

CITY OF POST FALLS, IDAHO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
September 30, 2006

CITY OF POST FALLS, IDAHO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2006



Compiled By:
Shelly Enderud
City Finance Director/Treasurer

ABOVE: The Falls

COVER: Falls Park

**City of Post Falls, Idaho
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2006**

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CITY OF POST FALLS, IDAHO

Introductory Section



ABOVE: View of the Spokane River west of the Avista Dam.



March 30, 2007

To the Honorable Mayor, members of the City Council and the Citizens of Post Falls, Idaho:

The Comprehensive Annual Financial Report of the City of Post Falls for the year ended September 30, 2006, is hereby submitted as mandated by both local ordinances and state statutes. The City is required to issue an annual report on its financial position and activity. This report must be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Post Falls. All disclosures necessary to enable the reader to gain an understanding of the City of Post Falls' activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City of Post Falls' principal elected and appointed officials. The financial section includes the Management's Discussion and Analysis, the financial statements and schedules, and the independent auditor's report on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographics information, generally presented on a multi-year basis.

The City of Post Falls is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1997, and the U.S. Office of Management and Budget's Circular A-133, *Audits of State, Local Governments, Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards and the independent auditors' reports on internal controls and compliance with applicable laws and regulations are included in the single audit section of this report.

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

Governmental Structure

The financial reporting entity, an Idaho municipality, includes all the funds of the City of Post Falls, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including water, wastewater and sanitation utilities, police, animal control, parks and

recreation programs, planning and zoning, library services, cemetery services, urban forestry services, streets, building and engineering functions.

The accompanying financial statements include all aspects controlled by the City Council of the City of Post Falls. Criteria for inclusion is determined by Governmental Accounting Standards Board Statement No. 14 (GASB No. 14) which states, in general, that the legally separate organizations for which the elected officials of the City are financially accountable for must be included in the City's financial statement as a component unit.

Under Idaho Code, in May 1991, the Post Falls City Council passed an ordinance that created the Post Falls Urban Renewal Agency (the Agency), a legally separate entity from the City. The Agency was established to promote urban development and improvement in blighted areas in and around the City. A board of seven directors, appointed by the City Council, governs the Agency. The City Council has the ability to appoint, hire, reassign, or dismiss those persons having responsibility for the day-to-day operations of the Agency. These powers of the City meet the criteria set forth in GASB No. 14 for having financial accountability for the Agency. Based on the above, the Agency has been discreetly presented in the accompanying financial statements of the City as a component unit.

Under Idaho Code, the Agency has the authority to issue bonds. Any bonds issued by the Agency are payable solely from the proceeds of tax increment financing, and are not a debt of the City. The City Council is not responsible for approving the Agency budget or funding any annual deficits. The Agency controls its disbursements independent of the City Council.

Economic Conditions and Outlook

Post Falls is located four miles east of the Washington-Idaho border along Interstate 90 in Kootenai County and is bounded by Coeur d'Alene, Idaho to the east, the State of Washington to the west, the Spokane River to the south and the Rathdrum prairie to the north. Post Falls is 20 miles east of Spokane, Washington and approximately 100 miles south of the Canadian border.

The City of Post Falls has grown from 7,350 residents in 1990 to an estimated 23,992 in 2006. This influx of new residents has resulted in a strong construction industry, with total building permit valuations in the City exceeding \$33,000,000 for the past nine years and topping \$151,903,993 in 2005. The level decreased for 2006 and is expected to stay at a lower level for FY 07.

Due to the proximity of numerous lakes, rivers and mountains, Post Falls, Idaho is an inviting place to live and visit. This fact is reflected in the tourism and retail sectors of the economy, with an increasing number of retail, dining and entertainment businesses locating in the City. Additionally, Post Falls has become a favored retirement community.

Kootenai County traditionally has had a timber-based economy. That is changing gradually, as the manufacturing base has become more diverse. Jobs Plus, Inc., the local economic development organization has recruited several small to medium sized firms to the county. Manufacturing jobs are found primarily in electronics, lumber and furniture at the present. Post Falls was the chosen location for Flexcel, Inc., a major furniture manufacturer that relocated to North Idaho twelve years ago and employs a workforce of 350. This was done with the help of Jobs Plus, Inc. and by creating an Urban Renewal District to help build infrastructure. This District closed out at the end of December 2001. Jobs Plus, Inc. has also just recently helped bring Center Partners, a call center business (employing a workforce of 300), and Buck Knives brought their manufacturing headquarters (workforce of 250) to the City. Also, Wal-Mart opened its new store in January of 2002, employing a workforce of 300. Construction of a private surgical hospital was completed in 2004. Lastly, Sysco opened their distribution plant during 2005. This project was made possible by Jobs Plus, Urban Renewal, and the City working together. Also, a community development block grant for \$500,000 was used to help fund a water tower

(approximately \$1,500,000 total cost) that was needed on the west side of town for development in that area. In 2007, Cabella's is expected to build a store on the west side of town by Sysco.

Major Initiatives

Growth Management – The City developed a Strategic Plan for the City during FY 2001. This plan is used to guide City Council decisions for the future in planning, budgeting, and provides an overall vision/mission for the City to follow.

Community Development continues to work on new and innovative ideas in growth management throughout the next fiscal year. The Comprehensive Plan, which helps set the stage for the implementation of growth management techniques, is online with links to many services and sites. The Revised Zoning Ordinance was adopted in FY 2005 and reflects many of the policies found in the Comprehensive Plan. A Growth Action Plan was recently endorsed by the City that paves the way to begin working on other land use regulatory tools such as Smart Code and zoning overlays. The Smart Code project is currently underway and should be complete in 2007.

In conjunction with the Urban Renewal Agency, the City has developed a City Center Master Plan that will help guide future economic development and an urban design 'look and feel' of the Historic City Center. A key part of the plan is to implement a community-based vision for the design standards for the City Center as a part of the Smart Code development. This plan will be used by both the City and the Urban Renewal Agency to guide future decisions.

A collaborative effort between the Cities of Post Falls, Hayden and Rathdrum and Kootenai County is underway to evaluate the wastewater management as we converge on the Rathdrum Prairie. This study will help define the urban growth boundaries for each city and the open space component on the prairie. The study will be completed in 2007.

Public Health/Environment - The goal of effective and timely maintenance and repair of facilities and equipment is one of our highest priorities. Equally important is the effort to assure that the infrastructure constructed by developers, builders and private contractors is constructed to the highest possible standard while complying with recognized standards and specifications.

The Street Maintenance Division has continued improving dust control by reducing the use of sand and salt for ice control in favor of the use of magnesium chloride. This should also reduce time and costs in spring clean up. A program has started last year of bi-weekly sweeping citywide through the summer months is working well to improve dust control.

A greater effort will be directed to crack sealing, seal coating and maintenance overlay of streets to preserve current paved surfaces. A program has been initiated to pave or replace badly deteriorated chip sealed streets with new pavement in residential districts.

The Fleet Maintenance Division: A vehicle replacement priority program has been developed to assist in prioritizing our general fund future vehicle replacement needs. This is the first year of this program and has worked well in replacement of older vehicles that have become costly to maintain. Shop safety, as always is a priority.

The Water Utility Division operates two water systems to serve the City. The City main system has 8 wells and 5 reservoirs. We have a pumping capacity of 14 million gallons a day with reservoir capacity of 6.5 million gallons.

The Water Utility Division has started installing radio read meters on most residential accounts in the City. This will reduce labor time to read meters for these accounts.

The Wastewater Division has spent the last year working Capital Improvement Plan for the treatment plant and collection system. Oxidation basin #1 and 3 are being upgraded with a new

aeration system to better treat the waste. The City now has 29 lift stations to serve the community. The bio-solids from the plant are continuing to be hauled off site and processed by EKO Systems. The Wastewater Division has 628 acres for future land application for reclaimed water.

Other Community Services - The Parks and Recreation Department continues to upgrade its parks and facilities. Repairs and standardization of infrastructure to increase system efficiency, improve cost effectiveness, reduce liability, comply with Americans with Disabilities Act (ADA) and improve aesthetics are principal goals. This includes irrigation systems, picnic shelters, restroom facilities, equipment, sponsorships, security cameras, pathways, lighting, flower beds, signage and playground equipment. In addition, the department continues to emphasize good customer service and maximization of resources as it tries to keep up with public demand for services.

The department is faced with a greater need for planning and a requirement to coordinate its operations with a greater number of service partners and volunteers than in previous years. The increased number of special projects is another area that has had an impact upon the staff in both parks and recreation divisions.

Evaluating the efficiency, revenue capacity and service of the Cemetery Division was a prime focus of 2005 with many new projects identified, and new procedures now in place.

With large numbers of City owned trees and the City being designated for an eighth year as a "Tree City USA" recipient from the National Arbor Day foundation and Association of Idaho Cities, the Urban Forestry division continues its growth. Urban Forestry projects over the next year include removal of hazard trees to reduce liability, the planting of street trees along Seltice Way open space, continued inventory and evaluation of the City's trees, and the development of a management plan to ensure good decision making when dealing with our open spaces. This department has been very successful in receiving tree planting and maintenance grants over the past several years.

Privatization/Centralization - The Mayor and City Council have set a goal of evaluating the privatization of those activities that might be done for less cost through a contractual arrangement. In addition, some services may be more cost-effectively applied through using the services of other public agencies. The key is to maintain the quality of service, as well as the management control of the service, while at the same time reducing costs. The City has been very successful in accomplishing these goals in the areas of garbage hauling, utility bill printing, on-line utility payment collections, street light maintenance, and legal services.

The City has also pursued the goal of reducing costs through the centralization of office supply purchasing. This has provided larger volume discounts for all City offices in their supply purchases.

Additionally, the City no longer provides on-site gasoline service. By contracting with a local distribution firm, we have reduced fuel costs to approximately wholesale costs and no longer have the expenses associated with maintaining storage and dispensing equipment. In addition, it will provide for a card-lock system that assists departments in better fuel management and data acquisition.

Departmental Highlights of FY 2006

Police

- Traffic school continues to be a success in the community, as well as, with other Departments throughout the State. The traffic school has been mirrored in several other communities throughout the state, including Coeur d' Alene, Garden City, Twin Falls and Sandpoint.

- With the assistance of a Homeland Security Grant, the City has installed an Automatic License Plate Recognition program in one of its patrol vehicles. The department just started using the technology in 2007 and hope to see benefits in stolen vehicle recovery as the technology is used.
- In July 2006, the Police department transitioned to its own records management system, Spillman Technologies. This move has allowed the department to continue to improve its technology by providing enhanced capabilities to both the Communication officers as well as the officers responding to calls for service.
- The department completed a Communication site during early 2006. This site consists of five acres of land, donated by the Len Wallace family, a 200 communications tower, and a communications facility. As the City grows this site will be a critical part of not only the Police Department's communications but also the City as a whole.
- The department recently completed an electronic citation project. This program allows the officer in the field to issue citations, electronically transmit the information to the department, where the data is simultaneously uploaded to both the department's Spillman System, as well as the local court's database. All without human intervention. This project saves approximately 5 to 7 minutes off of each citation.

Parks, Recreation, and Cemetery

- Upgrades were made to the White Pines Park's tennis courts.
- Started a Gateway Water Feature to enhance the entrance to the City.
- Added additional playground equipment to City parks
- Continued to fight vandalism in the Parks with the assistance of the Police department.

Public Works, Building and Planning

- Completed sewer line along Highway 41 using a local improvement district.
- Installing radio read meters to read water meters using less labor hours.
- Developed a new on-line utility billing system that allows customers access to their accounts on-line, including payment options.
- Kicked off a Smart Code project to assist with planning for the future.

Administration

- Continued to work on planning for a New City Hall administration building.
- Brought on-line benefits enrollment to City employees.
- Continued to develop an interactive web-site with agendas and financial information readily available to the public.
- Refined our employee benefit package to maximize the limited revenues.

Financial Information – Internal Control Structure and Budgetary Controls

The City's general government operations are maintained on a modified accrual basis of accounting. This means that revenues are recorded when they are measurable and they are available to finance expenditures of the current period. Expenditures are recorded when the goods or services received and the liabilities are incurred. The City's proprietary funds and agency funds are maintained on a full accrual accounting basis. This means that revenues and expenses are recorded essentially in the same manner as in commercial accounting.

In recording the financial transactions for the City, and in developing this financial report, consideration is given to the adequacy of internal accounting controls. The controls are designed to provide reasonable, but not absolute, assurance the transactions are recorded correctly, and the financial reports, supporting documents, and statistical tables are reliable. This concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be

derived from the control. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City budget which allocates the City's resources to a wide variety of programs that continue to enhance the quality of life in Post Falls is an important planning tool for the City. This is the third time the City has prepared and adopted a two-year budget.

The budget was developed through the combined efforts of the City's departments, commissions and boards, and by the extensive efforts of the City Council and Mayor. Each department spent a substantial amount of time in analyzing and evaluating its needs and desires. All were striving to produce a meaningful spending plan. The final draft of the budget was developed in an open process to encourage community involvement in setting priorities and making choices for the new year. Public comments were taken throughout the process and a public hearing was held. These sessions provided very intense public review and discussion of the proposed budget. This open budget process ensured that the budget program choices reflect the highest community priorities with maximum citizen participation.

The City of Post Falls budgets its funds in accordance with the Revised Code of Idaho. Legal budgetary control is established at the fund level, i.e. expenditures for a fund may not exceed the total appropriation amount. The City Administrator may authorize transfers of appropriations within a fund, but the City Council must approve by ordinance any increase in total fund appropriations. Any unexpended appropriation balances for annually budgeted funds lapse at the end of the year. Appropriations for major capital improvements that are non-operating in nature are not carried forward from year to year, but are reappropriated in the next fiscal year.

Obligations under capital leases are budgeted in each of the respective funds on a fiscal year basis. Each capital lease agreement has a non-appropriation clause, which generally states that each fiscal year's lease payments are subject to City Council approval. The lease payment appropriations are included in the operating budget.

Reported budgeted amounts are as originally adopted or as amended by Council resolution. Presented budgetary information in these financial statements has not been amended. The original and amended budgets are properly approved by ordinance during the fiscal year. Encumbrance accounting is not employed as an extension of formal budgetary integration. All outstanding encumbrances lapse and are closed to the fund balance at the end of each fiscal year.

Governmental funds utilize the modified accrual basis of accounting. All proprietary funds are accounted for using the accrual basis of accounting.

The activities of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The various funds are grouped by type in the City's budget and financial statements. The following fund types are used by the City.

Governmental Funds are those through which most governmental functions of the City are financed.

- ⇒ General Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund had not been established.
- ⇒ Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or

major capital projects) that are legally restricted to expenditures for specified purposes.

- ⇒ Debt Service Funds - These funds are established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from enterprise funds.

Proprietary Funds are used to account for the City's on-going organizations and activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City's Proprietary Fund types are:

- ⇒ Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered through user charges. The City uses these funds to account for its water, wastewater treatment, and sanitation collection operations.

Cash Management - The City's investment policy is focused on (1) the preservation of capital, (2) liquidity, (3) and return on investment (in that order). Preservation of principle is the foremost objective of the City's policy. Next, the City's investment portfolio seeks to maintain adequate liquidity to meet each funds' cash flow needs. Finally, rate or return shall be the decisive factor only when selecting between two or more equally riskless investments. The investment return objective for the City of Post Falls is to equal or exceed the three month U. S. Treasury Bill rate or the average rate of Fed Funds, whichever is higher. These indicators are considered benchmarks for riskless investment transactions and are the minimum standard for the City's portfolio rate of return.

The City's investment portfolio consists of funds deposited in an interest bearing checking account, investments in certificates of deposit, treasury bills, and the State Treasurer's Investment Pool.

The City's deposits with the State Treasurer's Investment Pool are managed in a manner similar to the City's own investment policy with investment decisions made in light of safety, liquidity and yield (in that order).

The City's investments are made by the City's Treasurer with the concurrence of the City Administrator and the City's Financial Advisor. The City's investments are handled in compliance with Idaho State Law and the more restrictive guidelines of our investment policy.

Risk Management - The City of Post Falls maintains self-insurance through the Idaho Counties Reciprocal Management Program (ICRMP). ICRMP is an insurance pool that serves all public entities in Idaho through provision of property, general liability, auto liability, physical damage, and public officials' insurance. ICRMP provides loss prevention training to enable its subscribers to minimize their exposure to loss through implementation of proper policies and procedures.

Debt Administration: - At September 30, 2006, the City of Post Falls had the following bonded debt issues outstanding:

General Obligation Bonds:	\$1,115,000
Sewer Revenue Bonds:	6,560,559
Water Bonds:	3,268,028
Special Assessment Bonds:	<u>2,555,001</u>
	<u>\$12,384,703</u>

The State of Idaho mandates a general obligation debt limit of 2% of the assessed market value of taxable property within the City boundaries. The limit totaled \$29,193,102 on September 30,

2006. The City's general obligation bond above is subject to this limit. Therefore, \$28,078,102 is available for future general obligation indebtedness.

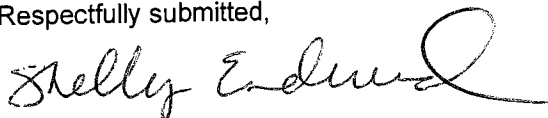
Other Information - Idaho State statutes require an annual audit by independent auditors. The accounting firm of Magnuson, McHugh, & Company, P.A. was selected to perform the audit with the approval of the City Council. In addition to meeting requirements set forth in the Idaho statutes, the audit was also designed to meet the requirements of the Single Audit Act of 1997 and related OMB Circular A-133. The auditor's report on the basic financial statements and combining and individual fund statements, schedules, and the single audit are included in the financial and single audit section of this report.

Certificate of Achievement – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Post Falls, Idaho for its comprehensive annual financial report for the fiscal year ended September 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements - I would like to thank the entire staff of the Finance Office for their dedicated services in assisting and contributing to the preparation of this report. Due credit should also be given to Mayor Clay Larkin and the City Council for their interest and support in conducting the operations of the City in an efficient and progressive manner.

