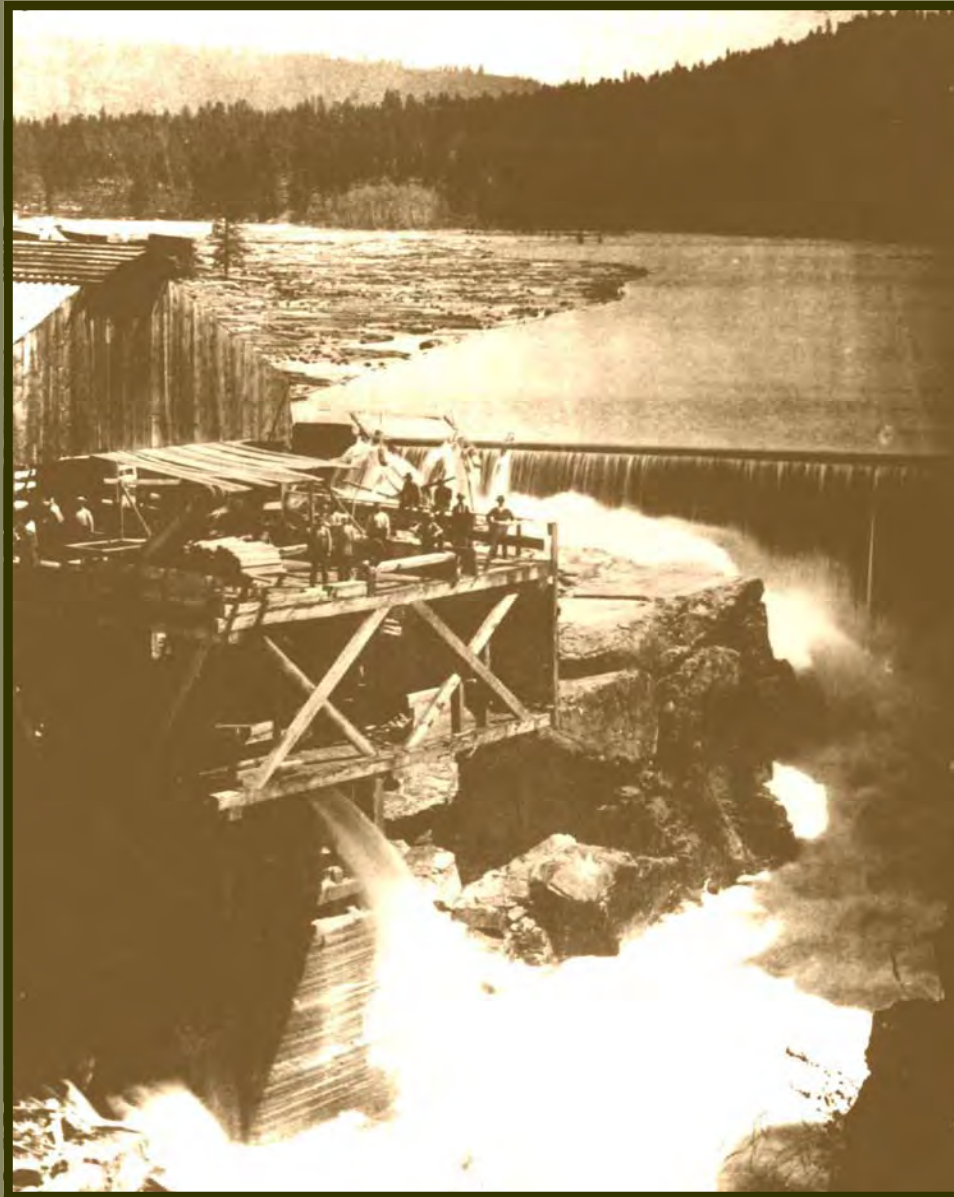


CITY OF
POST FALLS, IDAHO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
September 30, 2007

CITY OF POST FALLS, IDAHO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2007



Compiled By:
Shelly Enderud
City Finance Director/Treasurer

ABOVE: Early photo of the dam at Post Falls

COVER: Historic photo of construction on the dam

Historical photos courtesy of the Post Falls Historical Society

City of Post Falls, Idaho
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2007

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**City of Post Falls, Idaho
Comprehensive Annual Financial Report
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CITY OF POST FALLS, IDAHO

Introductory Section



ABOVE: Early photo of the falls where the Avista Dam is today



March 14, 2008

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, 2007, 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 25,137 in 2007. This influx of new residents has resulted in a strong construction industry, with total building permit valuations in the City exceeding \$71,349,000 for the past five years and topping \$151,903,993 in 2005. The level decreased a little for 2006 and came back up for FY 07. FY 08 is expected to be strong.

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 nearly fifteen 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. Sysco foods 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 opened its doors to a beautiful 130,000 square foot retail store. Considerable economic development activity transpired in Post Falls in 2007 which will pave the way to several other major businesses opening their doors in 2008 including Biopol which is a Danish pharmaceutical company, a second Super Wal Mart store that will be located near the new Cabella's, a Lowe's Home Improvement store, as well as construction on a new office campus for Chief Architect which is a high tech software company that creates and distributes home design software under the Better Homes and Gardens name. Ground Force Manufacturing, a large construction equipment manufacturer, also plans to increase their production space by 20,000 square feet in 2008 in order to meet the heavy demands for their products around the globe. The commercial sector will continue to be very active and bolster the local economy while the residential housing market normalizes itself during 2008.

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 working its way through the approval process and should be in place by early summer 2008. This form based or traditional neighborhood design code will work to create more sustainability with subdivision design and construction as well as afford a more walkable environment.

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. The keystone of this City Center initiative is the completion of the new city hall project. This 42,000 square foot building will become an icon for the city as well as the catalyst for what is hoped to be considerable additional development in the town center. In cooperation with the Urban Renewal Agency, the City has also been able to completely rebuild Fourth Avenue from Spokane to Idaho Street. This project, finished in late 2007, will see a few finishing touches in the Spring of 2008 and open up a new, more attractive and pedestrian friendly street cross section.

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 recently was completed and the public presentation of the results will occur this spring. This study will lay the foundation for future wastewater growth on the prairie.

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 a program of bi-weekly sweeping citywide through the summer months to help with dust control. This program has worked well to reduce dust from the traffic on our City streets.

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, with well 9 under construction, 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 continues to install radio read meters on 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. We have up graded Oxidation basin #1 and #3 with a new aeration system to better treat the waste. We are in the design stage for expansion of the treatment system to 4 million gallons per day. 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, improve safety, reduce liability, comply with Americans with Disabilities Act (ADA) and improve aesthetics are principal goals of the department. This includes irrigation systems, picnic shelters, restroom facilities, trails and pathways, equipment, , 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 continued 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 and events is another area that has had an impact upon the staff in both parks and recreation divisions this last year.

Implementing processes and services that increases the efficiency, revenue capacity and customer service of the Cemetery Division was a prime focus of 2007.

With large numbers of City owned trees and the City being designated for an eleventh year as a "Tree City USA" recipient from the National Arbor Day foundation and Association of Idaho Cities. The city also was recognized with its ninth growth award. Urban Forestry projects over the next year include removal of hazard trees to reduce liability, the planting of street trees along Seltice Way, continued inventory and evaluation of the City's trees. 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, computers and janitorial supplies. This has provided larger volume discounts. During FY 08, it is planned to centralize more of the purchasing through a purchasing officer position.

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 2007

Police

- The Police Department purchased replacement lap top computers for the patrol vehicles. These new computers have additional capabilities, including touch screen capabilities, as well as, mapping in the car to allow the officer in the car the ability to find calls more quickly. Another feature that will be available is the Automatic Vehicle Locating (AVL), this will allow the officer in the car, or the Communications Officer, the ability to see where patrol vehicles are at all times, on the map.
- The Police Department is in the process of developing a child friendly interview room. This room will allow investigators, investigating crimes against children the ability to interview them in an environment that helps the child victim feel more comfortable. This room will be equipped with state-of-the-art camera equipment for recording interviews as well as, small chairs, desks for the children.
- The Police Department has transition all Post Falls and Rathdrum 911 calls to our 911 center. 911 calls will now come directly into the Post Falls 911 center, instead of being transferred from Kootenai County 911. This move will allow the Department to improve our level of service and respond to emergency calls more quickly than before.
- The department ordered a 700 MHz mobile data solution from Data Radio to enhance our in car mobile data system. This new technology will provide wide area coverage to help ensure that our staff has a data connection at all times. As the City grows the need to expand our network has become increasingly important.
- The department recently implemented a Special Operations Group to better service the public. This group will be comprised of two uniformed officers in unmarked vehicles, whose primary duties will be to focus on problem areas. This team will work on a variety of issues including street level drug enforcement, special traffic enforcement, residential and automobile burglary suppression, as well as, any other special need that may arise.

Parks, Recreation, and Cemetery

- The tennis courts at White Pines Park were opened in 2007.
- Started a Gateway Water Feature to enhance the entrance to the City.
- Added additional playground equipment to City parks with ADA recognized surfacing installed under all playgrounds.
- Attendance hours for recreation programs exceeded 250,000 for the first time.
- Over 2,700 trees were given away as part of Arbor Day.
- Trailhead shelter was completed in 2007.
- Four eagle scouts projects built in city parks.
- A picnic shelter was built in White Pines Park.
- Continued to fight vandalism in the Parks with the assistance of the Police department.

Public Works, Community Development

- Installing radio read meters to read water meters using less labor hours.
- Design and expansion of the waste treatment plant to meet the additional growth in our community.
- Continued the calibration of the Smart Code project that will be adopted in Spring 2008.
- Revised the City's Impact Fee Study and related CIP to ensure that adequate funding is gleaned from new growth for future infrastructure needs.
- Refined departmental structure to better address client and work needs and requirements.

Administration

- Continued to work on construction of the New City Hall administration building
- Implemented new budgeting process to tie monetary requests with specific outcomes
- Worked to aggressively court new business opportunities to Post Falls

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, 2007, the City of Post Falls had the following bonded debt issues outstanding:

General Obligation Bonds:	\$ 980,000
Sewer Revenue Bonds:	5,907,948
Water Bonds:	3,147,425
Special Assessment Bonds:	<u>2,435,001</u>
	<u>\$12,470,374</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 \$34,021,388 on September 30, 2007. The City's general obligation bond above is subject to this limit. Therefore, \$33,041,388 is available for future general obligation indebtedness.

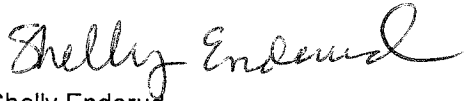
Other Information - Idaho State statutes require an annual audit by independent auditors. The accounting firm of Magnuson, McHugh, & Company, P.A. was selected to perform the audit with the approval of the City Council. In addition to meeting requirements set forth in the Idaho statutes, the audit was 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, 2006. 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, City Administrator Eric Keck and the City Council for their interest and support in conducting the operations of the City in an efficient and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Shelly Enderud". The signature is written in a cursive style with a large, prominent initial "S".

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, 2006

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.



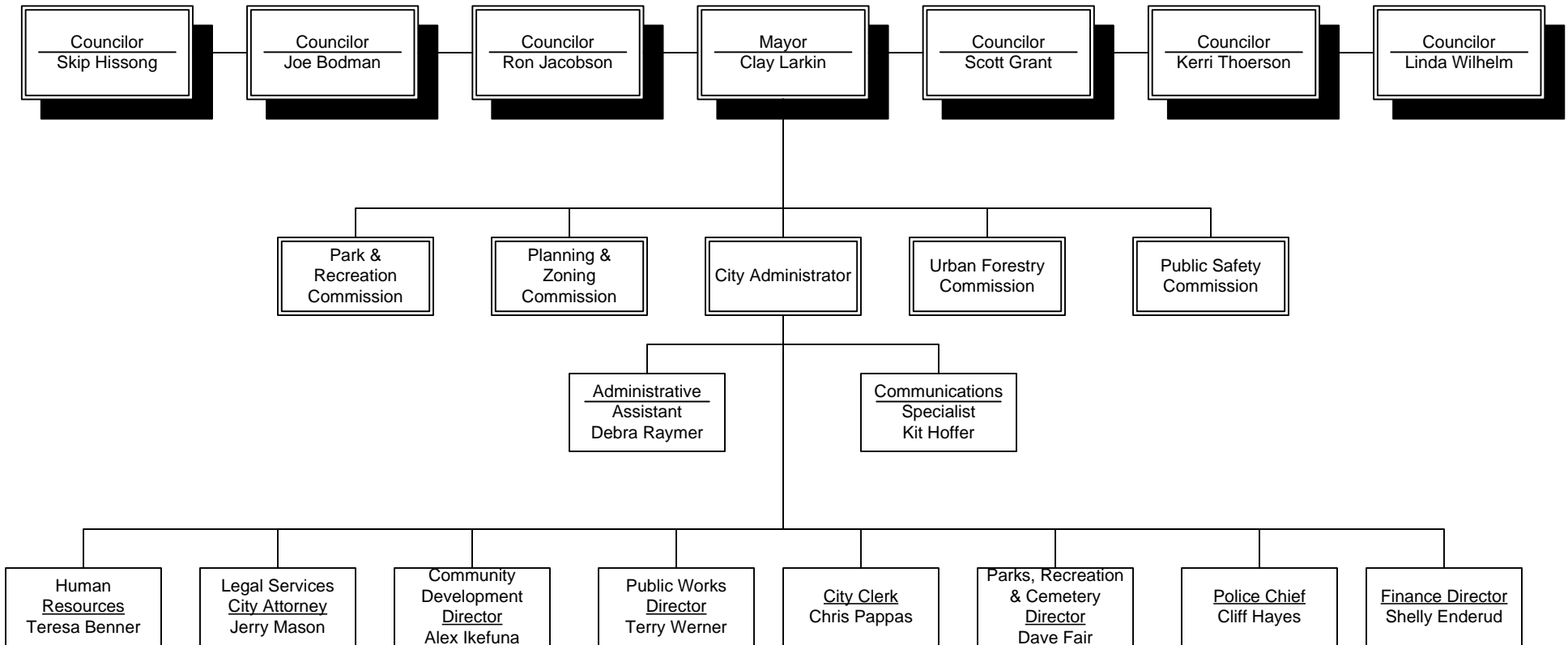
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

City of Post Falls Organizational Chart



**CITY OF POST FALLS, IDAHO
Listing of City Officials
As of September 30, 2007**



POST FALLS CITY COUNCIL 2007
CENTER: MAYOR CLAY LARKIN; COUNCILORS: DICK HARRIS, RON JACOBSON, SCOTT GRANT, JOE BODMAN

ELECTED OFFICIALS

NAME	OFFICE	OCCUPATION	TERM EXPIRES
Clay Larkin	Mayor	Retired	2009
Scott Grant	Council President	Supervisor Probation/Parole Officer	2007
Joe Bodman	Council Member	Spokane Deputy Sheriff	2009
Ron Jacobson	Council Member	Senior VP—Inland Northwest Bank	2009
Dick Harris	Council Member	Retired	2007

APPOINTED OFFICIALS

<u>NAME</u>	<u>OFFICE</u>
Eric Keck	City Administrator
Shelly Enderud	Finance Director/Treasurer
Cliff Hayes	Chief of Police
David Fair	Parks & Recreation Director
Alex Ikefuna	Community Development Director
Christene Pappas	City Clerk
Terry Werner	Public Works Director

CITY OF POST FALLS, IDAHO

Financial Section



ABOVE: Early photo of "" businesses on Spokane Street

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, 2007, 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, 2007, 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 March 21, 2008 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 combining and individual fund financial statements and schedules 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.

Magnuson, McHugh & Company, P.A.

