22,047,661.



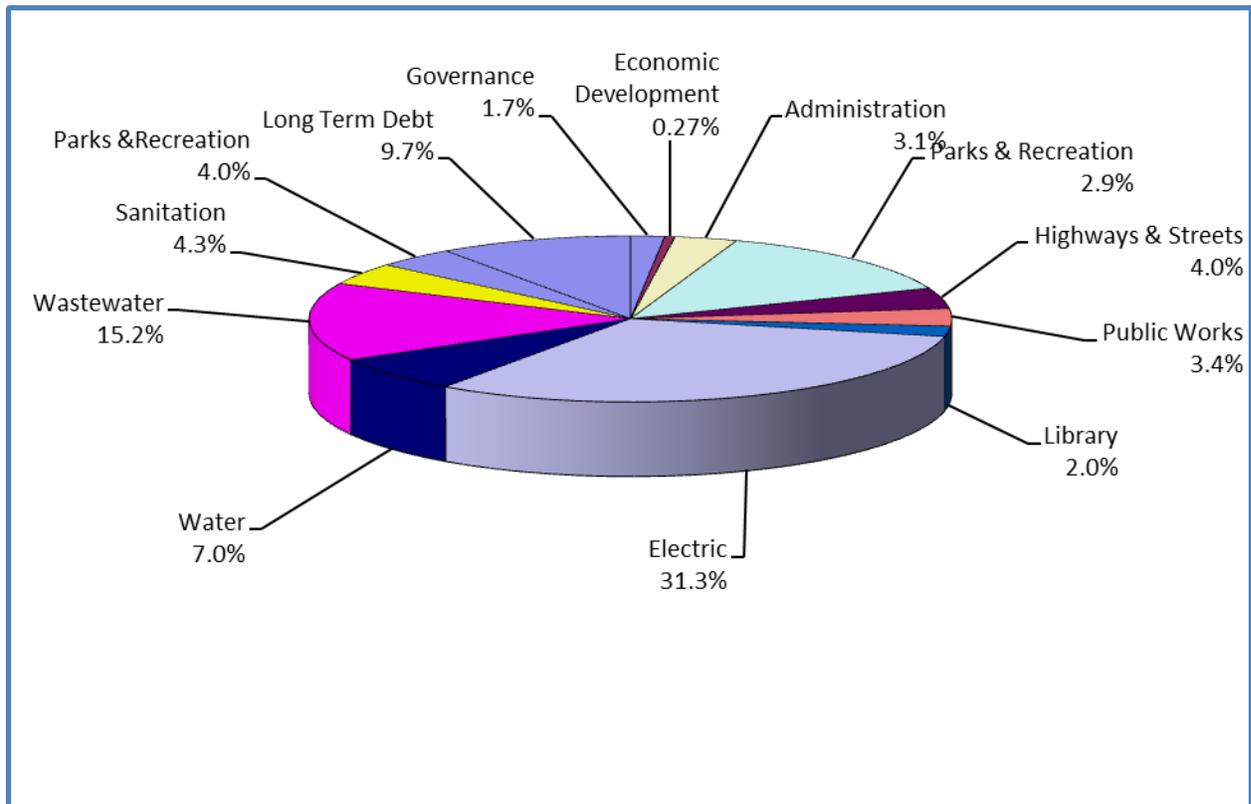
Funds analysis

The following is an analysis of the difference in the ending fund balance of each of the City's major funds.

Governmental Funds – Total property taxes collected for FY 2010-2011 were \$2,213,209. These taxes fund the General Fund (\$1,507,069), Library (\$351,110) and the General Obligation Bond Debt Payment (\$355,030). Total revenues for the General Fund were \$5,393,446. Shared revenues from the State of Idaho (sales tax and shared liquor revenues were \$675,946.35 - 100% of the budgeted amount. Highway user taxes and revenue from highway districts totaled \$550,408 compared to expenses for the Streets Department of \$659,485. The difference between the streets revenue and expense (\$109,077) comes directly out of the general fund. This was a City Council decision four years ago to augment the Street budget by \$100,000 per year. This is depleting the general fund reserves as are transfers to other departments. Total public safety (Sheriff's contract, Fire Department, Animal Control and a part of Building Inspection) costs were \$2,650,526 which represents over 50% of the General Fund budget.

State and Federal Grants Fund – Grant reimbursements were received from the Federal Aviation Administration (Planning grant \$42,191), State waterway grants and local matching funds in the amount of \$30,863 were received for boat docks and boater improvements. There was a federal CDBG reimbursement for The Gem State Processing project at the Burley Industrial Park in an amount of \$152,654. There were reimbursements from EPA in an amount of \$14,721 for the industrial wastewater plant design.

Expenditures by Function



6-b
Business Type Funds

Electric Fund – The Electric Fund Net assets increased \$407,758 from September 30, 2010 to September 30, 2011. Cash & Investments increased by \$324,403 due to the reimbursement of development costs from UAMPS. There are plans for future substation improvements and equipment purchases to keep equipment updated. The Electric Department received a wholesale energy increase which effected the 2010-2011 fiscal year. The City did not pass through to its customers that increase. A second wholesale energy increase in the amount of 10% was incurred beginning October 1, 2011 of which 3.3% was passed on to customers. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

Water Fund – The Water Fund Net Assets increased by \$339,074 for the period from September 30, 2010 to September 30, 2011. The increase in net assets was due in part to an increase in cash of \$230,361. The debt service payment for well 7 is the largest budgeted expense. A major water improvement for the Burley Industrial Park took place during the fiscal year and a water line tie-in between the Burley Industrial Park and the City of Heyburn is in progress. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

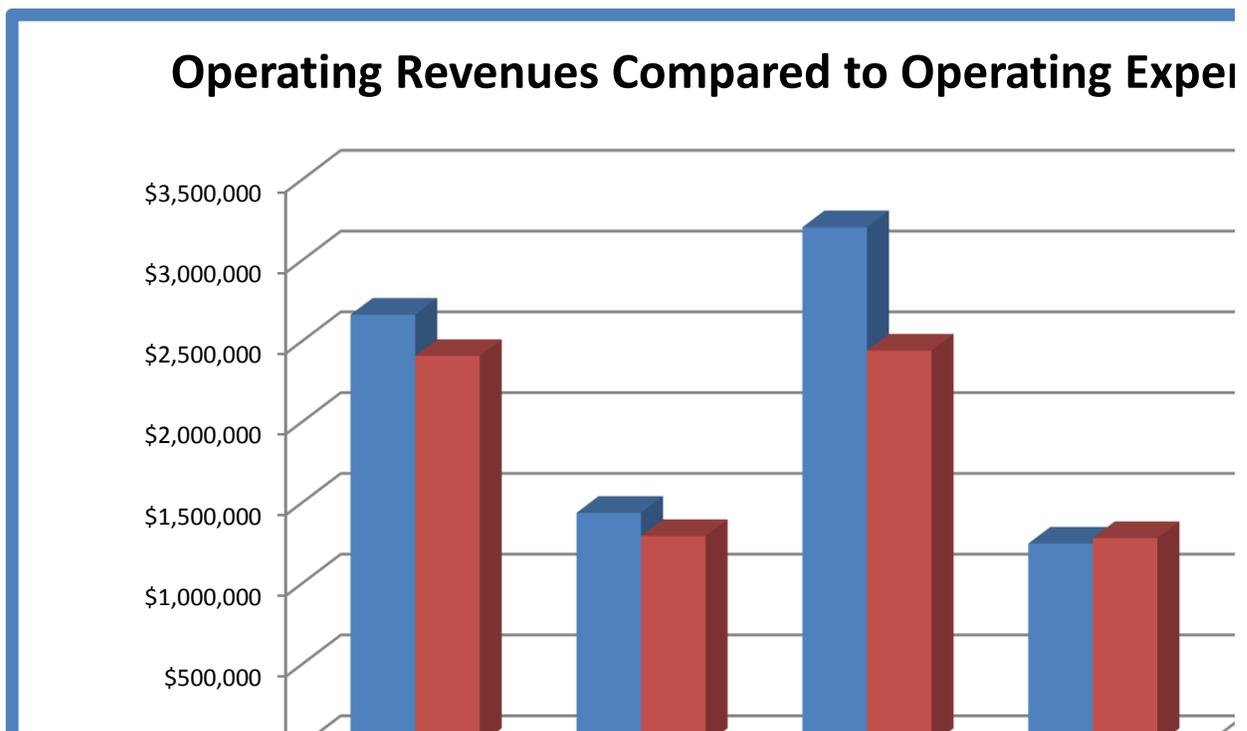
Wastewater Fund – The Wastewater Fund Net Assets increased \$488,906 from September 30, 2010 to September 30, 2011. Cash in the fund increased by \$146,789 due to a difference between revenues and expenses. Planning for upgrades for both the municipal and industrial plants was done during the fiscal year and improvements to both

plants will be accomplished during the coming fiscal year. There were no significant differences between budgeted revenue and expenditures and actual revenue and expenditures.