Respectfully submitted,



Shelly Enderud
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Post Falls
Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



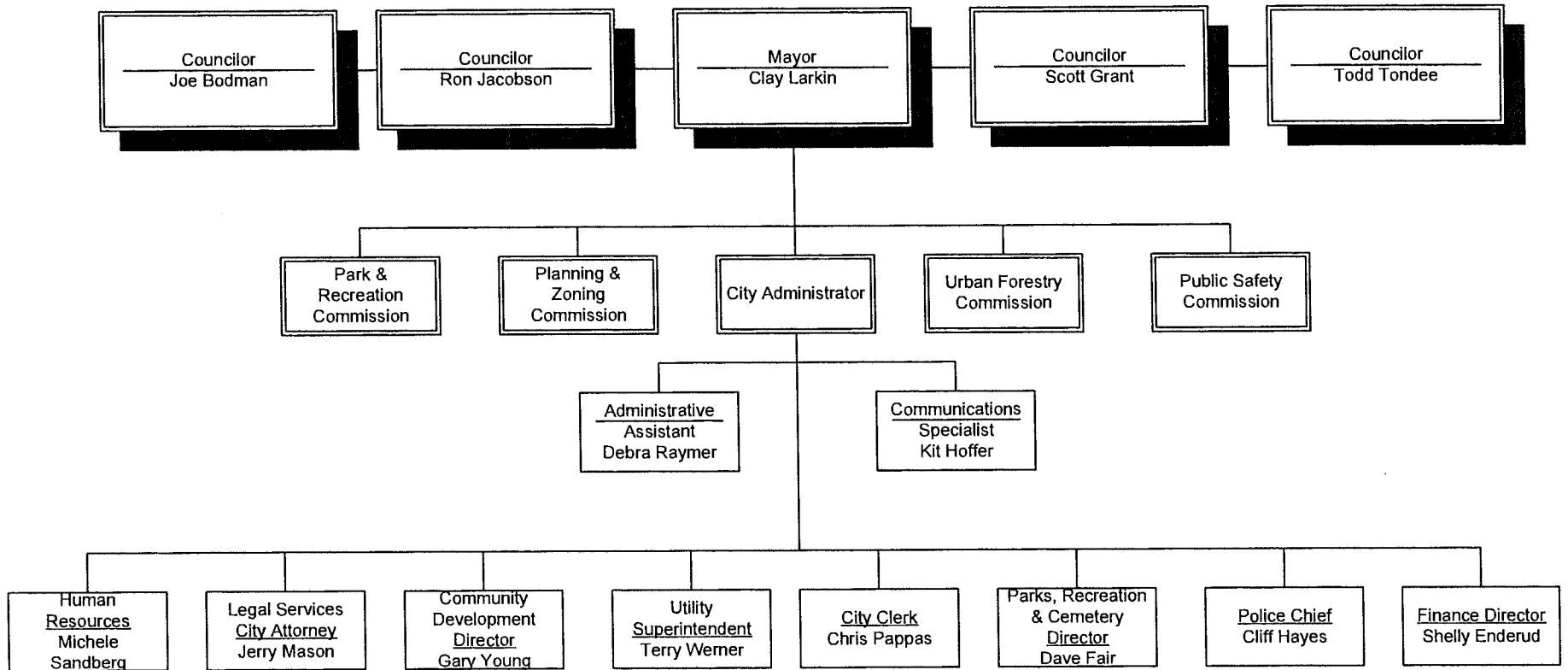
A handwritten signature in black ink, appearing to read "Ronald H. Hawn".

President

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

Executive Director

City of Post Falls Organizational Chart



**CITY OF POST FALLS, IDAHO
Listing of City Officials
As of September 30, 2006**

ELECTED OFFICIALS

	NAME	OFFICE	OCCUPATION	TERM EXPIRES
	Clay Larkin	Mayor	Retired	2009
	Scott Grant	Council President	Supervisor Probation/ Parole Office	2007
	Joe Bodman	Council Member	Spokane Deputy Sheriff	2009
	Todd Tondee	Council Member	Owner - Big Cheese Pizza	2007
	Ron Jacobson	Council Member	Senior VP— Inland North- west Bank	2009

APPOINTED OFFICIALS

<u>NAME</u>	<u>OFFICE</u>
James C. Hammond	City Administrator
Shelly Enderud	Finance Director/Treasurer
Cliff Hayes	Chief of Police
David Fair	Parks & Recreation Director
Gary Young	Community Development Director
Christene Pappas	City Clerk
Terry Werner	Public Works Director

CITY OF POST FALLS, IDAHO

Financial Section



ABOVE: O'emiln Park above the Third Channel

INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Post Falls
Post Falls, ID 83854

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho as of and for the year ended September 30, 2006, 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 Post Falls, Idaho's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho as of September 30, 2006, and the respective changes in changes in financial position and, where applicable, cash flows 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 11, 2007 on our consideration of the City of Post Falls, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist 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.

INDEPENDENT AUDITORS' REPORT (Concluded)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Post Falls, Idaho's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements of the City of Post Falls, Idaho. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance 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. The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we express no opinion on them.

Magnusson, McHugh & Company, P.A.

January 11, 2007

City of Post Falls, ID

Management's Discussion and Analysis

As management of the City of Post Falls, we offer readers of the City of Post Falls' financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the City of Post Falls exceeded its liabilities at the close of the most recent fiscal year by \$111,338,462 (net assets).
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$6,348,640, or 50.3 percent of total general fund expenditures.
- The governments net assets increased by \$19,959,104. Approximately half of this increase is attributed to one-time infusions of resources from capital contributions.
- In the City's business-type activities, operating revenues increased by \$988,162 (15 percent) and operating expenses increased by \$673,014 (15 percent).
- The City paid the \$3,400,000 in interim financing used to complete a Local Improvement District project (LID 2004-1). A new bond was issued in the amount of \$2,185,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Post Falls' basic financial statements. The City of Post Falls' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all the City of Post Falls' 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 of Post Falls 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 Post Falls 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 cost through user fees and charges (business-type activities). The governmental activities of the City of Post Falls include general government, public safety, streets, parks and recreation. The business-type activities of the City of Post Falls include water, wastewater, and sanitation.

The government-wide financial statements include not only the City of Post Falls itself (known as primary government), but also a legally separate urban renewal district for which the City of Post Falls is not financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 26 to 27 of this report.

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 Post Falls, 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 Post Falls 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Post Falls maintains seventeen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, LID 99-1, LID 2004-1, and the capital fund, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Post Falls adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements may be found on pages 28 to 30 of this report.

Proprietary funds. The City of Post Falls maintains three different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Post Falls uses enterprise funds to account for its Water, Sewer and Sanitation 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 and Sanitation operations, all of which are considered to be major funds of the City of Post Falls.

The basic proprietary fund financial statements may be found on pages 31 to 33 of this report.

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. The notes to the financial statements may be found on pages 34 to 56 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds may be found on pages 58 to 59 of this report. Combining and individual fund statements and schedules can be found on pages of this report.

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 of Post Falls, assets exceeded liabilities by \$111,338,462 at the close of the most recent fiscal year.

By far the largest portion of the City of Post Falls' net assets (62 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, other improvements, infrastructure, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City of Post Falls uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Post Falls' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Below is a summary of the City of Post Falls' Net Assets statement.

City of Post Falls' Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current and other assets	\$17,234,662	\$13,886,055	\$28,153,716	\$23,398,473	\$45,388,378	\$37,284,528
Capital assets	<u>31,003,250</u>	<u>22,799,485</u>	<u>56,667,772</u>	<u>55,072,976</u>	<u>87,671,022</u>	<u>77,872,461</u>
Total assets	<u>48,237,912</u>	<u>36,685,540</u>	<u>84,821,488</u>	<u>78,471,449</u>	<u>133,059,400</u>	<u>115,156,989</u>
LIABILITIES						
Long-term liabilities outstanding	9,019,102	10,527,645	9,924,045	10,680,992	18,943,147	21,208,637
Other liabilities	<u>2,052,604</u>	<u>2,070,318</u>	<u>725,187</u>	<u>498,677</u>	<u>2,777,791</u>	<u>2,568,995</u>
Total liabilities	<u>11,071,706</u>	<u>12,597,963</u>	<u>10,649,232</u>	<u>11,179,669</u>	<u>21,720,938</u>	<u>23,777,632</u>
NET ASSETS						
Invested in capital assets, net of related						
Debt:	21,984,148	12,856,812	46,839,184	44,487,590	68,823,332	57,344,402
Restricted	6,539,791	875,546	5,903,678	4,699,749	12,443,469	5,572,295
Unrestricted	<u>8,642,267</u>	<u>10,358,219</u>	<u>21,429,394</u>	<u>18,104,442</u>	<u>30,071,661</u>	<u>28,462,661</u>
Total net assets	<u>\$37,166,206</u>	<u>\$24,087,577</u>	<u>\$74,172,256</u>	<u>\$67,291,781</u>	<u>\$111,338,462</u>	<u>\$91,379,358</u>

An additional portion of the City of Post Falls' net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$30,071,661) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Post Falls is 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.

At the end of the current fiscal year, 87 percent of the liabilities are made up of noncurrent liabilities. This primarily represents bonds and leases discussed in Note 7 of the notes to the financials.

Governmental activities. Governmental activities' key elements are broken down in the following charts. Governmental activities increased the net assets by \$13,078,629 and business-type activities increased net assets by \$6,880,475.

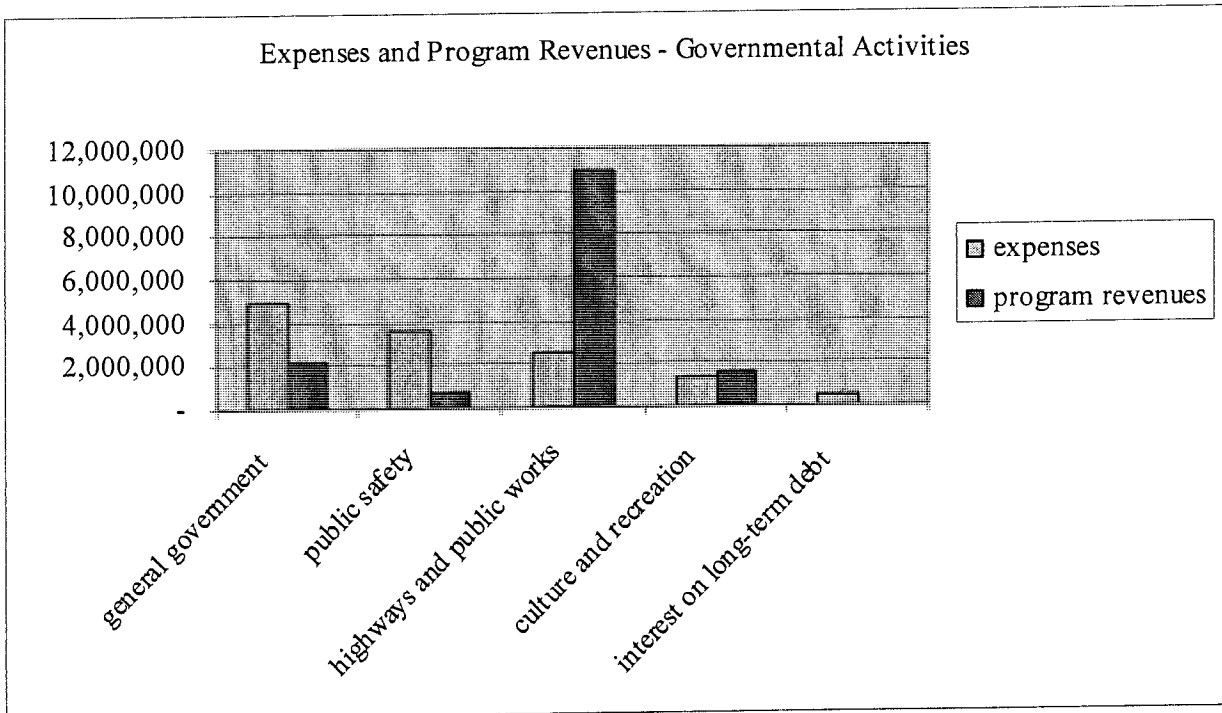
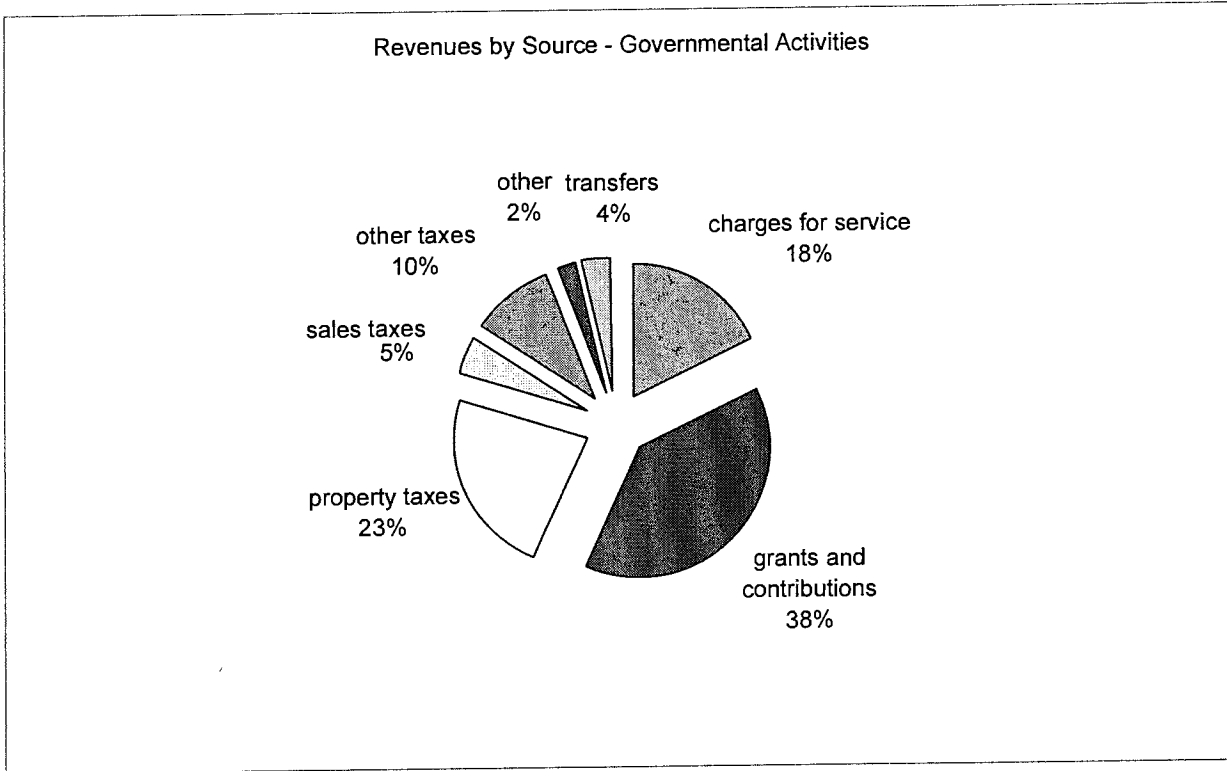
The City's direct charges to users of governmental services made up \$4,867,034 or 20 percent of total governmental revenue. These charges are for park rentals, recreation classes, building permits and other fees related to public safety and administration.

Public safety which includes police, domestic violence assistance, animal control and dispatch services accounts for \$3,593,961 in expenditures, or 28% of the total. Highway and public works accounts for \$2,576,928 in expenditures, or 20% of the total. Culture and recreation accounts for \$1,350,230 in expenditures, or 11% of the total. General government, the largest program, accounts for \$4,880,704 in expenditures, or 38% of the total.

Below is a summary of the City of Post Falls' Changes in Net Assets.

City of Post Falls' Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
REVENUES						
Program revenues:						
Charges for services	\$4,867,034	\$4,050,476	\$7,440,167	\$6,452,005	\$12,307,201	\$9,811,157
Operating grants and contributions	258,756	248,978			258,756	210,574
Capital grants and contributions	10,280,692	2,082,757	5,020,402	6,971,034	15,301,094	10,669,092
General revenues:						
Property taxes	6,228,757	5,452,343			6,228,757	4,990,766
Other taxes	2,681,188	2,889,702			2,681,188	2,457,664
Other	635,206	378,177	854,961	500,448	1,490,167	391,162
Total revenues	<u>\$24,951,633</u>	<u>\$15,102,433</u>	<u>\$13,315,530</u>	<u>\$13,923,487</u>	<u>\$38,267,163</u>	<u>\$28,530,415</u>
EXPENSES						
General government	\$4,880,704	\$4,296,656			\$4,880,704	\$3,908,589
Public safety	3,593,961	3,409,806			\$3,593,961	3,171,924
Highway and public works	2,576,928	3,750,058			\$2,576,928	1,701,489
Culture and recreation	1,350,230	1,233,832			\$1,350,230	1,172,659
Interest on long-term debt	428,521	362,559			\$428,521	325,229
Water			\$1,412,346	\$1,290,046	\$1,412,346	1,290,046
Sewer			2,863,232	2,358,255	\$2,863,232	2,358,255
Sanitation			1,202,137	1,114,246	1,202,137	955,858
Total expenses	<u>\$12,830,344</u>	<u>\$13,052,911</u>	<u>\$5,477,715</u>	<u>\$4,762,547</u>	<u>\$18,308,059</u>	<u>\$17,815,458</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	<u>12,121,289</u>	<u>2,049,522</u>	<u>7,837,815</u>	<u>9,160,940</u>	<u>19,959,104</u>	<u>11,210,462</u>
TRANSFERS IN (OUT)	<u>957,340</u>	<u>899,730</u>	<u>(957,340)</u>	<u>(899,730)</u>		
INCREASE IN NET ASSETS	<u>13,078,629</u>	<u>2,949,252</u>	<u>6,880,475</u>	<u>8,261,210</u>	<u>19,959,104</u>	<u>11,210,462</u>
NET ASSETS beginning	<u>24,087,577</u>	<u>21,138,325</u>	<u>67,291,781</u>	<u>59,030,571</u>	<u>91,379,358</u>	<u>80,168,896</u>
NET ASSETS ending	<u>\$37,166,206</u>	<u>\$24,087,577</u>	<u>\$74,172,256</u>	<u>\$67,291,781</u>	<u>\$111,338,462</u>	<u>\$91,379,358</u>



- The majority of the City of Post Falls' governmental activities' revenue is received from grants and contributions (38 percent).
- When all taxes are added together, they make up 38 percent of the budget.

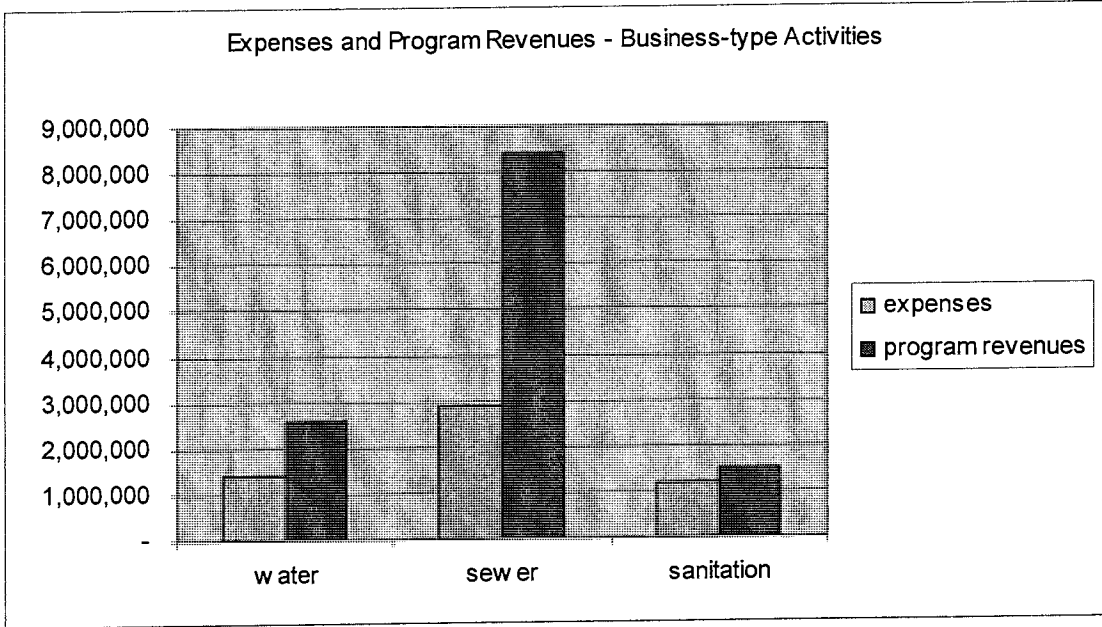
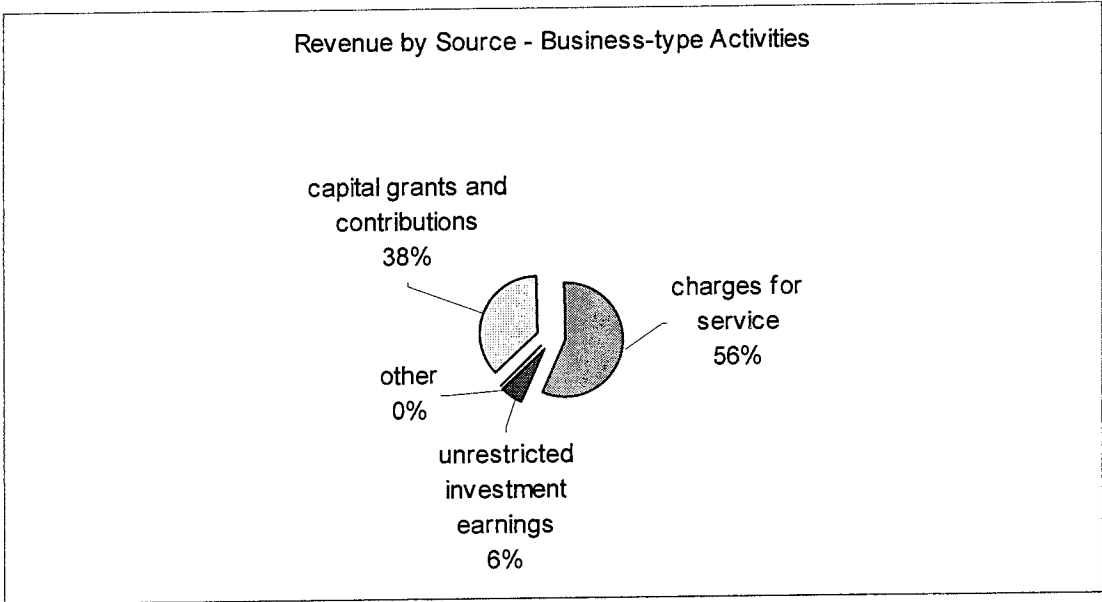
- When revenues are compared to expenses, it shows that only the City of Post Falls' highways and public works program is self supporting. This is due to donated capital assets from developers. Each program is funded by taxes or other general revenues.
- Grants and contributions are primarily received by public safety and public works. These grants normally have matching requirements by the City, but allow programs and projects that may not happen without those additional funds. The City currently runs a domestic violence program that is funded through federal grants each year.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The only major transaction during the year was a bond issuance closing the construction project on LID 2004-1 (a wastewater extension/transportation project in a new commercial area of town). No significant losses or revenues were received during the year and building permit revenue has started to return to normal levels.