March 21, 2008

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, 2007. 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 \$133,598,070 (net assets).
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$4,643,329, or 35.2 percent of total general fund expenditures.
- The governments net assets increased by \$18,311,049. 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 \$428,701 (5.8 percent) and operating expenses increased by \$8,203 (less than one percent).
- The City began construction of a new city hall in April 2007. During FY 07 the city expended \$3,500,000 on this project. It will be completed in FY 08.

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 27 to 28 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 sixteen 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 2004-1, and the capital fund, all of which are considered to be major funds. Data from the other thirteen 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 29 to 31 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 32 to 34 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 35 to 58 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds may be found on pages 60 to 61 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 \$133,598,070 at the close of the most recent fiscal year.

By far the largest portion of the City of Post Falls' net assets (66 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	
	2007	2006	2007	2006	2007	2006
ASSETS						
Current and other assets	\$22,004,131	\$17,234,662	\$30,637,015	\$28,153,716	\$52,641,146	\$45,388,378
Capital assets	<u>44,037,275</u>	<u>34,951,809</u>	<u>60,948,420</u>	<u>56,667,772</u>	<u>104,985,695</u>	<u>91,619,581</u>
Total assets	<u>66,041,406</u>	<u>52,186,471</u>	<u>91,585,435</u>	<u>84,821,488</u>	<u>157,626,841</u>	<u>137,007,959</u>
LIABILITIES						
Long-term liabilities outstanding	8,540,221	9,019,102	9,167,342	9,924,045	17,595,594	18,943,147
Other liabilities	<u>5,759,240</u>	<u>2,052,604</u>	<u>561,968</u>	<u>725,187</u>	<u>6,433,177</u>	<u>2,777,791</u>
Total liabilities	<u>14,299,461</u>	<u>11,071,706</u>	<u>9,729,310</u>	<u>10,649,232</u>	<u>24,028,771</u>	<u>21,720,938</u>
NET ASSETS						
Invested in capital assets, net of related						
Debt:						
Restricted	36,228,609	25,932,707	51,893,047	46,839,184	88,121,656	72,771,891
Unrestricted	9,482,313	6,539,791	7,657,572	5,903,678	17,139,885	12,443,469
Total net assets	<u>\$51,741,945</u>	<u>\$41,114,765</u>	<u>\$81,856,125</u>	<u>\$74,172,256</u>	<u>\$133,598,070</u>	<u>\$115,287,021</u>

An additional portion of the City of Post Falls' net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$28,336,529) 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, 73 percent of the liabilities are made up of noncurrent liabilities. This primarily represents bonds and leases discussed in Notes 6 and 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 \$10,627,180 and business-type activities increased net assets by \$7,683,869.

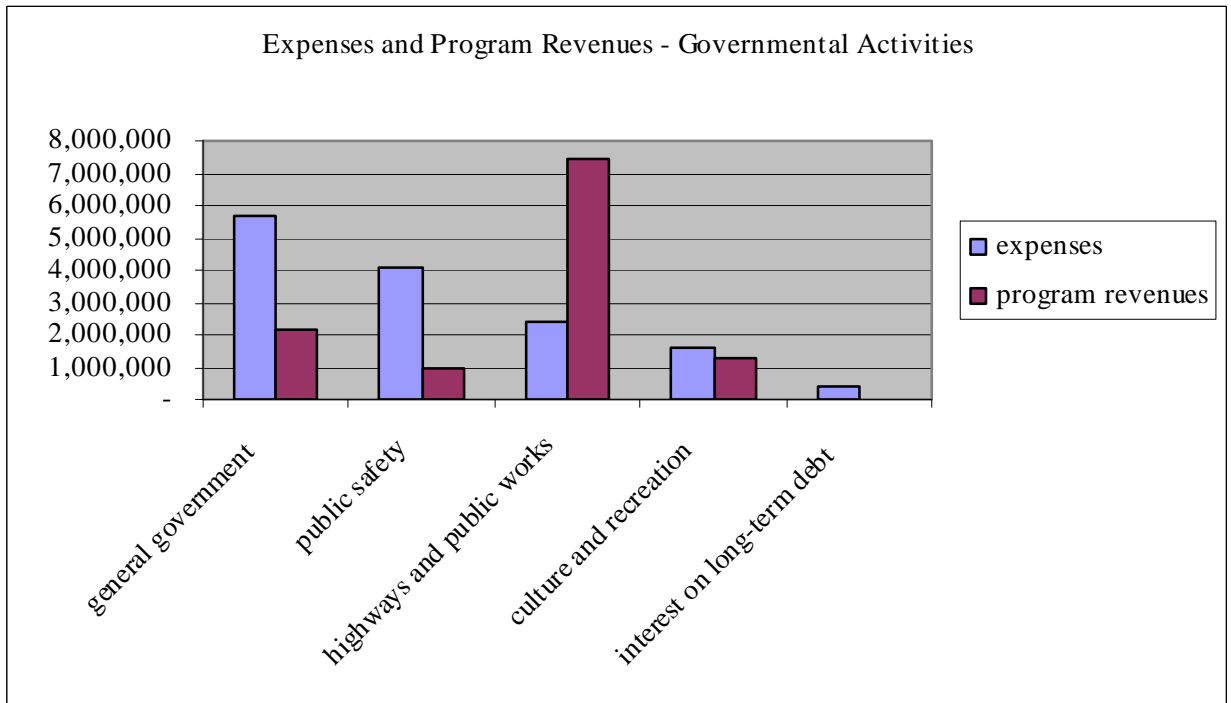
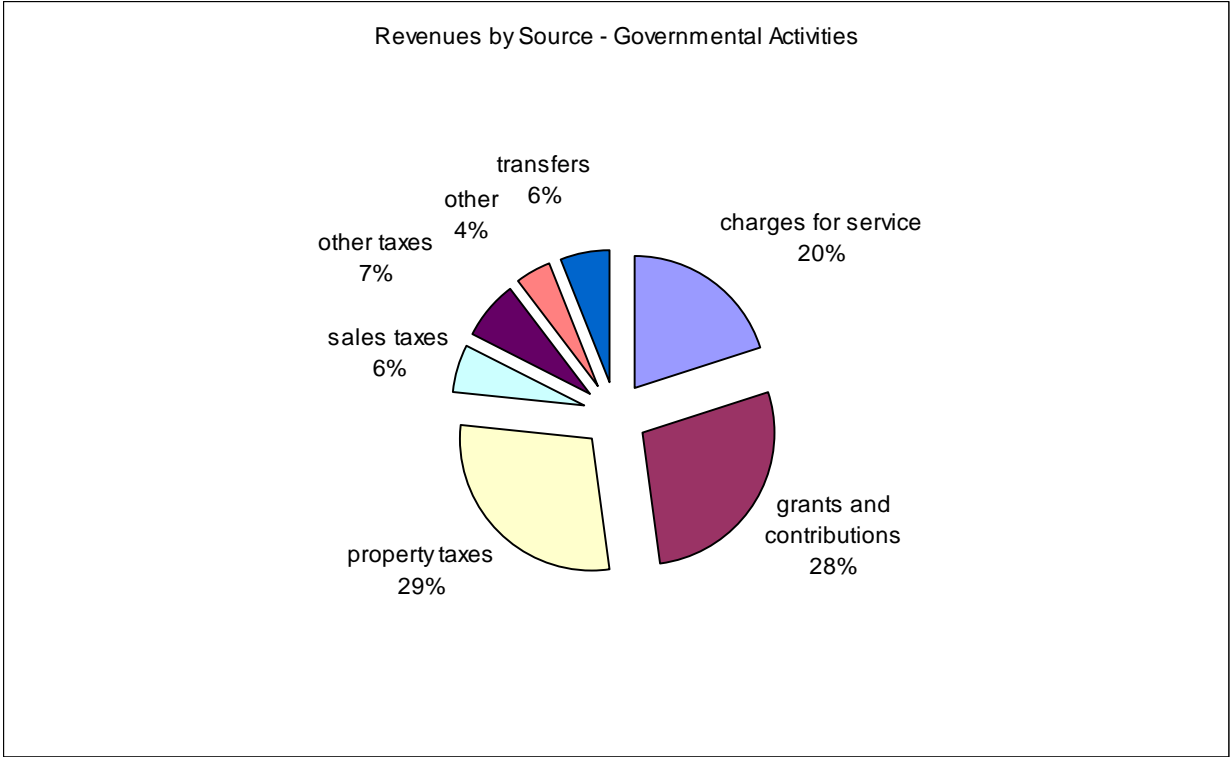
The City's direct charges to users of governmental services made up \$4,940,214 or 21 percent of total governmental revenue. These charges are for park rentals, recreation classes, building permits and other fees related to public safety and administration.

Public safety which includes police, domestic violence assistance, animal control and dispatch services accounts for \$4,065,252 in expenditures, or 29% of the total. Highway and public works accounts for \$2,422,039 in expenditures, or 17% of the total. Culture and recreation accounts for \$1,594,522 in expenditures, or 11% of the total. General government, the largest program, accounts for \$5,701,979 in expenditures, or 40% 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	
	2007	2006	2007	2006	2007	2006
REVENUES						
Program revenues:						
Charges for services	\$4,940,214	\$4,867,034	\$7,868,868	\$7,440,167	\$12,809,082	\$12,307,201
Operating grants and contributions	560,896	258,756			560,896	258,756
Capital grants and contributions	6,382,770	10,280,692	5,559,972	5,020,402	11,942,742	15,301,094
General revenues:						
Property taxes	7,191,562	6,228,757			7,191,562	6,228,757
Other taxes	3,220,308	2,681,188			3,220,308	2,681,188
Other	1,018,119	635,206	1,220,020	854,961	2,238,139	1,490,167
Total revenues	<u>\$23,313,869</u>	<u>\$24,951,633</u>	<u>\$14,648,860</u>	<u>\$13,315,530</u>	<u>\$37,962,729</u>	<u>\$38,267,163</u>
EXPENSES						
General government	\$5,701,979	\$4,880,704			\$5,701,979	\$4,880,704
Public safety	4,065,252	3,593,961			4,065,252	3,593,961
Highway and public works	2,422,039	2,576,928			2,422,039	2,576,928
Culture and recreation	1,594,522	1,350,230			1,594,522	1,350,230
Interest on long-term debt	434,931	428,521			434,931	428,521
Water			\$1,447,266	\$1,412,346	1,447,266	1,412,346
Sewer			2,703,705	2,863,232	2,703,705	2,863,232
Sanitation			1,281,986	1,202,137	1,281,986	1,202,137
Total expenses	<u>\$14,218,723</u>	<u>\$12,830,344</u>	<u>\$5,432,957</u>	<u>\$5,477,715</u>	<u>\$19,651,680</u>	<u>\$18,308,059</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	<u>9,095,146</u>	<u>12,121,289</u>	<u>9,215,903</u>	<u>7,837,815</u>	<u>18,311,049</u>	<u>19,959,104</u>
TRANSFERS IN (OUT)	<u>1,532,034</u>	<u>957,340</u>	<u>(1,532,034)</u>	<u>(957,340)</u>		
INCREASE IN NET ASSETS	<u>10,627,180</u>	<u>13,078,629</u>	<u>7,683,869</u>	<u>6,880,475</u>	<u>18,311,049</u>	<u>19,959,104</u>
NET ASSETS beginning	<u>41,114,765</u>	<u>28,036,136</u>	<u>74,172,256</u>	<u>67,291,781</u>	<u>115,287,021</u>	<u>95,327,917</u>
NET ASSETS ending	<u>\$51,741,945</u>	<u>\$41,114,765</u>	<u>\$81,856,125</u>	<u>\$74,172,256</u>	<u>\$133,598,070</u>	<u>\$115,287,021</u>



- The majority of the City of Post Falls’ governmental activities’ revenue is received from property tax (29 percent) with grants and contributions right behind (28 percent).
- When all taxes are added together, they make up 42 percent of the budget.

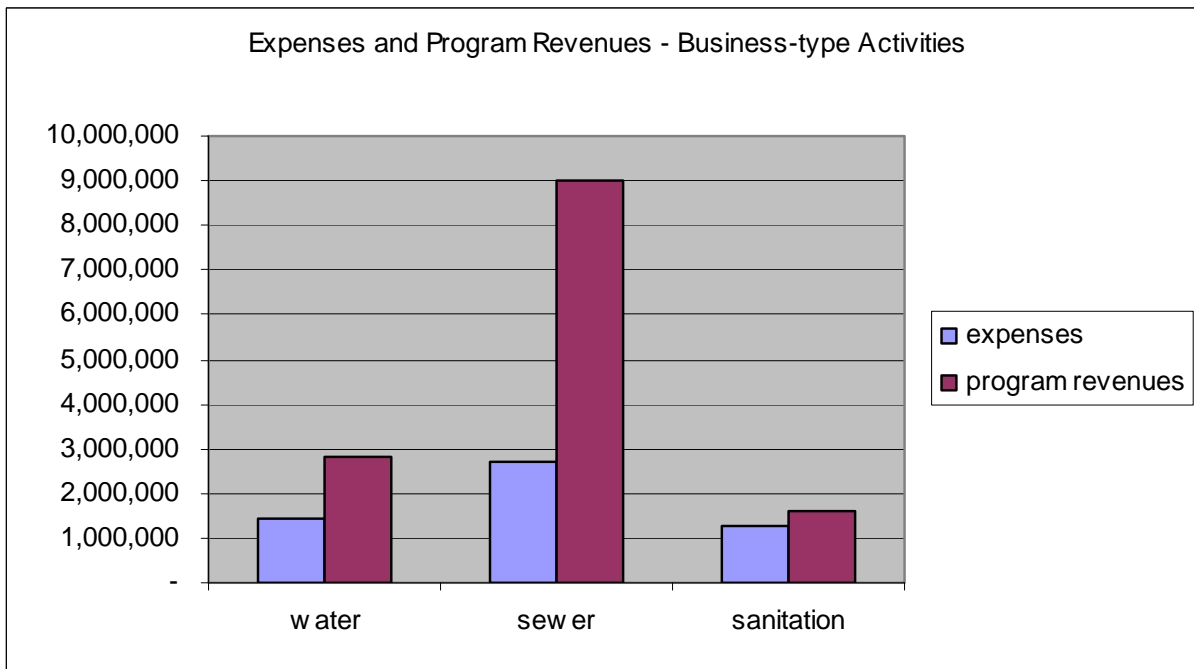
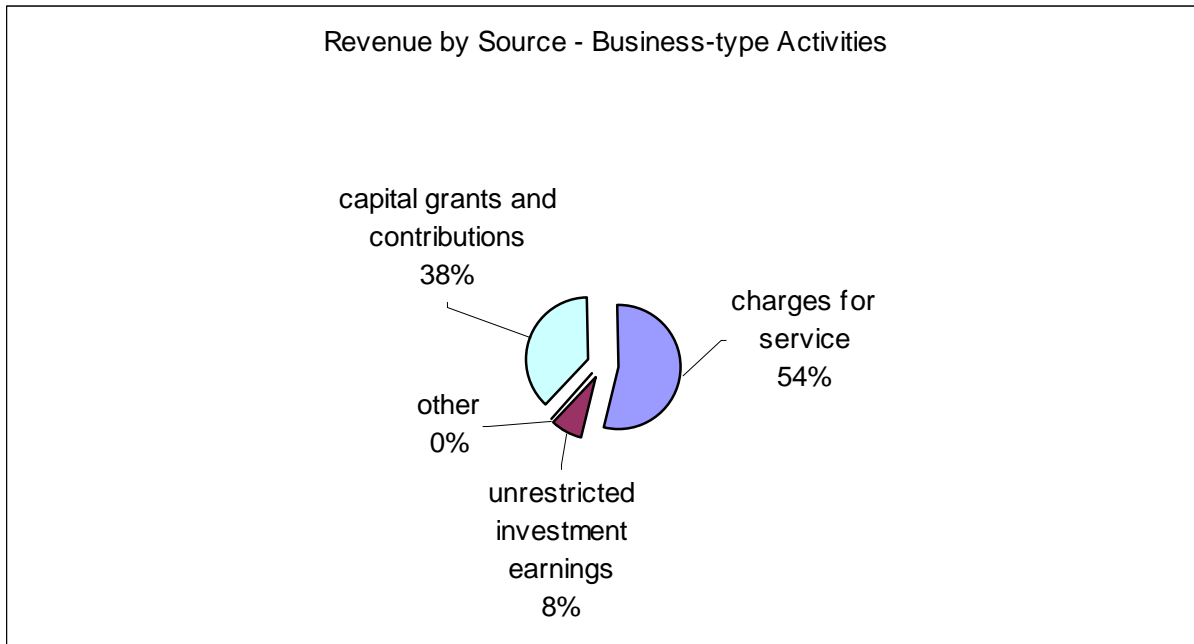
- When revenues are compared to expenses, it shows that only the City of Post Falls' highways and public works program is self supporting. This is due to donated capital assets from developers. Each program is funded by taxes or other general revenues.
- Grants and contributions are primarily received 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 primarily 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 transactions during the year were a force main extension in sewer and the ground breaking for a new city hall in the capital fund. No significant losses or revenues were received during the year and building permit revenue has remained high.