Golf Fund – The Golf Fund had no significant change in Net Assets. Again as a closing item for the audit the fund was balanced due to a deficit. To accomplish this there was an additional transfer made from the General Fund to the Golf Fund. The actual revenue difference between the 2009-2010 and the 2010-2011 fiscal year was \$2,019. The difference in expense for the same two fiscal years was \$365 less. The amount transferred in brought the fund to a zero balance. We will continue to look at ways to encourage play and reduce expenses at the Golf Course to reduce the need for General Fund support.

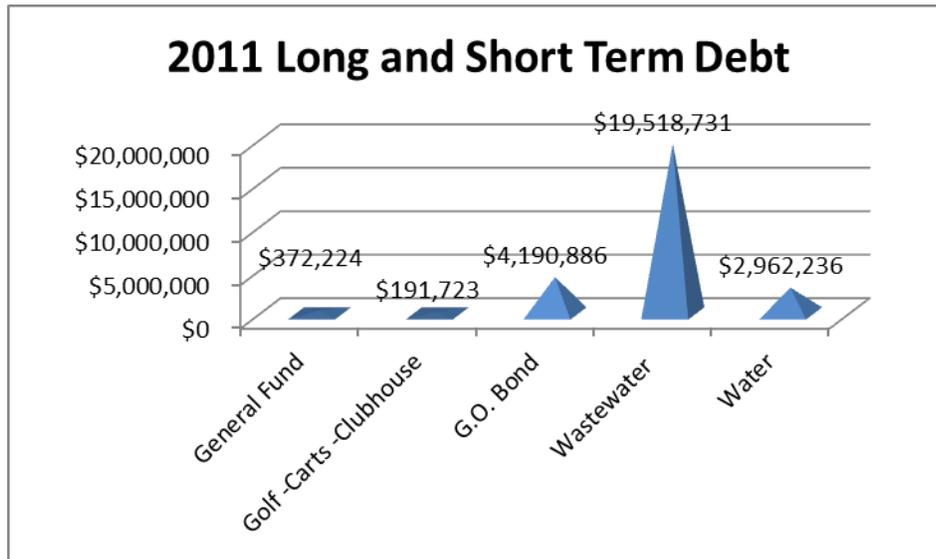
Sanitation Fund – The Sanitation Fund had an increase in net assets of \$51,847 from September 30, 2010 to September 30, 2011. The increase was due to an increase in cash offset by normal operating expenses. The fund revenue was \$887,128 compared to expenses of \$833,640. Operating revenues were down \$22,374 from the previous fiscal year and expenses were up from the previous fiscal year by \$105,297 due to paying off debt for the rail truck. Revenue for the fund is stable due to new businesses utilizing Sanitation Department services. There were no significant deviations from budget.

6-c



OUTSTANDING DEBT

As of September 30, 2011 the City of Burley had \$24,747,779 in short and long term debt and future interest compared to \$29,138,686 in short and long-term debt and future interest at the end of September 30, 2010. Additional detailed information on long-term obligations is available in note 6 to the financial statements. Future debt for replacement of garbage trucks, a waste transfer station, a new Library, and wastewater improvements are anticipated in future years.



6-d

Notable Items

There are ongoing projects that will take a future financial commitment including airport relocation, funding a transfer station, road repair and reconstruction, and greenbelt improvements. Plans should be made now to deal with these future financial impacts. General Fund will need to be very closely monitored as General Fund revenues affect services across the entire City. General Fund revenues have stabilized, and future increases are likely in smaller amounts. These services touch most citizens and demand may grow in utility requests. The City should strongly resist adding any new services or expansion of existing services with the exception of new utility services.

With overall cash balances of the City of Burley over \$6,600,000 the City of Burley has distributed its cash between different investments in different financial institutions and the State of Idaho - Local Government investment pool. The City could consider at this point investing in longer term agency issues to increase interest earnings.

Accounting for Assets

GASB 34 requires that public entities quantify the cost of existing assets and the maintenance costs of those assets. We have implemented a Geographic Information System (GIS) using Auto Cad and ESRI to document our public infrastructure from power poles and transformers to water valves and lines and many items other infrastructure items. As the City of Burley makes future public improvements it will not only increases the net assets shown on these financial statements but also commits the City to maintaining those improvements.

Requests for information

The City's financial statements are designed to present the users with a general overview of the City's finances, and to demonstrate the city's accountability. If you have questions about the report or need additional financial information, please contact the City Clerk or City Administrator at P.O. Box 1090, Burley, ID 83318, or check out the City of Burley website www.burleyidaho.org.

CITY OF BURLEY, IDAHO

Statement of Net Assets
September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Totals	Burley Development Authority
ASSETS				
Cash & Investments	\$ 1,747,699	\$ 4,869,105	\$ 6,616,804	\$ 1,577,500
Receivables (Net of Allowances):				
Taxes	183,179	-	183,179	-
Accounts	16,453	682,963	699,416	-
Notes	-	-	-	-
Claims	-	-	-	-
Prepaid Expenses	-	-	-	-
Inventory - Note 3	-	480,336	480,336	-
Due From Other Funds	-	615,578	615,578	20,000
Due From Other Governments	188,723	-	188,723	-
Restricted Assets:				
Cash -	-	-	-	831,742
Capital Assets - Note 4:				
Land	10,756,792	432,802	11,189,594	-
Other Capital Assets, Net of Depreciation	20,755,854	43,560,069	64,315,923	-
Total assets	33,648,700	50,640,853	84,289,553	2,429,242
LIABILITIES				
Accounts Payable and Accrued Expenses	126,572	762,890	889,462	140,222
Customer Deposits Payable	109,545	-	109,545	-
Compensated Absences Payable	125,524	-	125,524	-
Interest Payable	17,924	134,126	152,050	-
Due to Other Funds (Pooled Cash)	334,660	-	334,660	-
Deferred Revenue	-	-	-	-
Long-Term Liabilities - Note 6:				
Due Within One Year	225,000	845,872	1,070,872	406,273
Due in More Than One Year	3,075,000	16,290,548	19,365,548	10,231,550
Total liabilities	4,014,225	18,033,436	22,047,661	10,778,045
NET ASSETS				
Invested in Capital Assets, net of related debt	28,212,646	26,856,451	55,069,097	-
Restricted for:				
Capital Projects & Debt Service	-	-	-	831,742
Unrestricted	1,421,829	5,750,966	7,172,795	(9,180,545)
Total Net Assets	\$ 29,634,475	\$ 32,607,417	\$ 62,241,892	\$ (8,348,803)

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 504,461	\$ 592,601	\$ 1,097,062
Receivables (net of allowances):			
Taxes	183,179	-	183,179
Accounts	16,453	-	16,453
Notes	-	-	-
Due from other funds	-	-	-
Due from other governments	188,723	-	188,723
Total assets	\$ 892,816	\$ 592,601	\$ 1,485,417
LIABILITIES AND FUND EQUITY			
Liabilities:			
Vouchers payable and accrued liabilities	\$ 54,147	\$ 12,298	\$ 66,445
Utility customer deposits	109,545	-	109,545
Due to other funds	-	-	-
Deferred revenue	153,175	-	153,175
Total liabilities	316,867	12,298	329,165
Fund Balance:			
Reserved for:			
Capital projects	-	-	-
Unreserved, reported in:			
General Fund	575,949	-	575,949
Library Fund	-	283,073	283,073
Grant Fund	-	297,230	297,230
Total fund balances	575,949	580,303	1,156,252
Total liabilities and fund balances	\$ 892,816	\$ 592,601	\$ 1,485,417