Major funds in the City are general fund, LID 99-1, LID 2004-1 and the capital fund. Significant transactions within the general fund this year mainly consisted of repayment of debt and payment of personnel (has been steadily increasing since a wage study was performed in 2001 and since health insurance has been increasing each year). The average wage increase in the City for the current fiscal year was 4.5 percent. A significant transaction for LID 2004-1 was the sale of bonds and construction completion of the project. Last, no significant transactions occurred in the capital fund this year.

The general fund has a significant cash balance at year end. A portion of this cash balance has been designated as a contingency fund and the balance has been reallocated for expenditure in the FY 07 budget. LID 99-1 has the \$71,575 interfund payable to the general fund. This is due to an offsetting receivable from the Urban Renewal Agency. Last, the capital fund has a large cash balance that is primarily made up of money that is being saved for future projects such as a New City Hall.

Business-type activities. Business-type activities' key elements are broken down in the following charts.



- One of the major sources of the City of Post Falls' business-type activities' revenue is received from charges for services (56 percent). Currently, the City of Post Falls' business-type activities do not use property taxes for any type of funding.
- The second major source of revenue is capital contributions. These contributions are received by water and sewer only. The sanitation for the City of Post Falls is contracted out, and the City has no capital investment in that program.

- When revenues are compared to expenses, it shows that all of the City of Post Falls' programs are self supporting.
- Investment earnings are starting to show a recovery with the strengthening market and they have improved over the prior year.

Again, for the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The City has been growing at a very rapid pace over the last couple of years. The City is the only sewer provider within the City limits and is one of three providers of water within the City limits. All sanitation services are provided through the City.

Financial Analysis of the Government's Funds

As noted earlier, the City of Post Falls uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Post Falls governmental funds is to provide information on near-term inflows, outflow, and balances of spendable resources. Such information is useful in assessing the City of Post Falls' financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Post Falls' reported a combined ending fund balance of \$12,684,701, an increase of \$1,282,226 in comparison with the prior year. This increase is primarily due to capital project savings and a building permit fees. The current fund balance contains \$405,694 of reserved dollars, \$532,270 of designated dollars and the balance of \$11,746,737 is unreserved, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Post Falls. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,348,640, with a total fund balance of \$6,930,311. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 50.3 percent of total general fund expenditures, while total fund balance represents 54.9 percent of that same amount.

The other major funds of the City of Post Falls have the following fund balances at year-end: LID 99-1 has an unreserved fund balance of \$154,679. This balance is due to prepayments on the LID. LID 2004-1 has an unreserved fund balance of \$218,873. This balance is also due to prepayments on the LID. The Capital Fund has a reserved fund balance of \$356,293. This is reserve set by debt service requirements. The Capital Fund has an unreserved fund balance of \$5,077,512. This fund balance will be used towards future capital projects in the City's CIP.

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

Unrestricted net assets of the water, sewer and sanitation funds at the end of the year amounted to \$21,429,394 (water \$4,927,250; sewer \$16,170,356; and sanitation \$331,788). Restricted net assets at the end of the year amounted to \$5,903,678 (water \$2,419,363 and sewer \$3,484,315).

General Fund Budgetary Highlights

No budget amendment was performed during the current fiscal year. General Fund revenues ended the fiscal year with a total positive variance of 16 percent. Expenditures ended the fiscal year with a total positive variance of 7.8 percent. The major variance in revenues was due to building permits and an improving economy. The variance in expenditures was due to a combination of numerous small savings in the general government area.

Capital Asset and Debt Administration

Capital assets. The City of Post Falls’ investment in capital assets for its governmental and business type activities as of September 30, 2006 amounts to \$87,671,022 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, other improvements, and infrastructure. The total increase in the City of Post Falls’ investment in capital assets for the fiscal year was 13 percent (a 36 percent increase for governmental activities and a 3 percent increase for business-type activities).

City of Post Falls’ Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$4,837,936	\$4,837,936	\$9,156,067	\$9,156,067	\$13,994,003	\$13,994,003
Buildings & Imp.	8,163,193	7,659,805			8,163,193	7,659,805
Machinery & Equip.	1,988,964	1,552,445	470,795	499,733	2,459,759	2,052,178
Infrastructure	16,013,157	8,749,299			16,013,157	8,749,299
Wells			635,885	690,882	635,885	690,882
Water System			16,409,726	16,240,299	16,409,726	16,240,299
Sewer System			29,520,530	27,681,857	29,520,530	27,681,857
C.I.P.			474,769	804,138	474,769	804,138
Total	\$31,003,250	\$22,799,485	\$56,667,772	\$55,072,976	\$87,671,022	\$77,872,461

Major capital asset events during the current fiscal year included the following:

- Donated capital assets from developers as they develop commercial areas and subdivisions.
- Continued with upgrades in various parks owned by the City.
- Constructed a Communications site at Blossom Mountain allowing for more wireless communication capabilities in the City.

- Various Sewer projects across the City in an effort to keep up with growth.

Additional information on the City of Post Falls' capital assets can be found in note 5 on pages 42 to 43 of this report.

Long-term debt. At the end of the current fiscal year, the City of Post Falls had total bonded debt outstanding of \$13,498,588. Of this amount, \$1,115,000 is comprised of debt backed by the full faith and credit of the government and \$2,555,001 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Post Falls' debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), a water loan from DEQ secured solely by specified revenue sources, leases secured by general fund, and compensated absences accrued by employees and a liability of general fund (\$661,919), water (\$47,193) and sewer (\$48,264).

<u>Debt Type</u>	<u>2006 Balance</u>	<u>2005 Balance</u>
General Obligation Bonds:	\$1,115,000	\$1,245,000
Sewer Revenue Bonds:	6,560,559	7,201,154
Water – DEQ Loan	3,268,028	3,384,233
Special Assessment Bonds:	2,555,001	3,845,001
Leases	4,687,182	4,852,672
Compensated Absences	<u>757,376</u>	<u>680,577</u>
	<u>\$18,943,146</u>	<u>\$21,208,637</u>

The State of Idaho mandates a general obligation debt limit of 2% of the assessed market value of taxable property within the City boundaries. The limit totaled \$29,193,102 on September 30, 2006. The City's general obligation bond above is subject to this limit. Therefore, \$28,078,102 is available for future general obligation indebtedness.

Additional information on the City of Post Falls' long-term debt can be found in note 7 on pages 44 to 48 of this report.

Economic Factors and Next Year's Budgets and Rates

- The State of Idaho continued to see a slow recovery in sales tax and gas tax during 2006. During fiscal year 2002 there was a reduction in those taxes.
- Interest rates have continued to creep up so investment interest has been budgeted to reflect this trend.
- Building permits issued in the City of Post Falls are starting to settle at more normal levels, but still higher than ten years ago. Permits are predicted to stay at this lower level for the next few years.
- The number of utility accounts has also been increasing at an all time high and that growth has been included in the budget process.

All of these factors were considered in preparing the City of Post Falls' budget for the 2006 reported fiscal year and the upcoming 2007 and 2008 fiscal years. The City of Post Falls' budget is adopted in a two year cycle.

During the current fiscal year, undesignated fund balance in the general fund increased to \$6,348,640. The City of Post Falls has appropriated \$3,076,500 of this amount for spending in the 2007 fiscal year budget. The remaining balance will be reserved during fiscal year 2007 as a contingency fund or designated to the appropriate area.

Both water and sewer operating rates were increased by 4.5 percent in the 2007 budget year. Sanitation rates will remain constant for the next couple of years as per a new contract with an outside hauler. Water and sewer rates are set by rate studies that updated every five years.

Requests for information

This financial report is designed to provide a general overview of the City of Post Falls' 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 the Office of the Finance Director, 408 N Spokane St., Post Falls, ID 83854.

Basic Financial Statements

**City of Post Falls
Statement of Net Assets
September 30, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Post Falls Urban Renewal Agency
Assets				
Cash and cash equivalents	\$ 9,743,388	\$ 19,814,089	\$ 29,557,477	\$ 506,427
Investments	3,031,990		3,031,990	809,004
Receivables				
Accounts	27,885	1,063,832	1,091,717	68,102
Taxes	224,747		224,747	
Miscellaneous	312,891		312,891	
Special assessments	2,364,047		2,364,047	
Due from other governments	641,540	708,658	1,350,198	
Accrued interest	9,091	3,279	12,370	
Prepaid items	17,300		17,300	
Restricted cash	861,783	6,561,574	7,423,357	
Capital assets, net of depreciation:				
Land	4,837,936	9,156,067	13,994,003	
Buildings	8,163,193	4,280,039	12,443,232	
Machinery and equipment	1,988,964	470,795	2,459,759	
Other improvements		42,286,102	42,286,102	
Infrastructure	16,013,157		16,013,157	
Construction in progress		474,769	474,769	
Unamortized issue costs		2,284	2,284	
Total Assets	<u>48,237,912</u>	<u>84,821,488</u>	<u>133,059,400</u>	<u>1,383,533</u>
Liabilities				
Accounts payable	389,041	402,093	791,134	26,409
Accrued payroll	164,778	18,641	183,419	
Bond interest payable	86,415	138,700	225,115	3,570
Due to other funds	708,658		708,658	
Restricted customer deposits	703,712	165,753	869,465	
Noncurrent liabilities				
Due within one year	932,897	830,049	1,762,946	249,800
Due in more than one year	8,086,205	9,093,996	17,180,201	740,678
Total Liabilities	<u>11,071,706</u>	<u>10,649,232</u>	<u>21,720,938</u>	<u>1,020,457</u>
Net Assets				
Invested in capital assets, net of related debt	21,984,148	46,839,184	68,823,332	
Restricted for:				
Library and art activities	49,401		49,401	
Debt service	524,315	1,903,010	2,427,325	
Capital improvements	5,966,075	4,000,668	9,966,743	
Unrestricted	8,642,267	21,429,394	30,071,661	363,076
Total Net Assets	<u>\$ 37,166,206</u>	<u>\$ 74,172,256</u>	<u>\$ 111,338,462</u>	<u>\$ 363,076</u>

The notes to the financial statements are an integral part of this statement.

**City of Post Falls
Statement of Activities
For the Year Ended September 30, 2006**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Post Falls Urban Renewal Agency
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 4,880,704	\$ 2,141,369	\$ 32,909		\$ (2,706,426)		\$ (2,706,426)	\$ (735,917)
Public safety	3,593,961	567,520	148,603	\$ 47,865	(2,829,973)		(2,829,973)	
Highways and public works	2,576,928	912,773		9,981,717	8,317,562		8,317,562	
Culture and recreation	1,350,230	1,245,372	77,244	251,110	223,496		223,496	
Interest on long-term debt	428,521				(428,521)		(428,521)	
Total governmental activities	<u>12,830,344</u>	<u>4,867,034</u>	<u>258,756</u>	<u>10,280,692</u>	<u>2,576,138</u>		<u>2,576,138</u>	<u>(735,917)</u>
Business-type activities:								
Water	1,412,346	1,994,463		592,860		\$ 1,174,977	1,174,977	
Sewer	2,863,232	3,956,633		4,427,542		5,520,943	5,520,943	
Sanitation	1,202,137	1,489,071				286,934	286,934	
Total business-type activities	<u>5,477,715</u>	<u>7,440,167</u>		<u>5,020,402</u>		<u>6,982,854</u>	<u>6,982,854</u>	
Total government	<u>\$ 18,308,059</u>	<u>\$ 12,307,201</u>	<u>\$ 258,756</u>	<u>\$ 15,301,094</u>	<u>2,576,138</u>	<u>6,982,854</u>	<u>9,558,992</u>	<u>(735,917)</u>
General revenues:								
Property taxes					6,228,757		6,228,757	1,032,606
Sales taxes					1,234,141		1,234,141	
Motor fuel taxes					1,030,468		1,030,468	
Alcoholic beverage taxes					416,579		416,579	
Grants and contributions not restricted to specific programs								
Unrestricted investment earnings					633,704	854,961	1,488,665	42,781
Gains (losses) on disposal of capital assets					1,502		1,502	
Transfers					957,340	(957,340)		
Total general revenues and transfers					<u>10,502,491</u>	<u>(102,379)</u>	<u>10,400,112</u>	<u>1,075,387</u>
Change in net assets					13,078,629	6,880,475	19,959,104	339,470
Net Assets - beginning					24,087,577	67,291,781	91,379,358	23,606
Net Assets - ending					<u>\$ 37,166,206</u>	<u>\$ 74,172,256</u>	<u>\$ 111,338,462</u>	<u>\$ 363,076</u>

**City of Post Falls
Balance Sheet
Governmental Funds
September 30, 2006**

	Debt Service				Other Governmental Funds	Totals Government Funds 2006
	General Fund	LID 99-1 Fund	LID 2004-1 Fund	Capital Fund		
Assets						
Cash on hand and cash equivalents	\$ 3,851,580	\$ 154,679	\$ 317	\$ 5,214,461	\$ 522,351	\$ 9,743,388
Investments	3,031,990					3,031,990
Accounts receivable:						
Property taxes - current	38,765					38,765
- delinquent	185,982					185,982
Loans receivable					15,182	15,182
Miscellaneous	219,641	71,575			6,493	297,709
Customers					27,885	27,885
Due from other governments	628,949				12,591	641,540
Special assessments - delinquent					5,224	5,224
- deferred		92,942	2,182,932		82,949	2,358,823
Interfund receivables	103,686					103,686
Prepaid items				17,300		17,300
Accrued interest	9,091					9,091
Restricted current assets:						
Cash and cash equivalents	286,934		218,556	356,293		861,783
Total assets and other debits	\$ 8,356,618	\$ 319,196	\$ 2,401,805	\$ 5,588,054	\$ 672,675	\$ 17,338,348
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 243,204			\$ 123,943	\$ 21,894	\$ 389,041
Interfund payables	110,071	\$ 71,575		30,306	600,392	812,344
Accrued payroll and fringe benefits	164,778					164,778
Deferred revenue	204,542	92,942	\$ 2,182,932		103,356	2,583,772
Restricted customer deposits	703,712					703,712
Total liabilities	1,426,307	164,517	2,182,932	154,249	725,642	4,653,647
Fund balances:						
Reserved for:						
Library and art activities	49,401					49,401
Debt				356,293		356,293
Unreserved:						
Designated for improvements	532,270					532,270
General fund	6,348,640					6,348,640
Special Revenue funds					(203,730)	(203,730)
Debt Service funds		154,679	218,873		150,763	524,315
Capital Fund				5,077,512		5,077,512
Total fund balances	6,930,311	154,679	218,873	5,433,805	(52,967)	12,684,701
Total liabilities and fund balances	\$ 8,356,618	\$ 319,196	\$ 2,401,805	\$ 5,588,054	\$ 672,675	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	31,003,250
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,583,772
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,105,517)
Net assets of governmental activities	\$ 37,166,206

City of Post Falls
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2006

	Debt Service			Capital Fund	Other Governmental Funds	Totals Government Funds 2006
	General Fund	LID 99-1 Fund	LID 2004-1 Fund			
Revenues:						
Taxes	\$ 6,587,395					\$ 6,587,395
Intergovernmental	2,833,490			\$ 298,565		3,132,055
Charges for services	2,220,610			1,497,281	\$ 315,999	4,033,890
Other revenue	399,372			4,500	237,091	640,963
Special assessment revenue		\$ 4,696	\$ 451,023		91,890	547,609
Interest	400,912	12,129	27,385	160,024	33,254	633,704
Total revenues	<u>12,441,779</u>	<u>16,825</u>	<u>478,408</u>	<u>1,960,370</u>	<u>678,234</u>	<u>15,575,616</u>
Expenditures:						
Current:						
General government	4,477,233	2,400	55,574	24,157	1,860	4,561,224
Public safety	3,401,612				32,333	3,433,945
Highways and public works	1,477,530		540,446		234,519	2,252,495
Culture and recreation	1,234,488				21,932	1,256,420
Capital outlay	436,117			538,370	748,413	1,722,900
Debt service:						
Principal	371,570	15,000	3,400,000	69,875	60,000	3,916,445
Interest	249,783	11,055	118,788	46,163	12,466	438,255
Total expenditures	<u>11,648,333</u>	<u>28,455</u>	<u>4,114,808</u>	<u>678,565</u>	<u>1,111,523</u>	<u>17,581,684</u>
Excess (deficiency) of revenues over expenditures	<u>793,446</u>	<u>(11,630)</u>	<u>(3,636,400)</u>	<u>1,281,805</u>	<u>(433,289)</u>	<u>(2,006,068)</u>
Other financing sources (uses):						
Issuance of debt	145,954		2,185,000			2,330,954
Transfers in	1,068,375		143,500	375,000	19,430	1,606,305
Transfers out	(518,500)			(70,000)	(60,465)	(648,965)
Total other financing sources (uses)	<u>695,829</u>		<u>2,328,500</u>	<u>305,000</u>	<u>(41,035)</u>	<u>3,288,294</u>
Net change in fund balance	<u>1,489,275</u>	<u>(11,630)</u>	<u>(1,307,900)</u>	<u>1,586,805</u>	<u>(474,324)</u>	<u>1,282,226</u>
Fund balances, Beginning	<u>5,441,036</u>	<u>166,309</u>	<u>1,526,773</u>	<u>3,847,000</u>	<u>421,357</u>	<u>11,402,475</u>
Fund balances, Ending	<u>\$ 6,930,311</u>	<u>\$ 154,679</u>	<u>\$ 218,873</u>	<u>\$ 5,433,805</u>	<u>\$ (52,967)</u>	<u>\$ 12,684,701</u>

**City of Post Falls
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,282,226
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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	892,604
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	7,311,160
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	2,074,361
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>1,518,278</u>
Change in Net Assets of Governmental Activities	<u>\$ 13,078,629</u>

The notes to the financial statements are an integral part of this statement.