Major funds in the City are general fund, LID 2004-1 and the capital fund. Significant transactions within the general fund this year mainly consisted of repayment of debt, payment of personnel (has been steadily increasing since a wage study was performed in 2001 and since health insurance has been increasing each year) and a transfer of funds to the capital fund to begin the city hall. The average wage increase in the City for the current fiscal year was 4.5 percent. No significant transactions occurred for LID 2004-1 this year. Last, in the capital fund \$3,500,000 has been expended on the new city hall project.

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 08 budget. Last, the capital fund has a large cash balance that is primarily made up of money that is being saved for future capital projects such as a completion of the new city hall and future road construction.

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 (54 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 \$13,927,183, an increase of \$1,242,482 in comparison with the prior year. This increase is primarily due to capital project savings and building permit fees. The current fund balance contains \$410,450 of reserved dollars, \$724,801 of designated dollars and the balance of \$12,791,932 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 \$4,643,329, with a total fund balance of \$5,423,748. 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 35.2 percent of total general fund expenditures, while total fund balance represents 38.1 percent of that same amount.

The other major funds of the City of Post Falls have the following fund balances at year-end: LID 2004-1 has an unreserved fund balance of \$367,229. This balance is due to prepayments on the LID. The Capital Fund has a reserved fund balance of \$354,832. This is reserve set by debt service requirements. The Capital Fund has an unreserved fund balance of \$7,713,348. 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 \$22,305,506 (water \$5,092,714; sewer \$16,882,267; and sanitation \$330,525). Restricted net assets at the end of the year amounted to \$7,657,572 (water \$3,167,232 and sewer \$4,490,340).

General Fund Budgetary Highlights

Four budget amendments were performed during the current fiscal year. These amendments increased the budget by a total of \$3,325,610. General Fund revenues ended the fiscal year with a total positive variance of 7.6 percent. Expenditures ended the fiscal year with a total positive variance of 7.2 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, 2007 amounts to \$104,985,695 (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 14.6 percent (a 26 percent increase for governmental activities and a 7.6 percent increase for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$4,837,936	\$4,837,936	\$9,427,540	\$9,156,067	\$14,265,476	\$13,994,003
Buildings & Imp.	11,098,461	8,163,193			11,098,461	8,163,193
Machinery & Equip.	2,160,060	1,988,964	474,261	470,795	2,634,321	2,459,759
Infrastructure	25,940,818	19,961,718			25,940,818	19,961,718
Wells			588,049	635,885	588,049	635,885
Water System			16,387,192	16,409,726	16,387,192	16,409,726
Sewer System			32,304,432	29,520,530	32,304,432	29,520,530
C.I.P.			1,766,946	474,769	1,766,946	474,769
Total	\$44,037,275	\$34,951,811	\$60,948,420	\$56,667,772	\$104,985,695	\$91,619,583

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.

- Started construction of a new City Hall.

Additional information on the City of Post Falls’ capital assets can be found in note 4 on pages 43 to 44 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 \$12,470,373. Of this amount, \$980,000 is comprised of debt backed by the full faith and credit of the government and \$2,435,001 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 (\$731,555), water (\$51,118) and sewer (\$60,851).

<u>Debt Type</u>	<u>2007 Balance</u>	<u>2006 Balance</u>
General Obligation Bonds:	\$ 980,000	\$1,115,000
Sewer Revenue Bonds:	5,907,948	6,560,559
Water – DEQ Loan	3,147,424	3,268,028
Special Assessment Bonds:	2,435,001	2,555,001
Leases	4,393,665	4,687,182
Compensated Absences	<u>843,524</u>	<u>757,376</u>
	<u>\$17,707,562</u>	<u>\$18,943,146</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 \$34,021,388 on September 30, 2007. The City’s general obligation bond above is subject to this limit. Therefore, \$33,041,388 is available for future general obligation indebtedness.

Additional information on the City of Post Falls’ long-term debt can be found in notes 6 and 7 on pages 45 to 49 of this report.

Economic Factors and Next Year’s Budgets and Rates

- Unemployment in Kootenai County has continued at low levels again this year. The current rate for 2007 was 3.1% while the labor force pool increased to 71,730, up about 10,000 in the last four years.
- Even though the national economy is seeing a slow down, the local economy has continued to grow in Post Falls. Last year, the population increased by 2.5%. Since 1990, the City has increased by 242%, while the County has increased by 105% and the State has increased by 48.9%.
- Building permits issued in the City of Post Falls remain at a high level overall. In the next year, there may be a small decrease in residential permits reflecting the current national economy.
- The number of utility accounts has continued to 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 2007 reported fiscal year and the upcoming 2008 fiscal year. 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 decreased to \$4,643,329. A major portion of this decrease was from a transfer to the capital to help fund the construction of the new city hall. Also, the City of Post Falls has appropriated \$71,165 of this amount for spending in the 2007 fiscal year budget. The remaining balance will be reserved during fiscal year 2008 as a contingency fund or designated to the appropriate area.

Both water and sewer operating rates were increased by 4.5 percent in the 2008 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.

**City of Post Falls
Statement of Net Assets
September 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Post Falls Urban Renewal Agency
Assets				
Cash and cash equivalents	\$ 13,892,275	\$ 17,870,535	\$ 31,762,810	\$ 20,634
Investments	2,414,430		2,414,430	2,398,660
Receivables				
Accounts	30,894	1,081,124	1,112,018	162,898
Taxes	393,452		393,452	
Miscellaneous	406,959		406,959	
Special assessments	2,164,533		2,164,533	
Due from other governments	1,010,807	3,394,493	4,405,300	
Accrued interest	8,636	3,116	11,752	
Prepaid items	660,017		660,017	
Restricted cash	1,022,128	8,286,233	9,308,361	
Capital assets, net of depreciation:				
Land	4,837,936	9,427,540	14,265,476	
Buildings	11,098,461	4,107,092	15,205,553	
Machinery and equipment	2,160,060	474,261	2,634,321	
Other improvements		45,172,581	45,172,581	
Infrastructure	25,940,818		25,940,818	
Construction in progress		1,766,946	1,766,946	
Unamortized issue costs		1,514	1,514	
Total Assets	<u>66,041,406</u>	<u>91,585,435</u>	<u>157,626,841</u>	<u>2,582,192</u>
Liabilities				
Accounts payable	1,492,938	263,920	1,756,858	846
Accrued payroll	211,106	21,983	233,089	
Bond interest payable	87,277	129,027	216,304	3,194
Due to other funds	3,394,493		3,394,493	
Restricted customer deposits	573,426	147,038	720,464	
Noncurrent liabilities				
Due within one year	970,088	857,040	1,827,128	712,327
Due in more than one year	7,570,133	8,310,302	15,880,435	3,004,443
Total Liabilities	<u>14,299,461</u>	<u>9,729,310</u>	<u>24,028,771</u>	<u>3,720,810</u>
Net Assets				
Invested in capital assets, net of related debt	36,228,609	51,893,047	88,121,656	
Restricted for:				
Library and art activities	55,618		55,618	
Debt service	633,714	5,660,685	6,294,399	
Capital improvements	8,792,981	1,996,887	10,789,868	
Unrestricted	6,031,023	22,305,506	28,336,529	(1,138,618)
Total Net Assets	<u>\$ 51,741,945</u>	<u>\$ 81,856,125</u>	<u>\$ 133,598,070</u>	<u>\$ (1,138,618)</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, 2007**

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	\$ 5,701,979	\$ 1,763,765	\$ 395,539	\$ 6,872	\$ (3,535,803)		\$ (3,535,803)	\$ (3,500,454)
Public safety	4,065,252	755,149	87,429	108,869	(3,113,805)		(3,113,805)	
Highways and public works	2,422,039	1,206,647		6,264,117	5,048,725		5,048,725	
Culture and recreation	1,594,522	1,214,653	77,928	2,912	(299,029)		(299,029)	
Interest on long-term debt	434,931				(434,931)		(434,931)	(19,974)
Total governmental activities	<u>14,218,723</u>	<u>4,940,214</u>	<u>560,896</u>	<u>6,382,770</u>	<u>(2,334,843)</u>		<u>(2,334,843)</u>	<u>(3,520,428)</u>
Business-type activities:								
Water	1,447,266	2,095,496		734,117		\$ 1,382,347	1,382,347	
Sewer	2,703,705	4,177,428		4,825,855		6,299,578	6,299,578	
Sanitation	1,281,986	1,595,944				313,958	313,958	
Total business-type activities	<u>5,432,957</u>	<u>7,868,868</u>		<u>5,559,972</u>		<u>7,995,883</u>	<u>7,995,883</u>	
Total government	<u>\$ 19,651,680</u>	<u>\$ 12,809,082</u>	<u>\$ 560,896</u>	<u>\$ 11,942,742</u>	<u>(2,334,843)</u>	<u>7,995,883</u>	<u>5,661,040</u>	<u>(3,520,428)</u>
General revenues:								
Property taxes					7,191,562		7,191,562	1,922,763
Sales taxes					1,449,594		1,449,594	
Motor fuel taxes					1,185,285		1,185,285	
Alcoholic beverage taxes					585,429		585,429	
Unrestricted investment earnings					1,007,266	1,218,220	2,225,486	95,971
Gains (losses) on disposal of capital assets					10,853	1,800	12,653	
Transfers					1,532,034	(1,532,034)		
Total general revenues and transfers					<u>12,962,023</u>	<u>(312,014)</u>	<u>12,650,009</u>	<u>2,018,734</u>
Change in net assets					10,627,180	7,683,869	18,311,049	(1,501,694)
Net Assets - beginning					<u>41,114,765</u>	<u>74,172,256</u>	<u>115,287,021</u>	<u>363,076</u>
Net Assets - ending					<u>\$ 51,741,945</u>	<u>\$ 81,856,125</u>	<u>\$ 133,598,070</u>	<u>\$ (1,138,618)</u>

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

**City of Post Falls
Balance Sheet
Governmental Funds
September 30, 2007**

	General Fund	Debt Service LID 2004-1 Fund	Capital Fund	Other Governmental Funds	Totals Government Funds 2007
Assets					
Cash on hand and cash equivalents	\$ 2,542,139	\$ 127,950	\$ 10,539,269	\$ 682,917	\$ 13,892,275
Investments	2,414,430				2,414,430
Accounts receivable:					
Property taxes - current	181,134				181,134
- delinquent	212,318				212,318
Loans receivable				8,975	8,975
Miscellaneous	292,497	9,447	8,368	87,672	397,984
Customers	150			30,744	30,894
Due from other governments	668,545		282,733	59,529	1,010,807
Special assessments - delinquent		3,937		13,353	17,290
- deferred		2,018,266		128,977	2,147,243
Interfund receivables	113,026				113,026
Prepaid items			660,017		660,017
Accrued interest	8,636				8,636
Restricted current assets:					
Cash and cash equivalents	437,464	229,832	354,832		1,022,128
Total assets and other debits	\$ 6,870,339	\$ 2,389,432	\$ 11,845,219	\$ 1,012,167	\$ 22,117,157
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 410,218		\$ 942,799	\$ 139,921	\$ 1,492,938
Interfund payables	64,164		2,790,440	652,915	3,507,519
Accrued payroll and fringe benefits	211,106				211,106
Deferred revenue	231,477	\$ 2,022,203		151,305	2,404,985
Restricted customer deposits	529,626		43,800		573,426
Total liabilities	1,446,591	2,022,203	3,777,039	944,141	8,189,974
Fund balances:					
Reserved for:					
Library and art activities	55,618				55,618
Debt			354,832		354,832
Unreserved:					
Designated for improvements	724,801				724,801
General fund	4,643,329				4,643,329
Special Revenue funds				(198,459)	(198,459)
Debt Service funds		367,229		266,485	633,714
Capital Fund			7,713,348		7,713,348
Total fund balances	5,423,748	367,229	8,068,180	68,026	13,927,183
Total liabilities and fund balances	\$ 6,870,339	\$ 2,389,432	\$ 11,845,219	\$ 1,012,167	

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.	44,037,275
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,404,985
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(8,627,498)
Net assets of governmental activities	\$ 51,741,945

City of Post Falls
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2007

	General Fund	Debt Service LID 2004-1 Fund	Capital Fund	Other Governmental Funds	Totals Government Funds 2007
Revenues:					
Taxes	\$ 7,544,333				\$ 7,544,333
Intergovernmental	3,433,920		\$ 656,709		4,090,629
Charges for services	2,278,365		1,705,663	\$ 370,096	4,354,124
Other revenue	444,712		191,575	281,498	917,785
Special assessment revenue		\$ 164,666		41,251	205,917
Interest	491,495	152,296	317,336	46,139	1,007,266
Total revenues	<u>14,192,825</u>	<u>316,962</u>	<u>2,871,283</u>	<u>738,984</u>	<u>18,120,054</u>
Expenditures:					
Current:					
General government	5,297,590	21,850	58,465	3,700	5,381,605
Public safety	3,707,603			114,970	3,822,573
Highways and public works	1,580,557			261,250	1,841,807
Culture and recreation	1,458,543			23,054	1,481,597
Capital outlay	496,260		4,232,784	170,393	4,899,437
Debt service:					
Principal	400,772	45,000	68,883	75,000	589,655
Interest	233,814	101,756	53,196	45,303	434,069
Total expenditures	<u>13,175,139</u>	<u>168,606</u>	<u>4,413,328</u>	<u>693,670</u>	<u>18,450,743</u>
Excess (deficiency) of revenues over expenditures	<u>1,017,686</u>	<u>148,356</u>	<u>(1,542,045)</u>	<u>45,314</u>	<u>(330,689)</u>
Other financing sources (uses):					
Issuance of debt	41,138				41,138
Transfers in	1,118,033		4,251,420	40,965	5,410,418
Transfers out	(3,683,420)		(75,000)	(119,965)	(3,878,385)
Total other financing sources (uses)	<u>(2,524,249)</u>		<u>4,176,420</u>	<u>(79,000)</u>	<u>1,573,171</u>
Net change in fund balance	(1,506,563)	148,356	2,634,375	(33,686)	1,242,482
Fund balances, Beginning	<u>6,930,311</u>	<u>218,873</u>	<u>5,433,805</u>	<u>101,712</u>	<u>12,684,701</u>
Fund balances, Ending	<u>\$ 5,423,748</u>	<u>\$ 367,229</u>	<u>\$ 8,068,180</u>	<u>\$ 68,026</u>	<u>\$ 13,927,183</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, 2007**

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

Net change in fund balances - total governmental funds	\$ 1,242,482
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.	3,712,863
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	5,372,603
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(178,787)
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>478,019</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 10,627,180</u></u>

