



CITY OF POST FALLS, IDAHO

2013 Comprehensive Annual Financial Report

For the Year Ended September 30, 2013



CITY OF POST FALLS, IDAHO



2013 Comprehensive Annual Financial Report For the Year Ended September 30, 2013

Compiled by:
Jason Faulkner
Director of Finance and Support Services

Above:
Cover Photo: Views of the Falls at Falls Park

City of Post Falls, Idaho
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 201'

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Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2013**

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Introductory Section



“Economic and Business Vitality”
*Redefine the City’s role in economic development and business
recruitment and retention*
The City of Post Falls Strategic Plan 2013-2017 Goals



May 15, 2014

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, 2013, 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 Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reports to the City of Post Falls for its comprehensive annual financial report for the fiscal year ended September 30, 2012. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Generally Accepted Accounting Principles 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, reclaimed water and sanitation utilities, police, animal control, parks and recreation programs, planning and zoning, 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. This power of the City meets 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

The City of Post Falls has grown from 7,350 residents in 1990 to an estimated 30,075 at the end of 2013. This influx of new residents has resulted in a strong construction industry until the last six years. Building permits for single-family residential had small increases in FY 12 and larger increases in FY 13, with a total of 167 single-family residential permits issued in 2012 and 194 single-family residential permits issued in 2013.

Post Falls, Idaho is an inviting place to live, work and play. Its proximity to numerous lakes, rivers and mountains offers a quality of life that is highly desirable. Just minutes to the east is Coeur d'Alene, ID, with a reputation as a world travel destination due to the five-star Coeur d'Alene Resort and golf course with a floating green. To the west is the largest city in the region, Spokane, WA with a population of approximately 250,000. Post Falls' unique location between these two diverse cities offers Post Falls' residents varied opportunities in their lifestyle, recreation and business opportunities. The I-90 corridor, connecting Spokane and Post Falls/Coeur d'Alene, continues to be a hub of business growth. This is reflected in an increasing number of retail, health care and manufacturing businesses locating in the City.

Traditionally Kootenai County's economy was a timber-based, but it has become more diverse, with an increase in manufacturing, health care, retail, and tourism. Jobs Plus, Inc., the area economic development organization has recruited small to medium sized firms to the county. With the assistance of Jobs Plus, Inc. and the Urban Renewal Agency to help build infrastructure, Post Falls was chosen as the location for Kimball Office, Inc., a major furniture manufacturer that relocated to North Idaho nearly sixteen years ago and employs a workforce of approximately 270. Urban Renewal Agency and Community Development Block Grant funds also helped pay for the necessary infrastructure in the West Post Falls Urban Renewal District, including the water reservoir, which helped attract Sysco, Cabela's and a second Walmart to Post Falls and will assist with developing The Pointe at the Post Falls retail area. The joint efforts by Jobs Plus, Inc., Post Falls Urban Renewal Agency, Panhandle Area Council and the City have brought a number of other businesses to Post Falls, including Center Partners, Buck Knives, the two Wal-Mart stores, ALK-Abello Source Materials, Ground Force Manufacturing and UnderGround Force, Ednetics, C&S Glass, Love's Travel Center, Carl's Jr., Burger King, Subway, the State of Idaho Department of Labor. In addition, the infrastructure was completed within the City Center on the first phase of the Post Falls Landing project which has been designed to accommodate a mix of uses including commercial, office and residential when developed. A Community Development Block Grant for \$500,000 helped fund public infrastructure to support the new business venture of Ground Force Worldwide, known as UnderGround Force Manufacturing, which is located along East Seltice Way. In exchange for the funding, the company created more than 50 manufacturing jobs in Post Falls.

Despite a sluggish economy, Post Falls experienced additional commercial and industrial development and growth in 2013. As of December 31, 2013, there were 1,041 licensed businesses in the City of Post Falls. Hayden Beverage relocated to Post Falls from Coeur d'Alene. Romney Motion, an aerospace company, relocated to Post Falls from Liberty Lake, WA. Blue Dog RV expanded their business and will be expanding further in 2014. H&E Equipment and Cem Lifts both opened in 2013. The Pointe at Post Falls' shopping center has new ownership with the purchase by Wadsworth Development. Post Falls' emerging medical community continues to grow with the opening of the Rehabilitation Hospital of the Northwest, Premier Urgent Care, Pleasant View Surgery Center, and Spine Center Surgical in 2013. Aided by generous community support, the Boys and Girls Club of Kootenai County opened a new 10,000 square foot facility for area youth in early 2013.

In 2014, the community anticipates additional commercial and industrial development and growth as the economy continues to recover.

Major Initiatives

Strategic Plan – The Strategic Plan was adopted in February 2013 and recently completed its first year of implementation. This plan, which is an internal action plan for economic development, will guide the City over the next five years. The city's Strategic Plan received state-wide recognition in October 2013 when it won the "Planning Excellence Award for Best Practice" from the American Planning Association Idaho Chapter. An Annual Accomplishments Report showing implementation progress will be available on the city's website in early 2014.