**City of Post Falls
Statement of Net Assets
Proprietary Funds
September 30, 2006**

	Business-type Activities - Enterprise Funds						Totals Current Year
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	
Assets							
Current assets:							
Cash	\$ 4,393,739	\$ 3,465,712	\$ 15,158,518	\$ 12,543,171	\$ 261,832	\$ 172,584	\$ 19,814,089
Utility receivables, net	335,779	812,887	558,052	639,960	170,001	152,721	1,063,832
Restricted cash, customer deposits	165,753	169,320					165,753
Accrued interest							
Due from other funds	97,705		610,953				708,658
Total current assets	<u>4,992,976</u>	<u>4,447,919</u>	<u>16,327,523</u>	<u>13,183,131</u>	<u>431,833</u>	<u>325,305</u>	<u>21,752,332</u>
Non-current assets:							
Restricted cash	2,685,625	2,355,817	3,710,196	3,080,582			6,395,821
Restricted accrued interest	1,136	924	2,143	1,741			3,279
Bond issuance cost, net			2,284	3,054			2,284
Total restricted assets	<u>2,686,761</u>	<u>2,356,741</u>	<u>3,714,623</u>	<u>3,085,377</u>			<u>6,401,384</u>
Capital assets:							
Land	54,555	54,555	9,101,512	9,101,512			9,156,067
Wells	1,367,689	1,367,689					1,367,689
Water system	19,309,675	18,742,781					19,309,675
Equipment	419,573	357,507	1,069,524	1,069,524			1,489,097
Sewer system			40,669,512	38,000,961			40,669,512
Construction in progress			474,769	804,138			474,769
Less accumulated depreciation	<u>(3,810,640)</u>	<u>(3,309,281)</u>	<u>(11,988,397)</u>	<u>(11,116,409)</u>			<u>(15,799,037)</u>
Total capital assets (net of accumulated depreciation)	<u>17,340,852</u>	<u>17,213,251</u>	<u>39,326,920</u>	<u>37,859,726</u>			<u>56,667,772</u>
Total non-current assets	<u>20,027,613</u>	<u>19,569,992</u>	<u>43,041,543</u>	<u>40,945,103</u>			<u>63,069,156</u>
Total Assets	<u>25,020,589</u>	<u>24,017,911</u>	<u>59,369,066</u>	<u>54,128,234</u>	<u>431,833</u>	<u>325,305</u>	<u>84,821,488</u>
Liabilities							
Current liabilities:							
Accounts payable	51,417	21,805	250,631	70,732	100,045	102,137	402,093
Accrued payroll	7,485	6,070	11,156	9,111			18,641
Bond interest payable	61,276	33,914	77,424	85,588			138,700
Compensated absences	47,193	44,855	48,264	50,750			95,457
Customer deposits payable	165,753	169,320					165,753
Bond payable - current maturity	120,604	116,205	652,611	640,595			773,215
Total current liabilities	<u>453,728</u>	<u>392,169</u>	<u>1,040,086</u>	<u>856,776</u>	<u>100,045</u>	<u>102,137</u>	<u>1,593,859</u>
Noncurrent liabilities:							
Bonds payable	3,147,424	3,268,028	5,907,949	6,560,559			9,055,373
Total noncurrent liabilities	<u>3,147,424</u>	<u>3,268,028</u>	<u>5,907,949</u>	<u>6,560,559</u>			<u>9,055,373</u>
Total Liabilities	<u>3,601,152</u>	<u>3,660,197</u>	<u>6,948,035</u>	<u>7,417,335</u>	<u>100,045</u>	<u>102,137</u>	<u>10,649,232</u>
Net Assets							
Invested in capital assets, net of related debt	14,072,824	13,829,018	32,766,360	30,658,572			46,839,184
Restricted for:							
Replacement	1,382,908	1,103,881	2,617,760	1,775,674			4,000,668
Bond Retirement	1,036,455	996,619	866,555	823,575			1,903,010
Unrestricted	4,927,250	4,428,196	16,170,356	13,453,078	331,788	223,168	21,429,394
Total Net Assets	<u>\$ 21,419,437</u>	<u>\$ 20,357,714</u>	<u>\$ 52,421,031</u>	<u>\$ 46,710,899</u>	<u>\$ 331,788</u>	<u>\$ 223,168</u>	<u>\$ 74,172,256</u>

City of Post Falls
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

Business-type Activities - Enterprise Funds

	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Operating Revenues:							
Charges for services	\$ 1,822,589	\$ 1,593,135	\$ 3,728,430	\$ 3,300,320	\$ 1,462,913	\$ 1,311,450	\$ 7,013,932
Hookups and connections	50,903	78,375					50,903
Other revenues	120,971	102,402	228,203	43,708	26,158	22,615	375,332
Total operating revenues	<u>1,994,463</u>	<u>1,773,912</u>	<u>3,956,633</u>	<u>3,344,028</u>	<u>1,489,071</u>	<u>1,334,065</u>	<u>7,440,167</u>
Operating Expenses:							
Salaries and benefits	379,356	365,960	591,151	552,373			970,507
Administrative and supplies	378,440	409,073	1,141,040	817,791	1,202,137	1,114,246	2,721,617
Depreciation	501,359	361,101	871,988	771,913			1,373,347
Total operating expenses	<u>1,259,155</u>	<u>1,136,134</u>	<u>2,604,179</u>	<u>2,142,077</u>	<u>1,202,137</u>	<u>1,114,246</u>	<u>5,065,471</u>
Operating income	<u>735,308</u>	<u>637,778</u>	<u>1,352,454</u>	<u>1,201,951</u>	<u>286,934</u>	<u>219,819</u>	<u>2,374,696</u>
Nonoperating revenues (expenses):							
Intergovernmental	32,921	311,727					32,921
Investment income	239,781	123,404	607,724	289,828	7,456	3,039	854,961
Interest expense	(153,191)	(153,912)	(258,283)	(215,408)			(411,474)
Gain on sale of capital assets		5,118		79,059			79,059
Amortization of refunding costs			(770)	(770)			(770)
Total nonoperating revenues (expenses)	<u>119,511</u>	<u>286,337</u>	<u>348,671</u>	<u>152,709</u>	<u>7,456</u>	<u>3,039</u>	<u>475,638</u>
Income before contributions and transfers	854,819	924,115	1,701,125	1,354,660	294,390	222,858	2,850,334
Capital Contributions - tap fees	559,939	1,665,538	4,427,542	4,993,769			4,987,481
Transfers in				20,000			20,000
Transfers out	(353,035)	(339,136)	(418,535)	(402,181)	(185,770)	(178,413)	(957,340)
Changes in net assets	<u>1,061,723</u>	<u>2,250,517</u>	<u>5,710,132</u>	<u>5,966,248</u>	<u>108,620</u>	<u>44,445</u>	<u>6,880,475</u>
Total net assets - beginning	<u>20,357,714</u>	<u>18,107,197</u>	<u>46,710,899</u>	<u>40,744,651</u>	<u>223,168</u>	<u>178,723</u>	<u>67,291,781</u>
Total net assets - ending	<u>\$ 21,419,437</u>	<u>\$ 20,357,714</u>	<u>\$ 52,421,031</u>	<u>\$ 46,710,899</u>	<u>\$ 331,788</u>	<u>\$ 223,168</u>	<u>\$ 74,172,256</u>

The notes to the financial statements are an integral part of this statement.

City of Post Falls
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Cash Flows from Operating Activities							
Receipts from customers	\$ 2,468,004	\$ 1,245,403	\$ 4,038,541	\$ 3,021,809	\$ 1,471,791	\$ 1,300,229	\$ 7,978,336
Payments to suppliers	(348,827)	(573,233)	(961,141)	(814,744)	(1,204,229)	(1,095,632)	(2,514,197)
Payments to employees	(375,603)	(355,483)	(591,592)	(527,083)			(967,195)
Net cash provided by operating activities	<u>1,743,574</u>	<u>316,687</u>	<u>2,485,808</u>	<u>1,679,982</u>	<u>267,562</u>	<u>204,597</u>	<u>4,496,944</u>
Cash Flows from Non-capital Financing Activities							
Transfer from other funds				20,000			
Operating subsidies and transfers to other funds	(353,035)	(339,136)	(418,535)	(402,181)	(185,770)	(178,413)	(957,340)
Advances from other funds	(97,705)		(610,953)	5,844			(708,658)
Subsidy from federal grant	32,921	311,727					32,921
Net cash (used) by non-capital financing activities	<u>(417,819)</u>	<u>(27,409)</u>	<u>(1,029,488)</u>	<u>(376,337)</u>	<u>(185,770)</u>	<u>(178,413)</u>	<u>(1,633,077)</u>
Cash Flows from Capital and Related Financing Activities							
Proceeds from capital debt		735,978		6,069,500			
System development fees	559,939	1,665,538	4,427,542	4,993,769			4,987,481
Proceeds from sale of capital assets		5,118		79,059			
Principal payments on capital debt	(116,205)		(640,594)	(614,261)			(756,799)
Interest payments on capital debt	(125,829)	(130,781)	(266,447)	(138,706)			(392,276)
Purchase of capital assets	(628,960)	(1,891,253)	(2,339,182)	(9,368,400)			(2,968,142)
Net cash provided (used) by capital and related financing activities	<u>(311,055)</u>	<u>384,600</u>	<u>1,181,319</u>	<u>1,020,961</u>			<u>870,264</u>
Cash Flows from Investing Activities							
Interest received on investments	239,568	122,480	607,322	288,087	7,456	3,039	854,346
Net cash provided by investing activities	<u>239,568</u>	<u>122,480</u>	<u>607,322</u>	<u>288,087</u>	<u>7,456</u>	<u>3,039</u>	<u>854,346</u>
Net increase (decrease) in cash and cash equivalents	1,254,268	796,358	3,244,961	2,612,693	89,248	29,223	4,588,477
Cash and cash equivalents, beginning	5,990,849	5,194,491	15,623,753	13,011,060	172,584	143,361	21,787,186
Cash and cash equivalents, ending	<u>\$ 7,245,117</u>	<u>\$ 5,990,849</u>	<u>\$ 18,868,714</u>	<u>\$ 15,623,753</u>	<u>\$ 261,832</u>	<u>\$ 172,584</u>	<u>\$ 26,375,663</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:							
Operating income	\$ 735,308	\$ 637,778	\$ 1,352,454	\$ 1,201,951	\$ 286,934	\$ 219,819	\$ 2,374,696
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	501,359	361,101	871,988	771,913			1,373,347
Asset trade-in		7,750					
Changes in assets and liabilities:							
Accounts receivable	477,108	(542,897)	81,908	(322,219)	(17,280)	(33,836)	541,736
Accounts payable	29,612	(171,910)	179,899	3,047	(2,092)	18,614	207,419
Accrued payroll	3,753	10,477	(441)	25,290			3,312
Customer deposits	(3,567)	14,388					(3,567)
Total adjustments	<u>\$ 1,743,573</u>	<u>\$ 316,687</u>	<u>\$ 2,485,808</u>	<u>\$ 1,679,982</u>	<u>\$ 267,562</u>	<u>\$ 204,597</u>	<u>\$ 4,496,943</u>

The notes to the financial statements are an integral part of this statement.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

The accounting methods and procedures adopted by the City of Post Falls conform to generally accepted accounting principles as applied to governmental entities. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City's basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Post Falls (the City) is an Idaho municipality. The City provides public safety, street lighting, street construction and maintenance, recreation, parks, library, planning and zoning, animal control, cemetery, general administration, construction, water sewer, and sanitation collection services to its citizens.

The accompanying financial statements include all aspects controlled by the City Council of the City of Post Falls. Criteria for inclusion is determined by Governmental Accounting Standards Board Statement No. 14 (GASB No. 14) which states, in general, that legally separate organizations for which the elected officials of the City are financially accountable for must be included in the City's financial statement as a component unit.

Under Idaho Code, in May 1991, the Post Falls City Council passed an ordinance which created the Post Falls Urban Renewal Agency (the Agency), a legally separate entity from the City. The Agency was established to promote urban development and improvement in blighted areas in and around the City. A board of seven directors, which are appointed by the City Council, governs the Agency. The City Council has the ability to appoint, hire, reassign, or dismiss those persons having responsibility for the day-to-day operations of the Agency. These powers of the City meet the criteria set forth in GASB No. 14 for having financial accountability for the Agency. Based on the above, the Agency has been discretely presented in the accompanying financial statements of the City as a component unit.

Under Idaho Code, the Agency has the authority to issue bonds. Any bonds issued by the Agency are payable solely from the proceeds of tax increment financing, and are not a debt of the City. The City Council is not responsible for approving the Agency budget or funding any annual deficits. The Agency controls its disbursements independent of the City Council.

The Agency operates on a calendar year basis. Complete financial statements of the Agency can be obtained directly from:

Post Falls Urban Renewal Agency
P. O. Box 236
Post Falls, ID 83854

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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, franchise fees and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

1. The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, charges for services from other funds, intergovernmental revenues, interest and other miscellaneous revenues. Primary expenditures are for general administration.
2. *Debt service fund LID 99-1* accounts for proceeds and expenditures for a local improvement district that was created for street, water and sewer improvements. The primary source of revenue is from assessment collection. The primary expenditure is for bond obligations.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. *Debt service fund LID 2004-1* accounts for proceeds and expenditures for a local improvement district that was created for street and sewer improvements. The primary source of revenue is from assessment collection. The primary expenditure is for bond obligations.
4. The *capital fund* accounts for all governmental fund major capital projects. These projects include street capital, park improvements and city facilities. The primary sources of revenue are from impact fees, grants and general fund transfers. The primary expenditures are for park improvements, streets and city facilities.

The government reports the following major proprietary funds:

1. The *sewer fund* is used to account for the activities of the City's wastewater treatment facility.
2. The *water fund* is used to account for the activities of the City's water division.
3. The *sanitation fund* is used to account for the City's contract for garbage collection services.

Additionally, the government reports the following fund types:

1. *Debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary funds.
2. *Special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Private-sector standards of accounting and financial reporting issued after November 30, 1989, generally are followed in both the business-type government-wide and proprietary fund financial statement to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer, water and sanitation functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grant and contributions, and 3) capital grants and contributions, including special assessments. Internally, dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. The franchise fees the City receives are all based on a percentage of gross receipts so they are treated as general revenues and no portion is reported as a charge for service in a function or activity.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The principal operating revenues of the sewer, water and sanitation funds are charges to customers for sales and services. The sewer and water fund also recognize as operating revenue the portion of cap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Budgetary Data - Annual operating budgets are adopted each fiscal year for each governmental and enterprise fund through passage of an annual budget ordinance. The budget is prepared on a basis consistent with the basis of accounting utilized for each respective fund type (i.e. the modified accrual basis for the governmental funds and accrual basis for the enterprise funds) with the exception that in the enterprise funds, capitalization fees are budgeted as a revenue source, bond principal payments and capital disbursements are budgeted as expenses, and depreciation is not budgeted. These items are reconciled to GAAP in the statements of Revenues and Expenses - Budget and Actual.

Obligations under capital leases are budgeted in each of the respective funds on a fiscal year basis. Each capital lease agreement has a nonappropriation clause, which generally states that each fiscal year's lease payments are subject to City Council approval. The lease payment appropriations are included in the operating budget.

Reported budgeted amounts are as originally adopted or as amended by Council resolution. Presented budgetary information in these financial statements does not include amendments. The level of budgetary control for the City is at the total fund level per Idaho statute. The appropriated budget is prepared by function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Administrator. The legal level of budgetary control is the fund level. Any changes in the total budget of each fund must be approved by a majority vote of the City Council. The original and amended budgets were properly approved by ordinance during the fiscal year. Encumbrance accounting is not employed as an extension of formal budgetary integration. All outstanding encumbrances lapse and are closed to fund balance at the end of each fiscal year and any remaining unencumbered appropriations lapse at fiscal year end.

Cash and Investments - The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash and investments".

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and investments, except for small amounts of cash on hand, are deposited in pooled accounts of the City. The City invests cash surpluses in these accounts, and investments earnings, as well as gains and losses on sales of securities, are allocated to the various funds on the basis of average cash balances. Funds with deficit cash balance averages (interfund payables) are charged interest equivalent to the average investment earnings lost in financing the deficits.

For purposes of the statement of cash flows, the Proprietary consider all unrestricted investments held in the pooled accounts of the City to be cash equivalents because this pool is used essentially as a demand deposit account.

The pooled investments are recorded at cost, which approximates fair value. Investments in mutual funds are recorded at their current redemption value.

Statement of Cash Flows - The City defines cash and cash equivalents used in the statement of cash flows as all cash and highly liquid investments with an original maturity of three months or less (both restricted and unrestricted.)

Investments - Investments are stated at cost and are comprised principally of time certificates of deposit, government backed securities, and Idaho State pooled investments. Cost at September 30, 2006 materially approximates fair value. Investments on hand at September 30, 2006 meet the guidelines as set by regulations of the State of Idaho. These guidelines include securities of the U.S. Government or its agencies, certificates of deposit placed with commercial banks and savings and loans, banker's acceptances, commercial paper, repurchase agreements, State and County investment pools, insured money market accounts, and passbook savings account demand deposits.

Due To and From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

	Estimated Life
Machinery and equipment	3 - 10 years
Computer Equipment	3 - 5 years
Computer Software	3 - 5 years
Furniture and fixtures	3 - 15 years
Public domain infrastructure	20 - 50 years
Buildings/Improvements	20 - 40 years
Sewer System/Improvements	20 - 50 years
Water System/Improvements	20 - 50 years
Vehicles	3 - 5 years

Bond Refunding Costs - In the governmental fund types, bond discounts and issuance costs are recognized in the current period. For proprietary fund types, such amounts are deferred and amortized over the term of the bonds. Amortization is computed on the straight-line method as follows:

	Years
Water Bond refunding costs	16
Sewer Bond issuance costs	20

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounts Receivable - Utility accounts receivable, net of allowances for doubtful accounts for the enterprise funds as of September 30, 2006 are as follows:

Water:	
Gross accounts receivable	\$345,779
Less allowance for doubtful accounts	(10,000)
Accounts receivable, net	\$335,779
Sewer:	
Gross accounts receivable	\$755,515
Less allowance for doubtful accounts	(197,463)
Accounts receivable, net	\$558,052
Sanitation:	
Gross accounts receivable	\$175,223
Less allowance for doubtful accounts	(5,222)
Accounts receivable, net	\$170,001

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenues - Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The County Assessor establishes assessed values. Property tax payments are due in one-half installments in December and June. Property taxes become a lien on the property when it is levied. State statute sets maximum property tax rates for the various funds of the City of Post Falls. For the general fund, the City cannot levy more than 103% of the highest amount in the prior three year's certified property tax amount. For other funds, the 3% increase is not applicable but is limited by statute. Rates are expressed in millage of total market value. The millage rate for the 2005-06 fiscal year was .004643181.

Deferred Revenue - Property tax and debt service revenues are recognized when measurable and available to finance current expenditures. The criteria of available has been defined as having been received within 60 days after year-end. Any portion of taxes receivable not meeting this criteria are recorded in the deferred tax revenue account and will be recognized as revenue when measurable and available.