City of Post Falls
Statement of Net Assets
Proprietary Funds
September 30, 2007

	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
Assets							
Current assets:							
Cash	\$ 3,958,876	\$ 4,393,739	\$ 13,664,850	\$ 15,158,518	\$ 246,809	\$ 261,832	\$ 17,870,535
Utility receivables, net	286,377	335,779	598,890	558,052	195,857	170,001	1,081,124
Restricted cash, customer deposits	147,038	165,753					147,038
Due from other funds	781,254	97,705	2,613,239	610,953			3,394,493
Total current assets	<u>5,173,545</u>	<u>4,992,976</u>	<u>16,876,979</u>	<u>16,327,523</u>	<u>442,666</u>	<u>431,833</u>	<u>22,493,190</u>
Non-current assets:							
Restricted cash	3,446,208	2,685,625	4,692,987	3,710,196			8,139,195
Restricted accrued interest	1,080	1,136	2,036	2,143			3,116
Bond issuance cost, net			1,514	2,284			1,514
Total restricted assets	<u>3,447,288</u>	<u>2,686,761</u>	<u>4,696,537</u>	<u>3,714,623</u>			<u>8,143,825</u>
Capital assets:							
Land	54,555	54,555	9,372,985	9,101,512			9,427,540
Wells	1,367,689	1,367,689					1,367,689
Water system	19,688,325	19,309,675					19,688,325
Equipment	491,847	419,573	1,098,593	1,069,524			1,590,440
Sewer system			44,312,001	40,669,512			44,312,001
Construction in progress	197,614		1,569,332	474,769			1,766,946
Less accumulated depreciation	(4,326,867)	(3,810,640)	(12,877,654)	(11,988,397)			(17,204,521)
Total capital assets (net of accumulated depreciation)	<u>17,473,163</u>	<u>17,340,852</u>	<u>43,475,257</u>	<u>39,326,920</u>			<u>60,948,420</u>
Total non-current assets	<u>20,920,451</u>	<u>20,027,613</u>	<u>48,171,794</u>	<u>43,041,543</u>			<u>69,092,245</u>
Total Assets	<u>26,093,996</u>	<u>25,020,589</u>	<u>65,048,773</u>	<u>59,369,066</u>	<u>442,666</u>	<u>431,833</u>	<u>91,585,435</u>
Liabilities							
Current liabilities:							
Accounts payable	95,068	51,417	56,711	250,631	112,141	100,045	263,920
Accrued payroll	8,649	7,485	13,334	11,156			21,983
Bond interest payable	59,014	61,276	70,013	77,424			129,027
Compensated absences	51,118	47,193	60,851	48,264			111,969
Customer deposits payable	147,038	165,753					147,038
Bond payable - current maturity	125,169	120,604	664,909	652,611			790,078
Total current liabilities	<u>486,056</u>	<u>453,728</u>	<u>865,818</u>	<u>1,040,086</u>	<u>112,141</u>	<u>100,045</u>	<u>1,464,015</u>
Noncurrent liabilities:							
Bonds payable	3,022,256	3,147,424	5,243,039	5,907,949			8,265,295
Total noncurrent liabilities	<u>3,022,256</u>	<u>3,147,424</u>	<u>5,243,039</u>	<u>5,907,949</u>			<u>8,265,295</u>
Total Liabilities	<u>3,508,312</u>	<u>3,601,152</u>	<u>6,108,857</u>	<u>6,948,035</u>	<u>112,141</u>	<u>100,045</u>	<u>9,729,310</u>
Net Assets							
Invested in capital assets, net of related debt	14,325,738	14,072,824	37,567,309	32,766,360			51,893,047
Restricted for:							
Replacement	2,077,305	1,382,908	3,583,380	2,617,760			5,660,685
Bond Retirement	1,089,927	1,036,455	906,960	866,555			1,996,887
Unrestricted	5,092,714	4,927,250	16,882,267	16,170,356	330,525	331,788	22,305,506
Total Net Assets	<u>\$ 22,585,684</u>	<u>\$ 21,419,437</u>	<u>\$ 58,939,916</u>	<u>\$ 52,421,031</u>	<u>\$ 330,525</u>	<u>\$ 331,788</u>	<u>\$ 81,856,125</u>

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

City of Post Falls
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2007

	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	\$ 1,931,661	\$ 1,822,589	\$ 4,004,679	\$ 3,728,430	\$ 1,559,448	\$ 1,462,913	\$ 7,495,788
Hookups and connections	24,034	50,903					24,034
Other revenues	139,801	120,971	172,749	228,203	36,496	26,158	349,046
Total operating revenues	<u>2,095,496</u>	<u>1,994,463</u>	<u>4,177,428</u>	<u>3,956,633</u>	<u>1,595,944</u>	<u>1,489,071</u>	<u>7,868,868</u>
Operating Expenses:							
Salaries and benefits	398,217	379,356	630,294	591,151			1,028,511
Administrative and supplies	411,252	378,440	936,149	1,141,040	1,281,986	1,202,137	2,629,387
Depreciation	516,227	501,359	899,549	871,988			1,415,776
Total operating expenses	<u>1,325,696</u>	<u>1,259,155</u>	<u>2,465,992</u>	<u>2,604,179</u>	<u>1,281,986</u>	<u>1,202,137</u>	<u>5,073,674</u>
Operating income	<u>769,800</u>	<u>735,308</u>	<u>1,711,436</u>	<u>1,352,454</u>	<u>313,958</u>	<u>286,934</u>	<u>2,795,194</u>
Nonoperating revenues (expenses):							
Intergovernmental	4,400	32,921					4,400
Investment income	352,114	239,781	855,207	607,724	10,899	7,456	1,218,220
Interest expense	(121,570)	(153,191)	(236,943)	(258,283)			(358,513)
Gain on sale of capital assets			1,800				1,800
Amortization of refunding costs			(770)	(770)			(770)
Total nonoperating revenues (expenses)	<u>234,944</u>	<u>119,511</u>	<u>619,294</u>	<u>348,671</u>	<u>10,899</u>	<u>7,456</u>	<u>865,137</u>
Income before contributions and transfers	<u>1,004,744</u>	<u>854,819</u>	<u>2,330,730</u>	<u>1,701,125</u>	<u>324,857</u>	<u>294,390</u>	<u>3,660,331</u>
Capital Contributions - tap fees	729,717	559,939	4,825,855	4,427,542			5,555,572
Transfers in							
Transfers out	(568,214)	(353,035)	(637,700)	(418,535)	(326,120)	(185,770)	(1,532,034)
Changes in net assets	<u>1,166,247</u>	<u>1,061,723</u>	<u>6,518,885</u>	<u>5,710,132</u>	<u>(1,263)</u>	<u>108,620</u>	<u>7,683,869</u>
Total net assets - beginning	<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>
Total net assets - ending	<u>\$ 22,585,684</u>	<u>\$ 21,419,437</u>	<u>\$ 58,939,916</u>	<u>\$ 52,421,031</u>	<u>\$ 330,525</u>	<u>\$ 331,788</u>	<u>\$ 81,856,125</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, 2007

	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	
Cash Flows from Operating Activities							
Receipts from customers	\$ 2,126,183	\$ 2,468,004	\$ 4,136,590	\$ 4,038,541	\$ 1,570,088	\$ 1,471,791	\$ 7,832,861
Payments to suppliers	(367,601)	(348,827)	(1,130,069)	(961,141)	(1,269,890)	(1,204,229)	(2,767,560)
Payments to employees	(393,128)	(375,603)	(615,529)	(591,592)			(1,008,657)
Net cash provided by operating activities	<u>1,365,454</u>	<u>1,743,574</u>	<u>2,390,992</u>	<u>2,485,808</u>	<u>300,198</u>	<u>267,562</u>	<u>4,056,644</u>
Cash Flows from Non-capital Financing Activities							
Transfer from other funds							
Operating subsidies and transfers to other funds	(568,214)	(353,035)	(637,700)	(418,535)	(326,120)	(185,770)	(1,532,034)
Advances from other funds	(683,549)	(97,705)	(2,002,286)	(610,953)			(2,685,835)
Subsidy from federal grant	4,400	32,921					4,400
Net cash (used) by non-capital financing activities	<u>(1,247,363)</u>	<u>(417,819)</u>	<u>(2,639,986)</u>	<u>(1,029,488)</u>	<u>(326,120)</u>	<u>(185,770)</u>	<u>(4,213,469)</u>
Cash Flows from Capital and Related Financing Activities							
Proceeds from capital debt							
System development fees	729,717	559,939	4,825,855	4,427,542			5,555,572
Proceeds from sale of capital assets			1,800				1,800
Principal payments on capital debt	(120,603)	(116,205)	(652,612)	(640,594)			(773,215)
Interest payments on capital debt	(123,832)	(125,829)	(244,354)	(266,447)			(368,186)
Purchase of capital assets	(648,538)	(628,960)	(5,047,886)	(2,339,182)			(5,696,424)
Net cash provided (used) by capital and related financing activities	<u>(163,256)</u>	<u>(311,055)</u>	<u>(1,117,197)</u>	<u>1,181,319</u>			<u>(1,280,453)</u>
Cash Flows from Investing Activities							
Interest received on investments	<u>352,170</u>	<u>239,568</u>	<u>855,314</u>	<u>607,322</u>	<u>10,899</u>	<u>7,456</u>	<u>1,218,383</u>
Net cash provided by investing activities	<u>352,170</u>	<u>239,568</u>	<u>855,314</u>	<u>607,322</u>	<u>10,899</u>	<u>7,456</u>	<u>1,218,383</u>
Net increase (decrease) in cash and cash equivalents	307,005	1,254,268	(510,877)	3,244,961	(15,023)	89,248	(218,895)
Cash and cash equivalents, beginning	<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>
Cash and cash equivalents, ending	<u>\$ 7,552,122</u>	<u>\$ 7,245,117</u>	<u>\$ 18,357,837</u>	<u>\$ 18,868,714</u>	<u>\$ 246,809</u>	<u>\$ 261,832</u>	<u>\$ 26,156,768</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:							
Operating income	\$ 769,800	\$ 735,308	\$ 1,711,436	\$ 1,352,454	\$ 313,958	\$ 286,934	\$ 2,795,194
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	516,227	501,359	899,549	871,988			1,415,776
Asset trade-in							
Changes in assets and liabilities:							
Accounts receivable	49,402	477,108	(40,838)	81,908	(25,856)	(17,280)	(17,292)
Accounts payable	43,651	29,612	(193,920)	179,899	12,096	(2,092)	(138,173)
Accrued payroll	5,089	3,753	14,765	(441)			19,854
Customer deposits	(18,715)	(3,567)					(18,715)
Total adjustments	<u>\$ 1,365,454</u>	<u>\$ 1,743,573</u>	<u>\$ 2,390,992</u>	<u>\$ 2,485,808</u>	<u>\$ 300,198</u>	<u>\$ 267,562</u>	<u>\$ 4,056,644</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

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, 2007

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 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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, 2007

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, 2007

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, 2007 materially approximates fair value. Investments on hand at September 30, 2007 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, 2007**

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:

	<u>Estimated Life</u>
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:

	<u>Years</u>
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, 2007 are as follows:

Water:	
Gross accounts receivable	\$295,031
Less allowance for doubtful accounts	<u>(8,654)</u>
Accounts receivable, net	<u>\$286,377</u>
Sewer:	
Gross accounts receivable	\$796,852
Less allowance for doubtful accounts	<u>(197,962)</u>
Accounts receivable, net	<u>\$598,890</u>
Sanitation:	
Gross accounts receivable	\$201,872
Less allowance for doubtful accounts	<u>(6,015)</u>
Accounts receivable, net	<u>\$195,857</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

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 2006-07 fiscal year was .004051779.

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 2: 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, 2007:

Cash on hand	\$ 7,610
Deposits with financial institutions:	
Demand deposit	(193,857)
Time certificates of deposit	10,950
Investments	<u>43,660,898</u>
Total	<u>\$43,485,601</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 2: CASH AND INVESTMENTS (Continued)

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

Cash and Investments	\$34,177,240
Restricted Cash and Investments	<u>9,308,361</u>
Total	<u>\$43,485,601</u>

Deposits

The carrying amount of the City's deposits with financial institutions was \$(182,907) and the bank balance was \$119,904. Of the bank balance, \$119,904 was covered by federal depository insurance or by collateral held by the government's agent in the government'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 investment policy was developed by the Finance Department and adopted by the City Council. It was also certified by the Association of Public Treasurers, United States & Canada. The policy provides the Finance Director with the authority to invest in any of the securities identified as eligible investments as defined by State statute with primary emphasis of safety of principal and liquidity.

The City participates in the Idaho State Treasurer's Local Governmental Investment Pool (LGIP) which is under the administrative control of the Idaho State Treasurer's Office. The LGIP is rated "AAA" by Standard and Poor's. The pool seeks to maintain a constant value of \$1 per share. 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.

The investments the city has in the State Investment Pool are carried at cost which approximates fair market value. The city's portion of the State Investment Pool had an unrealized gain of \$157,915.49 which has not been recognized in the financial statements.

Custodial credit risk for investments is the risk that in the event of failure of the counterparty to a transaction, the City will not recover the value of the investment or collateral securities that are in the possession of an outside party. Except for the certificates of deposit, the remaining investments of the City were not exposed to custodial credit risk as of September 30, 2007. For purposes of risk exposure, certificates of deposit are treated as deposits, which were previously discussed above.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 3: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2007:

Delinquent principal amounts	\$ 17,290
Deferred principal amounts not currently due, but due at future date	<u>2,147,243</u>
	<u>\$2,164,533</u>

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

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2007, is as follows:

	September 30, 2006	Adjustments			September 30, 2007
		Additions	Transfers	Deletions	
GOVERNMENTAL ACTIVITIES:					
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	10,118,719	\$3,246,315			13,365,034
Equipment	3,446,013	409,645			3,855,658
Vehicles	1,933,708	218,952		(\$8,000)	2,144,660
Infrastructure	21,333,164	6,397,121			27,730,285
Total capital assets, being depreciated	36,831,604	10,272,033		(8,000)	47,095,637
Less: accumulated depreciation					
Buildings and improvements	1,955,526	311,047			2,266,573
Equipment	1,952,870	309,051			2,261,921
Vehicles	1,437,887	148,450		(8,000)	1,578,337
Infrastructure	1,371,448	418,019			1,789,467
Total accumulated depreciation	6,717,731	1,186,567		(8,000)	7,896,298
Total capital assets being depreciated, net	30,113,873	9,085,466			39,199,339
Governmental activities capital assets, net	\$34,951,809	\$9,085,466	\$0	\$0	\$44,037,275

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 4: CAPITAL ASSETS (Continued)

	September 30, 2006	Adjustments			September 30, 2007
	Additions	Transfers	Deletions		
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets, not being depreciated:					
Land	\$9,156,067	\$271,473			\$9,427,540
C.I.P.	474,769	3,272,538	(\$1,980,361)		1,766,946
Total capital assets, not being depreciated	9,630,836	3,544,011	(1,980,361)		11,194,486
Capital assets, being depreciated:					
Wells	1,367,689				1,367,689
Water System	19,309,675	378,650			19,688,325
Equipment	1,489,097	111,635		(\$10,292)	1,590,440
Sewer System	40,669,512	1,662,128	1,980,361		44,312,001
Total capital assets, being depreciated	62,835,973	2,152,413	1,980,361	(10,292)	66,958,455
Less: accumulated depreciation					
Wells	731,804	47,836			779,640
Water System	2,899,949	401,184			3,301,133
Equipment	1,018,302	108,169		(10,292)	1,116,179
Sewer System	11,148,982	858,587			12,007,569
Total accumulated depreciation	15,799,037	1,415,776		(10,292)	17,204,521
Total capital assets being depreciated, net	47,036,936	736,637	1,980,361	0	49,753,934
Business-type activities capital assets, net	\$56,667,772	\$4,280,648	\$0	\$0	\$60,948,420

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

Governmental activities:	
General government	\$250,731
Public safety	242,679
Highways and public works	580,232
Culture and recreation	112,925
Total depreciation expense – governmental activities	<u>\$1,186,567</u>
Business-type activities:	
Water	\$516,227
Sewer	899,549
Total depreciation expense – business-type activities	<u>\$1,415,776</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 5: 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, 2007, the required contribution rates of covered payroll were as follows:

For the period October 1, 2006 through September 30, 2007:

	<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 \$681,920, \$620,962, and \$572,536 for the three years ended September 30, 2007, 2006, and 2005, respectively.