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
September 30, 2011

Total Governmental Fund Balances	\$ 1,156,252
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	31,512,646
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. Property Taxes	153,175
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	590,510
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds. Compensated absences	(125,524)
General Obligation Bonds (GOB) payable	(3,300,000)
Notes Payable - Electric Fund	(334,660)
Accrued interest payable	<u>(17,924)</u>
Net Assets of Governmental Activities	<u>\$ 29,634,475</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 1,680,653	\$ 708,775	\$ 2,389,428
Licenses and permits	108,564	-	108,564
Intergovernmental	1,261,818	-	1,261,818
Charges for services	1,482,990	8,878	1,491,868
Fees and fines	94,117	15,684	109,801
Grants / Donations	-	351,417	351,417
Miscellaneous	765,304	6,193	771,497
Total revenues	5,393,446	1,090,947	6,484,393
Expenditures:			
Legislative	177,774	-	177,774
Executive	34,464	-	34,464
Administrative	712,419	-	712,419
Legal & Professional	101,576	18,025	119,601
Buildings	165,567	-	165,567
Police	1,529,383	-	1,529,383
Fire	963,241	-	963,241
Animal control	116,734	-	116,734
Streets	659,485	-	659,485
Engineering	890	-	890
Equipment maintenance	207,658	-	207,658
Airport	23,159	-	23,159
Parks and recreation	230,963	-	230,963
Swimming	117,674	-	117,674
Cemetery	225,656	-	225,656
Library	-	403,477	403,477
Debt Service - Principal	-	220,000	220,000
Debt Service - Interest	-	133,745	133,745
Capital outlays	-	306,008	306,008
Total expenditures	5,266,643	1,081,255	6,347,898
Excess of revenues over (under) expenditures	126,803	9,692	136,495
Other financing sources (uses)			
Transfers in	-	39,000	39,000
Transfers out	(141,976)	-	(141,976)
Bond / loan proceeds	-	-	-
Proceeds from the sale of capital assets	3,433	-	3,433
Total other financing sources (uses)	(138,543)	39,000	(99,543)
Net change in fund balances	(11,740)	48,692	36,952
Fund balance - beginning	587,689	531,611	1,119,300
Fund balance - ending	\$ 575,949	\$ 580,303	\$ 1,156,252

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

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

Net Change in Fund Balances - Total Governmental Funds \$ 36,952

Governmental funds report capital outlays 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 capital outlay exceeded depreciation in the current period:

Fixed asset additions - purchased	\$ 2,635,639	
Fixed asset additions - contributed	-	
Depreciation expense	<u>(715,455)</u>	
Excess of capital outlay over depreciation		1,920,184

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds. (56,401)

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Repayment of loan principal - GOB		220,000
Repayment of loan principal - Other Loans		57,890

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include: Net change in compensated absences 37,645

Decrease in accrued interest on long-term debt		(1,195)
Basis in assets sold		-

Internal service funds are used by management to charge the costs of insurance to individual funds. The net revenue/(expense) of the internal service funds are reported with governmental activities - current year (18,963)

Internal service funds prior period adjustment		<u>270,904</u>
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Change in Net Assets of Governmental Activities \$ 2,467,016

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund
Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget: Favorable (Unfavorable)
Revenues:				
Taxes	\$ 1,700,121	\$ 1,700,121	\$ 1,680,653	\$ (19,468)
Licenses and permits	112,260	112,260	108,564	(3,696)
Intergovernmental	1,204,187	1,204,187	1,261,818	57,631
Charges for services	1,362,850	1,362,850	1,482,990	120,140
Fines	108,000	108,000	94,117	(13,883)
Miscellaneous	749,440	749,440	765,304	15,864
Total revenues	5,236,858	5,236,858	5,393,446	156,588
Expenditures:				
Legislative	260,139	260,139	177,774	82,365
Executive	39,481	39,481	34,464	5,017
Administrative	704,373	704,373	712,419	(8,046)
Legal	90,300	90,300	101,576	(11,276)
Buildings	180,754	180,754	165,567	15,187
Police	1,529,383	1,529,383	1,529,383	-
Fire	903,128	903,128	963,241	(60,113)
Animal control	116,380	116,380	116,734	(354)
Streets	649,585	649,585	659,485	(9,900)
Engineering	-	-	890	(890)
Equipment maintenance	205,980	205,980	207,658	(1,678)
Airport	35,050	35,050	23,159	11,891
Parks and recreation	233,605	233,605	230,963	2,642
Swimming	104,088	104,088	117,674	(13,586)
Cemetery	222,612	222,612	225,656	(3,044)
Construction	-	-	-	-
Total expenditures	5,274,858	5,274,858	5,266,643	8,215
Excess (deficiency) of revenues over expenditures	(38,000)	(38,000)	126,803	164,803
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(87,000)	(87,000)	(141,976)	(54,976)
Bond / loan proceeds	-	-	-	-
Proceeds from the sale of capital assets	25,000	25,000	3,433	(21,567)
Excess (deficiency) of revenues over expenditures and other sources (uses)	(100,000)	(100,000)	(11,740)	88,260
Fund balance - beginning	587,689	587,689	587,689	-
Fund balance - ending	\$ 487,689	\$ 487,689	\$ 575,949	\$ 88,260

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Net Assets
Proprietary Funds
September 30, 2011

	Business-Type Activities Enterprise Funds					Governmental Activities-
	Electric Fund	Water Fund	Wastewater Fund	Nonmajor Funds	Totals	Internal Service Funds
ASSETS						
Cash & Investments	\$ 2,393,318	\$ 367,048	\$ 1,860,491	\$ 248,248	\$ 4,869,105	\$ 650,637
Receivables (Net of Allowances):						
Accounts	377,370	77,786	187,501	40,306	682,963	-
Claims	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-
Inventory	341,954	138,382	-	-	480,336	-
Notes receivable	615,578	-	-	-	615,578	-
Restricted Assets:						
Investments	-	-	-	-	-	-
Capital Assets:						
Land	85,735	242,115	92,452	12,500	432,802	-
Other Capital Assets, Net of Depr	3,268,029	6,773,342	32,341,639	1,177,059	43,560,069	-
Total assets	7,081,984	7,598,673	34,482,083	1,478,113	50,640,853	650,637
LIABILITIES						
Accounts Payable and Accrued Exp	339,155	92,937	244,492	86,306	762,890	60,127
Deferred Revenue	-	-	-	-	-	-
Interest Payable	-	14,082	120,044	-	134,126	-
Due to other fund	-	-	-	-	-	-
Long-Term Liabilities:						
Due Within One Year	-	92,502	673,782	79,588	845,872	-
Due in More Than One Year	-	2,134,955	14,054,246	101,347	16,290,548	-
Total liabilities	339,155	2,334,476	15,092,564	267,241	18,033,436	60,127
NET ASSETS						
Invested in Capital Assets, net of related debt	3,353,764	4,788,000	17,706,063	1,008,624	26,856,451	-
Restricted for:						
Capital projects	-	-	-	-	-	-
Unrestricted	3,389,065	476,197	1,683,456	202,248	5,750,966	590,510
Total Net Assets	\$ 6,742,829	\$ 5,264,197	\$ 19,389,519	\$ 1,210,872	\$ 32,607,417	\$ 590,510

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

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

	Business-Type Activities Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund	Nonmajor Funds		
Operating revenues:						
Charges for utilities	\$ 6,299,882	\$ 1,330,746	\$ 3,188,024	\$ 1,246,406	\$ 12,065,058	\$ 1,280,735
Less cost of utilities	(3,679,233)	-	-	-	\$ (3,679,233)	-
Gross profit on utilities	2,620,649	1,330,746	3,188,024	1,246,406	8,385,825	1,280,735
Other service charges	42,551	105,914	16,250	-	164,715	-
Total operating revenues	2,663,200	1,436,660	3,204,274	1,246,406	8,550,540	1,280,735
Operating expenses:						
Salaries	488,787	268,896	391,751	336,623	1,486,057	-
F.I.C.A. taxes	35,514	19,923	28,119	25,760	109,316	-
State retirement	48,517	27,177	38,468	34,423	148,585	-
Workman's compensation	10,453	10,436	14,921	24,858	60,668	-
Health and accident insurance	87,468	67,563	106,869	108,750	370,650	1,299,698
Operating supplies	36,422	86,921	167,738	14,555	305,636	-
Motor fuels and lubricants	12,961	9,713	14,544	120,745	157,963	-
Professional services	7,610	98,235	104,554	20,461	230,860	-
Advertising and printing	4,937	2,562	232	2,503	10,234	-
Insurance	12,000	11,250	26,200	9,200	58,650	-
Memberships, travel and training	49,575	2,406	7,858	1,995	61,834	-
Utilities and telephone	57,731	171,026	323,477	18,543	570,777	-
Rent - buildings and equipment	57,000	33,000	17,000	-	107,000	-
Maintenance expense	44,084	2,749	139,263	186,674	372,770	-
Other purchased services	18,465	40,490	1,260	131,037	191,252	-
Miscellaneous expense	10,130	4,024	6,039	8,705	28,898	-
Bad debts	26,252	5,444	13,062	3,240	47,998	-
Tax equivalents paid to Gen. Fund	771,940	-	-	-	771,940	-
Depreciation	192,808	286,231	887,887	198,242	1,565,168	-
Administrative services	406,940	120,000	135,000	27,500	689,440	-
Legal services	27,500	25,000	16,300	6,500	75,300	-
Total operating expenses	2,407,094	1,293,046	2,440,542	1,280,314	7,420,996	1,299,698
Operating income (loss)	256,106	143,614	763,732	(33,908)	1,129,544	(18,963)
Non-operating revenues (expenses)						
Grant revenue	-	-	14,871	-	14,871	-
Interest income	25,939	648	10,214	-	36,801	-
Interest (expense)	-	(73,705)	(517,961)	(11,539)	(603,205)	-
Total non-operating revenues (exp)	25,939	(73,057)	(492,876)	(11,539)	(551,533)	-
Income/(Loss) before contributions and transfers	282,045	70,557	270,856	(45,447)	578,011	(18,963)
Capital Contributions	125,713	268,517	218,050	-	612,280	-
Transfers In	-	-	-	102,976	102,976	-
Transfers Out	-	-	-	-	-	-
Change in Net Assets	407,758	339,074	488,906	57,529	1,293,267	(18,963)
Net Assets Beginning of Year	6,335,071	4,925,123	18,900,613	1,153,343	31,314,150	609,473
Net Assets End of Year	\$ 6,742,829	\$ 5,264,197	\$19,389,519	\$ 1,210,872	\$ 32,607,417	\$ 590,510