Compensated Absences - City employees are entitled to certain compensated absences based on their length of employment. Both current and long-term compensated absences are treated by the basic concepts set by GASB-16. Compensated absences are accrued when vested and reported in the government-wide and proprietary financial statements. A liability for these amounts is reported in government funds only if they have matured, for example, as a result of employee resignation and retirement. The General Fund is typically used to liquidate the portion of the City's compensated absences liability pertaining to its governmental activities.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is presented on the combined balance sheet as "Cash and Investments".

Cash and Investments are comprised of the following at September 30, 2006:

Cash on hand	\$ 5,343
Deposits with financial institutions:	
Demand deposit	(34,228)
Time certificates of deposit	10,427
Investments	<u>40,031,282</u>
Total	<u>\$40,012,824</u>

Cash and investments are reflected on the Combined balance Sheet as follows:

Cash and Investments	\$32,589,467
Restricted Cash and Investments	<u>7,423,357</u>
Total	<u>\$40,012,824</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

The carrying amount of the City's deposits with financial institutions was \$(13,374) and the bank balance was \$149,558. Of the bank balance, \$134,762 was covered by federal depository insurance or by collateral held by the government's agent in the government's name. The remaining balance, \$14,796, was uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name). The City currently does not have a formal policy regarding custodial risk for deposits. The City's investments are categorized into three categories of credit risk. Currently the City does not have a formal policy relating to interest rate risk or relating to the credit risk of investments.

Investments

The City's investments are categorized as follows:

1. Insured or registered, or securities held by the City or its agent in the City's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
3. Uninsured and unregistered, with securities held by the counterparty or by its agent, but not in the City's name.

At September 30, 2006, the carrying amount and fair value of the investments were:

	Categories			Carrying Amount	Fair Value
	1	2	3		
Repurchase Agreements	\$5,797,779			\$5,797,779	\$5,797,779
U.S. Government Bonds	<u>1,054,649</u>			<u>1,054,649</u>	<u>1,054,649</u>
	<u>\$6,852,428</u>			6,852,428	6,852,428

Investments not subject to categorizations:

Idaho State Treasurer's Local Government Investment Pool, variable interest rate	<u>33,178,854</u>	<u>33,238,255⁽¹⁾</u>
Sub-total (Investments excluding Trust and Agency Funds)	<u>33,178,854</u>	<u>33,238,255</u>
Total investments	<u>\$40,031,282</u>	<u>\$40,090,683</u>

The City's investments are categorized above to give an indication of the level of custodial credit risk assumed at year-end in conformance with state law.

⁽¹⁾ The City is a voluntary participant in the Idaho Local Government Investment Pool that is regulated by Idaho State Code Section 67-1210 and Section 67-1210A and under the oversight of the Treasurer of the State of Idaho. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value, same as the value of the pool shares, provided by the State Pool for the entire State Pool portfolio.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 4: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2006:

Delinquent principal amounts	\$ 5,224
Deferred principal amounts not currently due, but due at future date	<u>2,358,823</u>
	<u>\$2,364,047</u>

Installment payments of principal and interest due from property owners are billed annually.

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2006, is as follows:

	September 30, 2005	Adjustments			September 30, 2006
		Additions	Transfers	Deletions	
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets, not being depreciated:					
Land	\$4,837,936				\$4,837,936
Total capital assets, not being depreciated	4,837,936				4,837,936
Capital assets, being depreciated:					
Buildings and improvements	9,344,242	\$774,477			10,118,719
Equipment	2,749,026	696,987			3,446,013
Vehicles	1,822,435	111,273			1,933,708
Infrastructure	8,886,760	7,441,820			16,328,580
Total capital assets, being depreciated	22,802,463	9,024,557			31,827,020
Less: accumulated depreciation					
Buildings and improvements	1,684,437	271,089			1,955,526
Equipment	1,716,799	236,071			1,952,870
Vehicles	1,302,217	135,670			1,437,887
Infrastructure	137,461	177,962			315,423
Total accumulated depreciation	4,840,914	820,792			5,661,706
Total capital assets being depreciated, net	17,961,549	8,203,765			26,165,314
Governmental activities capital assets, net	\$22,799,485	\$8,203,765	\$0	\$0	\$31,003,250

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 5: CAPITAL ASSETS (Continued)

	September 30, 2005	Adjustments			September 30, 2006
		Additions	Transfers	Deletions	
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets, not being depreciated:					
Land	\$9,156,067				\$9,156,067
C.I.P.	804,138	\$611,707	(\$941,076)		474,769
Total capital assets, not being depreciated	<u>9,960,205</u>	<u>611,707</u>	<u>(941,076)</u>		<u>9,630,836</u>
Capital assets, being depreciated:					
Wells	1,367,689				1,367,689
Water System	18,742,781	566,894			19,309,675
Equipment	1,427,031	62,066			1,489,097
Sewer System	38,000,960	1,727,476	941,076		40,669,512
Total capital assets, being depreciated	<u>59,538,461</u>	<u>2,356,436</u>	<u>941,076</u>		<u>62,835,973</u>
Less: accumulated depreciation					
Wells	676,807	54,997			731,804
Water System	2,502,482	397,467			2,899,949
Equipment	927,298	91,004			1,018,302
Sewer System	10,319,103	829,879			11,148,982
Total accumulated depreciation	<u>14,425,690</u>	<u>1,373,347</u>			<u>15,799,037</u>
Total capital assets being depreciated, net	<u>45,112,771</u>	<u>983,089</u>	<u>941,076</u>		<u>47,036,936</u>
Business-type activities capital assets, net	<u>\$55,072,976</u>	<u>\$1,594,796</u>	<u>\$0</u>	<u>\$0</u>	<u>\$56,667,772</u>

Depreciation expense was charged to functions/programs for the primary government as follows:

Governmental activities:	
General government	\$242,533
Public safety	160,016
Highways and public works	324,433
Culture and recreation	<u>93,810</u>
Total depreciation expense – governmental activities	<u>\$820,792</u>

Business-type activities:	
Water	\$501,359
Sewer	<u>871,988</u>
Total depreciation expense – business-type activities	<u>\$1,373,347</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 6: DEFINED BENEFIT PENSION PLAN

Public Employee Retirement System of Idaho - The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. 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. Financial reports for the plan are available from PERSI upon request.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

The contribution requirements of the City of Post Falls and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2006, the required contribution rates of covered payroll were as follows:

For the period October 1, 2005 through September 30, 2006:

	<u>City</u>	<u>Employees</u>
General employees	10.39%	6.23%
Police officer/firefighter employees	10.73%	7.65%

The City of Post Falls' contributions required and paid were \$620,962, \$572,536, and \$530,625 for the three years ended September 30, 2006, 2005, and 2004, respectively.

NOTE 7: LONG-TERM DEBT

General Obligation Bond

On November 4, 1997, the requisite majority of the qualified voters of the City authorized the issuance of General Obligation Bonds in the principal amount of \$2,000,000 to finance the construction of a new Library. The City issued these bonds on March 1, 1998. Repayment terms of the bonds call for semi-annual interest payments on March 1 and September 1, at rates ranging from 4.0% to 6.5%, and annual principal repayments on September 1 in amounts are ranging from \$90,000 in 1999 to \$185,000 in 2013.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 7: LONG-TERM DEBT (Continued)

Presented below is a summary of debt service requirements to maturity by years:

	<u>Year Ending</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
G.O.B.:	2007	4.25%	\$ 135,000	\$ 46,674	\$ 181,674
	2008	4.25	145,000	40,724	185,724
	2009	4.35	150,000	34,380	184,380
	2010	4.40	160,000	27,598	187,598
	2011	4.50	165,000	20,365	185,365
	2012-2013	4.60-4.65	<u>360,000</u>	<u>16,928</u>	<u>376,928</u>
			<u>\$1,115,000</u>	<u>\$186,669</u>	<u>\$1,301,669</u>

Sewer Revenue Bonds

On December 30, 2004, the City issued \$3,969,500 of Sewer Revenue Bonds, named the City of Post Falls Sewer Revenue Bond, 2004. The proceeds of these bonds, along with other resources of the City, were used to purchase land for land application of reclaimed water. Currently, the City pumps all reclaimed water into the Spokane River. Future DEQ requirements may restrict this access and alternative means are needed to dispose of this reclaimed water.

Repayment terms on the bonds are annual principal payments (in the amount of \$396,950), due November 1 and quarterly interest payments, due each January 1, April 1, July 1, and November 1. The interest rate is at 4.00% for all bonds.

On June 15, 2005, the City issued \$2,100,000 of Sewer Revenue Bonds, named the City of Post Falls Sewer Revenue Bond, 2005. The proceeds of these bonds, along with other resources of the City, were used to purchase land for land application of reclaimed water. This land will be used in conjunction with the land purchased with the City of Post Falls Sewer Revenue Bond, 2004.

Repayment terms on the bonds are semi-annual payments due June 1 and December 1 of each year with interest rates ranging from 3.25% to 4.05% on the bonds

Presented below is a summary of debt service requirements to maturity by years:

SEWER REVENUE BONDS:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2007	\$ 652,611	\$ 244,355	\$ 896,966
2008	664,909	218,741	883,650
2009	672,503	192,669	865,172
2010	574,639	167,388	742,027
2011	583,384	145,003	728,387
2012-2016	2,277,513	403,721	2,681,234
2017-2021	580,000	184,037	764,037
2022-2025	555,000	57,510	612,510
	<u>\$6,560,559</u>	<u>\$1,613,424</u>	<u>\$8,173,983</u>

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2006**

NOTE 7: LONG-TERM DEBT (Continued)

Water Revenue Bonds

On April 1, 2005, the City issued \$3,384,232.77 of Water Revenue Bonds, named the City of Post Falls Water Revenue Bond, 2005. The proceeds of these bonds, along with other resources of the City, were used to complete a repair and replacement of a portion of the City's water system.

Repayment terms on the bonds are semi-annual payments, due April 1 and October 1, in the amount of \$121,017.21, including interest at 3.75%.

Presented below is a summary of debt service requirements to maturity by years:

WATER REVENUE BONDS:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2007	120,604	121,431	242,035
2008	125,169	116,866	242,035
2009	129,906	112,128	242,034
2010	134,823	107,211	242,034
2011	139,927	102,107	242,034
2012-2016	783,206	426,966	1,210,172
2017-2021	943,088	267,084	1,210,172
2022-2025	891,305	76,833	968,138
	<u>\$3,268,028</u>	<u>\$1,330,626</u>	<u>\$4,598,654</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2006, was as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
L.I.D. 91-1:	4/15/07	7.95%	<u>\$20,000</u>	<u>\$1,590</u>	<u>\$21,590</u>
			<u>\$20,000</u>	<u>\$1,590</u>	<u>\$21,590</u>
L.I.D. #96-1:	9/30/07	5.30%	\$ 40,000	\$ 6,755	\$ 46,755
	9/30/08	5.40	40,000	4,635	44,635
	9/30/09	5.50	<u>45,001</u>	<u>2,475</u>	<u>47,475</u>
			<u>\$125,001</u>	<u>\$13,865</u>	<u>\$138,865</u>

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2006**

NOTE 7: LONG-TERM DEBT (Continued)

L.I.D. #99-1:					
	3/01/07	3.15%	\$ 15,000	\$10,620	\$ 25,620
	3/01/08	3.55	15,000	10,148	25,148
	3/01/09	3.85	15,000	9,615	24,615
	3/01/10	4.10	15,000	9,038	24,038
	3/01/11	4.35	15,000	8,422	23,422
	3/01/12-16	4.35-5.10	90,000	30,930	120,930
	3/01/17-19	5.25-5.60	<u>60,000</u>	<u>6,550</u>	<u>66,550</u>
			<u>\$225,000</u>	<u>\$85,323</u>	<u>\$310,323</u>
L.I.D. 2004-1:					
	5/01/07	4.25%	\$ 45,000	\$ 101,756	\$ 146,756
	5/01/08	4.30	45,000	104,267	149,267
	5/01/09	4.35	45,000	102,333	147,333
	5/01/10	4.40	45,000	100,375	145,375
	5/01/11	4.45	50,000	98,395	148,395
	5/01/12-16	4.50-4.70	280,000	456,493	736,493
	5/01/17-21	4.75-5.00	<u>1,675,000</u>	<u>384,212</u>	<u>2,059,212</u>
			<u>\$2,185,000</u>	<u>\$1,347,831</u>	<u>\$3,532,831</u>

The City is fully obligated for the local improvement debt, placing liens against the property owners to ensure payment to the City. The LID Guarantee Fund was established by ordinance to provide additional security for the local improvement district bondholders. This fund is maintained at a level equivalent to 7% of the outstanding LID bonds, excluding LID 2004-1, which has its own debt service reserve. The required balance for this fund at September 30, 2006 is \$25,900. As of September 30, 2006, \$61,455 is set-aside in this fund.

Changes in governmental activity long-term debt are as follows (See Note 8):

	<u>Balance</u> <u>10/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/06</u>
Compensated absences	\$ 584,972	\$659,157	\$582,210	\$661,919
Capital leases (Note 8)	4,852,672	145,954	311,444	4,687,182
General Fund Bonds Payable	1,245,000		130,000	1,115,000
Local Imp. Bonds payable	<u>3,845,001</u>	<u>2,185,000</u>	<u>3,475,000</u>	<u>2,555,001</u>
	<u>\$10,527,645</u>	<u>\$2,990,111</u>	<u>\$4,498,654</u>	<u>\$9,019,102</u>
	Due in <u>One Year</u>			
Compensated absences	\$335,924			
Capital leases (Note 8)	341,973			
General Fund Bonds Payable	135,000			
Local Imp. Bonds payable	<u>120,000</u>			
	<u>\$932,897</u>			

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 7: LONG-TERM DEBT (Continued)

Changes in business-type activity long-term debt are as follows:

	<u>Balance</u> <u>10/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/06</u>
Compensated absences	\$ 95,605	\$81,361	\$81,509	\$95,457
Bonds payable	<u>10,585,387</u>	<u> </u>	<u>756,799</u>	<u>9,828,588</u>
	<u>\$10,527,645</u>	<u>\$81,361</u>	<u>\$838,308</u>	<u>\$9,924,045</u>
	<u>Due in</u> <u>One Year</u>			
Compensated absences	<u>\$81,635</u>			
Bonds payable	<u>656,584</u>			
	<u>\$738,219</u>			

NOTE 8: CAPITAL LEASES

General Fund - The General Fund has entered into 6 equipment leases and 2 building/land leases, which qualify as capital leases, as ownership of the assets transfers to the City at the end of the lease. The leases carry interest rates ranging from 2.50% to 5.60% and require annual principal payments. The equipment secures the leases. The booked asset value of the leased equipment is \$484,302 with \$87,182 in depreciation booked and the booked asset value of the building/land is \$5,520,249, with \$502,134 in depreciation booked, with \$356,293 held in US Government bonds for reserve of the Certificates. All of the capital leases have non-appropriation clauses, which state that if funding is unavailable during the budget process to make the annual required lease payments, then the lease is canceled and the equipment returned to the lending institution.

Future minimum lease payments are as follows:

2007	\$ 574,292
2008	555,956
2009	495,514
2010	484,766
2011	451,576
2012-2016	1,317,210
2017-2021	1,451,040
2022	<u>1,568,160</u>
Future minimum lease payments	6,898,514
Less amounts representing interest	<u>(2,211,332)</u>
	<u>\$4,687,182</u>

NOTE 9: COMPONENT UNIT DISCLOSURES

As disclosed in Note 1, the Post Falls Urban Renewal Agency meets the criteria for discrete presentation in the City's financial statements as a component unit. The following paragraphs describe significant transactions between the two entities and provide relevant disclosures related to the Agency.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 9: COMPONENT UNIT DISCLOSURES (Continued)

Jacklin - The long-term note payable balance of \$359,659 at September 30, 2006 is a note payable to Jacklin Land Company, L.P., with no interest. The loan was made in order to cover the cash flow requirement for payment of the August 1, 2000, 2001, 2002, 2003 and 2004 bond payments on the Riverbend Project Bonds. The debt will not be repaid until after revenues have been received by the Agency in excess of debt service payments on the Series 1997 Bonds. During the fiscal year 2006, \$260,762 was repaid to Jacklin. However, there is no repayment schedule and due to the inability to estimate the amount of tax revenues received the entire note payable will be considered long term.

City of Post Falls – At the start of the 2006 fiscal year, \$191,874 was owed to the City of Post Falls for construction costs incurred by the Agency and paid by the City. During fiscal year 2006 an additional \$85,845 was issued, and \$120,000 was repaid to the City leaving a balance of \$157,719. The debt will be repaid with anticipated tax revenues. The Agency is not required to pay the City of Post Falls unless tax revenues are received in excess of administration fees and district reserves. The remainder will be used to repay the City of Post Falls in an estimated three year period.

The terms of the notes payable to Jacklin Land Company, L.P. and the City of Post Falls do not state specific dollar amounts and timing of payments. Consequently, the exact amount of principal due in the coming year is unknown. The Agency estimates approximately \$200,000 worth of debt owed at year end will be paid off in the 2006 – 2007 fiscal year. Accordingly this amount is included in liabilities due within one year.

Washington Trust Bank – During fiscal year 2006, the Agency entered into an agreement to participate in one-third of the cost of a water reservoir to be constructed on the Center Point property, up to \$500,000. The \$498,000 financing was secured through Washington Trust Bank on September 29, 2005. The Agency paid \$492,827 in October 2005. The difference between the \$498,000 financed and the \$492,827 paid was due to loan costs. The stated rate on the note is adjustable after five years. The adjustment is based on the current index plus 2.25%. The annual requirements to service the debt are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.53%	\$ 49,800	\$ 20,585	\$ 70,385
2008	4.53%	49,800	18,330	68,130
2009	4.53%	49,800	16,074	65,874
2010	4.53%	49,800	13,818	63,618
2011	4.53%	49,800	11,562	61,362
2012	4.53%	49,800	9,306	59,106
2013	4.53%	49,800	7,050	56,850
2014	4.53%	49,800	4,794	54,594
2015	4.53%	49,800	2,538	52,338
2016	4.53%	<u>24,900</u>	<u>421</u>	<u>25,321</u>
		<u>\$473,100</u>	<u>\$104,478</u>	<u>\$577,578</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 9: COMPONENT UNIT DISCLOSURES (Continued)

The changes in long-term debt for the year ending September 30, 2006 are as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable – City	\$191,874	\$ 85,845	\$120,000	\$157,719	\$ 60,000
Note payable – Jacklin	620,421		260,762	359,659	140,000
Note payable – Washington Trust Bank		<u>498,000</u>	<u>24,900</u>	<u>473,100</u>	<u>49,800</u>
	<u>\$812,295</u>	<u>583,845</u>	<u>\$405,662</u>	<u>\$990,478</u>	<u>\$249,800</u>

Agency Cash and Investments

The Agency maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is presented on the combined balance sheet as "Cash and Investments".

At September 30, 2006 the carrying amount of the Agency's deposits was \$1,315,431 and the bank balance was \$1,312,331. The cash and investments on deposit with various financial institutions are recorded at cost and categorized as follows as of September 30, 2006:

	<u>Cash</u>	<u>Investments</u>
Funds held in the Agency's name by the State of Idaho		
Investment Pool		<u>\$803,955</u>
Amount insured by FDIC	\$109,913	
Amount uninsured	<u>398,463</u>	
Total	<u>\$508,376</u>	

Investments are stated at cost, which materially approximates market value, and are comprised of the Idaho State pooled investment. Investments on hand at September 30, 2006 meet the guidelines as set by regulations of the State of Idaho.

State statutes authorize the Agency's investments. The Post Falls Urban Renewal Agency is authorized to invest in U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, government pool and money market funds consisting of any of these securities listed. Category 1 includes investments that are insured or registered for which the securities are held by the Agency or its agent in the Agency's name. Category 2 includes investments that are uninsured and unregistered, or for which securities are held by the counter party's trust department or agent in the entity's name. The short-term investment pools are not evidenced by securities that exist in physical or book entry form and accordingly, are not categorized for credit risk.