Economic Development and Growth Management – Ongoing efforts on behalf of the City and the Post Falls Urban Renewal Agency continue to provide for growth and business attraction with the City Center area. The final engineering drawings are being prepared for the Spokane Street improvements south of I-90, with landscape beautification, traffic signalization, Centennial Trail safety improvements, and spur connections. The traffic signal at Spokane Street and 4th Avenue was started in late 2013, and will be completed in early 2014. The City and Agency are also working on transportation improvements within other areas of the community, including the Greensferry Overpass, Spencer Street, and a multi-use trail along the east side of Highway 41 that received grant funding through the Community Choices for Idaho program. This funding also has matching funds coming from the Urban Renewal Agency.

Staff conducted a Vacant Land Analysis in 2013 using GIS data to evaluate the amount of vacant land in the City by zoning district and began assessing property values as part of economic development efforts. Staff will continue with economic development efforts supporting business recruitment, development of an economic development program for Post Falls, expand marketing materials, improve the effectiveness of the economic development webpage, evaluate vacant and underdeveloped land, and evaluate possible incentives to encourage infill development. Staff will also be working with city officials to evaluate existing master plans and the City's vision related to growth and desired development patterns. This effort is expected include district planning efforts and beginning the process of revising the city's zoning code (Title 18) to include aspects of SmartCode (Title 18A) and improving the Planned Unit Development process starting in 2014.

Public Health/Environment - The goal of effective and timely maintenance and repair of facilities and equipment is one of our highest priorities. We continue to work towards better treatment of all pollutants and provide the best service to our community. 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.

The City has directed greater effort 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. Over the last two years, we invested over \$1,000,000 in this area to improve the traveling service.

The Water Utility Division operates a water system to serve the City which consists of 9 wells and 5 reservoirs. We have a pumping capacity of 14 million gallons a day with reservoir capacity of 6.5 million gallons. In 2012, the City drilled Well 2A with a higher capacity well that will also provide redundant pumping capacity. This well replaces Well 1 and Well 2 which were drilled in 1948. Well 2A will have the latest technology for controls.

The Water Utility Division continues to install radio read meters on residential accounts in the City. This project will be completed in 2013; and will reduce labor time to read meters for these accounts.

The Water Reclamation Division has expanded our facility to 4.1 million gallons a day. This work added 1 million gallons of daily capacity and with some additional equipment we will be able to add an additional million gallons a day to bring the plant capacity to 5.1 million gallons a day. The City now has 32 lift stations to serve the community. The bio-solids from the plant are continuing to be hauled off site and are processed by Barr Tech. The bio-solids are then composted at their state of the art facilities. The Water Reclamation Division has 628 acres for future land application for reclaimed water. We have completed a Master Plan effort for our collection and lift station system. We have also under taken a Master Facility Plan for the Water Reclamation facilities. This will guide us for the next 10 years and help in the budget process. We continue to work with EPA towards a new NPDES permit for the Water Reclamation facility. This permit will have some of the most stringent limits of any in the United States. We have also completed our second year under the NPDES permit for storm water with our annual report sent in for this period.

Other Community Services – The Parks and Recreation Department is responsible for the operations of the City's Parks, Recreation, Cemetery, and Urban Forestry divisions and assigned general city facilities. The focus of the department is to help the City meet its strategic plan goals and the more recent Initiatives program by providing programs and facilities that embrace those goals.

The focus of the department is on planning, development, and standardization of infrastructure to increase system efficiency, improving cost effectiveness, safety, and reducing liability. The department continues to comply with Americans with Disabilities Act (ADA), playground safety and environmental regulations.

Over the last few years the department has made improvements in the following areas: state of the art irrigation systems, ADA compliance, up-graded picnic shelters, modern restroom facilities, trails and pathways, maintenance equipment, trash collection, security cameras, energy efficient lighting, wildlife management, and new 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 to coordinate its operations with a greater number of service partners and volunteers than in previous years. The increased number of special projects and community events is another area that has had an impact upon the staff and budget for the department.

Departmental Highlights of FY 2013

Police

- The Department implemented a bike patrol program; this program allows officers to carry a patrol bike on their patrol vehicle which can be quickly deployed in neighborhoods or parks.
- The Department obtained a grant from the Idaho Emergency Communications Commission to upgrade key 911 related equipment.
- The Department secured an armored rescue vehicle to be used to help enhance the safety of officers responding to active shooter situations.
- Continued to recruit and add volunteers to our Volunteers in Police Service Program.
- The 3rd Annual Kids & Cops & Rodders n' More event was a huge success in the community.
- The Holidays & Heroes ~ Post Falls Police Department helped 25 local families have a better Christmas.
- This year, the Department added a third school resource officer to further enhance the School Resource Officer program.
- Made American with Disability Act enhancements to the police facility to help ensure convenient access.
- Worked with a local Boy Scout group to construct a K-9 training wall at the police department.