NOTE 6: 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, 2007

NOTE 6: LONG-TERM DEBT (Continued)

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

G.O.B.:	<u>Year Ending</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	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>\$980,000</u>	<u>\$139,995</u>	<u>\$1,119,995</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>
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	587,280	122,079	709,359
2013-2017	1,800,233	327,169	2,127,402
2018-2022	600,000	160,988	760,988
2023-2025	425,000	35,032	460,032
	<u>\$5,907,948</u>	<u>\$1,369,069</u>	<u>\$7,277,017</u>

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2007**

NOTE 6: 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>
2008	125,169	116,866	242,035
2009	129,906	112,128	242,034
2010	134,824	107,211	242,035
2011	139,927	102,107	242,034
2012	145,223	96,811	242,034
2013-2017	812,852	397,320	1,210,172
2018-2022	978,785	231,387	1,210,172
2023-2025	680,738	45,365	726,103
	<u>\$3,147,424</u>	<u>\$1,209,195</u>	<u>\$4,356,619</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2007, was as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
L.I.D. #96-1:	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>47,476</u>
			<u>\$85,001</u>	<u>\$7,110</u>	<u>\$92,111</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6: LONG-TERM DEBT (Continued)

L.I.D. #99-1:					
	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	4.60	15,000	7,770	22,770
	3/01/13-17	4.80-5.40	95,000	26,460	121,460
	3/01/18-19	5.50-5.60	<u>40,000</u>	<u>3,250</u>	<u>43,250</u>
			<u>\$210,000</u>	<u>\$74,703</u>	<u>\$284,703</u>
L.I.D. 2004-1:					
	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	4.50	50,000	96,170	146,170
	5/01/13-17	4.55-4.75	295,000	443,601	738,601
	5/01/18-21	4.80-5.00	<u>1,610,000</u>	<u>300,934</u>	<u>1,910,934</u>
			<u>\$2,140,000</u>	<u>\$1,246,075</u>	<u>\$3,386,075</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, 2007 is \$20,650. As of September 30, 2007, \$66,158 is set-aside in this fund.

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

	<u>Balance</u> <u>10/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/07</u>
Compensated absences	\$ 661,919	\$638,989	\$569,353	\$731,555
Capital leases (Note 8)	4,687,182	41,138	334,655	4,393,665
General Fund Bonds Payable	1,115,000		135,000	980,000
Local Imp. Bonds payable	<u>2,555,001</u>		<u>120,000</u>	<u>2,435,001</u>
	<u>\$9,019,102</u>	<u>\$680,127</u>	<u>\$1,159,008</u>	<u>\$8,540,221</u>
	Due in <u>One Year</u>			
Compensated absences	\$371,264			
Capital leases (Note 8)	353,824			
General Fund Bonds Payable	145,000			
Local Imp. Bonds payable	<u>100,000</u>			
	<u>\$970,088</u>			

City of Post Falls

NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 6: LONG-TERM DEBT (Continued)

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

	<u>Balance</u> <u>10/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/07</u>
Compensated absences	\$ 95,457	\$97,480	\$80,968	\$111,969
Bonds payable	<u>9,828,588</u>		<u>773,215</u>	<u>9,055,373</u>
	<u>\$9,924,045</u>	<u>\$97,480</u>	<u>\$854,183</u>	<u>\$9,167,342</u>
	Due in <u>One Year</u>			
Compensated absences	\$66,962			
Bonds payable	<u>790,078</u>			
	<u>\$857,040</u>			

NOTE 7: 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 \$487,644 with \$123,474 in depreciation booked and the booked asset value of the building/land is \$5,520,249, with \$651,758 in depreciation booked, with \$354,610 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:

2008	\$ 578,149
2009	517,707
2010	484,766
2011	451,576
2012	452,880
2013-2017	2,149,050
2018-2022	<u>1,900,800</u>
Future minimum lease payments	6,534,928
Less amounts representing interest	<u>(2,141,263)</u>
	<u>\$4,393,665</u>

NOTE 8: 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, 2007

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

Notes Payable

Jacklin - The long-term note payable balance of \$85,031 at September 30, 2007 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 2007, \$274,627 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 2007 fiscal year, \$157,719 was owed to the City of Post Falls for construction costs incurred by the Agency and paid by the City. During fiscal year 2007 \$27,288 was repaid to the City leaving a balance of \$130,131. 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.

Greenstone- The long-term note payable balance of \$989,016 at September 30, 2007, is a note payable to the Greenstone Corporation with no interest. The loan was made in order to cover the cash flow requirement for improvements made to infrastructure in the Center Point urban renewal district. The debt is being repaid as property tax revenues collected in the district have been received by the Agency. During the fiscal year 2007, \$208,987 was repaid to Greenstone. 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.

Stateline- The long-term note payable balance of \$762,250 at September 30, 2007, is a note payable to the Stateline Business Park, LLC (SBP), with no interest. The loan was made in order to cover the cash flow requirement for improvements made to infrastructure in the Center Point urban renewal district. The debt will be repaid as property tax revenues collected in the area of the district improved by SBP are received by the Agency. During the fiscal year 2007, nothing was repaid to SBP, as tax revenues covered only fees incurred by SBP. 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.

Watson- The long-term note payable balance of \$605,786 at September 30, 2007, is a note payable to Watson and Associates, LLC with no interest. The loan was made in order to cover the cash flow requirement for improvements made to infrastructure in the Expo urban renewal district. The debt is being repaid as property tax revenues collected in the district have been received by the Agency. During the fiscal year 2007, \$99,775 was repaid to Watson. 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.

4th Street- The long-term note payable balance of \$662,527 at September 30, 2007, is a note payable to the City of Post Falls with no interest. The loan was made in order to cover the cost of improvements made to infrastructure in the City Center urban renewal district. The debt is being repaid as invoices from the city have been received by the Agency. There is no repayment schedule, however contractually the Agency is obligated to pay this note off in the 2008 fiscal year. Consequently, the entire amount has been included in the current portion of long term debt.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

Centennial Trail- The long-term note payable balance of \$20,000 at September 30, 2007, is a note payable to Dr. Detar with no interest. The loan was made in order to cover the cost of improvements made to the Centennial Trail in the City Center urban renewal district. The debt will be repaid as invoices for work done are received by the Agency. During the fiscal year 2007, nothing was repaid to Dr. Detar. 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.

Fountains Project- The long-term note payable balance of \$9,424 at September 30, 2007, is a note payable to various contractors with no interest. The loan was made in order to cover the cash flow requirement for improvements made to fountains on the freeway off-ramps in the City Center urban renewal district. The debt is being repaid as invoices for work done have been received by the Agency. During the fiscal year 2007, nothing was repaid. 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.

William Street- The long-term note payable balance of \$29,305 at September 30, 2007, is a note payable to the City of Post Falls with no interest. The loan was made in order to cover the cost of improvements made to infrastructure in the Center Point urban renewal district. The debt will be repaid as invoices for work done are received by the Agency. During the fiscal year 2007, nothing was repaid. 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.

Washington Trust Bank – During fiscal 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:

Fiscal Year Ending September 30,	Rate	Principal	Interest	Total
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>\$423,300</u>	<u>\$83,893</u>	<u>\$507,193</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

The changes in long-term debt for the year ending September 30, 2007 are as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
City	\$157,719		\$ 27,288	\$ 130,431	
Jacklin	359,658		274,627	85,031	
Washington Trust Bank	473,100		49,800	423,300	\$49,800
Greenstone		\$1,198,003	208,987	989,016	
Stateline		762,250		762,250	
Watson		705,561	99,775	605,786	
4 th Street		662,527		662,527	662,527
Centennial Trail		20,000		20,000	
Fountain Project		9,424		9,424	
Williams Street		29,305		29,305	
	<u>\$990,477</u>	<u>\$3,387,070</u>	<u>\$660,777</u>	<u>\$3,716,070</u>	<u>\$712,327</u>

Agency Cash and Investments

At September 30, 2007, the carrying amount of the Agency's deposits was \$2,419,294 and the bank balance was \$2,423,978. The cash and investments on deposit with various financial institutions are recorded at cost and categorized as follows as of September 30, 2007:

	<u>Cash</u>	<u>Investments</u>
Funds held in the Agency's name by the Idaho State Investment Pool		<u>\$2,398,660</u>
Amount insured by FDIC	<u>\$25,318</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, 2007 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.

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2007**

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

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 Treasurer'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.

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 \$10,978 as of September 30, 2007 which has not been recognized in the financial statement.

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.

Financial information is available by contacting the Idaho State Treasurer at:

Idaho State Treasurer
P.O. Box 83720
Boise, Idaho 83720-0091

NOTE 9: EXPENDITURES IN EXCESS OF BUDGETED APPROPRIATIONS

The following fund had expenditures in excess of budget:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>
Special Revenue:		
Street Lights	\$250,500	\$261,250

The over expenditure in this fund occurred because the budget was not amended during the year to handle the resultant over expenditure. Adequate cash was available to handle the additional costs and revenues came in \$28,667 higher than budgeted. The reason behind the over expenditure was more street lights built out than were anticipated in the fiscal year.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 10: DEFICIT FUND EQUITY

The following funds had a deficit fund equity at September 30, 2007:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
911 Support	\$531,553
Debt Service:	
LID 91-1	\$1,752

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

NOTE 11: COMMITMENTS AND CONTINGENCIES

Commitments –The City is currently working on a couple of sewer projects. The first and largest project is the wastewater treatment plant upgrade and the second project is lift station upgrade. The water is also installing a new well. All projects should be completed in FY 08.

The City is also in the process building a New City Hall. A contractor was selected in the spring of 2007 and the City broke ground in April 2007. This project will be completed in FY 08.

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. Both should be completed in FY 08.

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 12: 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 13: TRANSFERS

The composition of interfund transfers as of September 30, 2007, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,118,033	\$3,683,420
Capital Fund	4,251,420	75,000
Nonmajor Governmental Funds	40,966	119,965
Enterprise Funds	<u> </u>	<u>1,532,034</u>
Totals	<u>\$5,410,419</u>	<u>\$5,410,419</u>

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 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 principal purpose for the transfer of funds from the Nonmajor governmental funds to the Capital fund was to assist with the building of the New City Hall. The balance of the transfers was to use the LID Guarantee fund to help pay for bonds on LID 91-1 and CLID #2.

NOTE 14: INTERFUND RECEIVABLES/PAYABLES:

The composition of interfund balances as of September 30, 2007 is as follows:

Interfund receivable/payable:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 113,025	\$ 64,164
Capital Fund		2,752,000
Nonmajor Governmental Funds		691,354
Enterprise Funds	<u>3,394,493</u>	<u> </u>
Totals	<u>\$3,507,518</u>	<u>\$3,507,518</u>

One of the purposes 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. This would include the Nonmajor Governmental funds payables. The exceptions to this are the borrowing from the Enterprise funds. The General Fund owes \$64,164 to the Sewer Fund for the construction of an animal shelter in 2006 that will be paid over the next five to ten years. The 911 Support Fund owes \$93,253 to the Water Fund and \$485,076 to the Sewer Fund for construction of a wireless communication tower in 2007 that will be paid over the next five to ten years. The Capital Fund owes \$688,000 to the Water Fund and \$2,064,000 to the Sewer Fund for construction of the New City Hall in 2007, to be paid back over the next 20 years.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

NOTE 15: 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.

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 16: 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 \$8,627,498 difference are as follows:

City of Post Falls

NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE 16: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Bonds payable	\$3,415,001
Accrued interest payable	87,277
Capital leases payable	4,393,665
Compensated absences	<u>731,555</u>
 Net adjustment to reduce fund <i>balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	 <u>\$8,627,498</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

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 \$3,712,863 are as follows:

Capital outlay	\$4,899,430
Depreciation	<u>(1,186,567)</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>\$3,712,863</u>

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 \$5,372,603 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.

	\$ -0-
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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>5,372,603</u>
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Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities*

	<u>\$5,372,603</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 \$(178,787) difference are as follows:

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2007

**NOTE 16: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)**

Property taxes	\$ 26,935
HUD repayments	(6,207)
Special Assessment debt issued and repaid	<u>(199,515)</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(178,787)</u>
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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 \$478,019 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (41,138)
Compensated absences	(638,989)
Principal repayments:	
General obligation debt	135,000
Capital lease financing	334,655
Compensated absences	569,353
Special assessment debt	120,000
Accrued interest payable	<u>(862)</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>\$ 478,019</u>
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NOTE 17: RESTATEMENT OF FUND BALANCE

For the fiscal year ended September 30, 2007, the City has implemented GASB Statement No. 34, *Basic Financial Statements – Infrastructure Reporting – for State and Local Governments*.

The implementation of retroactive infrastructure caused the opening net asset balance at September 30, 2006 to be restated as follows:

Net Assets Ending – Governmental Activities, September 30, 2006	\$37,166,206
Add: Capital assets, September 30 2006	5,004,584
Less: Accumulated depreciation, September 30, 2006	<u>(1,056,025)</u>
Net assets, September 30, 2006	<u>\$41,114,765</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

The following schedule is a budgetary comparison schedule for the General Fund.

Notes to the Required Supplementary Information

Budgetary Information – Budgets are adopted at a legal appropriation level while on a GAAP budgetary basis.