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

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

	Business-Type Activities Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Electric Fund	Water Fund	Wastewater Fund	Nonmajor Funds		
Cash flows provided by operating activities:						
Receipts from customers and users	\$ 6,547,055	\$ 1,440,268	\$ 3,234,037	\$ 1,259,237	\$ 12,480,597	\$ 1,280,735
Payments to suppliers	(5,009,089)	(568,982)	(883,400)	(676,475)	(7,137,946)	\$ (1,347,195)
Payments to employees	(488,787)	(268,896)	(391,751)	(336,623)	(1,486,057)	-
Payments for interfund services used	(434,440)	(145,000)	(151,300)	(34,000)	(764,740)	-
Other receipts/(payments)	-	-	-	-	-	-
Net cash provided (used) by operating activities	614,739	457,390	1,807,586	212,139	3,091,854	(66,460)
Cash flows from noncapital and related financing activities:						
Grants received	-	-	14,871	-	14,871	-
Transfers from (to) other funds	-	-	-	102,976	102,976	-
Net cash provided (used) by noncapital and related financing activities	-	-	14,871	102,976	117,847	-
Cash flows from capital and related financing activities:						
Proceeds from long-term debt	-	-	-	-	-	-
Capital contributions	125,713	268,517	218,050	-	612,280	-
Principal and interest paid on long-term debt	-	(164,652)	(1,184,280)	(161,898)	(1,510,830)	-
Transfer to restricted assets	-	-	-	-	-	-
Acquisition of capital assets	(337,976)	(331,542)	(792,469)	(47,907)	(1,509,894)	-
Net cash used by capital and related financing activities	(212,263)	(227,677)	(1,758,699)	(209,805)	(2,408,444)	-
Cash flows from investing activities:						
Loans to other funds	(200,000)	-	-	-	(200,000)	-
Principal received on loans to other fund	95,988	-	72,817	-	168,805	-
Interest received on Investments	25,939	648	10,214	622	37,423	-
Net cash provided by investing activities	(78,073)	648	83,031	622	6,228	-
Net increase (decrease) in cash	324,403	230,361	146,789	105,932	807,485	(66,460)
Cash at beginning of year (including restricted)	2,068,915	136,687	1,713,702	142,316	4,061,620	717,097
Cash at end of year (including restricted)	<u>\$ 2,393,318</u>	<u>\$ 367,048</u>	<u>\$ 1,860,491</u>	<u>\$ 248,247</u>	<u>\$ 4,869,104</u>	<u>\$ 650,637</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 256,106	\$ 143,614	\$ 763,732	\$ (33,908)	\$ 1,129,544	\$ (18,963)
Depreciation & amortization	192,808	286,231	887,887	198,242	1,565,168	-
(Increase) decrease in accounts receivable	204,622	3,608	29,763	12,831	250,824	-
Increase (decrease) in payables	(60,748)	34,997	126,204	34,974	135,427	(47,497)
(Increase) decrease in inventory	21,951	(11,060)	-	-	10,891	-
Net cash provided (used) by operating activities	<u>\$ 614,739</u>	<u>\$ 457,390</u>	<u>\$ 1,807,586</u>	<u>\$ 212,139</u>	<u>\$ 3,091,854</u>	<u>\$ (66,460)</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2011

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ASSETS			
Cash & Investments	\$ 50,674	\$ 26,110	\$ 76,784
Prepaid Expenses	-	-	-
Other Assets	-	-	-
Total assets	50,674	26,110	76,784
LIABILITIES			
Accounts Payable and Accrued Expenses	-	-	-
Deferred Revenue	-	-	-
Interest Payable	-	-	-
Long-Term Liabilities - Note 6:			
Due Within One Year	-	-	-
Due in More Than One Year	-	-	-
Total liabilities	-	-	-
NET ASSETS			
Held in Trust	50,674	26,110	76,784
Total Net Assets	\$ 50,674	\$ 26,110	\$ 76,784

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended September 30, 2011

	Burley Library Building Fund	Community Projects Fund	Total Fiduciary Funds
ADDITIONS:			
Donations	\$ 829	\$ 16,733	\$ 17,562
Investment earnings	172	-	172
Total additions	<u>1,001</u>	<u>16,733</u>	<u>17,734</u>
DEDUCTIONS:			
Community projects	-	304	304
Library construction	-	-	-
Other expenses	-	-	-
Total deductions	<u>-</u>	<u>304</u>	<u>304</u>
CHANGE IN NET ASSETS:	1,001	16,429	17,430
Net assets - beginning of year	49,673	9,681	59,354
Net assets - end of year	<u>\$ 50,674</u>	<u>\$ 26,110</u>	<u>\$ 76,784</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Burley have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise funds, provided they do not conflict with or contradict GASB pronouncements. The significant accounting policies of the City are described below.

A. Reporting Entity

The City of Burley was incorporated April 10, 1905. The City operates under a Mayor-City Council form of government. The six-member City Council and Mayor have governing responsibilities over all of the activities relating to the City of Burley. The City provides the following services: Public safety, public works, recreation and community development.

The component unit, the Burley Development Authority (BDA), is included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The BDA's activities are presented in a separate column in the accompanying financial statements. The BDA is a separate and distinct legal entity authorized by state statute but does not have fiscal independence from the City. The commissioners are appointed by the Mayor and approved by the City Council and at termination of the BDA, the assets of the BDA revert to the City.

B. Government-Wide Financial Statements

The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities of the primary government and component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2011

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and other revenues if they are collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Electric fund accounts for the operations of providing electricity to the citizens of the City.

The Water Fund accounts for the operations of providing water to the citizens of the City.

The Wastewater Fund accounts for the operations of the City's wastewater system.

As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements. An exception to this rule is for payments from the Enterprise Funds to the General Fund for accounting and billing services rendered and rent of facilities. Elimination of these charges would distort the direct costs and program revenues of the funds involved.

Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions, and capital grants and contributions. All taxes are reported as general revenues as are internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2011

E. Deposits and Investments

Deposits: Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial credit risk. At year end, \$6,870,122 of the City's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments: Custodial credit risk, in the case of investments, is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the City held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>		
Idaho State Local Government Investment Pool	\$ 650,093	122 days	Maturity

These investments are unrated external investment pools sponsored by the Idaho State Treasurer's Office. They are classified as "Investments in an External Investment Pool" and are exempt from custodial credit risk and concentration of credit risk reporting. Interest rate risk is summarized as follows: Asset-backed securities are reported using weighted average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

The elected Idaho State Treasurer, following Idaho Code, Section 67-2328, is authorized to sponsor an investment pool in which the City voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body - oversight is with the State Treasurer, and Idaho Code defines allowable investments. All investments are entirely insured or collateralized with securities held by the Pool or by its agent in the Pool's name. And the fair value of the City's position in the external investment pool is the same as the value of the pool shares.

Credit Risk: The City's policy is to comply with Idaho State statutes which authorize the City to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

Interest rate risk and concentration of credit risk: The City has no policy regarding these two investment risk categories.

F. Inventory

Inventories are valued at the lower of cost (first-in, first-out basis) or market. See Note 3.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, lighting systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation are removed, and any gain or loss arising from its disposal is credited or charged to operations. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2011

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Capital assets are reported net of accumulated depreciation on the statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25-40 years
Improvements	10-45 years
Equipment	3-10 years

H. Long-Term Liabilities

Long-term liabilities consist of bonds, notes, and other indebtedness including material liabilities associated with compensated absences.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

I. Budgets and Budgetary Accounting

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Clerk's office, after consultation with the various department heads, submits to the city councilmen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. At the regular council meeting on the 1st Tuesday in August the tentative budget is submitted to the councilmen and cleared for publications and public comment.
3. A public hearing is held at the regular council meeting on the 1st Tuesday in September to obtain public comment. After public comment, the budget is finalized and legally adopted.
4. Revisions to the budget can only be made by court order, public hearing or certain emergencies as defined by law.
5. Formal budgetary integration is employed as a management control device during the year for all Funds of the City.
6. Encumbrance accounting is not used for budget purposes and appropriations lapse at year end.

J. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued in the proprietary funds and the governmental funds in the statement of net assets.

K. Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is not considered necessary at present to assure effective budgetary control or to facilitate effective cash planning and control.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2011

M. Application of Restricted or Unrestricted Resources

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2: ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLES

An allowance for uncollectible utility accounts has been determined to be approximately equal to utility receivables outstanding 90 days or more, which totals \$432,298.

The City has not experienced any significant loss of delinquent taxes receivable in past years and, therefore, does not consider it necessary to establish any allowance for uncollectible taxes receivable.

NOTE 3: INVENTORIES

Cost of electrical fund and water and sewer fund materials and supplies inventories are determined by the first-in, first-out method (FIFO) and are stated at the lower of cost or market. Electric fund inventory at September 30, 2011 was \$341,954, consisting of electrical system replacement parts. Water fund inventory was \$138,382 consisting of water supply parts. Sewer fund inventory is considered immaterial.

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

Primary Government

	Balance 9/30/10	Additions	Deletions	Balance 9/30/11
<u>Governmental Activities</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 10,756,792	\$ -	\$ -	\$ 10,756,792
Buildings	8,729,021	-	-	8,729,021
Improvements other than buildings	10,447,336	-	-	10,447,336
Infrastructure assets	3,194,163	2,594,636	-	5,788,799
Equipment	2,855,970	41,003	(21,056)	2,875,917
Total	35,983,282	2,635,639	(21,056)	38,597,865
Accumulated Depreciation:				
Buildings	2,051,421	202,415	-	2,253,836
Improvements other than buildings	2,454,409	257,052	-	2,711,461
Infrastructure assets	491,509	103,835	-	595,344
Equipment	1,393,481	152,153	(21,056)	1,524,578
Total	6,390,820	715,455	(21,056)	7,085,219
Net Book Value:				
Land (non-depreciable)	10,756,792	-	-	10,756,792
Buildings	6,677,600	(202,415)	-	6,475,185
Improvements other than buildings	7,992,927	(257,052)	-	7,735,875
Infrastructure assets	2,702,654	2,490,801	-	5,193,455
Equipment	1,462,489	(111,150)	-	1,351,339
Total	\$ 29,592,462	\$ 1,920,184	\$ -	\$ 31,512,646

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2011

	Balance 9/30/10	Additions	Deletions	Balance 9/30/11
<u>Business-type Activities</u>				
<u>Electric Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 85,735	\$ -	\$ -	\$ 85,735
Buildings	352,131	-	-	352,131
Improvements other than buildings	6,959,521	211,918	-	7,171,439
Equipment	910,385	126,058	-	1,036,443
Total	8,307,772	337,976	-	8,645,748
 Accumulated Depreciation:				
Buildings	199,355	5,893	-	205,248
Improvements other than buildings	4,260,092	119,734	-	4,379,826
Equipment	639,730	67,181	-	706,911
Total	5,099,177	192,808	-	5,291,985
 Net Book Value:				
Land (non-depreciable)	85,735	-	-	85,735
Buildings	152,776	(5,893)	-	146,883
Improvements other than buildings	2,699,429	92,184	-	2,791,613
Equipment	270,655	58,877	-	329,532
Total	\$ 3,208,595	\$ 145,168	\$ -	\$ 3,353,763
 <u>Water Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 242,115	\$ -	\$ -	\$ 242,115
Buildings	528,848	-	-	528,848
Improvements other than buildings	10,305,873	308,171	-	10,614,044
Equipment	506,010	23,371	-	529,381
Total	11,582,846	331,542	-	11,914,388
 Accumulated Depreciation:				
Buildings	340,132	13,221	-	353,353
Improvements other than buildings	3,805,306	255,628	-	4,060,934
Equipment	467,262	17,382	-	484,644
Total	4,612,700	286,231	-	4,898,931
 Net Book Value:				
Land (non-depreciable)	242,115	-	-	242,115
Buildings	188,716	(13,221)	-	175,495
Improvements other than buildings	6,500,567	52,543	-	6,553,110
Equipment	38,748	5,989	-	44,737
Total	\$ 6,970,146	\$ 45,311	\$ -	\$ 7,015,457

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2011

	Balance 9/30/10	Additions	Deletions	Balance 9/30/11
<u>Wastewater Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 92,452	\$ -	\$ -	\$ 92,452
Buildings	1,590,416	-	-	1,590,416
Improvements other than buildings	36,279,053	726,465	-	37,005,518
Equipment	604,426	66,004	-	670,430
Total	38,566,347	792,469	-	39,358,816
Accumulated Depreciation:				
Buildings	245,956	36,577	-	282,533
Improvements other than buildings	5,252,868	827,467	-	6,080,335
Equipment	538,015	23,843	-	561,858
Total	6,036,839	887,887	-	6,924,726
Net Book Value:				
Land (non-depreciable)	92,452	-	-	92,452
Buildings	1,344,460	(36,577)	-	1,307,883
Improvements other than buildings	31,026,185	(101,002)	-	30,925,183
Equipment	66,411	42,161	-	108,572
Total	\$ 32,529,508	\$ (95,418)	\$ -	\$ 32,434,090
<u>Sanitation Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ 12,500	\$ -	\$ -	\$ 12,500
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Equipment	1,926,814	-	-	1,926,814
Total	1,939,314	-	-	1,939,314
Accumulated Depreciation:				
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Equipment	1,354,749	-	-	1,354,749
Total	1,354,749	-	-	1,354,749
Net Book Value:				
Land (non-depreciable)	12,500	-	-	12,500
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Equipment	572,065	-	-	572,065
Total	\$ 584,565	\$ -	\$ -	\$ 584,565

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2011

	Balance 9/30/10	Additions	Deletions	Balance 9/30/11
<u>Golf Fund</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ -	\$ -	\$ -	\$ -
Buildings	488,515	-	-	488,515
Improvements other than buildings	628,525	-	-	628,525
Equipment	633,979	-	-	633,979
Total	1,751,019	-	-	1,751,019
Accumulated Depreciation:				
Buildings	154,786	-	-	154,786
Improvements other than buildings	400,514	-	-	400,514
Equipment	440,391	-	-	440,391
Total	995,691	-	-	995,691
Net Book Value:				
Land (non-depreciable)	-	-	-	-
Buildings	333,729	-	-	333,729
Improvements other than buildings	228,011	-	-	228,011
Equipment	193,588	-	-	193,588
Total	\$ 755,328	\$ -	\$ -	\$ 755,328

Depreciation was charged to functions/programs of the governmental activities as follows:

General Government	\$ 417,276
Public Safety	53,668
Highways & Streets	137,889
Parks & Recreation	60,796
Public Works	16,748
Airport	22,646
Library	6,432
Total Governmental Activities Depreciation	<u>\$ 715,455</u>

All depreciable capital assets are being depreciated using the straight-line method over the respective estimated lives described in Note 1. The City elected to phase in reporting of existing infrastructure assets acquired between 1980 and 2003, as allowed for Phase 2 governments during the GASB 34 transition period. All infrastructure assets acquired during that time period have been reported with financial statements beginning with the year ended September 30, 2007. Infrastructure assets which had not previously been reported consist mainly of streets, curb and gutter, stop lights and street lights.

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2011

Discretely presented component unit - Burley Development Authority

A summary of changes in capital assets follows:

	Balance 9/30/10	Additions	Deletions	Balance 9/30/11
<u>Governmental Activities</u>				
Cost / Historical Value				
Land (non-depreciable)	\$ -	\$ -	\$ -	\$ -
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Infrastructure assets	6,986,302	-	(6,986,302)	-
Equipment	-	-	-	-
Total	6,986,302	-	(6,986,302)	-
Accumulated Depreciation:				
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Infrastructure assets	276,027	-	(276,027)	-
Equipment	-	-	-	-
Total	276,027	-	(276,027)	-
Net Book Value:				
Land (non-depreciable)	-	-	-	-
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Infrastructure assets	6,710,275	-	(6,710,275)	-
Equipment	-	-	-	-
Total	\$ 6,710,275	\$ -	\$ (6,710,275)	\$ -

NOTE 5: RETIREMENT PLAN

The City participates in the 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 retirement allowance is 2.0% (2.3% police/firefighters) 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 for the City of Burley and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2011, the required contribution rates, as determined by PERSI are as follows:

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2011

	<u>Employer</u>	<u>Employee</u>
General Member	10.39%	6.23%
Police/Firefighter Member	10.73%	7.69%

The City's contributions required and paid were \$409,474, \$407,403 and \$378,316 for the three years ended September 30, 2011, 2010, and 2009 respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt activity for the primary government is as follows:

Compensated absences:

Changes in compensated absences for the year are as follows:

	<u>Beginning Balance</u>	<u>Increase/ (Decrease)</u>	<u>Ending Balance</u>
General Fund	\$ 83,723	\$ 32,669	\$ 116,392
Library Fund	4,156	4,976	9,132
Electric Fund	31,746	12,625	44,371
Water Fund	15,481	(2,312)	13,169
Sewer Fund	16,365	14,221	30,586
Sanitation Fund	11,740	(1,906)	9,834
Golf Fund	9,375	3,987	13,362
Totals	<u>\$ 172,586</u>	<u>\$ 64,260</u>	<u>\$ 236,846</u>

Capital Leases:

The City has entered into lease and purchase agreements for financing the acquisition of various pieces of equipment and property. The annual requirements to amortize each of the agreements are as follows:

General Fund

<u>Item</u>	<u>Int. Rate</u>	<u>Due Year Ending 9/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fire Truck	3.80%	2012	\$ 40,985	\$ 9,747	\$ 50,732
		2013	42,570	8,162	50,732
		2014	44,216	6,516	50,732
		2015	45,926	4,806	50,732
		2016	47,701	3,030	50,731
		2017-2018	50,403	1,831	52,234
Total - Fire Truck			<u>\$ 271,801</u>	<u>\$ 34,092</u>	<u>\$ 305,893</u>

<u>Item</u>	<u>Int. Rate</u>	<u>Due Year Ending 9/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Cem. Mower	3.50%	2012	\$ 11,389	\$ 1,094	\$ 12,483
		2013	11,794	689	12,483
		2014	12,214	269	12,483
		2015	1,038	3	1,041
		Total - Cemetery Mower		<u>\$ 36,435</u>	<u>\$ 2,055</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2011

Item	Int. Rate	Due Year	Principal	Interest	Total
		Ending 9/30			
Parks Mower	3.50%	2012	\$ 8,477	\$ 814	\$ 9,291
		2013	8,778	513	9,291
		2014	9,169	200	9,369
Total - Parks Mower			<u>\$ 26,424</u>	<u>\$ 1,527</u>	<u>\$ 27,951</u>

Golf Fund

Item	Int. Rate	Due Year	Principal	Interest	Total
		Ending 9/30			
Clubhouse	5.68%	2012	\$ 39,937	\$ 4,714	\$ 44,651
		2013	42,266	2,385	44,651
		2014	17,814	275	18,089
Total - Clubhouse			<u>\$ 100,017</u>	<u>\$ 7,374</u>	<u>\$ 107,391</u>

Item	Int. Rate	Due Year	Principal	Interest	Total
		Ending 9/30			
Golf Carts	4.00%	2012	\$ 39,651	\$ 2,515	\$ 42,166
		2013	41,267	899	42,166
Total Golf Carts			<u>\$ 80,918</u>	<u>\$ 3,414</u>	<u>\$ 84,332</u>
Total Golf Fund			<u>\$ 180,935</u>	<u>\$ 10,788</u>	<u>\$ 191,723</u>

General Obligation Bonds - Series 2003:

The City issued general obligation bonds on August 1, 2003 in the amount of \$4,900,000, bearing a coupon rate varying from 2% to 4.15%. The annual requirements to amortize the bonds are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2012	225,000	125,995	350,995
2013	230,000	119,200	349,200
2014	240,000	110,530	350,530
2015	250,000	102,250	352,250
2016	255,000	93,250	348,250
2017 - 2023	2,100,000	339,661	2,439,661
Totals	<u>3,300,000</u>	<u>890,886</u>	<u>4,190,886</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2011

Wastewater - State of Idaho DEQ Revolving Loan:

The City issued a Sewer Revenue Bond which was purchased by the State of Idaho, Department of Health and Welfare, Division of Environmental Quality on January 17, 2008. The Bond partially funded the replacement of the municipal wastewater treatment plant previously operated by the City. The Bond requires equal semi-annual payments, bearing interest at 3.5%, as follows:

Year Ending Sept. 30	Principal	Interest	Total
2012	673,782	510,272	1,184,054
2013	697,571	486,484	1,184,055
2014	722,199	461,855	1,184,054
2015	747,697	436,357	1,184,054
2016	774,096	409,959	1,184,055
2017 - 2028	11,112,683	2,485,776	13,598,459
Totals	14,728,028	4,790,703	19,518,731

Water (Well #7) - State of Idaho DEQ Revolving Loan:

The City issued a Water Revenue Bond which was purchased by the State of Idaho, Department of Health and Welfare, Division of Environmental Quality on July 8, 2009. The Bond funded construction of Well #7 and related storage facility. The Bond requires equal semi-annual payments, bearing interest at 3.25%, as follows:

Year Ending Sept. 30	Principal	Interest	Total
2012	92,502	71,692	164,194
2013	95,533	68,661	164,194
2014	98,663	65,531	164,194
2015	101,896	62,298	164,194
2016	105,234	58,960	164,194
2017 - 2028	1,733,629	407,637	2,141,266
Totals	2,227,457	734,779	2,962,236

A summary of changes in long-term debt is as follows:

	Balance at 9/30/2010	Additions	Reductions	Balance at 9/30/2011
Compensated Absences	\$ 172,586	\$ 64,260	\$ -	\$ 236,846
Capital Leases - Gen Fund	392,550	-	(57,890)	334,660
Capital Leases - Golf Fund	257,854	-	(76,919)	180,935
Capital Leases - Sanit. Fund	72,817	-	(72,817)	-
General Obligation Bonds	3,520,000	-	(220,000)	3,300,000
Water(well) DEQ Loan	2,318,404	-	(90,947)	2,227,457
Wastewater DEQ Loan	15,383,107	-	(655,079)	14,728,028
Totals	\$ 22,117,318	\$ 64,260	\$ (1,173,652)	\$ 21,007,926

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2011

Information on other debt (Local Improvement Districts):

The city has assisted in the creation of LIDs (Local Improvement Districts) for street improvements for Stevens Place LID #1 (completed) & North Burley LID #2 (in process) located within the City. The assessments to home owners and the bond payments on the bonds issued for the cost of these improvements are being handled by the City acting as an agent for the LID. The City is not liable for payments or potential defaults on the bonds. The amount of debt is \$25,832 from DL Evans Bank for LID #1 & \$200,000 for LID #2 which was loaned by the Electric Fund.

The City has also assisted in the creation of additional LIDs for infrastructure projects on commercial developments in West Burley which guarantee debt owed by the Burley Development Authority. No debt has been issued by these LIDs.

Long-term debt activity for the component unit is as follows:

The Burley Development Authority (BDA) has issued 4 bonds as detailed below:

BDA Urban Renewal Bond - 2007:

The Burley Development Authority issued an urban renewal bond on June 22, 2007 in the amount of \$1,185,410, bearing an interest rate of 5.5%. The bond proceeds were used to pay for infrastructure improvements in the North Burley urban renewal area and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2012	\$ 68,434	\$ 55,180	\$ 123,614
2013	72,198	51,416	123,614
2014	76,169	47,445	123,614
2015	80,358	43,256	123,614
2016	84,931	38,682	123,613
2017-2022	618,922	124,495	743,417
Totals	<u>\$ 1,001,012</u>	<u>\$ 360,474</u>	<u>\$ 1,361,486</u>

BDA Urban Renewal Bond - Series 2009A:

The Burley Development Authority issued an urban renewal bond on June 16, 2009, in the amount of \$2,997,000, bearing an interest rate of 8.50%. The bond proceeds are being used to pay for infrastructure improvements in the urban renewal area area of west of Burley and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2012	\$ 124,000	\$ 233,665	\$ 357,665
2013	134,000	223,125	357,125
2014	146,000	211,735	357,735
2015	158,000	199,325	357,325
2016	171,000	185,895	356,895
2017 - 2024	2,016,000	1,066,867	3,082,867
Totals	<u>\$ 2,749,000</u>	<u>\$ 2,120,612</u>	<u>\$ 4,869,612</u>

CITY OF BURLEY, IDAHO

Notes to Financial Statements

September 30, 2011

BDA Urban Renewal Bond - Series 2009B:

The Burley Development Authority issued an urban renewal bond on June 16, 2009, in the amount of \$3,639,000, bearing an interest rate of 8.5%. The bond proceeds are being used to pay for infrastructure improvements in the 'Pacific Ethanol' area of West Burley urban renewal area and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2012	\$ 150,000	\$ 283,730	\$ 433,730
2013	163,000	270,980	433,980
2014	177,000	257,125	434,125
2015	192,000	242,080	434,080
2016	208,000	225,760	433,760
2017 - 2024	2,448,000	1,003,425	3,451,425
Totals	\$ 3,338,000	\$ 2,283,100	\$ 5,621,100