Parks, Recreation, and Cemetery

- The Urban Forestry Division again hosted the annual tree giveaway, providing 3,000 trees, worth approximately \$300,000, to Post Falls' residents, businesses, and organizations. The annual fifth grade Arbor Day field trip was held for over 460 students over a two and a half day period.
- The Urban Forestry Division implemented the start of an ongoing street tree maintenance program for the care of all the public right of way trees (13,000).
- The City celebrated its 16th year as a Tree City USA.
- The Cemetery Division edged over 3,000 headstones this past year. This is a very labor intensive endeavor that is done every few years. Without this complete cleanup markers become uneven and mowing cost go up.
- The Cemetery Division sold 92 lots and handled with 84 services this year.
- The Department hosted the annual Memorial Day Celebration at the Cemetery.
- The Parks Division completed construction of a community garden building in partnership with the Post Falls Rotary. This building will be used as a gathering place where garden related classes may be held.
- Construction of a double pickle ball court at Sportsman Park was completed. This was met with a strong positive from our senior population.
- The City's entry water features were up-dated with a new landscaping plan.
- With a 75% turnover in full time park workers, a broad program to get them trained, oriented, and successfully incorporated into our operations was a major accomplishment.
- The Q'emiln Park Trails were a major focus this past year using Avista Monies. Trails were built or repaired, mapped to GIS, new signage added and known hazards removed.
- With the loss of a mechanic, the Department had to simplify and reorganize our equipment maintenance program.
- Some significant enhancements were made to what has been known as the Post Falls Days Community event. This event received a new name (Post Falls Festival), a new date (second weekend of July) and a lot more community activities.
- River City Competitive Basketball program continues to grow, hitting an all-time high with 65 teams participating from all over North Idaho and the Spokane Valley.
- The Community Open Gym services in the Recreation Division added lunch-time open gym basketball at the Boys and Girls Club. A youth volleyball open gym on Saturday evenings was also added to accommodate growing youth volleyball programs.

Public Works, Community Development

- The Department finalized the Strategic Plan and presented to the public. The Strategic Plan was adopted in the first quarter of 2013.
- The Engineering staff completed the Water Reclamation Collection Master Plan to meet the needs of the next 10 years.
- The Department enhanced GIS system to tie Building, Planning, and Engineering together, leading to greater cooperation and coordination. This continues to be advancing to meet the City's and public's needs.
- Installing radio read meters to read water meters using less labor hours. This program is being worked on and will be completed in 2013.
- Our Water Reclamation Facility Plan is being completed to meet the NPDES Permit we will be received in the first quarter of 2013.
- The City, local School District, and Developer worked with the railroad to complete a fully signalized crossing and closed an un-signalized crossing.

Administration

- The Department successfully recruited a new Finance Director after promotion of the past Finance Director to City Administrator.
- The Department approved a balanced budget that maintains a high level of service without taking an increase in additional taxes.
- The Department conducted a number of citizen surveys, including one for the strategic planning process and also conducted employee surveys regarding benefits and high performance organization strategies.
- The Media Division held e-recycling event, collecting 3.5 tons of electronics to be recycled, designed promotional items and advertising.
- The Department received the Association of Idaho Cities City Achievement Award for the e-recycling project.
- The Department promoted City projects and programs at the Post Falls Chamber of Commerce Business Fair.
- The Media Division created online budget survey for FY 2013.
- The Media Division created promotional items including Economic Development Brochure and small marketing pieces for departments.

Factors Affecting Financial Condition

In the current economic environment, the main factors affecting the City's financial condition are the slow growth in the area, high unemployment, high housing foreclosures, and the instability of investment markets with lower than normal returns. The City has responded to this downturn in the economy by implementing efficiencies that allow for the reduction of labor hours without a reduction in the level of service. The City increased the General Fund budget by approximately \$2.8 million but eliminated the outstanding debt associated with the Post Falls Police Department and anticipates the FY 14 budget allocation levels to stabilize over the next couple of years. With the changes the City has implemented, it will be ready to address future needs of the citizens.

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. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report.

Certificate of Achievement – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Post Falls, Idaho for its comprehensive annual financial report for the fiscal year ended September 30, 2012. This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe 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 Financial Services Department for their dedicated services in assisting and contributing to the preparation of this report. Due credit should also be given to Mayor Clay Larkin and the City Council for their interest and support in conducting the operations of the City in an efficient and progressive manner.