**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, 2007**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
General taxes	\$ 7,516,601	\$ 7,516,601	\$ 7,544,333	\$ 27,732
Intergovernmental revenue	2,574,176	2,727,082	3,433,920	706,838
Charges for services	2,359,828	2,387,568	2,278,365	(109,203)
Other revenue	291,242	314,699	444,712	130,013
Interest	234,500	239,500	491,495	251,995
Total revenues	<u>12,976,347</u>	<u>13,185,450</u>	<u>14,192,825</u>	<u>1,007,375</u>
Expenditures				
Current:				
General government	6,276,492	5,946,671	5,297,590	649,081
Public safety	3,633,855	3,767,772	3,707,603	60,169
Highways and public works	1,586,893	1,678,732	1,580,557	98,175
Culture and recreation	1,377,830	1,406,528	1,458,543	(52,015)
Capital outlay	640,957	733,513	496,260	237,253
Debt service				
Principal	400,775	400,775	400,772	3
Interest	257,579	257,579	233,814	23,765
Total expenditures	<u>14,174,381</u>	<u>14,191,570</u>	<u>13,175,139</u>	<u>1,016,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,198,034)</u>	<u>(1,006,120)</u>	<u>1,017,686</u>	<u>2,023,806</u>
Other Financing Sources (Uses)				
Proceeds of capital financing			41,138	41,138
Transfers in	1,148,033	1,118,033	1,118,033	
Transfers (out)	(375,000)	(3,683,420)	(3,683,420)	
Total other financing sources (uses)	<u>773,033</u>	<u>(2,565,387)</u>	<u>(2,524,249)</u>	<u>41,138</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	(425,001)	(3,571,507)	(1,506,563)	2,064,944
Fund balances - beginning	<u>6,930,311</u>	<u>6,930,311</u>	<u>6,930,311</u>	
Fund balances - ending	<u>\$ 6,505,310</u>	<u>\$ 3,358,804</u>	<u>\$ 5,423,748</u>	<u>\$ 2,064,944</u>

**City of Post Falls
Combining Balance Sheet
Nonmajor Government Funds
September 30, 2007**

	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	LID 99-1	LID 96-1	LID 91-1	CLID #2	LID 89-1		LID Guarantee
Assets														
Cash	\$ 80,218	\$ 1,262	\$ 1,540	\$ 76,837	\$158,747	\$104,811	\$ 6,103	\$ 143,535	\$ 43,472		\$ 112	\$ 122	\$ 66,158	\$ 682,917
Accounts receivable:														
Loans receivable		8,975												8,975
Miscellaneous Customers	300				30,444			71,575	14,215	\$ 1,259	275	348		87,672
Other governments						59,529								30,744
Assessments - delinquent - deferred									11,668	1,142	256	287		59,529
Interfund receivables								87,972	40,388	395		222		13,353
Accrued interest														128,977
Total assets	\$ 80,518	\$ 10,237	\$ 1,540	\$ 76,837	\$189,191	\$164,340	\$ 6,103	\$ 303,082	\$ 109,743	\$ 2,796	\$ 643	\$ 979	\$ 66,158	\$ 1,012,167
Liabilities and Fund balances														
Liabilities:														
Accounts payable				\$ 540	\$ 21,817	\$117,564								\$ 139,921
Interfund payable						578,329		\$ 71,575		\$ 3,011				652,915
Deferred revenue		\$ 8,975						87,972	\$ 52,056	1,537	\$ 256	\$ 509		151,305
Total liabilities		8,975		540	21,817	695,893		159,547	52,056	4,548	256	509		944,141
Fund balances:														
Undesignated	\$ 80,518	1,262	\$ 1,540	76,297	167,374	(531,553)	\$ 6,103	143,535	57,687	(1,752)	387	470	\$ 66,158	68,026
Total fund balances	80,518	1,262	1,540	76,297	167,374	(531,553)	6,103	143,535	57,687	(1,752)	387	470	66,158	68,026
Total liabilities and fund balances	\$ 80,518	\$ 10,237	\$ 1,540	\$ 76,837	\$189,191	\$164,340	\$ 6,103	\$ 303,082	\$ 109,743	\$ 2,796	\$ 643	\$ 979	\$ 66,158	\$ 1,012,167

City of Post Falls
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Government Funds
For the fiscal year ended September 30, 2007

	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	LID 99-1	LID 96-1	LID 91-1	CLID #2	LID 89-1	
Revenues:													
Taxes													
Charges-services/program remittances				\$ 26,083	\$279,013	\$ 65,000							
Other revenue	\$ 37,032			1,680	4,870	237,916							
Principal		\$ 6,207											
Interest	2,612	4,301	\$ 64	3,145	6,284	5,733	\$ 336	4,970	28,318	1,469	\$ 452	\$ 287	2,618
Total revenues	39,644	10,508	64	30,908	290,167	308,649	336	16,726	36,724	1,780	452	408	2,618
Expenditures:													
Current:													
General government								2,250	1,250	200			
Public safety						112,327	2,643						
Highways and public works					261,250								
Culture and recreation				23,054									
Capital outlay						170,393							
Debt service:													
Principal								15,000	40,000	20,000			
Interest						26,338		10,620	6,755	1,590			
Total expenditures				23,054	261,250	309,058	2,643	27,870	48,005	21,790			2,618
Excess (deficiency) of revenues over expenditures	39,644	10,508	64	7,854	28,917	(409)	(2,307)	(11,144)	(11,281)	(20,010)	452	408	2,618
Other financing sources (uses):													
Transfers in										19,440			21,525
Transfers out		(68,000)			(11,000)					(19,000)	(2,525)		(19,440)
Total other financing sources (uses)		(68,000)			(11,000)					19,440	(19,000)	(2,525)	2,085
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	39,644	(57,492)	64	7,854	17,917	(409)	(2,307)	(11,144)	(11,281)	(570)	(18,548)	(2,117)	4,703
Fund balances, beginning	40,874	58,754	1,476	68,443	149,457	(531,144)	8,410	154,679	68,968	(1,182)	18,935	2,587	61,455
Fund balances, ending	\$ 80,518	\$ 1,262	\$ 1,540	\$ 76,297	\$167,374	\$(531,553)	\$ 6,103	\$ 143,535	\$ 57,687	\$ (1,752)	\$ 387	\$ 470	\$ 66,158

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

Major Governmental Funds

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 2004-1
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2007**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Principal	\$ 120,000	\$ 120,000	\$ 164,666	\$ 44,666
Interest	135,000	135,000	152,296	17,296
Total revenues	<u>255,000</u>	<u>255,000</u>	<u>316,962</u>	<u>61,962</u>
Expenditures				
Current:				
General government	21,850	21,850	21,850	
Capital outlay				
Debt Service				
Principal	45,000	45,000	45,000	
Interest	101,756	101,756	101,756	
Total expenditures	<u>168,606</u>	<u>168,606</u>	<u>168,606</u>	
Excess (deficiency) of revenues over expenditures	<u>86,394</u>	<u>86,394</u>	<u>148,356</u>	<u>61,962</u>
Other Financing Sources (Uses)				
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	86,394	86,394	148,356	61,962
Fund balances - beginning	<u>218,873</u>	<u>218,873</u>	<u>218,873</u>	
Fund balances - ending	<u>\$ 305,267</u>	<u>\$ 305,267</u>	<u>\$ 367,229</u>	<u>\$ 61,962</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, 2007**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue		\$ 927,000	\$ 656,709	\$ (270,291)
Charges for services	\$ 1,257,000	1,257,000	1,705,663	448,663
Other revenue		510,591	191,575	(319,016)
Interest	55,000	55,000	317,336	262,336
Total revenues	<u>1,312,000</u>	<u>2,749,591</u>	<u>2,871,283</u>	<u>121,692</u>
Expenditures				
Current:				
General government	1,515,700	2,030,700	58,465	1,972,235
Capital outlay	7,362,500	11,613,877	4,232,784	7,381,093
Debt Service				
Principal	195,000	70,000	68,883	1,117
Interest	283,800	33,800	53,196	(19,396)
Total expenditures	<u>9,357,000</u>	<u>13,748,377</u>	<u>4,413,328</u>	<u>9,335,049</u>
Excess (deficiency) of revenues over expenditures	<u>(8,045,000)</u>	<u>(10,998,786)</u>	<u>(1,542,045)</u>	<u>9,456,741</u>
Other Financing Sources (Uses)				
Proceeds of capital financing	4,367,000			
Transfers in	375,000	4,251,420	4,251,420	
Transfers (out)	(75,000)	(75,000)	(75,000)	
sources (uses)	<u>4,667,000</u>	<u>4,176,420</u>	<u>4,176,420</u>	
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>(3,378,000)</u>	<u>(6,822,366)</u>	<u>2,634,375</u>	<u>9,456,741</u>
Fund balances - beginning	<u>5,433,805</u>	<u>5,433,805</u>	<u>5,433,805</u>	
Fund balances - ending	<u>\$ 2,055,805</u>	<u>\$ (1,388,561)</u>	<u>\$ 8,068,180</u>	<u>\$ 9,456,741</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.

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 99-1 - accounts 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, 2007**

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 15,000	\$ 37,032	\$ 22,032
Interest		2,612	2,612
Total revenues	<u>15,000</u>	<u>39,644</u>	<u>24,644</u>
Expenditures:			
Excess (deficiency) of revenues over expenditures	<u>15,000</u>	<u>39,644</u>	<u>24,644</u>
Other financing (uses):			
Total other financing (uses)			
Excess (deficiency) of revenues over expenditures and other financing (uses)	15,000	39,644	24,644
Fund balances, beginning	<u>40,874</u>	<u>40,874</u>	
Fund balances, ending	<u>\$ 55,874</u>	<u>\$ 80,518</u>	<u>\$ 24,644</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, 2007**

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal		\$ 6,207	\$ 6,207
Interest		4,301	4,301
Total revenues		<u>10,508</u>	<u>10,508</u>
Expenditures:			
Excess (deficiency) of revenues over (under) expenditures		<u>10,508</u>	<u>10,508</u>
Other financing sources (uses):			
Operating transfers out	(68,000)	(68,000)	
Total other financing sources (uses)	<u>(68,000)</u>	<u>(68,000)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(68,000)	(57,492)	10,508
Fund balances, beginning	<u>58,754</u>	<u>58,754</u>	
Fund balances, ending	<u>\$ (9,246)</u>	<u>\$ 1,262</u>	<u>\$ 10,508</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, 2007**

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 64	\$ 64
Total revenues		64	64
Expenditures:			
Excess (deficiency) of revenues over expenditures		64	64
Other financing (uses):			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		64	64
Fund balances, beginning	\$ 1,476	1,476	
Fund balances, ending	\$ 1,476	\$ 1,540	\$ 64

**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, 2007**

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 38,709	\$ 26,083	\$ (12,626)
Other revenue	2,878	1,680	(1,198)
Interest		3,145	3,145
Total revenues	<u>41,587</u>	<u>30,908</u>	<u>(10,679)</u>
Expenditures:			
Culture and recreation	<u>42,712</u>	<u>23,054</u>	<u>19,658</u>
Total expenditures	<u>42,712</u>	<u>23,054</u>	<u>19,658</u>
Excess (deficiency) of revenues over (under) expenditures	(1,125)	7,854	8,979
Other financing (uses):			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,125)	7,854	8,979
Fund balances, beginning	<u>68,443</u>	<u>68,443</u>	
Fund balances, ending	<u>\$ 67,318</u>	<u>\$ 76,297</u>	<u>\$ 8,979</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, 2007**

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 261,000	\$ 279,013	\$ 18,013
Other revenue		4,870	4,870
Interest	500	6,284	5,784
Total revenues	<u>261,500</u>	<u>290,167</u>	<u>28,667</u>
Expenditures:			
Highways and public works	250,500	261,250	(10,750)
Total expenditures	<u>250,500</u>	<u>261,250</u>	<u>(10,750)</u>
Excess (deficiency) of revenues over expenditures	<u>11,000</u>	<u>28,917</u>	<u>17,917</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)		17,917	17,917
Fund balances, beginning	<u>149,457</u>	<u>149,457</u>	
Fund balances, ending	<u>\$ 149,457</u>	<u>\$ 167,374</u>	<u>\$ 17,917</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, 2007

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 60,000	\$ 65,000	\$ 5,000
Other revenue	254,948	237,916	(17,032)
Interest	3,000	5,733	2,733
Total revenues	<u>317,948</u>	<u>308,649</u>	<u>(9,299)</u>
Expenditures:			
Public safety	89,993	112,327	(22,334)
Capital outlay	195,347	170,393	24,954
Debt service - interest	87,000	26,338	60,662
Total expenditures	<u>372,340</u>	<u>309,058</u>	<u>63,282</u>
Excess (deficiency) of revenues over expenditures	<u>(54,392)</u>	<u>(409)</u>	<u>53,983</u>
Other financing (uses):	_____	_____	_____
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(54,392)	(409)	53,983
Fund balances, beginning	<u>(531,144)</u>	<u>(531,144)</u>	_____
Fund balances, ending	<u>\$ (585,536)</u>	<u>\$ (531,553)</u>	<u>\$ 53,983</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, 2007**

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 336	\$ 336
Total revenues		<u>336</u>	<u>336</u>
Expenditures:			
Public safety	\$ 8,942	2,643	6,299
Total expenditures	<u>8,942</u>	<u>2,643</u>	<u>6,299</u>
Excess (deficiency) of revenues over expenditures	<u>(8,942)</u>	<u>(2,307)</u>	<u>6,635</u>
Other financing sources (uses):			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(8,942)	(2,307)	6,635
Fund balances, beginning	<u>8,410</u>	<u>8,410</u>	
Fund balances, ending	<u>\$ (532)</u>	<u>\$ 6,103</u>	<u>\$ 6,635</u>

City of Post Falls
LID 99-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the fiscal years ended September 30, 2007

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 4,900	\$ 4,970	\$ 70
Interest	5,500	11,756	6,256
Total revenues	<u>10,400</u>	<u>16,726</u>	<u>6,326</u>
Expenditures:			
General governmental	2,250	2,250	
Debt service - principal	15,000	15,000	
- interest	10,620	10,620	
Total expenditures	<u>27,870</u>	<u>27,870</u>	
Excess (deficiency) of revenues over expenditures	(17,470)	(11,144)	6,326
Other financing sources:			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(17,470)	(11,144)	6,326
Fund balances, beginning	<u>154,679</u>	<u>154,679</u>	
Fund balances, ending	<u>\$ 137,209</u>	<u>\$ 143,535</u>	<u>\$ 6,326</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, 2007

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 33,000	\$ 28,318	\$ (4,682)
Interest	5,000	8,406	3,406
Total revenues	<u>38,000</u>	<u>36,724</u>	<u>(1,276)</u>
Expenditures:			
General governmental	1,250	1,250	
Debt service - principal	40,000	40,000	
- interest	6,775	6,755	20
Total expenditures	<u>48,025</u>	<u>48,005</u>	<u>20</u>
Excess (deficiency) of revenues over expenditures	(10,025)	(11,281)	(1,256)
Fund balances, beginning	<u>68,968</u>	<u>68,968</u>	
Fund balances, ending	<u>\$ 58,943</u>	<u>\$ 57,687</u>	<u>\$ (1,256)</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, 2007**

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 2,000	\$ 1,469	\$ (531)
Interest	350	311	(39)
Total revenues	<u>2,350</u>	<u>1,780</u>	<u>(570)</u>
Expenditures:			
General governmental	200	200	
Debt service - principal	20,000	20,000	
- interest	<u>1,590</u>	<u>1,590</u>	
Total expenditures	<u>21,790</u>	<u>21,790</u>	
Excess (deficiency) of revenues over expenditures	(19,440)	(20,010)	(570)
Other financing sources:			
Operating transfers in	<u>19,440</u>	<u>19,440</u>	
Total other financing sources (uses)	<u>19,440</u>	<u>19,440</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		(570)	(570)
Fund balances, beginning	<u>(1,182)</u>	<u>(1,182)</u>	
Fund balances, ending	<u>\$ (1,182)</u>	<u>\$ (1,752)</u>	<u>\$ (570)</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, 2007

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 452	\$ 452
Total revenues		452	452
Expenditures:			
Excess (deficiency) of revenues over expenditures		452	452
Other financing sources:			
Operating transfers out	\$ (19,000)	(19,000)	
Total other financing sources (uses)	(19,000)	(19,000)	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(19,000)	(18,548)	452
Fund balances, beginning	18,935	18,935	
Fund balances, ending	\$ (65)	\$ 387	\$ 452

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, 2007

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 250	\$ 287	\$ 37
Interest	75	121	46
Total revenues	<u>325</u>	<u>408</u>	<u>83</u>
Expenditures:			
Excess (deficiency) of revenues over expenditures	325	408	83
Other financing sources:			
Operating transfers out	<u>(2,525)</u>	<u>(2,525)</u>	
Total other financing sources (uses)	<u>(2,525)</u>	<u>(2,525)</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(2,200)	(2,117)	83
Fund balances, beginning	<u>2,587</u>	<u>2,587</u>	
Fund balances, ending	<u>\$ 387</u>	<u>\$ 470</u>	<u>\$ 83</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, 2007

	2007		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Taxes			
Interest	\$ 1,500	\$ 2,618	\$ 1,118
Total revenues	<u>1,500</u>	<u>2,618</u>	<u>1,118</u>
Expenditures:			
General governmental	3,585		3,585
Total expenditures	<u>3,585</u>		<u>3,585</u>
Excess (deficiency) of revenues over expenditures	(2,085)	2,618	4,703
Other financing sources:			
Operating transfers in	21,525	21,525	
Operating transfers out	(19,440)	(19,440)	
Total other financing sources (uses)	<u>2,085</u>	<u>2,085</u>	
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		4,703	4,703
Fund balances, beginning	<u>61,455</u>	<u>61,455</u>	
Fund balances, ending	<u>\$ 61,455</u>	<u>\$ 66,158</u>	<u>\$ 4,703</u>

CITY OF POST FALLS, IDAHO

Statistical Section



ABOVE: A visit to the mercantile to shop in the early days of Post Falls

STATISTICAL SECTION

This part of the City of Post Falls, Idaho's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	76-81
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and the room tax.	82-86
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	87-93
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	94-96
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	97-101

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003 schedules presenting government-wide information include information beginning that year.