Investments in 2a7-like pools are valued based upon the value of pool shares. The Agency invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasury's office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. GASB Statement No. 3 as amended and 40 require the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 9: COMPONENT UNIT DISCLOSURES (Continued)

The balances above that the Agency has in the State Investment Pool are carried at fair market value. The Agency's portion of the State Investment Pool had an unrealized gain of \$4,569 as of September 30, 2006.

The Agency's investments have been classified into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the Agency or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Agency's name.
- (3) Uninsured and unregistered, with securities held by the counterparty or by the counterparty's trust department or agent, but not in the Agency's name.

NOTE 10: EXPENDITURES IN EXCESS OF BUDGETED APPROPRIATIONS

The following funds had expenditures in excess of budget:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>
Special Revenue:		
Cemetery Perpetual Care	\$0	\$451
Drug Seizure	\$0	\$9,451
911 Support	\$88,920	\$771,295
CLID #2	\$0	\$10

The over expenditures in all of the funds occurred because their budgets were not amended during the year to handle the resultant over expenditures. In all cases, adequate cash was available to handle the additional costs.

The over expenditure in Cemetery Perpetual Care was due to interest paid on an internal borrowing from General Fund. The over expenditure in the Drug Seizure program was caused from an unanticipated drug seizure that required payment to process the seizure. The over expenditure in 911 Support was due to a new wireless communication project that was unanticipated at the time the budget was adopted. The over expenditure in CLID #2 was due to a final administrative fee from the bank that held the original bonds. The bonds were paid off during the prior fiscal year, but the bank had some additional disclosure requirements in this fiscal year.

NOTE 11: DEFICIT FUND EQUITY

The following funds had a deficit fund equity at September 30, 2006:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
911 Support	\$531,144
Debt Service:	
LID 91-1	\$1,182

Management is aware of these deficits and is taking appropriate action.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 12: COMMITMENTS AND CONTINGENCIES

Commitments –The City is working on a few sewer projects. The first project is clarifier upgrade, the second project is lift station upgrade, the third is a force main along 4th Avenue and the final project is a plant hydraulic study. All projects should be completed in FY 07.

The City is also in the process of looking at the possibility of building a new City Hall. During March of 2007, bid packets were sent out and a contractor should be selected in April. This project will continue through 2008.

Last, the City has a couple of transportation projects going at this time. The first is improvements to Mullan Avenue that will be paid for by General Fund, Capital Impact fees and a State transportation grant. The final project is a pedestrian/bike path along 15th Avenue. This project will also have some matching grant dollars.

Litigation - The City is a party to legal actions arising in the ordinary course of its business. In management's opinion, the City has adequate legal defenses and/or insurance coverage relative to each of these actions and does not believe that they will materially affect the City's operations or financial position.

Intergovernmental Grants - The City has received several federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

NOTE 13: DEFERRED COMPENSATION PLANS

Employees of the City may elect to participate in a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, death, retirement or unforeseeable emergency.

As per GASB Statement No. 32, the City does not list this plan on its Financial Statements.

NOTE 14: TRANSFERS

The composition of interfund transfers as of September 30, 2006, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,068,375	\$ 518,500
Capital Fund	375,000	70,000
LID 2004-1 Fund	143,500	
Nonmajor Governmental Funds	19,430	60,465
Enterprise Funds		957,340
Totals	<u>\$1,606,305</u>	<u>\$1,606,305</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 14: TRANSFERS (Continued)

The principal purposes for the transfer of funds from the Enterprise funds to the General fund to cover the administration costs of operating the City's utility division (water, sewer, and sanitation). The principal purpose for the transfer of funds from the Capital fund to the General fund was to cover the lease costs on the new police station. A portion of the new police station is paid for with impact fees collected in the capital fund. The principal purpose for the transfer of funds from the General fund to the Capital fund was to accrue a down payment for a new City Hall. The principal purpose for the transfer of funds from the General Fund to LID 2004-1 was to set up a bond reserve. The principal purpose for the transfer of funds from the Nonmajor governmental funds to the General fund is to cover the administrative costs of the Street light fund and cover the administrative costs of the 911 Support fund. The balance of the transfers was to use the LID Guarantee fund to help pay for bonds on LID 91-1.

NOTE 15: INTERFUND RECEIVABLES/PAYABLES:

The composition of interfund balances as September 30, 2006 is as follows:

Interfund receivable/payable:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$103,686	\$110,071
Debt Service – LID 99-1		71,575
Capital Fund		30,306
Nonmajor Governmental Funds		600,392
Enterprise Funds	<u>708,658</u>	<u> </u>
Totals	<u>\$812,344</u>	<u>\$812,344</u>

The principal purpose for the interfund/payables in the City are to cover negative cash balances at year-end. These are short-term interfund/payables and are intended to be corrected within the next fiscal year. The two exceptions to this is a borrowing from the Enterprise funds. The General Fund borrowed \$110,071 from the Sewer Fund to construct an animal shelter that will be paid over the next five to ten years. The 911 Support Fund borrowed \$97,705 from the Water Fund and \$500,882 from the Sewer Fund to build a wireless communication tower that will be paid over the next five to ten years.

NOTE 16: RISK MANAGEMENT

The City faces 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. A variety of methods are used to provide insurance for these risks. The only area they do not have insurance coverage for is environmental damage. This is due to lack of available coverage. During the last three years, the City has not had a claim in excess of insurance coverage. Therefore, there have been no outstanding claims at the end of those three years.

The first method the City provides is participation in a risk management program called the Idaho Counties Reciprocal Management Program (ICRMP). ICRMP is an insurance pool which serves all public entities in Idaho through provision of property, general liability (employee torts), auto liability and physical damages, and public officials' insurance (errors and omissions). ICRMP provides loss prevention training to enable its subscribers to minimize their exposure to loss through implementation of proper policies and procedures.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 16: RISK MANAGEMENT (Continued)

The costs of these insurance premiums are charged to the Comprehensive Liability Insurance fund for governmental fund operations and enterprise funds for proprietary fund operations. The Comprehensive Liability Insurance fund has the power to levy an annual property tax to provide for funds to pay premiums and settlements.

The City, also, participates in the Idaho State Insurance Fund. This statewide program provides coverage for workers' compensation claims. The City is charged premiums by a rating method the program uses. This rating method is based on a per employee job risk basis. After the end of every year, the City is audited, and based on their claims throughout the year, can be eligible for a refund. If the usage was excessive throughout the year, the Insurance Fund would increase the employee ratings where the use was excessive, causing the rates to increase for the following year. In the past, the City has received refunds on a regular basis. The premiums for this program are budgeted directly through each department.

Last the City provides various types of employee insurance. The City has chosen to not be self insured in this area. The City provides a benefit amount to each eligible employee. This benefit amount can be used towards the purchase of eligible insurance premiums, dictated by Internal Revenue Service codes. Currently, the City makes available for the employee to purchase medical, dental, life, and some supplemental insurance. Any insurance premiums not covered by this benefit amount are taken from the employee's wages. Excessive use of these insurance programs would be reflected in increased premiums in the following year. The benefit amount paid by the City, is budgeted directly through each department.

NOTE 17: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$9,105,517 difference are as follows:

Bonds payable	\$3,670,001
Accrued interest payable	86,415
Capital leases payable	4,687,182
Compensated absences	<u>661,919</u>
Net adjustment to reduce fund <i>balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$9,105,517</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2006

NOTE 17: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains the “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 and report as depreciation expense.” The details of this \$892,604 are as follows:

Capital outlay	\$1,713,396
Depreciation	<u>(820,792)</u>

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 892,604</u>
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Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.” The details of this \$7,311,160 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ 1,502
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Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>7,309,658</u>
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Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$7,311,160</u>
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Another element of that reconciliation states that “Some revenues in the statement of activities do not provide current financial resources and are not reported as revenue in the funds. The details of this \$2,074,361 difference are as follows:

Property taxes	\$ 11,763
HUD repayments	(23,905)
Special Assessment debt issued and repaid	<u>2,086,503</u>

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$2,074,361</u>
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City of Post Falls

NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE 17: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,518,278 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (145,954)
Issuance of special assessment debt	(2,185,000)
Compensated absences	(659,157)
Principal repayments:	
General obligation debt	130,000
Capital lease financing	311,444
Compensated absences	582,210
Special assessment debt	3,475,000
Accrued interest payable	<u>9,735</u>

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$1,518,278</u>
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**Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual**

**Major Governmental Funds
(required supplementary information)**

General Fund

**City of Post Falls
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
General taxes	\$ 6,502,992	\$ 6,502,992	\$ 6,587,395	\$ 84,403
Intergovernmental revenue	2,317,369	2,317,369	2,833,490	516,121
Charges for services	2,010,383	2,010,383	2,220,610	210,227
Other revenue	248,486	248,486	399,372	150,886
Interest	102,750	102,750	400,912	298,162
Total revenues	<u>11,181,980</u>	<u>11,181,980</u>	<u>12,441,779</u>	<u>1,259,799</u>
Expenditures				
Current:				
General government	5,415,117	5,415,117	4,477,233	937,884
Public safety	3,336,756	3,336,756	3,401,612	(64,856)
Highways and public works	1,503,855	1,503,855	1,477,530	26,325
Culture and recreation	1,196,655	1,196,655	1,234,488	(37,833)
Capital outlay	536,588	536,588	436,117	100,471
Debt service				
Principal	372,000	372,000	371,570	430
Interest	268,208	268,208	249,783	18,425
Total expenditures	<u>12,629,179</u>	<u>12,629,179</u>	<u>11,648,333</u>	<u>980,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,447,199)</u>	<u>(1,447,199)</u>	<u>793,446</u>	<u>2,240,645</u>
Other Financing Sources (Uses)				
Proceeds of capital financing	166,700	166,700	145,954	(20,746)
Transfers in	1,068,340	1,068,340	1,068,375	35
Transfers (out)	(375,000)	(375,000)	(518,500)	(143,500)
Total other financing sources (uses)	<u>860,040</u>	<u>860,040</u>	<u>695,829</u>	<u>(164,211)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>(587,159)</u>	<u>(587,159)</u>	<u>1,489,275</u>	<u>2,076,435</u>
Fund balances - beginning	<u>5,441,036</u>	<u>5,441,036</u>	<u>5,441,036</u>	
Fund balances - ending	<u>\$ 4,853,877</u>	<u>\$ 4,853,877</u>	<u>\$ 6,930,311</u>	<u>\$ 2,076,435</u>

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Cemetery Perpetual Care - accounts for revenue received from cemetery lot sales used to maintain and expand cemetery capital expenditures.

HUD Loan Fund - accounts for loans made to low-income citizens requiring assistance in connecting to the City sewer systems along with other community enhancement projects.

Falls Park Signs - accounts for revenues and expenditures on special Falls Park projects funded by donations.

Special Events - accounts for tourism and community-oriented events that are self-supporting.

Street Lights - accounts for the component of City utilities that were billed out monthly to pay for the cost of lighting the City's streets.

911 Support - accounts for the capital investment in the City's 911 Center with money collected by the County from each resident's phone bill.

School Resource/DARE - accounts for the grant and donations support of this program administered in the Post Falls School District.

Drug Seizure – accounts for monies acquired during drug seizure activities.

Debt Service Funds

The debt service funds are used to account for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID 96-1 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID 91-1 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

CLID #2 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID 89-1 – accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID Guarantee – accounts for additional security for the LID bonds. This fund is established by ordinance.

City of Post Falls
Combining Balance Sheet
Nonmajor Government Funds
September 30, 2006

	Special Revenue Funds							Debt Service Funds					Total Other Governmental Funds	
	Cemetery Perpetual Care	HUD Loan Fund	Falls Park Signs	Special Events	Street Lights	911 Support	Drug Seizure	School Resource Dare	LID 96-1	LID 91-1	CLID #2	LID 89-1		LID Guarantee
Assets														
Cash	\$ 40,874	\$ 58,754	\$ 1,476	\$ 68,443	\$142,009	\$ 55,799	\$ 8,410		\$ 64,222		\$ 18,670	\$ 2,239	\$ 61,455	\$ 522,351
Accounts receivable:														
Loans receivable		15,182												15,182
Miscellaneous Customers					27,885				5,246	\$ 624	275	348		6,493
Other governments						12,591								27,885
Assessments - delinquent - deferred									4,147	534	256	287		12,591
Interfund receivables									80,374	2,066		509		5,224
Accrued interest														82,949
Total assets	<u>\$ 40,874</u>	<u>\$ 73,936</u>	<u>\$ 1,476</u>	<u>\$ 68,443</u>	<u>\$169,894</u>	<u>\$ 68,390</u>	<u>\$ 8,410</u>	<u>\$</u>	<u>\$ 153,989</u>	<u>\$ 3,224</u>	<u>\$ 19,201</u>	<u>\$ 3,383</u>	<u>\$ 61,455</u>	<u>\$ 672,675</u>
Liabilities and Fund balances														
Liabilities:														
Accounts payable					\$ 20,437	\$ 947			\$ 500		\$ 10			\$ 21,894
Interfund payable						598,587				\$ 1,805				600,392
Deferred revenue		\$ 15,182							84,521	2,601	256	\$ 796		103,356
Total liabilities		<u>15,182</u>			<u>20,437</u>	<u>599,534</u>			<u>85,021</u>	<u>4,406</u>	<u>266</u>	<u>796</u>		<u>725,642</u>
Fund balances:														
Undesignated	\$ 40,874	58,754	\$ 1,476	\$ 68,443	149,457	(531,144)	\$ 8,410		68,968	(1,182)	18,935	2,587	\$ 61,455	(52,967)
Total fund balances	<u>40,874</u>	<u>58,754</u>	<u>1,476</u>	<u>68,443</u>	<u>149,457</u>	<u>(531,144)</u>	<u>8,410</u>		<u>68,968</u>	<u>(1,182)</u>	<u>18,935</u>	<u>2,587</u>	<u>61,455</u>	<u>(52,967)</u>
Total liabilities and fund balances	<u>\$ 40,874</u>	<u>\$ 73,936</u>	<u>\$ 1,476</u>	<u>\$ 68,443</u>	<u>\$169,894</u>	<u>\$ 68,390</u>	<u>\$ 8,410</u>	<u>\$</u>	<u>\$ 153,989</u>	<u>\$ 3,224</u>	<u>\$ 19,201</u>	<u>\$ 3,383</u>	<u>\$ 61,455</u>	<u>\$ 672,675</u>

City of Post Falls
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Government Funds
For the fiscal year ended September 30, 2006

	Special Revenue Funds							Debt Service Funds					Total Other Governmental Funds	
	Cemetery Perpetual Care	HUD Loan Fund	Falls Park Signs	Special Events	Street Lights	911 Support	Drug Seizure	School Resource Dare	LID 96-1	LID 91-1	CLID #2	LID 89-1		LID Guarantee
Revenues:														
Taxes				\$ 32,327	\$283,672									\$ 315,999
Charges-services/program remittances				2,040	2,042	\$ 190,620	\$ 17,630							237,091
Other revenue	\$ 24,759													91,890
Principal		\$23,905												33,254
Interest	1,244	1,695	\$ 48	2,162	4,000	6,903	231		13,454	442	\$ 614	134	\$ 2,327	33,254
Total revenues	26,003	25,600	48	36,529	289,714	197,523	17,861		79,407	2,187	614	421	2,327	678,234
Expenditures:														
Current:														
General government									1,650	200	10			1,860
Public safety						22,882	9,451							32,333
Highways and public works					234,519									234,519
Culture and recreation				21,932										21,932
Capital outlay						748,413								748,413
Debt service:														
Principal									40,000	20,000				60,000
Interest	451								8,835	3,180				12,466
Total expenditures	451			21,932	234,519	771,295	9,451		50,485	23,380	10			1,111,523
Excess (deficiency) of revenues over expenditures	25,552	25,600	48	14,597	55,195	(573,772)	8,410		28,922	(21,193)	604	421	2,327	(433,289)
Other financing sources (uses):														
Transfers in										19,430				19,430
Transfers out					(11,000)	(30,000)		\$ (35)					(19,430)	(60,465)
Total other financing sources (uses)					(11,000)	(30,000)		(35)		19,430			(19,430)	(41,035)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	25,552	25,600	48	14,597	44,195	(603,772)	8,410	(35)	28,922	(1,763)	604	421	(17,103)	(474,324)
Fund balances, beginning	15,322	33,154	1,428	53,846	105,262	72,628		35	40,046	581	18,331	2,166	78,558	421,357
Fund balances, ending	\$ 40,874	\$58,754	\$ 1,476	\$ 68,443	\$149,457	\$ (531,144)	\$ 8,410	\$	\$ 68,968	\$ (1,182)	\$ 18,935	\$ 2,587	\$ 61,455	\$ (52,967)

**Schedule of Revenues, Expenditures and
Changes in Fund Balances
Budget and Actual**

Major Governmental Funds

LID 99-1 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID 2004-1 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

CAPITAL FUND - accounts for money restricted for capital improvements to be made to streets, parks, public safety, and general government.

**City of Post Falls
Debt Service Fund
LID 99-1
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Principal	\$ 17,455	\$ 17,455	\$ 4,696	\$ (12,759)
Interest	11,000	11,000	12,129	1,129
Total revenues	<u>28,455</u>	<u>28,455</u>	<u>16,825</u>	<u>(11,630)</u>
 Expenditures				
Current:				
General government	2,400	2,400	2,400	
Debt Service				
Principal	15,000	15,000	15,000	
Interest	11,055	11,055	11,055	
Total expenditures	<u>28,455</u>	<u>28,455</u>	<u>28,455</u>	
 Excess (deficiency) of revenues over expenditures			<u>(11,630)</u>	<u>(11,630)</u>
 Other Financing Sources (Uses)				
sources (uses)				
 Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)			<u>(11,630)</u>	<u>(11,630)</u>
 Fund balances - beginning	<u>\$ 166,309</u>	<u>\$ 166,309</u>	<u>166,309</u>	
Fund balances - ending	<u>\$ 166,309</u>	<u>\$ 166,309</u>	<u>\$ 154,679</u>	<u>\$ (11,630)</u>

**City of Post Falls
Debt Service Fund
LID 2004-1
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Principal			\$ 451,023	\$ 451,023
Interest	\$ 5,000	\$ 5,000	27,385	22,385
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>478,408</u>	<u>473,408</u>
 Expenditures				
Current:				
General government	250,000	250,000	55,574	194,426
Capital outlay	32,500	325,000	540,446	(215,446)
Debt Service				
Principal	3,400,000	3,400,000	3,400,000	
Interest	200,000	200,000	118,788	81,212
Total expenditures	<u>3,882,500</u>	<u>4,175,000</u>	<u>4,114,808</u>	<u>60,192</u>
 Excess (deficiency) of revenues over expenditures	<u>(3,877,500)</u>	<u>(4,170,000)</u>	<u>(3,636,400)</u>	<u>533,600</u>
 Other Financing Sources (Uses)				
Proceeds of capital financing	4,000,000	4,000,000	2,185,000	(1,815,000)
Transfers in			143,500	143,500
Transfers (out)	(325,000)	(325,000)		325,000
Total other financing sources (uses)	<u>3,675,000</u>	<u>3,675,000</u>	<u>2,328,500</u>	<u>(1,346,500)</u>
 Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>(202,500)</u>	<u>(495,000)</u>	<u>(1,307,900)</u>	<u>(812,900)</u>
 Fund balances - beginning	<u>1,526,773</u>	<u>1,526,773</u>	<u>1,526,773</u>	
 Fund balances - ending	<u>\$ 1,324,273</u>	<u>\$ 1,031,773</u>	<u>\$ 218,873</u>	<u>\$ (812,900)</u>

**City of Post Falls
Capital Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2006**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 1,342,631	\$ 1,342,631	\$ 298,565	\$ (1,044,066)
Charges for services	655,727	655,727	1,497,281	841,554
Other revenue	37,141	37,141	4,500	(32,641)
Interest	27,000	27,000	160,024	133,024
Total revenues	<u>2,062,499</u>	<u>2,062,499</u>	<u>1,960,370</u>	<u>(102,129)</u>
Expenditures				
Current:				
General government			24,157	(24,157)
Capital outlay	8,074,499	8,074,499	538,370	7,536,129
Debt Service				
Principal	70,000	70,000	69,875	125
Interest	33,800	33,800	46,163	(12,363)
Total expenditures	<u>8,178,299</u>	<u>8,178,299</u>	<u>678,565</u>	<u>7,499,734</u>
Excess (deficiency) of revenues over expenditures	<u>(6,115,800)</u>	<u>(6,115,800)</u>	<u>1,281,805</u>	<u>7,397,605</u>
Other Financing Sources (Uses)				
Proceeds of capital financing	4,367,000	4,367,000		(4,367,000)
Transfers in	375,000	375,000	375,000	
Transfers (out)	(70,000)	(70,000)	(70,000)	
sources (uses)	<u>4,672,000</u>	<u>4,672,000</u>	<u>305,000</u>	<u>(4,367,000)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>(1,443,800)</u>	<u>(1,443,800)</u>	<u>1,586,805</u>	<u>3,030,605</u>
Fund balances - beginning	<u>3,847,000</u>	<u>3,847,000</u>	<u>3,847,000</u>	
Fund balances - ending	<u>\$ 2,403,200</u>	<u>\$ 2,403,200</u>	<u>\$ 5,433,805</u>	<u>\$ 3,030,605</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Cemetery Perpetual Care - accounts for revenue received from cemetery lot sales used to maintain and expand cemetery capital expenditures.