Respectfully submitted,

Jason Faulkner
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Post Falls
Idaho**

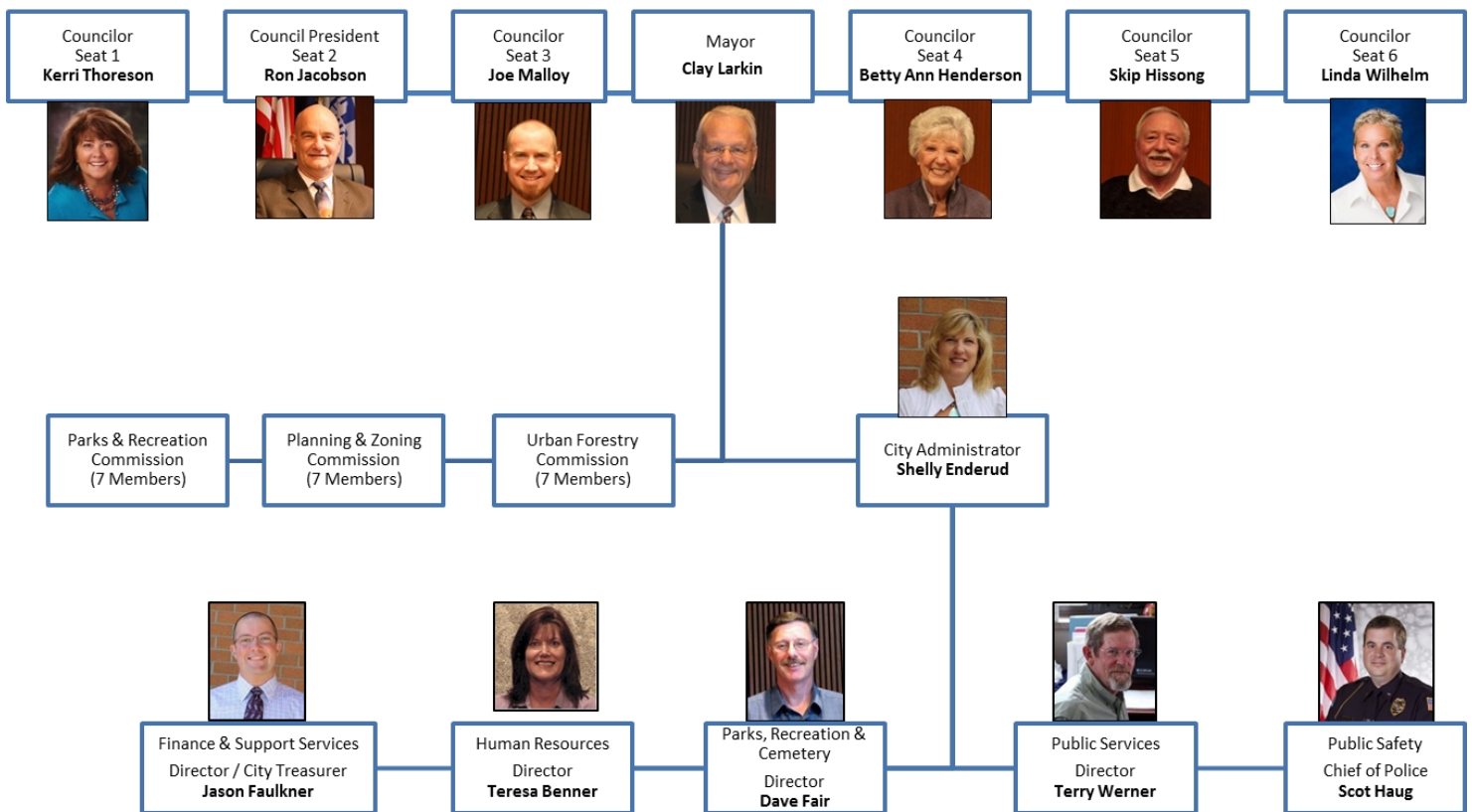
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

City of Post Falls Organizational Chart

City of Post Falls Organizational Chart



CITY OF POST FALLS, IDAHO

Listing of City Officials

Elected Officials



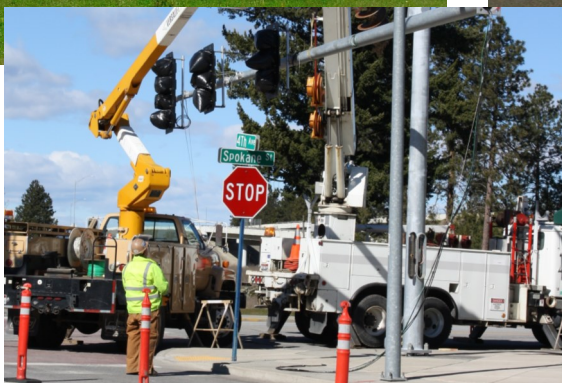
Mayor and City Council

Seated: (L-R) Linda Wilhelm, Clay Larkin and Ron Jacobson. Standing: (L-R): Betty Ann Henderson, Skip Hissong, Joe Malloy, and Kerri Thoreson

ELECTED OFFICIALS			
NAME	OFFICE	OCCUPATION	TERM EXPIRES
Clay Larkin	Mayor	Retired	2013
Ron Jacobson	Council President	Senior VP – Inland Northwest Bank	2013
Linda Wilhelm	Councilor	Realtor – Coldwell Banker	2013
Betty Ann Henderson	Councilor	Retired	2013
Skip Hissong	Councilor	Owner – Summit Equipment	2015
Joe Malloy	Councilor	Project Coordinator - Outotec Energy Products	2015
Kerri Thoreson	Councilor	Self Employed	2015
APPOINTED OFFICIALS			
Shelly Enderud	City Administrator		
Jason Faulkner	Director of Finance and Support Services		
Scot Haug	Chief of Police		
David Fair	Parks & Recreation Director		
Terry Werner	Public Services Director		
Shannon Howard	City Clerk		