Table #1

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Primary government					
Governmental activities:					
Invested in capital assets net of related debt	\$ 9,017,852	\$ 13,097,421	\$ 12,856,812	\$ 21,984,148	\$ 36,228,609
Restricted	833,042	734,213	872,546	6,539,791	9,482,313
Unrestricted	4,806,132	7,306,691	10,358,219	8,642,267	6,031,023
Total Governmental activities net assets	<u>14,657,026</u>	<u>21,138,325</u>	<u>24,087,577</u>	<u>37,166,206</u>	<u>51,741,945</u>
Business-type activities:					
Invested in capital assets net of related debt	36,623,300	40,559,918	44,487,590	46,839,184	51,893,047
Restricted	3,075,936	3,475,869	4,699,749	5,903,678	7,657,572
Unrestricted	11,138,123	14,994,784	18,104,442	21,429,394	22,305,506
Total business-type activities net assets	<u>50,837,359</u>	<u>59,030,571</u>	<u>67,291,781</u>	<u>74,172,256</u>	<u>81,856,125</u>
Total primary government net assets	<u>\$ 65,494,385</u>	<u>\$ 80,168,896</u>	<u>\$ 91,379,358</u>	<u>\$ 111,338,462</u>	<u>\$ 133,598,070</u>

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 #10

**City of Post Falls
Property Tax Levies And Collections
Last Ten Years**

Fiscal 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
1998	\$2,713,597	\$2,629,635	96.91%	\$78,489	\$2,708,124	99.80%	(\$5,685)	(\$212)	-0.01%
1999	\$3,211,944	\$3,053,838	95.08%	\$150,489	\$3,204,327	99.76%	(\$8,292)	(\$215)	-0.01%
2000	\$3,368,327	\$3,183,069	94.50%	\$175,072	\$3,358,141	99.70%	(\$5,980)	\$4,206	0.13%
2001	\$3,631,687	\$3,504,567	96.50%	\$118,255	\$3,622,822	99.76%	(\$7,464)	\$1,401	0.04%
2002	\$3,896,692	\$3,646,882	93.59%	\$211,788	\$3,858,670	99.02%	(\$20,231)	\$17,790	0.46%
2003	\$4,430,009	\$4,148,223	93.64%	\$250,676	\$4,398,899	99.30%	(\$18,259)	\$18,905	0.43%
2004	\$4,835,070	\$4,501,529	93.10%	\$303,444	\$4,804,973	99.38%	(\$25,813)	\$4,284	0.09%
2005	\$5,288,311	\$5,173,550	97.83%	\$98,106	\$5,271,656	99.69%	(\$10,673)	\$6,482	0.12%
2006	\$6,039,753	\$5,862,690	97.07%	\$71,858	\$5,934,548	98.26%	(\$24,718)	\$47,274	0.78%
2007	\$7,134,404	\$6,973,680	97.75%	\$181,008	\$7,154,688	100.28%	\$20,284	\$181,134	2.54%

Table # 11

**City of Post Falls
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Water Bonds	Sewer Bonds			
1997-98	2,000,000	1,395,308	65,798	449,310	6,374,633	10,285,049	3.18%	686
1998-99	1,910,000	1,153,042	269,870	335,590	5,650,281	9,318,783	2.88%	559
1999-00	1,815,000	990,001	177,653	220,500	4,926,739	8,129,893	2.52%	465
2000-01	1,715,000	835,001	194,399	115,090	4,200,237	7,059,727	2.18%	392
2001-02	1,605,000	665,001	4,368,900	N/A	3,476,960	10,115,861	3.13%	553
2002-03	1,490,000	485,001	4,177,590	N/A	2,389,003	8,541,594	2.64%	438
2003-04	1,370,000	595,087	4,165,460	N/A	1,745,915	7,876,462	2.44%	374
2004-05	1,245,000	3,845,001	4,852,672	3,384,234	7,201,154	20,528,061	6.35%	895
2005-06	1,115,000	2,555,001	4,687,182	3,268,028	6,560,560	18,185,771	5.63%	758
2006-07	\$ 980,000	\$ 2,435,001	\$ 4,393,665	\$ 3,147,425	\$ 5,907,948	\$ 16,864,039	5.22%	\$ 671

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹See the Schedule of Demographic and Economics Statistics for personal income and population data.

Table # 12

**City of Post Falls
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>General Obligation Bonds</u>	<u>Ratio of Net Long-Term Debt to Assessed Value</u>	<u>Net Long-Term Debt Per Capita</u>
1997-98	15,000	695,182,787	2,000,000	0.29%	133
1998-99	16,684	742,251,793	1,910,000	0.26%	114
1999-00	17,500	791,143,568	1,815,000	0.23%	104
2000-01	18,000	841,776,651	1,715,000	0.20%	95
2001-02	18,281	892,717,766	1,605,000	0.18%	88
2002-03	19,500	1,007,449,488	1,490,000	0.15%	76
2003-04	21,082	1,074,115,199	1,370,000	0.13%	65
2004-05	22,926	1,258,237,363	1,245,000	0.10%	54
2005-06	23,992	1,459,655,088	1,115,000	0.08%	46
2006-07	25,137	\$ 1,701,069,379	\$ 980,000	0.06%	39

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. No funds are available in the Debt Service Fund to apply to General Obligation Bonds.

Table # 13

**City of Post Falls
Direct and Overlapping Governmental Activities Debt
September 30, 2007**

Governmental Unit	Bond Debt	Government's Net Market Value	Percentage Applicable to City	City Share of Debt
City of Post Falls	\$ 15,990,374	\$ 1,277,868,951	100.0%	<u>\$ 15,990,374</u>
Kootenai County		14,535,537,541		
School District #273	23,605,000	2,522,770,710	50.7%	11,956,733
Post Falls Highway District		4,085,801,220	31.3%	
Kootenai County Fire & Rescue	700,000	3,790,062,111	33.7%	<u>236,014</u>
Subtotal of overlapping debt				<u>\$ 12,192,747</u>
Total direct and overlapping debt				<u>\$ 28,183,121</u>

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the city's boundaries and dividing it by the county's total assessed value.

**City of Post Falls
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$ 13,903,656	\$ 15,351,915	\$ 15,822,871	\$ 16,835,533	\$ 17,854,355	\$ 20,148,990	\$ 21,482,304	\$ 25,164,747	\$ 29,193,102	\$ 34,021,388
Total net debt applicable to limit	2,000,000	1,910,000	1,815,000	1,715,000	1,605,000	1,490,000	1,370,000	1,245,000	1,115,000	980,000
Legal debt margin	<u>\$ 11,903,656</u>	<u>\$ 13,441,915</u>	<u>\$ 14,007,871</u>	<u>\$ 15,120,533</u>	<u>\$ 16,249,355</u>	<u>\$ 18,658,990</u>	<u>\$ 20,112,304</u>	<u>\$ 23,919,747</u>	<u>\$ 28,078,102</u>	<u>\$ 33,041,388</u>
Total net debt applicable to the limit as a percentage of debt limit	14.38%	12.44%	11.47%	10.19%	8.99%	7.39%	6.38%	4.95%	3.82%	2.88%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 1,277,868,951
Add back: exempt real property	\$ 423,200,428
Total assessed value	<u>\$ 1,701,069,379</u>
Debt limit* (2% of total assessed value)	34,021,388
Debt applicable to limit:	
General obligation bonds	980,000
Legal debt margin	<u>\$ 33,041,388</u>
Debt margin percentage available	97%

*Idaho Code 50-1019 states that general obligation debt should not exceed 2 percent of total assessed property value. There is no amount set aside to offset the general obligation debt.

Table # 15

**City of Post Falls
Pledged-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	
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	3,712,915	1,370,164	2,342,751	614,260	215,408	829,668	2.82
2006	4,564,357	1,732,191	2,832,166	640,595	258,283	898,878	3.15
2007	\$ 5,034,435	\$ 1,566,444	3,467,991	\$ 652,611	\$ 236,943	\$ 889,554	3.90

(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
Pledged-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	
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
2007	\$ 2,450,410	\$ 809,469	\$ 1,640,941	\$ 120,604	\$ 121,570	\$ 242,174	6.78

(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
Pledged-Revenue Bond Coverage
Special Assessment Bonds
Last Ten Fiscal Years**

Fiscal Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
1998	180,959	111,589	59,478	171,067	1.06
1999	281,519	597,189	77,577	674,766	0.42 ¹
2000	176,827	163,040	64,779	227,819	0.78
2001	175,871	155,000	56,493	211,493	0.83
2002	143,350	170,000	48,228	218,228	0.66
2003	196,900	180,000	38,733	218,733	0.90
2004	100,713	140,000	46,827	186,827	0.54
2005	287,534	152,066	30,364	182,430	1.58
2006	90,047	3,475,000	141,858	3,616,858	0.02 ²
2007	\$ 349,319	\$ 120,000	\$ 147,059	\$ 267,059	1.31

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

¹ During 1999 an interim LID bond in the amount of \$474,600 was paid on LID 96-1

² During 2006 an interim LID bond in the amount of \$3,400,000 was paid on LID 2004-1

Table # 18

**City of Post Falls
Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income (amounts expressed in thousands)</u>	<u>Per Capita Personal Income²</u>	<u>Public School Enrollment³</u>	<u>Unemployment Rate⁴</u>
1998	15,000	323,205	21,547	3,385	8.30%
1999	16,684	366,464	21,965	3,941	8.80%
2000	17,500	385,280	22,016	4,148	7.40%
2001	18,000	421,848	23,436	4,416	7.60%
2002	18,281	438,433	23,983	4,602	8.20%
2003	19,500	471,198	24,164	4,920	6.40%
2004	21,082	510,058	24,194	5,020	5.50%
2005	22,926	579,959	25,297	5,289	4.10%
2006	23,992	647,064	26,970	5,334	3.80%
2007	25,137	711,842	28,319	5,416	3.40%

Data Sources

¹ City of Post Falls' records

² Bureau of Economic Analysis

³ School District

⁴ Department of Labor

Table # 19

**City of Post Falls
Principal Employers
September 30, 2007**

Employer	Type Of Business	2007	
		Employees	Percentage of Total City Employment
Post Falls School District	Education	637	6.13%
Wal-Mart Stores	Retail department store/grocery	525	5.05%
Buck's Knives	Manufacturer of knives	264	2.54%
The City	Government	240	2.31%
Sysco Food Services Inc.	Wholesale commercial equipment	200	1.92%
North Idaho Advanced Care	Healthcare	180	1.73%
Flexcel	Manufacturer of office furniture	130	1.25%
Century Publishing Co.	Periodicals, catalogs, books	117	1.13%
Idaho Veneer	Wood products	100	0.96%
Mor Manufacturing	Circuits and circuit boards	93	0.89%
Total		2,486	23.91%

Note: Ten year comparison information is not available for this table.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 3,446,537	\$ 3,908,589	\$ 4,296,656	\$ 4,880,704	\$ 5,701,979
Public safety	2,887,150	3,171,924	3,409,806	3,593,961	4,065,252
Highways and public works	1,521,094	1,701,489	3,750,058	2,576,928	2,422,039
Cultural and recreation	983,357	1,172,659	1,233,832	1,350,230	1,594,522
Interest on long term debt	374,533	325,229	362,559	428,521	434,931
Total governmental activities expenses	<u>9,212,671</u>	<u>10,279,890</u>	<u>13,052,911</u>	<u>12,830,344</u>	<u>14,218,723</u>
Business-type activities:					
Water	914,653	995,763	1,290,046	1,412,346	1,447,266
Sewer	1,898,449	2,224,803	2,358,255	2,863,232	2,703,705
Sanitation	889,681	955,858	1,114,246	1,202,137	1,281,986
Total business-type activities expenses	<u>3,702,783</u>	<u>4,176,424</u>	<u>4,762,547</u>	<u>5,477,715</u>	<u>5,432,957</u>
Total primary government expenses	<u>\$ 12,915,454</u>	<u>\$ 14,456,314</u>	<u>\$ 17,815,458</u>	<u>\$ 18,308,059</u>	<u>\$ 19,651,680</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 2,081,301	\$ 2,591,268	\$ 2,753,370	\$ 2,141,369	\$ 1,763,765
Public safety	365,513	397,946	446,423	567,520	755,149
Highways and public works	453,341	574,995	564,228	912,773	1,206,647
Cultural and recreation	601,734	730,743	789,159	1,245,372	1,214,653
Operating grants and contributions	305,083	210,574	248,978	258,756	560,896
Capital grants and contributions	620,063	3,855,708	2,082,757	10,280,692	6,382,770
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>	<u>11,883,880</u>
Business-type activities:					
Charges for services:					
Water	1,448,160	1,596,599	1,773,912	1,994,463	2,095,496
Sewer	2,640,879	3,065,150	3,344,028	3,956,633	4,177,428
Sanitation	1,062,573	1,151,549	1,334,065	1,489,071	1,595,944
Capital grants and contributions	3,410,490	6,813,384	6,971,034	5,020,402	5,559,972
Total business-type activities program revenues	<u>8,562,102</u>	<u>12,626,682</u>	<u>13,423,039</u>	<u>12,460,569</u>	<u>13,428,840</u>
Total primary government program revenues	<u>\$ 12,989,137</u>	<u>\$ 20,987,916</u>	<u>\$ 20,307,954</u>	<u>\$ 27,867,051</u>	<u>\$ 25,312,720</u>

**Table #2
(Continued)**

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Net (Expense)/Revenue					
Governmental activities	(4,785,636)	(1,918,656)	(6,167,996)	2,576,138	(2,334,843)
Business-type activities	4,859,319	8,450,258	8,660,492	6,982,854	7,995,883
Total primary government net (expense)/revenue	<u>\$ 73,683</u>	<u>\$ 6,531,602</u>	<u>\$ 2,492,496</u>	<u>\$ 9,558,992</u>	<u>\$ 5,661,040</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	4,751,170	4,990,766	5,452,343	6,228,757	7,191,562
Other taxes and licenses	1,980,691	2,160,571	2,386,998	2,681,188	3,220,308
Unrestricted intergovernmental revenues					
Grants and contributions not restricted to specific programs					
Unrestricted investment earnings	206,303	145,760	375,469	633,704	1,007,266
Loss on sale of capital assets	29,686	1,763	2,708	1,502	10,853
Transfers	796,222	870,540	899,730	957,340	1,532,034
Total governmental activities	<u>7,764,072</u>	<u>8,169,400</u>	<u>9,117,248</u>	<u>10,502,491</u>	<u>12,962,023</u>
Business-type activities:					
Unrestricted investment earnings	280,123	241,539	416,271	854,961	1,218,220
Loss on sale of capital assets		2,100	84,177		1,800
Transfers	(796,222)	(870,540)	(899,730)	(957,340)	(1,532,034)
Total business-type activities	<u>(516,099)</u>	<u>(626,901)</u>	<u>(399,282)</u>	<u>(102,379)</u>	<u>(312,014)</u>
Total primary government	<u>\$ 7,247,973</u>	<u>\$ 7,542,499</u>	<u>\$ 8,717,966</u>	<u>\$ 10,400,112</u>	<u>\$ 12,650,009</u>
Changes in Net Assets					
Governmental activities	<u>\$ 2,978,436</u>	<u>\$ 6,250,744</u>	<u>\$ 2,949,252</u>	<u>\$ 13,078,629</u>	<u>\$ 10,627,180</u>
Business-type activities	4,343,220	7,823,357	8,261,210	6,880,475	7,683,869
Total primary government	<u>\$ 7,321,656</u>	<u>\$ 14,074,101</u>	<u>\$ 11,210,462</u>	<u>\$ 19,959,104</u>	<u>\$ 18,311,049</u>

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 #20

**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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	41.12	39.57	43.08	51.14	47.14	47.73	43.53	49.95	50.75	59.85
Public safety	51.44	48.64	49.44	50.43	52.88	51.88	56.27	54.14	53.89	62.08
Highways and public works	8.73	12.57	14.07	13.97	13.72	13.95	12.77	15.06	15.06	19.39
Cultural and Recreation	20.69	22.13	19.6	23.6	24.44	22.81	23.09	24.76	24.76	33.6
Water	5.92	6.5	5.75	5.8	6.3	6	5.98	6.48	6.48	6.45
Sewer	11.92	11.5	10.75	10.8	11.05	11	11.98	11.48	11.48	12.43
Total	139.82	140.91	142.69	155.74	155.53	153.37	153.62	161.87	162.42	193.8

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.