HUD Loan Fund - accounts for loans made to low-income citizens requiring assistance in connecting to the City sewer systems along with other community enhancement projects.

Falls Park Signs - accounts for revenues and expenditures on special Falls Park projects funded by donations.

Special Events - accounts for tourism and community-oriented events that are self-supporting.

Street Lights - accounts for the component of City utilities that were billed out monthly to pay for the cost of lighting the City's streets.

911 Support - accounts for the capital investment in the City's 911 Center with money collected by the County from each resident's phone bill.

School Resource/DARE - accounts for the grant and donations support of this program administered in the Post Falls School District.

Drug Seizure – accounts for monies acquired during drug seizure activities.

Debt Service Funds

The debt service funds are used to account for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID 96-1 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID 91-1 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

CLID #2 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID 89-1 – accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

LID Guarantee – accounts for additional security for the LID bonds. This fund is established by ordinance.

City of Post Falls
Cemetery Perpetual Care Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 20,000	\$ 24,759	\$ 4,759
Interest		1,244	1,244
Total revenues	<u>20,000</u>	<u>26,003</u>	<u>6,003</u>
Expenditures:			
Debt service:			
Interest		451	(451)
Total expenditures		<u>451</u>	<u>(451)</u>
Excess (deficiency) of revenues over expenditures	<u>20,000</u>	<u>25,552</u>	<u>5,552</u>
Other financing (uses):			
Operating transfers out	(20,000)		20,000
Total other financing (uses)	<u>(20,000)</u>		<u>20,000</u>
Excess (deficiency) of revenues over expenditures and other financing (uses)		25,552	25,552
Fund balances, beginning	<u>15,322</u>	<u>15,322</u>	
Fund balances, ending	<u>\$ 15,322</u>	<u>\$ 40,874</u>	<u>\$ 25,552</u>

**City of Post Falls
 HUD Loan Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the fiscal years ended September 30, 2006**

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal		\$ 23,905	\$ 23,905
Interest		1,695	1,695
Total revenues		<u>25,600</u>	<u>25,600</u>
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		<u>25,600</u>	<u>25,600</u>
Other financing sources (uses):			
Operating transfers out			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		25,600	25,600
Fund balances, beginning	\$ 33,154	<u>33,154</u>	
Fund balances, ending	<u>\$ 33,154</u>	<u>\$ 58,754</u>	<u>\$ 25,600</u>

**City of Post Falls
Falls Park Signs Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006**

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 48	\$ 48
Total revenues		48	48
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over expenditures		48	48
Other financing (uses):			
Total other financing (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		48	48
Fund balances, beginning	\$ 1,428	1,428	
Fund balances, ending	\$ 1,428	\$ 1,476	\$ 48

**City of Post Falls
Special Events Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006**

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 34,825	\$ 32,327	\$ (2,498)
Other revenue	4,950	2,040	(2,910)
Interest		2,162	2,162
Total revenues	<u>39,775</u>	<u>36,529</u>	<u>(3,246)</u>
Expenditures:			
Culture and recreation	<u>39,775</u>	21,932	17,843
Total expenditures	<u>39,775</u>	<u>21,932</u>	<u>17,843</u>
Excess (deficiency) of revenues over (under) expenditures		14,597	14,597
Other financing (uses):			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)		14,597	14,597
Fund balances, beginning	<u>53,846</u>	<u>53,846</u>	
Fund balances, ending	<u>\$ 53,846</u>	<u>\$ 68,443</u>	<u>\$ 14,597</u>

City of Post Falls
Street Lights Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 256,000	\$ 283,672	\$ 27,672
Other revenue		2,042	2,042
Interest	500	4,000	3,500
Total revenues	<u>256,500</u>	<u>289,714</u>	<u>33,214</u>
Expenditures:			
Highways and public works	245,500	234,519	10,981
Total expenditures	<u>245,500</u>	<u>234,519</u>	<u>10,981</u>
Excess (deficiency) of revenues over expenditures	<u>11,000</u>	<u>55,195</u>	<u>44,195</u>
Other financing sources (uses):			
Operating transfers out	(11,000)	(11,000)	
Total other financing sources (uses)	<u>(11,000)</u>	<u>(11,000)</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)		44,195	44,195
Fund balances, beginning	<u>105,262</u>	<u>105,262</u>	
Fund balances, ending	<u>\$ 105,262</u>	<u>\$ 149,457</u>	<u>\$ 44,195</u>

City of Post Falls
911 Support Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 118,920	\$ 190,620	\$ 71,700
Interest		6,903	6,903
Total revenues	<u>118,920</u>	<u>197,523</u>	<u>78,603</u>
Expenditures:			
Public safety	88,920	22,882	66,038
Capital outlay		748,413	(748,413)
Total expenditures	<u>88,920</u>	<u>771,295</u>	<u>(682,375)</u>
Excess (deficiency) of revenues over expenditures	<u>30,000</u>	<u>(573,772)</u>	<u>(603,772)</u>
Other financing (uses):			
Operating transfers out	(30,000)	(30,000)	
Total other financing (uses)	<u>(30,000)</u>	<u>(30,000)</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)		(603,772)	(603,772)
Fund balances, beginning	<u>72,628</u>	<u>72,628</u>	
Fund balances, ending	<u>\$ 72,628</u>	<u>\$ (531,144)</u>	<u>\$ (603,772)</u>

**City of Post Falls
Drug Seizure Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006**

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue		\$ 17,630	\$ 17,630
Interest		231	231
Total revenues		<u>17,861</u>	<u>17,861</u>
Expenditures:			
Public safety		9,451	(9,451)
Total expenditures		<u>9,451</u>	<u>(9,451)</u>
Excess (deficiency) of revenues over expenditures		<u>8,410</u>	<u>8,410</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)		8,410	8,410
Fund balances, beginning			
Fund balances, ending	<u>\$</u>	<u>\$ 8,410</u>	<u>\$ 8,410</u>

**City of Post Falls
 School Resource/DARE Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the fiscal years ended September 30, 2006**

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest			
Total revenues			
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Operating transfers out		\$ (35)	\$ (35)
Total other financing sources (uses)		(35)	(35)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)		(35)	(35)
Fund balances, beginning	\$ 35	35	
Fund balances, ending	<u>\$ 35</u>	<u>\$</u>	<u>\$ (35)</u>

City of Post Falls
LID 96-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 32,000	\$ 65,953	\$ 33,953
Interest	7,500	13,454	5,954
Total revenues	<u>39,500</u>	<u>79,407</u>	<u>39,907</u>
Expenditures:			
General governmental	1,650	1,650	
Debt service - principal	40,000	40,000	
- interest	8,835	8,835	
Total expenditures	<u>50,485</u>	<u>50,485</u>	
Excess (deficiency) of revenues over expenditures	(10,985)	28,922	39,907
Fund balances, beginning	<u>40,046</u>	<u>40,046</u>	
Fund balances, ending	<u>\$ 29,061</u>	<u>\$ 68,968</u>	<u>\$ 39,907</u>

City of Post Falls
LID 91-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 3,200	\$ 1,745	\$ (1,455)
Interest	750	442	(308)
Total revenues	<u>3,950</u>	<u>2,187</u>	<u>(1,763)</u>
Expenditures:			
General governmental	200	200	
Debt service - principal	20,000	20,000	
- interest	3,180	3,180	
Total expenditures	<u>23,380</u>	<u>23,380</u>	
Excess (deficiency) of revenues over expenditures	(19,430)	(21,193)	(1,763)
Other financing sources:			
Operating transfers in	19,430	19,430	
Total other financing sources (uses)	<u>19,430</u>	<u>19,430</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		(1,763)	(1,763)
Fund balances, beginning	<u>581</u>	<u>581</u>	
Fund balances, ending	<u>\$ 581</u>	<u>\$ (1,182)</u>	<u>\$ (1,763)</u>

**City of Post Falls
 CLID # 2 Debt Service Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the fiscal years ended September 30, 2006**

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 614	\$ 614
Total revenues		614	614
Expenditures:			
General governmental		10	(10)
Debt service - principal - interest			
Total expenditures		10	(10)
Excess (deficiency) of revenues over expenditures		604	604
Fund balances, beginning	\$ 18,331	18,331	
Fund balances, ending	\$ 18,331	\$ 18,935	\$ 604

**City of Post Falls
LID 89-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006**

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal		\$ 287	\$ 287
Interest		134	134
Total revenues		<u>421</u>	<u>421</u>
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over expenditures		421	421
Other financing sources:			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		421	421
Fund balances, beginning	\$ 2,166	2,166	
Fund balances, ending	<u>\$ 2,166</u>	<u>\$ 2,587</u>	<u>\$ 421</u>

City of Post Falls
LID Guarantee Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2006

	2006		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Taxes			
Interest		\$ 2,327	\$ 2,327
Total revenues		2,327	2,327
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over expenditures		2,327	2,327
Other financing sources:			
Operating transfers in	\$ 325,000		(325,000)
Operating transfers out	(19,430)	(19,430)	
Total other financing sources (uses)	305,570	(19,430)	(325,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	305,570	(17,103)	(322,673)
Fund balances, beginning	78,558	78,558	
Fund balances, ending	<u>\$ 384,128</u>	<u>\$ 61,455</u>	<u>\$ (322,673)</u>

CITY OF POST FALLS, IDAHO

Statistical Section



ABOVE: Corbin Park on the Spokane River

Table #1

**City of Post Falls
General Governmental Expenditures By Function
Last Ten Fiscal Years**

	General Government	Public Safety	Highways & Public Works	Culture And Recreation	Capital Outlays	Debt Service	Total Expenditures
1996-97	\$1,789,099	\$2,005,513	\$1,296,461	\$598,956	\$523,530	\$329,553	\$6,543,113
1997-98	\$1,955,171	\$2,128,126	\$1,927,708	\$676,318	\$806,999	\$268,813	\$7,763,135
1998-99	\$2,116,467	\$2,194,066	\$949,289	\$671,279	\$2,540,527	\$923,842	\$9,395,470
1999-00	\$2,419,524	\$2,249,065	\$1,048,887	\$719,488	\$1,219,679	\$525,324	\$8,181,967
2000-01	\$2,571,361	\$2,381,335	\$1,136,381	\$758,193	\$1,279,537	\$498,315	\$8,625,122
2001-02	\$2,943,384	\$2,603,846	\$2,487,208	\$869,370	\$2,449,428	\$507,137	\$11,860,373
2002-03	\$3,283,259	\$2,776,302	\$2,785,694	\$931,638	\$3,708,335	\$874,972	\$14,360,200
2003-04	\$3,725,937	\$2,903,775	\$1,555,583	\$1,110,484	\$794,978	\$775,645	\$10,866,402
2004-05	\$4,069,030	\$3,145,202	\$3,478,417	\$1,156,462	\$2,367,801	\$811,675	\$15,028,587
2005-06	\$4,561,224	\$3,433,945	\$2,252,495	\$1,256,420	\$1,722,900	\$4,354,700	\$17,581,684

NOTES:

(1) Includes the General, Special Revenue, Capital Projects and Debt Service Funds

Table # 2

City of Post Falls
General Governmental Revenues By Source
Last Ten Fiscal Years

Fiscal Year	Taxes	Special Assessments	Intergovernmental	Charges For Services	Miscellaneous	Total
1996-97	\$2,692,551	\$122,027	\$1,456,277	\$915,443	\$489,965	\$5,676,263
1997-98	\$2,828,014	\$127,020	\$1,662,858	\$1,070,906	\$2,531,773	\$8,220,571
1998-99	\$3,299,035	\$245,502	\$2,027,230	\$1,518,433	\$507,516	\$7,597,716
1999-00	\$3,486,218	\$123,554	\$2,159,833	\$1,565,164	\$666,910	\$8,001,679
2000-01	\$3,833,894	\$125,661	\$2,390,805	\$1,597,607	\$756,662	\$8,704,629
2001-02	\$4,361,376	\$107,236	\$3,588,311	\$1,723,947	\$588,896	\$10,369,766
2002-03	\$4,730,516	\$162,658	\$2,618,459	\$2,371,648	\$776,379	\$10,659,660
2003-04	\$5,267,092	\$686,228	\$2,624,868	\$3,099,775	\$630,455	\$12,308,418
2004-05	\$6,042,106	\$282,452	\$2,710,478	\$3,580,138	\$933,419	\$13,548,593
2005-06	\$6,587,395	\$547,609	\$3,132,055	\$4,033,890	\$1,274,667	\$15,575,616

NOTES:

(1) Includes the General, Special Revenue, Capital Projects and Debt Service Funds

**CITY OF POST FALLS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

TABLE #3

TAX YEAR	TOTAL TAX LEVY	FISCAL YEAR TAX COLLECTIONS	% OF LEVY COLLECTED	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	% OF TOTAL COLLECTION TO LEVY	ADJUSTMENTS	OUTSTANDING DELINQUENT TAXES	% OF DELINQUENT TO LEVY
1996	\$2,599,770	\$2,536,953	97.58%	\$67,728	\$2,604,681	100.19%	\$4,527	(\$383)	-0.01%
1997	\$2,713,597	\$2,629,635	96.91%	\$59,293	\$2,708,124	99.80%	(\$5,685)	(\$212)	-0.01%
1998	\$3,211,944	\$3,053,838	95.08%	\$150,489	\$3,203,867	99.75%	(\$8,292)	(\$215)	-0.01%
1999	\$3,368,327	\$3,183,069	94.50%	\$77,407	\$3,358,092	99.70%	(\$5,980)	\$4,255	0.13%
2000	\$3,631,687	\$3,504,567	96.50%	\$64,541	\$3,622,701	99.75%	(\$67,838)	\$2,149	0.06%
2001	\$3,896,692	\$3,646,882	93.59%	\$80,163	\$3,857,574	99.00%	(\$18,851)	\$20,266	0.52%
2002	\$4,430,009	\$4,148,223	93.64%	\$79,042	\$4,394,921	99.21%	(\$16,183)	\$18,905	0.43%
2003	\$4,835,070	\$4,501,529	93.10%	\$137,010	\$4,775,147	98.76%	(\$22,455)	\$37,468	0.78%
2004	\$5,288,311	\$5,173,550	97.83%	\$2,915,629	\$5,173,550	97.83%	(\$9,002)	\$105,760	2.00%
2005	\$6,039,753	\$5,862,690	97.07%	\$70,807	\$5,862,690	97.07%	(\$24,718)	\$152,345	2.53%

**City of Post Falls
Assessed Valuation and Tax Rate
Last Ten Fiscal Years**

Tax Year	Assessed Valuation	Exemptions	Net Taxable Value	Valuation Increase		Tax Rate Per \$1,000 Value
				Amount	Percentage	
1996	656,498,967	113,951,342	542,547,625	72,379,428	15.39%	4.80
1997	695,182,787	122,678,457	572,504,350	29,956,725	5.52%	4.74
1998	742,251,793	132,469,458	609,782,335	37,277,985	6.51%	5.27
1999	791,143,568	140,866,247	650,277,321	40,494,986	6.64%	5.18
2000	841,776,651	152,996,162	688,780,489	38,503,168	5.92%	5.28
2001	892,717,766	162,554,696	730,163,070	41,382,581	6.01%	5.34
2002	1,007,449,488	177,060,965	830,388,523	100,225,453	13.73%	5.33
2003	1,074,115,199	187,101,426	887,013,773	56,625,250	6.82%	5.46
2004	1,258,237,363	222,571,578	1,035,665,785	148,652,012	16.76%	5.35
2005	1,459,655,088	268,780,754	1,190,874,334	155,208,549	14.99%	4.64

Table #5

**City of Post Falls
Property Tax Rates
Direct and Overlapping Governments
FY 1996 thru 2005**

Governmental Unit	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
City of Post Falls	4.64	5.35	5.46	5.33	5.34	5.28	5.18	5.27	4.74	4.80
%CHANGE	-13.27%	-2.01%	2.44%	-0.19%	1.14%	1.90%	-1.70%	11.13%	-1.17%	-7.24%
North Idaho College	0.71	0.74	0.77	0.77	0.77	0.94	1.03	1.03	1.03	1.21
Kootenai County	2.47	3.48	3.65	3.14	3.43	3.92	3.73	3.32	3.21	3.26
Kootenai Hospital District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kootenai Ambulance District	0.14	0.16	0.32	0.33	0.15	0.13	0.15	0.15	0.14	0.14
School District #273	5.61	6.28	6.43	6.18	6.08	5.85	5.95	5.29	4.57	4.79
Post Falls Highway District #1	0.47	0.57	0.57	0.6	0.65	0.66	0.67	0.68	0.69	0.68
Post Falls Fire District	1.72	2.06	1.93	1.69	1.67	1.50	1.21	1.26	1.26	1.21
Total	15.76	18.64	19.13	18.04	18.17	18.35	17.92	17.00	15.65	16.10
% CHANGE FOR TOTAL	-15.45%	-2.56%	6.04%	-0.72%	-0.98%	2.40%	5.41%	8.63%	-5.54%	-6.54%

Notes:

(1) Tax rates are expressed as per \$1,000 of net taxable market value

Table # 6

**City of Post Falls
Assessments Receivable and Collected
Last Ten Fiscal Years**

Fiscal Year	Assessments Receivable		Current & Delinquent Collections		Total Collections
	Delinquent	Deferred	Collected	Penalties & Interest Collected	
1996	18,563	776,330	180,156	53,414	233,570
1997	15,526	656,817	122,027	56,960	178,987
1998	6,062	535,398	127,021	53,938	180,959
1999	14,382	857,618	245,502	36,017	281,519
2000	30,579	656,850	123,554	53,273	176,827
2001	53,718	545,116	125,661	50,210	175,871
2002	48,921	438,028	107,236	36,114	143,350
2003	65,070	316,508	162,658	34,242	196,900
2004	24,184	486,278	80,316	20,397	100,713
2005	29,178	248,367	237,697	49,837	287,534
2006	\$5,224	\$2,358,823	\$72,680	\$17,368	\$90,047