Financial Section



“Well Planned and Livable Community”
Plan for future transportation, infrastructure, land use and technology needs to enhance the livability of Post Falls.
The City of Post Falls Strategic Plan 2013-2017 Goals

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Post Falls
Post Falls, ID 83854

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Post Falls, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Post Falls' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of Post Falls' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Post Falls Urban Renewal Agency (discretely presented component unit), which represent 100 percent of the assets, net position, and revenues of the Post Falls Urban Renewal Agency. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Post Falls Urban Renewal Agency's governmental activities, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions

In our opinion, based on our audit and the report of the other auditors, 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 unit, each major fund, and the aggregate remaining fund information of City of Post Falls, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 as a whole. The introductory section, combining and individual nonmajor fund financial statements, schedules of revenues, expenditures and change in fund balance – budget and actual – legal appropriation level, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedules of revenues, expenditures and change in fund balance – budget and actual – legal appropriation level, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2014 on our consideration of City of Post Falls' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Post Falls internal control over financial reporting and compliance.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh & Company, P.A.

May 28, 2014

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, 2013. 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 \$181,940,148 (net position).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,606,444, or 44.2 percent of total general fund expenditures.
- The governments net position increased by \$7,208,007. Approximately \$1,034,241 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 \$560,162 (5.7 percent) and operating expenses increased by \$585,744 (9.0 percent). These increases are due to a combination of increases in operating costs and a small increase in the customer rates (2.5% for both water and Reclaimed Water and 3.08% for sanitation).
- The City performed two budget amendments through the fiscal year to allow for the use of prior year unallocated funds, to receipt several grants and unanticipated revenues, and to allocate funds to retire the debt related to the Post Falls Police Department. The amendments totaled \$5,827,601.93.
- During the current fiscal year, City of Post Falls' debt had a net decrease of \$3,659,829 (including compensated absences). This was primarily due to normal annual debt payments along with the retirement of the capital lease associated with the Post Falls Police Department.
- The City of Post Falls holds an AA- water reclamation bond rating and an AA water bond rating with Standard & Poors.

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 position presents information on all the City of Post Falls' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, Reclaimed Water 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 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 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 twelve 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 nine 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, Reclaimed Water 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, Reclaimed Water 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 63 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds may be found on pages 65 to 66 of this report. Combining and individual fund statements and schedules can be found on pages of this report.

Government-wide Financial Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the ended September 30, 2013.

Net Position. As noted earlier, net position 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 \$181,940,148 at the close of the most recent fiscal year.

By far the largest portion of the City of Post Falls' net position (69.4 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' net 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 Position statement.

City of Post Falls' Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	\$20,945,523	\$22,659,407	\$38,608,099	\$34,625,596	\$59,553,622	\$57,285,003
Capital assets	57,484,197	56,226,401	77,447,209	77,925,276	134,931,406	134,151,677
Total assets	78,429,720	78,885,808	116,055,308	112,550,872	194,485,028	191,436,680
LIABILITIES						
Long-term liabilities outstanding	1,988,275	5,317,136	6,492,816	8,136,452	8,481,091	13,453,588
Other liabilities	2,634,921	2,497,204	1,428,868	685,397	4,063,789	3,182,601
Total liabilities	4,623,196	7,814,340	7,921,684	8,821,849	12,544,880	16,636,189
NET POSITION						
Net investment in capital assets	55,794,197	51,656,401	70,423,309	69,909,303	126,217,506	121,565,704
Restricted	5,322,972	4,581,294	19,012,094	16,889,219	24,335,066	21,470,513
Unrestricted	12,689,355	14,833,773	18,698,221	16,862,151	31,387,576	31,695,924
Total net position	\$73,806,524	\$71,071,468	\$108,133,624	\$103,660,673	\$181,940,148	\$174,732,141

An additional portion of the City of Post Falls' net position (13.4 percent) represents recourses that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$31,387,576) 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 position and fund balance, 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, 64.8 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 decreased net position by \$2,735,056 and business-type activities increased net position by \$4,472,951.