No Sanitation FTE number is provided since the City contracts out its sanitation services.

Table #21

**City of Post Falls
Operating Indicators By Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Calls for service	17,513	16,223	16,941	17,560	15,215	21,600	24,789	26,270	25,368	27,826
Burglary	121	106	78	98	81	120	159	140	111	89
Phone harassment	72	73	47	30	39	26	40	34	24	35
Motor vehicle theft	35	29	33	32	39	32	46	46	51	50
Highways and streets										
Street resurfacing - paving (miles)			2.60	2.60	2.01	1.40	1.89	1.86	1.37	1.65
Street resurfacing - chip seal (miles)	1.00	1.25	3.30	4.90	6.16	5.02	5.00	4.20	3.59	2.26
Culture and recreation										
Sports leagues programs attendance								4,048	4,283	5,319
Special interest programs attendance								1,227	2,101	3,125
Water										
New connections	360	594	112	100	850	850	390	393	193	206
Average daily consumption (thousands of gallons)	3,591	3,684	3,684	3,581	3,470	4,005	4,042	4,194	4,819	4,860
Sewer										
Average daily sewage treatment (thousands of gallons)	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.3	2.4	2.4

Note: Street resurfacing - paving data not available for 1998 and 1999. Recreation programs not tracked prior to 2005.

Source: Various city departments.

Note: Indicators are available for the general government function.

Table # 22

**City of Post Falls
Capital Asset Statistics By Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	25	29	31	36	40	40	43	46	49	52
Highways and streets										
Streets (miles)	98	101	103	106	111	115	129	133	143	149
Culture and recreation										
Park acreage	245.3	245.3	250.19	273.94	328.89	354.74	382.62	395.5	408.37	421.25
Parks										19
Sports Fields	4	4	5	5	5	5	5	5	5	5
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	82	83	86	88	91	92	104	108	110	113
Fire hydrants	511	547	558	599	637	695	745	772	811	842
Maximum daily compacity (thousands of gallons)	11.23	11.23	11.23	11.23	11.23	11.23	11.23	16.99	16.99	16.99
Sewer										
Sanitary sewers (miles)	82	84	86	88	91	93	105	109	110	155
Storm sewers (miles)	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Maximum daily treatment capacity (thousands of gallons)	3.48	3.48	3.48	3.48	3.48	3.48	3.48	3.48	3.48	3.48

Note: The city contracts out Sanitation services.

Source: Various city departments.

Note: No capital asset indicators are available for the general government function.

**City of Post Falls
Statistical Information
Water Fund
September 30, 2007**

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

Total Revenue	\$2,450,410
Estimated number of active customers	9,000
Total water produced (thousands of gallons)	1,803,294,300

Schedule of Water Rates

Monthly Base Fee (by meter size)

1" or less	\$ 8.06	1½"	\$13.54
2"	20.12	3"	35.56
4"	57.50	6"	112.44

Metered water Usage 86¢ per 1,000 gallons

Source: City of Post Falls

**City of Post Falls
Statistical Information
Wastewater (Sewer) Fund
September 30, 2007**

Schedule of Treatment Volume

Average Volume	2.36 million gallons per day
Total Volume	862,200,000 gallons

Schedule of Monthly Sewer Rates

The residential rate is \$25.58 for 94% of the City's customers.

The non-residential rate per customer is \$25.58 + \$4.81 per 1,000 gallons of water consumption over 5,000 gallons.

Source: City of Post Falls

**City of Post Falls
Insurance Schedule
September 30, 2007**

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 # 3

**City of Post Falls
Governmental Activities Tax Revenues By Source
Last Five Fiscal Years
(accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Motor Fuel Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2002-03	4,751,170.00	803,713.00	866,140.00	310,838.00	6,731,861.00
2003-04	4,990,766.00	880,323.00	912,867.00	367,381.00	7,151,337.00
2004-05	5,452,343.00	1,022,177.00	979,582.00	385,239.00	7,839,341.00
2005-06	6,228,757.00	1,234,141.00	1,030,468.00	416,579.00	8,909,945.00
2006-07	\$ 7,191,562.00	\$ 1,449,594.00	\$ 1,185,285.00	\$ 585,429.00	\$ 10,411,870.00

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved for:										
Library and art activities	\$ 87,264	\$ 39,629	\$ 27,732	\$ 25,470	\$ 21,272	\$ 88,660	\$ 23,773	\$ 26,816	\$ 49,401	\$ 55,618
Debt										
Total reserved										
Unreserved										
Designated for improvements	333,512	421,886	449,510	144,226	175,124	164,255	257,832	491,326	532,270	724,801
Undesignated	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	4,643,329
Total General Fund	\$ 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	\$ 5,423,748
All Other Governmental Funds										
Reserved for:										
Debt						\$ 352,236	\$ 352,608	\$ 354,404	\$ 356,293	\$ 354,832
Unreserved										
Designated for debt service	\$ 444,976	\$ 494,172	\$ 410,643	\$ 302,174	\$ 272,394	(748,908)	194,219	1,832,764	524,315	633,714
Designated for capital projects						1,817,252	2,471,442	3,492,596	5,077,512	7,713,348
Undesignated	217,571	222,415	141,056	241,330	124,714	145,184	254,216	281,675	(203,730)	(198,459)
Total all other governmental funds	\$ 662,547	\$ 716,587	\$ 551,699	\$ 543,504	\$ 397,108	\$ 1,565,764	\$ 3,272,485	\$ 5,961,439	\$ 5,754,390	\$ 8,503,435

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Taxes	\$ 2,828,014	\$ 3,299,035	\$ 3,486,218	\$ 3,833,894	\$ 4,361,376	\$ 4,730,516	\$ 5,267,092	\$ 6,042,106	\$ 6,587,395	\$ 7,544,333
Intergovernmental	1,662,858	2,027,230	2,159,833	2,390,805	3,588,311	2,618,459	2,624,868	2,710,478	3,132,055	4,090,629
Charges for services	1,070,906	1,518,433	1,565,164	1,597,607	1,723,947	2,371,648	3,099,775	3,580,138	4,033,890	4,354,124
Other revenue	282,876	271,570	391,974	410,891	377,825	611,212	484,696	557,950	640,963	917,785
Special assessment revenue	127,020	245,502	123,554	125,661	107,236	162,658	686,228	282,452	547,609	205,917
Interest	248,897	235,946	274,936	345,771	211,071	165,167	145,759	375,469	633,704	1,007,266
Total Revenues	6,220,571	7,597,716	8,001,679	8,704,629	10,369,766	10,659,660	12,308,418	13,548,593	15,575,616	18,120,054
Expenditures:										
Current										
General government	1,809,227	2,116,467	2,419,524	2,571,361	2,943,384	3,283,259	3,725,937	4,069,030	4,561,224	5,381,605
Public safety	2,128,126	2,194,066	2,249,065	2,381,335	2,603,846	2,776,302	2,903,775	3,145,202	3,433,945	3,822,573
Highways and public works	1,927,708	949,289	1,048,887	1,136,381	2,487,208	2,785,694	1,555,583	3,478,417	2,252,495	1,841,807
Cultural and recreation	676,318	671,279	719,488	758,193	869,370	931,638	1,110,484	1,156,462	1,256,420	1,481,597
Debt Service										
Principal	199,435	714,919	356,593	348,923	372,912	500,439	453,672	498,238	3,916,445	4,899,437
Interest	69,378	208,923	168,731	149,392	134,225	374,533	321,973	313,437	438,255	589,655
Capital Outlay	806,999	2,540,527	1,219,679	1,279,537	2,449,428	3,708,335	794,978	2,367,801	1,722,900	434,069
Total Expenditures	7,617,191	9,395,470	8,181,967	8,625,122	11,860,373	14,360,200	10,866,402	15,028,587	17,581,684	18,450,743
Excess (deficiency) of revenues over (under) expenditures	(1,396,620)	(1,797,754)	(180,288)	79,507	(1,490,607)	(3,700,540)	1,442,016	(1,479,994)	(2,006,068)	(330,689)
Other financing sources (uses):										
Debt issued	2,474,600	614,325		105,385	4,250,600	14,129	181,542	4,310,365	2,330,954	41,138
Operating transfers in	660,619	760,996	745,829	727,608	745,286	1,047,971	1,310,638	2,063,901	1,606,305	5,410,418
Operating transfers out	(145,944)	(213,480)	(119,580)	(11,000)	(11,000)	(251,749)	(440,098)	(1,164,171)	(648,965)	(3,878,385)
Total other financing sources (uses)	2,989,275	1,161,841	626,249	821,993	4,984,886	810,351	1,052,082	5,210,095	3,288,294	1,573,171
Net change in fund balances	\$ 1,592,655	\$ (635,913)	\$ 445,961	\$ 901,500	\$ 3,494,279	\$ (2,890,189)	\$ 2,494,098	\$ 3,730,101	\$ 1,282,226	\$ 1,242,482
Debt service as a percentage of noncapital expenditures	4.1%	15.0%	8.0%	7.1%	5.6%	8.6%	8.1%	6.7%	36.5%	41.8%

Table # 6

**City of Post Falls
General Government Tax Revenues By Source
Last Five Fiscal Years
(modified accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Motor Fuel Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2002-03	4,492,098.00	803,713.00	866,140.00	310,838.00	6,472,789.00
2003-04	4,969,999.00	880,323.00	912,867.00	367,381.00	7,130,570.00
2004-05	6,042,106.00	1,022,177.00	979,582.00	385,239.00	8,429,104.00
2005-06	6,216,994.00	1,234,141.00	1,030,468.00	416,579.00	8,898,182.00
2006-07	\$ 7,164,627.00	\$ 1,449,594.00	\$ 1,185,285.00	\$ 585,429.00	\$ 10,384,935.00

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

Table #7

City of Post Falls
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Tax Year	Assessed Valuation	Exemptions	Net Taxable Value	Valuation Increase		Tax Rate Per \$1,000 Value
				Amount	Percentage	
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%	5.28
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%	5.47
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
2006	1,701,069,379	423,200,428	1,277,868,951	86,994,617	7.31%	4.05

Table #8

**City of Post Falls
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Governmental Unit	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
City of Post Falls	3.70	4.05	4.64	5.35	5.46	5.33	5.34	5.28	5.18	5.27
%CHANGE	-20.17%	-24.30%	-13.27%	-2.01%	2.44%	-0.19%	1.14%	1.90%	-1.70%	11.13%
North Idaho College	0.48	0.53	0.71	0.74	0.77	0.77	0.77	0.94	1.03	1.03
Kootenai County	1.84	1.84	2.47	3.48	3.65	3.14	3.43	3.92	3.73	3.32
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	0.10	0.1	0.14	0.16	0.32	0.33	0.15	0.13	0.15	0.15
School District #273	2.23	2.23	5.61	6.28	6.43	6.18	6.08	5.85	5.95	5.29
Post Falls Highway District #1	0.36	0.36	0.47	0.57	0.57	0.6	0.65	0.66	0.67	0.68
Post Falls Fire District	<u>1.34</u>	<u>1.34</u>	<u>1.72</u>	<u>2.06</u>	<u>1.93</u>	<u>1.69</u>	<u>1.67</u>	<u>1.50</u>	<u>1.21</u>	<u>1.26</u>
Total	10.05	10.45	15.76	18.64	19.13	18.04	18.09	18.28	17.92	17.00
% CHANGE FOR TOTAL	-36.21%	-43.94%	-15.45%	-2.56%	6.04%	-0.28%	-1.04%	2.40%	5.41%	8.63%

Notes:

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

Table # 9

**City of Post Falls
Principal Property Taxpayers
September 30, 2007**

<u>Taxpayer</u>	<u>Type Of Business</u>	2007	
		<u>Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Kimball International Mkt, Inc.	Manufacturing-Furniture	\$24,195,175	1.24%
North Idaho Surgical Hospital Bldg. LLC	Medical	\$18,095,862	0.93%
Sysco Food Service, Inc.	Food Distribution Center	\$14,771,299	0.76%
Puryear Family Trust	Homeowner	\$14,619,517	0.75%
Pointe LLC	Retail	\$13,360,375	0.68%
Wal-Mart Real Est. Bus./Stores Inc. #3472	Retail	\$12,614,753	0.65%
Verizon NW, Inc.	Marketing	\$12,017,042	0.61%
Potlatch Forest Holdings	Wood Products	\$11,124,600	0.57%
Northern Idaho Advanced Care Hospital, Inc.	Medical	\$10,263,400	0.52%
Idaho Veneer	Wood Products	\$9,198,255	0.47%
Subtotal - Ten Of City's Largest Taxpayers		<u>\$140,260,278</u>	<u>7.18%</u>
All Other Taxpayers		<u>\$1,815,116,365</u>	<u>92.82%</u>
Total City Taxpayers		<u><u>\$1,955,376,643</u></u>	<u><u>100.00%</u></u>

<u>Taxpayer</u>	<u>Type Of Business</u>	1998	
		<u>Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Kimball International Mkt, Inc.	Manufacturing-Furniture	\$31,991,775	4.59%
Factory Outlets	Retail	\$11,699,250	1.68%
Potlatch Corp.	Manufacturing-Wood Products	\$8,862,230	1.27%
Cavanaugh's Hospitality LTD Partnership	Hotels/Motels/Restaurants	\$7,742,637	1.11%
Idaho Veneer	Manufacturing-Wood Products	\$6,592,204	0.95%
James R. Watson Etux	Commercial Business Properties	\$5,567,766	0.80%
Robert Coles Etux	Golf Course	\$5,078,054	0.73%
John C Young Etal	Commercial Business Properties	\$4,581,497	0.66%
Jacklin Land Co.	Commercial Business Properties	\$4,580,327	0.66%
Tidyman's LLC	Grocery	\$3,666,412	0.53%
Subtotal - Ten Of City's Largest Taxpayers		<u>\$90,362,152</u>	<u>12.98%</u>
All Other Taxpayers		<u>\$606,250,221</u>	<u>87.02%</u>
Total City Taxpayers		<u><u>\$696,612,373</u></u>	<u><u>100.00%</u></u>

CITY OF POST FALLS, IDAHO

Audit Section



ABOVE: This Red Crown service station was one of the earliest gas stations in Post Falls

**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, 2007, which collectively comprise the City of Post Falls, Idaho's basic financial statements and have issued our report thereon dated March 21, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Post Falls, Idaho's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Post Falls, Idaho's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Post Falls, Idaho's financial statements that is more than inconsequential will not be prevented or detected by the City of Post Falls, Idaho's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Post Falls, Idaho's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

**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**

This report is intended solely for the information and use of management, the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Magnuson, McHugh & Company, P.A.

March 21, 2008



ABOVE: Painting of City founder Frederick Post

CITY OF
POST FALLS