BDA Urban Renewal Bond - Series 2008A

The Burley Development Authority issued an urban renewal bond on March 1, 2009 in the amount of \$3,700,000, bearing an interest rate of 6%. The bond was issued to DOT Foods, Inc. as a cost reimbursement and construction incentive for locating within the urban renewal area and will be repaid by the incremental tax increases of new taxable property within the urban renewal area. The annual payments to amortize the bond are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2012	\$ 28,956	\$ 210,695	\$ 239,651
2013	30,720	208,932	239,652
2014	32,591	207,061	239,652
2015	34,575	205,076	239,651
2016	36,982	202,669	239,651
2017 - 2025	3,351,105	1,708,311	5,059,416
Totals	\$ 3,514,929	\$ 2,742,744	\$ 6,257,673

BDA Kunau Park Loan

The Burley Development Authority entered into a purchase agreement with Burley Highway District to purchase land at Kunau Park in the amount of \$100,000, bearing an interest rate of 4.9%. The annual payments are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2012	\$ 34,883	\$ 1,749	\$ 36,632
Totals:	\$ 34,883	\$ 1,749	\$ 36,632

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2011

A summary of changes in BDA long-term debt is as follows:

	<u>9/30/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2011</u>
Urban Renewal Bond 2007	\$ 1,068,131	\$ -	\$ (67,119)	\$ 1,001,012
Urban Renewal Bond 2009A	2,997,000	-	(248,000)	2,749,000
Urban Renewal Bond 2009B	3,476,000	-	(138,000)	3,338,000
Urban Renewal Bond 2008A	3,528,778	-	(13,849)	3,514,929
Kunau Park Loan	68,279	-	(33,397)	34,882
Totals	<u>\$ 11,138,188</u>	<u>\$ -</u>	<u>\$ (500,365)</u>	<u>\$ 10,637,823</u>

NOTE 7: RISK MANAGEMENT/INSURANCE COVERAGE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred most of its risk by purchasing commercial insurance.

Workman's Compensation insurance is purchased through the Idaho State Insurance Fund.

Airport owners and operators general liability insurance is purchased through Old Republic Insurance

NOTE 8: LITIGATION AND CONTINGENT LIABILITIES

The City has received several tort claims which have been forwarded to the City's insurance carrier. No lawsuits have been filed and it is not possible to assess the outcome of the claims.

NOTE 9: COMMITMENTS AND FUTURE PROJECTS

The City continues to evaluate upgrade needs at the Industrial Waste Water Treatment Plant it received from the JR Simplot Company in 2004. Engineering studies project that costs to upgrade this facility for future businesses entering the area will be approximately \$8,550,000. Partial funding for this upgrade has been obtained from grants. Other sources are being sought as the need for the capacity is determined.

NOTE 10: PROPERTY TAXES - DEFERRED REVENUE

Property taxes are levied by the 2nd Monday in September, in conformity with Title 31, Section 1605, of the Idaho State Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before December 20 and June 20 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the fiscal year.

The deferred revenue account in the General Fund represents the taxes receivable after 60 days of the

NOTE 11: STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, the Enterprise Funds consider all checking and

Required supplemental information for the statement of cash flows: Cash paid for interest during the year: \$612,346.

CITY OF BURLEY, IDAHO

Notes to Financial Statements
September 30, 2011

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2011, consisted of the following individual fund receivables and

Fund	Receivable	Payable
Combined City Pooled Cash:		
Various Funds below:	\$ 78,808	\$ -
 Owed by Various Funds:		
General Fund	-	78,808
Others	-	-
Total	\$ 78,808	\$ 78,808

NOTE 13: EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures in the General Obligation Bond Fund exceeded budgeted expenditures by \$4,175.
Actual expenditures in the General Fund exceeded budgeted expenditures by \$46,761.

NOTE 14: COMPONENT UNIT - BURLEY DEVELOPMENT AUTHORITY

Burley Development Authority is an urban renewal agency created by and existing under the Local

The accounting and reporting policies of the BDA are consistent with the City of Burley as explained earlier in these financial statements. Required disclosures relating to fixed assets and long-term debt are included within these financial statements as previously noted.

CITY OF BURLEY, IDAHO

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2011

	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 292,985	\$ -	\$ 299,616	\$ 592,601
Receivables (net of allowances):				
Property Taxes	-	-	-	-
Accounts	-	-	-	-
Notes	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 292,985	\$ -	\$ 299,616	\$ 592,601
LIABILITIES AND FUND EQUITY				
Liabilities:				
Vouchers payable	\$ 9,912	\$ -	\$ 2,386	\$ 12,298
Accrued liabilities	-	-	-	-
Utility customer deposits	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	9,912	-	2,386	12,298
Fund Balance:				
Reserved for:				
Capital projects	-	-	-	-
Unreserved	283,073	-	297,230	580,303
Total fund balances	283,073	-	297,230	580,303
Total liabilities and fund balances	\$ 292,985	\$ -	\$ 299,616	\$ 592,601

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

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

	Library Fund	Gen. Oblig. Bond Fund	Grant & Construction Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 355,030	\$ 353,745	\$ -	\$ 708,775
Charges for services	8,878	-	-	8,878
Fines	15,684	-	-	15,684
Grants / Donations	2,549	-	348,868	351,417
Interest Income	722	-	-	722
Miscellaneous	5,471	-	-	5,471
Total revenues	388,334	353,745	348,868	1,090,947
Expenditures:				
Salaries	176,677	-	-	176,677
FICA taxes	12,841	-	-	12,841
Retirement	13,511	-	-	13,511
Workman's compensation	728	-	-	728
Group insurance	36,095	-	-	36,095
Operating supplies	71,944	-	-	71,944
Minor equipment	1,218	-	-	1,218
Professional services	13,556	-	18,025	31,581
Printing, advertising and public relations	1,583	-	-	1,583
Insurance	6,180	-	-	6,180
Memberships, travel and training	3,312	-	-	3,312
Cleaning	4,235	-	-	4,235
Telephone	2,489	-	-	2,489
Utilities	3,590	-	-	3,590
Computer costs	27,289	-	-	27,289
Maintenance	7,941	-	-	7,941
Miscellaneous	1,424	-	-	1,424
Administrative service	2,291	-	-	2,291
Debt service - principal	-	220,000	-	220,000
Debt service - interest	-	133,745	-	133,745
Capital outlays	16,573	-	306,008	322,581
Total expenditures	403,477	353,745	324,033	1,081,255
Excess of revenues over (under) expenditures	(15,143)	-	24,835	9,692
Other financing sources (uses)				
Transfers in	39,000	-	-	39,000
Transfers out	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Total other financing sources (uses)	39,000	-	-	39,000
Net change in fund balances	23,857	-	24,835	48,692
Fund balance - beginning	259,216	-	272,395	531,611
Fund balance - ending	\$ 283,073	\$ -	\$ 297,230	\$ 580,303

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Net Assets
Nonmajor Proprietary Funds
September 30, 2011

	Business-Type Activities Enterprise Funds		
	Sanitation Fund	Golf Fund	Total Nonmajor Proprietary Funds
ASSETS			
Cash & Investments	\$ 248,248	\$ -	\$ 248,248
Receivables (Net of Allowances):			
Accounts	38,676	1,630	40,306
Prepaid Expenses	-	-	-
Inventory	-	-	-
Due from other fund	-	-	-
Capital Assets:			
Land	12,500	-	12,500
Other Capital Assets, Net of Depreciation	489,365	687,694	1,177,059
Total assets	788,789	689,324	1,478,113
LIABILITIES			
Accounts Payable and Accrued Expenses	51,677	34,629	86,306
Deferred Revenue	-	-	-
Interest Payable	-	-	-
Due to other fund	-	-	-
Long-Term Liabilities:			
Due Within One Year	-	79,588	79,588
Due in More Than One Year	-	101,347	101,347
Total liabilities	51,677	215,564	267,241
NET ASSETS			
Invested in Capital Assets, net of related debt	501,865	506,759	1,008,624
Restricted for:			
Capital projects	-	-	-
Unrestricted	235,247	(32,999)	202,248
Total Net Assets	\$ 737,112	\$ 473,760	\$ 1,210,872

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Proprietary Funds
Year Ended September 30, 2011