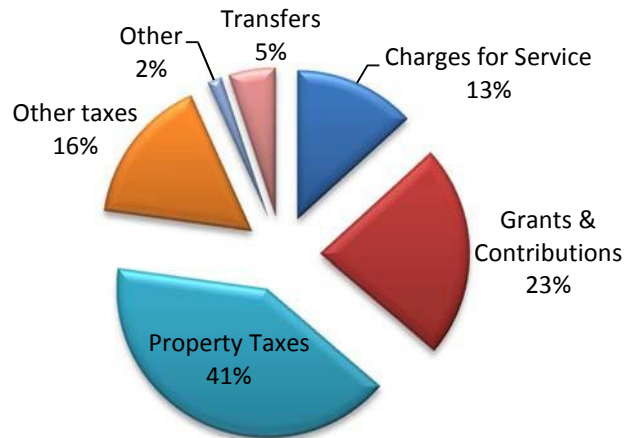
The City's direct charges to users of governmental services made up \$4,285,441 or 23.3 percent of total governmental revenue. These charges are for park rentals, recreation classes, building permits and other fees related to public safety and administration. Public safety, the largest program in FY 13, includes police, domestic violence assistance, animal control and dispatch services and accounts for \$5,691,276 in expenditures, or 33.7 percent of the total. Highway and public works accounts for \$3,878,422 in expenditures, or 23.0 percent of the total. Culture and recreation accounts for \$1,751,145 in expenditures, or 10.4 percent of the total. General government accounts for \$5,357,269 in expenditures, or 31.7 percent of the total.

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

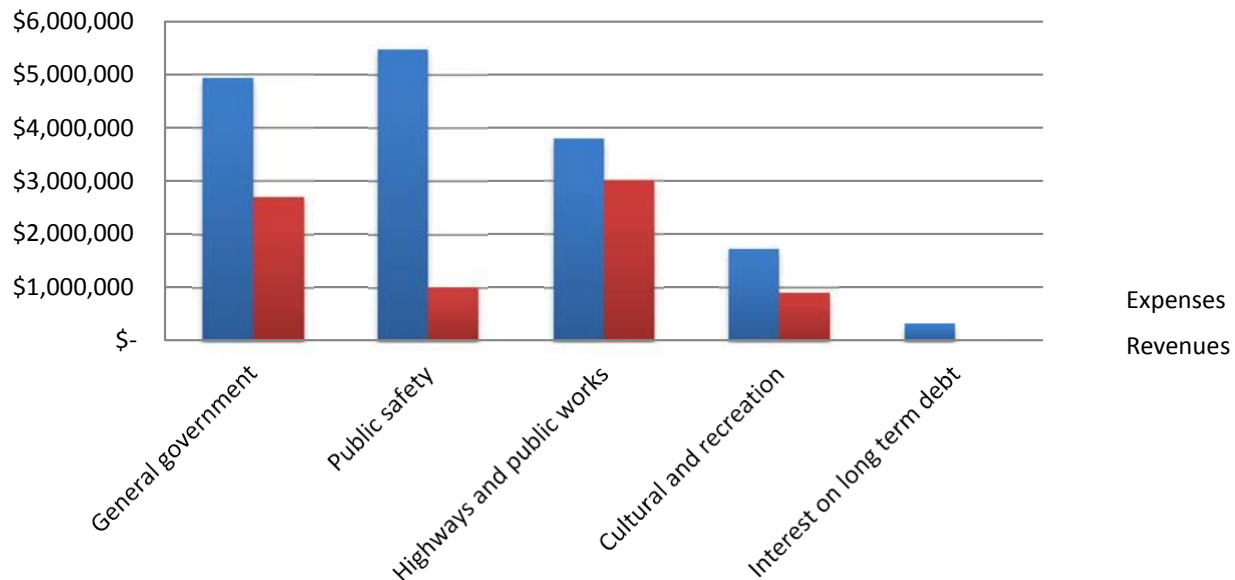
City of Post Falls' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues:						
Charges for services	\$4,285,441	\$2,777,134	\$10,339,731	\$9,779,569	\$14,625,172	\$12,556,703
Operating grants and contributions	536,096	2,473,455			536,096	2,473,455
Capital grants and contributions	1,084,241	2,375,607	2,184,364	1,683,866	3,268,605	4,059,473
General revenues:						
Property taxes	8,863,691	8,609,294			8,863,691	8,609,294
Other taxes	3,607,019	3,384,489			3,607,019	3,384,489
Other	41,619	334,228	225,844	253,205	267,463	587,433
Total revenues	<u>\$18,418,107</u>	<u>\$19,954,207</u>	<u>\$12,749,939</u>	<u>\$11,716,640</u>	<u>\$31,168,046</u>	<u>\$31,670,847</u>
EXPENSES						
General government	\$5,357,269	\$4,934,403			\$5,357,269	\$4,934,403
Public safety	5,691,276	5,480,365			5,691,276	5,480,365
Highway and public works	3,878,422	3,795,333			3,878,422	3,795,333
Culture and recreation	1,751,145	1,717,205			1,751,145	1,717,205
Interest on long-term debt	197,187	322,596			197,187	322,596
Water			\$1,591,485	\$1,464,224	1,591,485	1,464,224
Reclaimed Water			3,733,341	3,387,658	3,733,341	3,387,658
Sanitation			1,759,914	1,647,114	1,759,914	1,647,114
Total expenses	<u>\$16,875,299</u>	<u>\$16,249,902</u>	<u>\$7,084,740</u>	<u>\$6,498,996</u>	<u>\$23,960,039</u>	<u>\$22,748,898</u>
INCREASE IN NET POSITION BEFORE TRANSFERS	<u>1,542,808</u>	<u>3,704,305</u>	<u>5,665,199</u>	<u>5,217,644</u>	<u>7,208,007</u>	<u>8,921,949</u>
TRANSFERS IN (OUT)	<u>1,192,248</u>	<u>1,078,899</u>	<u>(1,192,248)</u>	<u>(1,078,899)</u>		
INCREASE IN NET POSITION	<u>2,735,056</u>	<u>4,783,204</u>	<u>4,472,951</u>	<u>4,138,745</u>	<u>7,208,007</u>	<u>8,921,949</u>
NET POSITION beginning	<u>71,071,468</u>	<u>66,288,264</u>	<u>103,660,673</u>	<u>99,521,928</u>	<u>174,732,141</u>	<u>165,810,192</u>
NET POSITION ending	<u>\$73,806,524</u>	<u>\$71,071,468</u>	<u>\$108,133,624</u>	<u>\$103,660,673</u>	<u>\$181,940,148</u>	<u>\$174,732,141</u>