Source: City of Post Falls

**City of Post Falls
Bonded Debt
Direct and Overlapping Governments
September 30, 2006**

Table # 7

Governmental Unit	Bond Debt	Government's Net Market Value	Percentage Applicable to City	City Share of Debt
City of Post Falls	\$ 17,173,588	\$ 1,741,519,684	100.0%	<u>\$ 17,173,588</u>
Kootenai County		14,535,537,541	12.0%	
School District #273	25,305,000	2,522,770,710	69.0%	17,468,554
Post Falls Highway District		4,085,801,220	42.6%	
Kootenai County Fire & Rescue	910,000	3,790,062,111	45.9%	418,142
				<u>\$ 17,886,696</u>

Table #8

**City of Post Falls
Property Value and Construction
Last Ten Calendar Years**

	Residential			Commercial		Industrial		Other		Total Permits	Total Construction
	Dwelling Units	Permits	Value	Permits	Value	Permits	Value	Permits	Value		
1997	297	286	21,498,234	19	2,783,969	3	999,685	415	2,927,518	723	28,209,406
1998	298	291	25,193,960	15	2,906,641	6	2,438,309	492	4,525,496	804	35,064,406
1999	391	377	29,908,269	22	4,369,232	2	166,561	416	4,617,439	817	39,061,501
2000	297	400	27,502,425	60	5,451,857	4	235,770	208	506,431	673	33,696,483
2001	291	280	28,182,712	24	12,245,890	2	76,584	373	2,900,317	679	43,405,503
2002	379	370	39,575,650	26	18,717,530	4	685,708	481	3,543,729	881	62,522,617
2003	496	474	53,847,647	24	6,992,409	3	1,299,533	451	9,209,499	952	71,349,088
2004	712	635	88,667,541	38	16,523,032	5	5,864,034	688	7,139,381	1,366	118,193,988
2005	714	603	117,602,963	49	27,777,570	0	N/A	613	6,523,460	1,265	151,903,993
2006	425	308	\$ 70,329,609	31	\$ 15,178,552	0	N/A	608	\$ 7,330,579	948	\$ 92,838,740

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Table # 9

**City of Post Falls
Major Tax Payers
September 30, 2006**

<u>Taxpayer</u>	<u>Type Of Business</u>	<u>Assessed Market Value</u>	<u>Percentage Of Total Assessed Market Value</u>
Kimball International Mkt, Inc.	Manufacturing-Furniture	\$ 39,076,637	2.68%
North Idaho Surgical Hospital Bldg. LLC	Medical	15,935,891	1.09%
Sysco Food Service, Inc.	Food Distribution Center	13,759,348	0.94%
Puryear Family LPT	Private Owner	13,212,252	0.91%
Verizon NW, Inc.	Marketing	11,411,269	0.78%
Wal-Mart Real Est. Bus./Stores Inc. #3472	Retail	10,515,704	0.72%
Northern Idaho Advanced Care Hospital, Inc.	Medical	8,754,005	0.60%
Buck 110 LLC	Manufacturing	8,530,030	0.58%
Jacklin Land Company LPT	Comm. Bus. Prod. (Seed)	6,546,405	0.45%
Dicker-Warmington Properties	Real Estate	<u>6,512,919</u>	<u>0.45%</u>
Subtotal - Ten Of City's Largest Taxpayers		134,254,459	9.20%
All Other Taxpayers		<u>1,325,400,629</u>	<u>90.80%</u>
Total City Taxpayers		<u>\$ 1,459,655,088</u>	<u>100.00%</u>

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**City of Post Falls
Statistical Information
Water Fund
September 30, 2006**

**Schedule of Water Revenue and Production
For Residential, Commercial and Governmental Accounts**

Total Revenue	\$2,267,165
Estimated number of active customers	8,500
Total water produced (thousands of gallons)	1,759,604

Schedule of Water Rates

Monthly Base Fee (by meter size)

1" or less	\$ 7.71	1½"	\$12.96
2"	19.25	3"	34.03
4"	55.02	6"	107.60

Metered water Usage 82¢ per 1,000 gallons

Source: City of Post Falls

**City of Post Falls
Statistical Information
Wastewater (Sewer) Fund
September 30, 2006**

Schedule of Treatment Volume

Average Volume	2.5 million gallons per day
Total Volume	8,430,200,000 gallons

Schedule of Monthly Sewer Rates

The residential rate is \$24.48 for 94% of the City's customers.

The non-residential rate per customer is \$4.69 per 1,000 gallons of water consumption.

Source: City of Post Falls

Table # 12

**City of Post Falls
Demographic & Misc. Statistics
September 30, 2006**

<u>Population</u>	24,000		
<u>Dwelling Units</u>	9,689		
<u>Health Care Facilities</u>			
Distance to Nearest Hospital	10 miles		
Ambulance Service Available	Yes		
Number of General Clinics	5		
<u>Educational Facilities</u>			
	<u>Average Daily 2006 Attendance (ADA)</u>	<u>Pupil/Teacher (FTE) Ratio</u>	
◆ Public Schools (District #273) Total Enrollment = 5,334	4,865	25.1	
◆ Private Schools (not all private schools report)			
Number of Schools	4		
Enrollment Total (3 report enrollment figures)	1,336		
◆ Community Colleges (nearest)			
	<u>Enrollment – 2006</u>	<u>Distance (in miles)</u>	
North Idaho College	4,400	10	
Spokane Community College	6,401	20	
◆ Four-Year Colleges or Universities			
Gonzaga University	6,300	20	
Whitworth College	2,400	20	
University of Idaho	11,739	87	
Eastern Washington University	10,000	35	
Washington State University (Spokane Campus)	1,580	20	
Washington State University (Pullman Campus)	18,432	90	

Source: City of Post Falls, Individual Educational Facilities as Listed

Table # 12
(Continued)

**City of Post Falls
Demographic & Misc. Statistics
September 30, 2006**

<u>Finance Services</u>	<u>Number</u>
◆ Bank & Savings Institutions (local)	14
 <u>Municipal Services</u>	
◆ Sewer System	
Treatment Plant Design Capacity	3.4 mgd
Average Daily Usage (% of capacity)	74%
◆ Water System	
Maximum Plant Daily Production	17,493,120 gal/day
Maximum Daily Usage	12,347,000 gal/day
Average Daily Usage	4,819,000 gal/day
Storage Capacity	5,500,000 gallons
◆ Fire Protection System	
Rating by Idaho Surveying & Rating Bureau (1 = best; 10 = worst)	4
Number of Paid and Volunteer Firefighters	25 volunteers 37 full-time 10 EMS
◆ Police Protection	
Number of Full-time Officers	36
Number of Sworn Officers per 1,000 population	1.5
◆ Library System	
Number of Public Libraries	1

Source: City of Post Falls, Post Falls Fire District

Table # 13

**City of Post Falls
Computation of Legal Debt Margin
September 30, 2006**

Assessed Valuations	
Assessed Value (00 net value)	\$1,190,874,334
Add Back Homestead Exemptions	<u>\$ 268,780,754</u>
Total Assessed Value	\$1,459,655,088
Legal Debt Margin	
Debt Limitation*: 2% of assessed market value	\$ 29,193,102
Less Debt applicable	<u>\$ 1,115,000</u>
Legal Debt Margin	\$ 28,078,102
Debt Margin percentage available	96%

* Idaho Code 50-1019

Source: Kootenai County Assessor, City of Post Falls

**City of Post Falls
Insurance Schedule
September 30, 2006**

The City is insured through the Idaho Counties Reciprocal Management Program (ICRMP), Policy No. 26A02152100106. Coverage is as follows:

	<u>Coverage</u>
Premises	\$100,000 per occurrence (\$5,000 per person)
Auto:	
Liability	\$2,000,000
Uninsured/underinsured	\$500,000
Medical	\$100,000 per accident (\$5,000 per person)
Crime	\$500,000
Law Enforcement	\$3,000,000 (\$2,000,000 per occurrence)
General Liability	\$2,000,000
Errors & Omissions	\$2,000,000 (\$2,000,000 per claim)
Flood and Earthquake	\$50,000,000

The City is also enrolled in the Workmen's Compensation Insurance Program through the State of Idaho.

Source: City of Post Falls

Table # 15

**City of Post Falls
Revenue Bond Coverage
Sewer Fund
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1997	1,868,880	1,023,640	845,240	456,579	257,359	713,938	1.18
1998	2,001,493	1,092,914	908,579	482,173	238,445	720,618	1.26
1999	2,118,666	987,608	1,131,058	441,602	222,749	664,351	1.70
2000	2,360,050	933,090	1,426,960	521,918	201,524	723,442	1.97
2001	2,497,060	980,559	1,516,501	547,450	173,888	721,338	2.10
2002	2,648,989	1,081,199	1,567,790	568,205	149,641	717,846	2.18
2003	2,846,914	1,080,030	1,766,884	594,193	125,479	719,672	2.46
2004	3,238,491	1,254,731	1,983,760	663,063	118,977	782,040	2.54
2005	3,633,856	1,370,164	2,263,692	614,260	215,408	829,668	2.73
2006	\$ 3,712,915	\$ 1,732,191	\$ 1,980,724	\$ 640,595	\$ 258,283	\$ 898,878	2.20

(1) Total revenues (including interest) exclusive of cap fees.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

Table # 16

**City of Post Falls
Revenue Bond Coverage
Water Fund
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1997	990,236	631,997	358,239	70,000	45,915	115,915	3.09
1998	1,116,870	513,020	603,850	70,000	38,927	108,927	5.54
1999	1,184,270	507,373	676,897	80,000	31,027	111,027	6.10
2000	1,288,343	518,940	769,403	290,000	15,197	305,197	2.52
2001	1,273,899	541,972	731,927				N/A
2002	1,385,385	580,706	804,679				N/A
2003	1,520,384	656,867	863,517				N/A
2004	1,824,450	694,669	1,129,781		9,548	9,548	118.33
2005	2,214,161	775,033	1,439,128		153,912	153,912	9.35
2006	\$ 2,267,165	\$ 757,796	\$ 1,509,369	\$ 116,205	\$ 153,191	\$ 269,396	5.60

(1) Total revenues (including interest) exclusive of cap fees.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

Table # 17

**City of Post Falls
Ratio of Annual Debt Service Expenditures for General
Bonded Debt to General Government Expenditures
Last Ten Fiscal Years**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Government Expenditures	Ratio of Debt Service to Total General Government Expenditures
1996-97	111,589	64,804	176,393	6,543,113	2.70%
1997-98	111,589	59,478	171,067	7,763,135	2.20%
1998-99	212,589	187,902	400,491	9,395,470	4.26%
1999-00	258,040	150,445	408,485	8,181,967	4.99%
2000-01	255,000	137,633	392,633	8,625,122	4.55%
2001-02	280,000	123,976	403,976	11,860,373	3.41%
2002-03	295,000	109,935	404,935	14,608,090	2.77%
2003-04	260,000	110,099	370,099	11,306,500	3.27%
2004-05	275,086	89,688	364,774	16,193,028	2.25%
2005-06	\$ 3,605,000	\$ 194,131	\$ 3,799,131	\$ 18,230,649	20.84%

Table # 18

City of Post Falls
Ratio of General Bonded Debt To Assessed Value
And Net Bonded Debt Per Capita
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Net Long-Term Debt</u>	<u>Ratio of Net Long-Term Debt to Assessed Value</u>	<u>Net Long-Term Debt Per Capita</u>
1996-97	14,500	656,498,967	1,032,296	0.16%	71
1997-98	15,000	695,182,787	2,920,707	0.42%	195
1998-99	16,684	742,251,793	3,063,041	0.41%	184
1999-00	17,500	791,143,568	2,805,001	0.35%	160
2000-01	18,000	841,776,651	2,550,001	0.30%	142
2001-02	18,281	892,717,766	2,270,001	0.25%	124
2002-03	19,500	1,007,449,488	1,975,001	0.20%	101
2003-04	21,082	1,074,115,199	1,965,087	0.18%	93
2004-05	22,926	1,258,237,363	5,090,001	0.40%	222
2005-06	23,992	\$ 1,459,655,088	\$ 3,670,001	0.25%	153

Table #19

**City of Post Falls
Net Assets By Components
Last Four Fiscal Years
(Accrual-Basis of Accounting)**

	Fiscal Year			
	2003	2004	2005	2006
Primary government				
Governmental activities:				
Invested in capital assets net of related debt	\$ 9,017,852	\$ 13,097,421	\$ 12,856,812	\$ 21,984,148
Restricted	833,042	734,213	872,546	6,539,791
Unrestricted	4,806,132	7,306,691	10,358,219	8,642,267
Total Governmental activities net assets	14,657,026	21,138,325	24,087,577	37,166,206
Business-type activities:				
Invested in capital assets net of related debt	36,623,300	40,559,918	44,487,590	46,839,184
Restricted	3,075,936	3,475,869	4,699,749	5,903,678
Unrestricted	11,138,123	14,994,784	18,104,442	21,429,394
Total business-type activities net assets	50,837,359	59,030,571	67,291,781	74,172,256
Total primary government net assets	\$ 65,494,385	\$ 80,168,896	\$ 91,379,358	\$ 111,338,462

Note: Accrual-basis financial information for the City as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

**City of Post Falls
Changes In Net Assets
Last Four Fiscal Years
(Accrual-Basis of Accounting)**

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government	\$ 3,446,537	\$ 3,908,589	\$ 4,296,656	\$ 4,880,704
Public safety	2,887,150	3,171,924	3,409,806	3,593,961
Highways and public works	1,521,094	1,701,489	3,750,058	2,576,928
Cultural and recreation	983,357	1,172,659	1,233,832	1,350,230
Interest on long term debt	374,533	325,229	362,559	428,521
Total primary government expenses	<u>\$ 9,212,671</u>	<u>\$ 10,279,890</u>	<u>\$ 13,052,911</u>	<u>\$ 12,830,344</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,081,301	\$ 2,591,268	\$ 2,753,370	\$ 2,141,369
Public safety	365,513	397,946	446,423	567,520
Highways and public works	453,341	574,995	564,228	912,773
Cultural and recreation	601,734	730,743	789,159	1,245,372
Operating grants and contributions:				
General government	15,019	19,150	20,073	32,909
Public safety	258,131	139,310	179,443	148,603
Highways and public works	1,000			
Cultural and recreation	30,933	52,114	49,462	77,244
Capital grants and contributions:				
General government		1,003		
Public safety	41,446	41,535	50,361	47,865
Highways and public works	565,340	3,800,882	2,032,396	9,981,717
Cultural and recreation	13,277	12,288		251,110
Total governmental activities program revenues	<u>\$ 4,427,035</u>	<u>\$ 8,361,234</u>	<u>\$ 6,884,915</u>	<u>\$ 15,406,482</u>

**Table #20
(Continued)**

**City of Post Falls
Changes In Net Assets
Last Four Fiscal Years
(Accrual-Basis of Accounting)**

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Total governmental activities net (expense)/revenue	\$ (4,785,636)	\$ (1,918,656)	\$ (6,167,996)	\$ 2,576,138
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	4,751,170	4,990,766	5,452,343	6,228,757
Other taxes and licenses	1,980,691	2,160,571	2,386,998	2,681,188
Unrestricted intergovernmental revenues				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings	206,303	145,760	375,469	633,704
Loss on sale of capital assets	29,686	1,763	2,708	1,502
Transfers	796,222	870,540	899,730	957,340
Total governmental activities general revenues	\$ 7,764,072	\$ 8,169,400	\$ 9,117,248	\$ 10,502,491
Changes in Net Assets				
Governmental Activities	\$ 2,978,436	\$ 6,250,744	\$ 2,949,252	\$ 13,078,629
Net assets - beginning	11,678,590	14,887,581	21,138,325	24,087,577
Net assets - ending	\$ 14,657,026	\$ 21,138,325	\$ 24,087,577	\$ 37,166,206

Note: Accrual-basis financial information for the City as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

Table #21

**City of Post Falls
Full-Time Equivalent Town Government Employees By Function
Last Ten Fiscal Years**

Function/Program	Full-time Equivalent Employees as of September 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	31.6	41.12	39.57	43.08	51.14	47.14	47.73	43.53	49.95	50.75
Public Safety	42.43	51.44	48.64	49.44	50.43	52.88	51.88	56.27	54.14	53.89
Public Works	27.29	26.57	30.57	30.57	30.57	31.07	30.95	30.73	33.02	33.02
Cultural and Recreation	14.65	20.69	22.13	19.6	23.6	24.44	22.81	23.09	24.76	24.76
Total	115.97	139.82	140.91	142.69	155.74	155.53	153.37	153.62	161.87	162.42

Note: This schedule represents number of persons employed as of September 30 of each year. Vacant positions are included in the above numbers. Full time personnel work 2,080 hours per year.

**City of Post Falls
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual-Basis of Accounting)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved for:										
Library and art activities	\$ 22,025	\$ 87,264	\$ 39,629	\$ 27,732	\$ 25,470	\$ 21,272	\$ 88,660	\$ 23,773	\$ 26,816	\$ 49,401
Debt										
Total reserved										
Unreserved										
Designated for improvements	274,960	333,512	421,886	449,510	144,226	175,124	164,255	257,832	491,326	532,270
Undesignated	1,055,868	2,548,759	1,818,067	2,383,173	3,630,430	7,244,405	3,129,042	4,118,284	4,922,894	6,348,640
Total General Fund	\$ 1,352,853	\$ 2,969,535	\$ 2,279,582	\$ 2,860,415	\$ 3,800,126	\$ 7,440,801	\$ 3,381,957	\$ 4,399,889	\$ 5,441,036	\$ 6,930,311
All Other Governmental Funds										
Reserved for:										
Debt							\$ 352,236	\$ 352,608	\$ 354,404	\$ 356,293
Unreserved										
Designated for debt service	\$ 482,394	\$ 444,976	\$ 494,172	\$ 410,643	\$ 302,174	\$ 272,394	(748,908)	194,219	1,832,764	524,315
Designated for capital projects							1,817,252	2,471,442	3,492,596	5,077,512
Undesignated	204,180	217,571	222,415	141,056	241,330	124,714	145,184	254,216	281,675	(203,730)
Total all other governmental funds	\$ 686,574	\$ 662,547	\$ 716,587	\$ 551,699	\$ 543,504	\$ 397,108	\$ 1,565,764	\$ 3,272,485	\$ 5,961,439	\$ 5,754,390

**City of Post Falls
Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual-Basis of Accounting)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved for:										
Library and art activities	\$ 22,025	\$ 87,264	\$ 39,629	\$ 27,732	\$ 25,470	\$ 21,272	\$ 88,660	\$ 23,773	\$ 26,816	\$ 49,401
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Total all other governmental funds	\$ 686,574	\$ 662,547	\$ 716,587	\$ 551,699	\$ 543,504	\$ 397,108	\$ 1,565,764	\$ 3,272,485	\$ 5,961,439	\$ 5,754,390

CITY OF POST FALLS, IDAHO

Audit Section



ABOVE: Kiwanis Park on the Spokane River

**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 Post Falls
Post Falls, ID 83854

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho as of and for the year ended September 30, 2006, which collectively comprise the City of Post Falls, Idaho's basic financial statements and have issued our report thereon dated January 11, 2007. 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 of Post Falls, Idaho's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Post Falls, Idaho'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, City 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.

Magnuson, McHugh & Company, P.A.

January 11, 2007



ABOVE: Falls Park



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