	Business-Type Activities		
	Enterprise Funds		
	Sanitation Fund	Golf Fund	Total Nonmajor Proprietary Funds
Operating revenues:			
Charges for utilities/services	\$ 887,128	\$ 359,278	\$ 1,246,406
Less cost of utilities	-	-	-
Gross profit on utilities	887,128	359,278	1,246,406
Other service charges	-	-	-
Total operating revenues	887,128	359,278	1,246,406
Operating expenses:			
Salaries	208,876	127,747	336,623
F.I.C.A. taxes	15,579	10,181	25,760
State retirement	20,566	13,857	34,423
Workman's compensation	21,643	3,215	24,858
Health and accident insurance	72,655	36,095	108,750
Operating supplies	8,453	6,102	14,555
Motor fuels and lubricants	105,473	15,272	120,745
Professional services	19,831	630	20,461
Advertising and printing	1,484	1,019	2,503
Insurance	9,200	-	9,200
Memberships, travel and training	-	1,995	1,995
Utilities and telephone	1,661	16,882	18,543
Rent - buildings and equipment	-	-	-
Maintenance expense	140,717	45,957	186,674
Other purchased services	40,318	90,719	131,037
Miscellaneous expense	1,837	6,868	8,705
Bad debts	3,240	-	3,240
Depreciation	130,607	67,635	198,242
Administrative services	25,000	2,500	27,500
Legal services	6,500	-	6,500
Total operating expenses	833,640	446,674	1,280,314
Operating income (loss)	53,488	(87,396)	(33,908)
Non-operating revenues (expenses)			
Grant revenue (expense)	-	-	-
Gain (Loss) on sale of equipment	-	-	-
Interest income (expense)	(1,641)	(9,898)	(11,539)
Total non-operating revenues (expenses)	(1,641)	(9,898)	(11,539)
Income/(Loss) before contributions and Transfers	51,847	(97,294)	(45,447)
Capital Contributions	-	-	-
Transfers In	-	102,976	102,976
Transfers Out	-	-	-
Change in Net Assets	51,847	5,682	57,529
Net Assets Beginning of Year	685,265	468,078	1,153,343
Net Assets End of Year	\$ 737,112	\$ 473,760	\$ 1,210,872

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended September 30, 2011

	Business-Type Activities Enterprise Funds		
	Sanitation Fund	Golf Fund	Total Nonmajor Proprietary Funds
Cash flows provided by operating activities:			
Receipts from customers and users	\$ 901,539	\$ 357,698	\$ 1,259,237
Payments to suppliers	(432,704)	(243,771)	(676,475)
Payments to employees	(208,876)	(127,747)	(336,623)
Payments for interfund services used	(31,500)	(2,500)	(34,000)
Other receipts/(payments)	-	-	-
Net cash provided (used) by operating activities	<u>228,459</u>	<u>(16,320)</u>	<u>212,139</u>
Cash flows from noncapital and related financing activities:			
Transfers to other funds	-	-	-
Transfers from other funds	-	102,976	102,976
Net cash provided (used) by noncapital and related financing activities	<u>-</u>	<u>102,976</u>	<u>102,976</u>
Cash flows from capital and related financing activities:			
Principal and interest paid on long-term debt	(75,080)	(86,818)	(161,898)
Proceeds from debt	-	-	-
Capital contributions	-	-	-
Disposal of capital assets	-	-	-
Acquisition of capital assets	(47,907)	-	(47,907)
Net cash used by capital and related financing activities	<u>(122,987)</u>	<u>(86,818)</u>	<u>(209,805)</u>
Cash flows from investing activities:			
Principal received on loans	-	-	-
Interest received on investments	622	-	622
Net cash provided by investing activities	<u>622</u>	<u>-</u>	<u>622</u>
Net increase (decrease) in cash	106,094	(162)	105,932
Cash at beginning of year	142,154	162	142,316
Cash at end of year	<u>\$ 248,248</u>	<u>\$ -</u>	<u>\$ 248,248</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 53,488	\$ (87,396)	\$ (33,908)
Depreciation & amortization	130,607	67,635	198,242
(Increase) decrease in accounts receivable	14,411	(1,580)	12,831
Increase (decrease) in accounts payable	29,953	5,021	34,974
Net cash provided (used) by operating activities	<u>\$ 228,459</u>	<u>\$ (16,320)</u>	<u>\$ 212,137</u>

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Net Assets
Internal Service Funds
September 30, 2011

	Internal Service Funds			
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	Total Internal Service Funds
ASSETS				
Cash & Investments	\$ 381,891	\$ 74,810	\$ 193,936	\$ 650,637
Receivables (Net of Allowances):				
Claims	-	-	-	-
Prepaid Expenses	-	-	-	-
Due from other fund	-	-	-	-
Capital Assets:				
Land	-	-	-	-
Other Capital Assets, Net of Depreciation	-	-	-	-
Total assets	381,891	74,810	193,936	650,637
LIABILITIES				
Accounts Payable and Accrued Expenses	57,052	3,075	-	60,127
Customer Deposits Payable	-	-	-	-
Deferred Revenue	-	-	-	-
Interest Payable	-	-	-	-
Due to other fund	-	-	-	-
Long-Term Liabilities:				
Due Within One Year	-	-	-	-
Due in More Than One Year	-	-	-	-
Total liabilities	57,052	3,075	-	60,127
NET ASSETS				
Invested in Capital Assets, net of related debt	-	-	-	-
Restricted for:				
Capital projects	-	-	-	-
Unrestricted	324,839	71,735	193,936	590,510
Total Net Assets	\$ 324,839	\$ 71,735	\$ 193,936	\$ 590,510

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Internal Service Funds
Year Ended September 30, 2011

	Internal Service Funds			Total Internal Service Funds
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	
Operating revenues:				
Insurance charges to other funds	\$ 1,002,909	\$ 117,998	\$ 119,057	\$ 1,239,964
Premium dividend (refunds)	-	-	13,237	13,237
Miscellaneous revenue	24,479	3,055	-	27,534
Total operating revenues	1,027,388	121,053	132,294	1,280,735
Operating expenses:				
Administrative services	4,000	-	-	4,000
Claims and premium costs	1,020,040	-	9,390	1,029,430
Other Insurance premiums	3,510	109,267	109,926	222,703
Wellness benefit program	23,848	-	-	23,848
Other expenses	558	17,495	1,664	19,717
Total operating expenses	1,051,956	126,762	120,980	1,299,698
Operating income (loss)	(24,568)	(5,709)	11,314	(18,963)
Non-operating revenues (expenses)				
Grant revenue	-	-	-	-
Grant (expense)	-	-	-	-
Gain (Loss) on sale of equipment	-	-	-	-
Interest income	-	-	-	-
Interest (expense)	-	-	-	-
Total non-operating revenues (expenses)	-	-	-	-
Income/(Loss) before contributions and transfers	(24,568)	(5,709)	11,314	(18,963)
Capital Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Assets	(24,568)	(5,709)	11,314	(18,963)
Net Assets Beginning of Year	349,407	77,444	182,622	609,473
Net Assets End of Year	\$ 324,839	\$ 71,735	\$ 193,936	\$ 590,510

See accompanying notes to the financial statements.

CITY OF BURLEY, IDAHO

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2011

	Internal Service Funds			
	Health Insurance	Liability Insurance	Workman's Comp. Ins.	Total Internal Service Funds
Cash flows provided by operating activities:				
Receipts from customers and users	\$ 1,027,388	\$ 121,053	\$ 132,294	\$ 1,280,735
Payments to suppliers	(1,102,343)	(123,872)	(120,980)	(1,347,195)
Payments to employees	-	-	-	-
Payments for interfund services used	-	-	-	-
Other receipts/(payments)	-	-	-	-
Net cash provided (used) by operating activities	(74,955)	(2,819)	11,314	(66,460)
Cash flows from noncapital and related financing activities:				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	-	-	-	-
Cash flows from capital and related financing activities:				
Principal and interest paid on long-term debt	-	-	-	-
Disposal of capital assets	-	-	-	-
Acquisition of capital assets	-	-	-	-
Net cash used by capital and related financing activities	-	-	-	-
Cash flows from investing activities:				
Principal received on loan to other fund	-	-	-	-
Interest received on Investments	-	-	-	-
Net cash provided by investing activities	-	-	-	-
Net increase (decrease) in cash	(74,955)	(2,819)	11,314	(66,460)
Cash at beginning of year	456,846	77,629	182,622	717,097
Cash at end of year	\$ 381,891	\$ 74,810	\$ 193,936	\$ 650,637
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (24,568)	\$ (5,709)	\$ 11,314	\$ (18,963)
Depreciation & amortization	-	-	-	-
(Increase) decrease in accounts receivable	-	-	-	-
Increase (decrease) in accounts payable	(50,387)	2,890	-	(47,497)
Net cash provided (used) by operating activities	\$ (74,955)	\$ (2,819)	\$ 11,314	\$ (66,460)

See accompanying notes to the financial statements.

Evans & Poulsen P.A.

Certified Public Accountants

Members of the American Institute of CPA's
and the Idaho Society of CPA's
Edward G. Evans, CPA
Jeffrey D. Poulsen, CPA

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
Burley, Idaho

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the component unit, and the aggregate remaining fund information of City of Burley, Idaho (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 23, 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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance

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

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

Evans & Poulsen

Evans & Poulsen, P.A.
January 23, 2012