Revenue by Source - Government Activities



Expenses and Program Revenues - Governmental Activities



- The majority of the City of Post Falls' governmental activities' revenue is received from property tax (48 percent) with other taxes following at (20 percent).
- When all taxes are added together, they make up 68 percent of the budget.
- When revenues are compared to expenses, it shows that none of the City of Post Falls' programs are self-supporting. They all require tax support to continue at their current level of service.
- 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

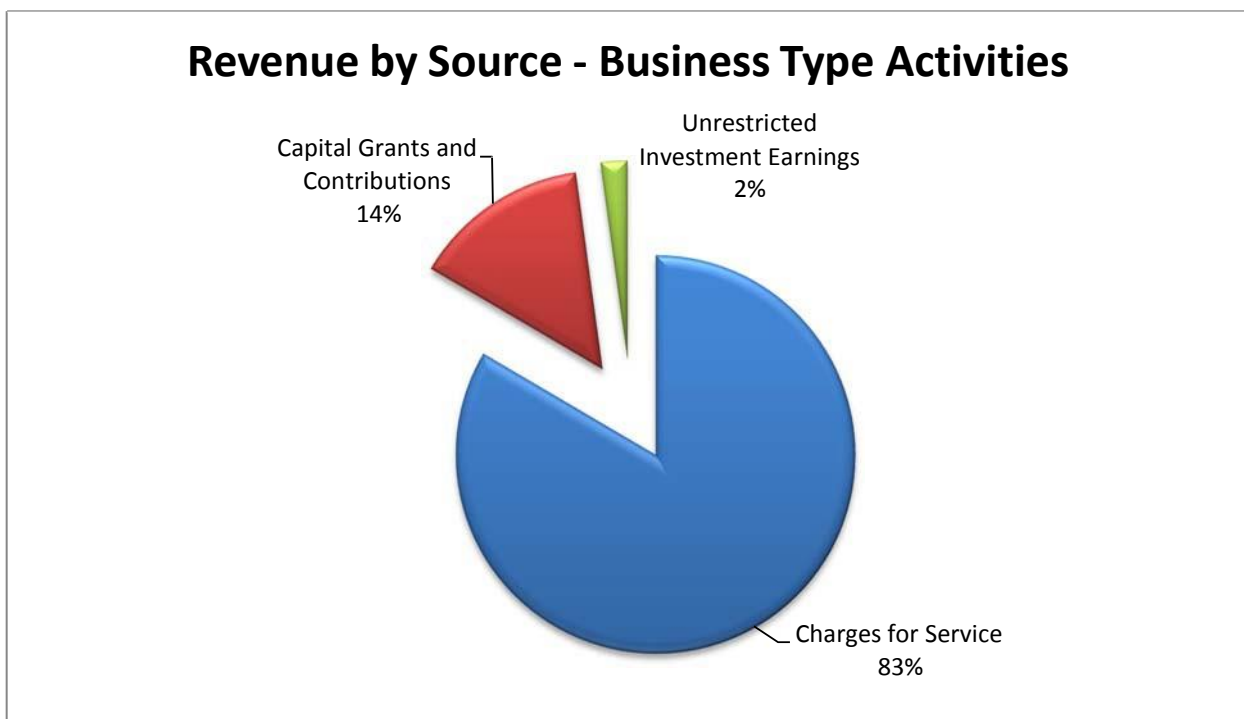
that may not happen without those additional funds. The City currently runs a domestic violence program that is significantly funded through federal grants each year.

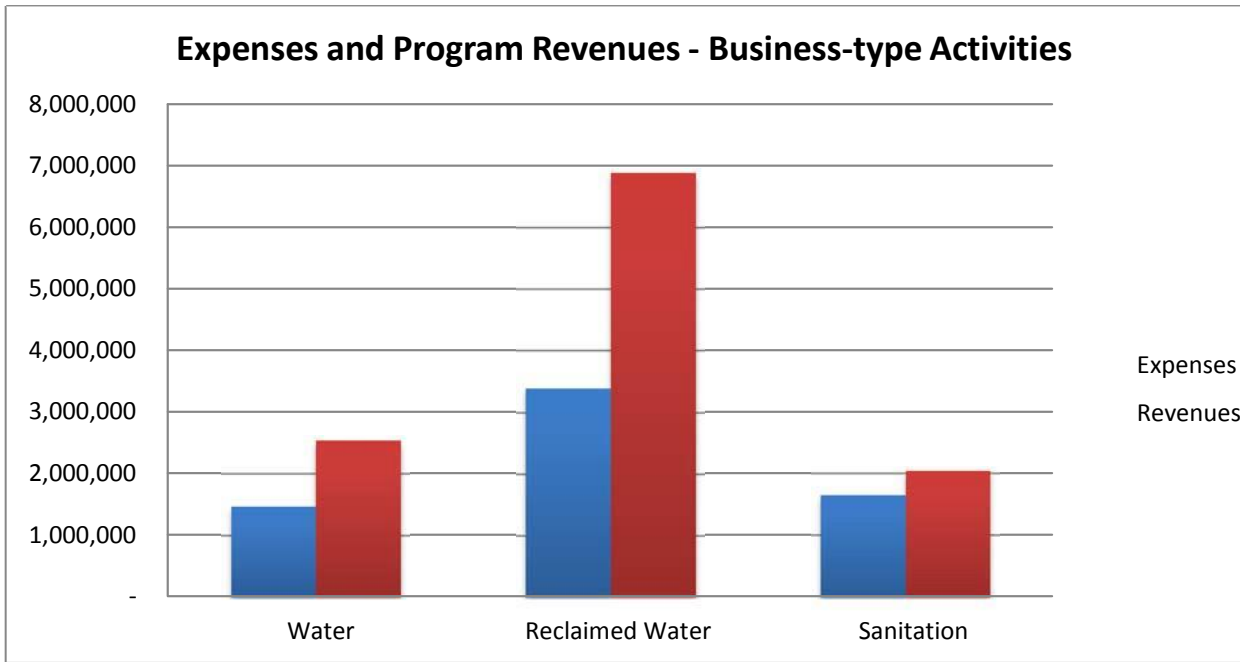
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. No significant transactions occurred outside of the Major funds for FY 13. No significant losses or revenues were received during the year and building permit revenue has increased significantly during FY 13.

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 and payment of personnel has been steadily increasing with the aggressive market in the Pacific Northwest and since health insurance has been increasing each year. The average wage increase in the City for the current fiscal year was 3 percent. This was due to the current economy and the City striving to keep property taxes down with the high unemployment in the area. Last, in the capital fund a focus was placed on completing street related projects during the current year.

The general fund has a significant cash balance at year end. A portion of this cash balance has been designated as a contingency fund and the balance has been reallocated for expenditure in the FY 13 budget, including the redemption of the 2002 Certificates of Participation in January 2013. 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 park acquisition, park improvements 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 (81 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 construction (17 percent). These contributions are received by water and Reclaimed Water 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. In Reclaimed Water this includes capital contributions from developers.

Again, for the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The City had been growing at a very rapid pace and it has slowed considerably over the last several years. The only major transaction during the year was the completion of the Water Reclamation Treatment Plant Upgrade in Reclaimed Water. The City is the only Reclaimed Water 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, unassigned fund

balance may serve as a useful measure of 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 \$17,702,082, a decrease of \$804,344 in comparison with the prior year. This decrease is primarily due to the retirement of the debt associated with the Post Falls Police Department, timing on capital projects and a cautionary stance on operating expenditures in the current economy. The current fund balance contains \$228,913 of nonspendable dollars, \$5,322,972 of restricted dollars, \$3,178,233 of committed dollars, \$1,417,639 of assigned dollars and the balance of \$7,554,325 is unassigned, 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, unassigned fund balance of the general fund was \$7,606,444 with a total fund balance of \$12,431,229. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 61.2 percent of total general fund expenditures, while total fund balance represents 100.00 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 a restricted fund balance of \$934,760. This balance is due to prepayments on the LID. The Capital Fund has a restricted fund balance of \$3,941,656. 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 position of the water, Reclaimed Water and sanitation funds at the end of the year amounted to \$18,698,221 (water \$3,511,085; Reclaimed Water \$13,864,592; and sanitation \$1,322,544). Restricted net position at the end of the year amounted to \$19,012,094 (water \$7,064,393 and Reclaimed Water \$11,947,701).

General Fund Budgetary Highlights

One budget amendment was performed during the current fiscal year. This amendment increased the budget by a total of \$5,827,601.93. General Fund revenues ended the fiscal year with a total positive variance of 11.4 percent. Expenditures ended the fiscal year with a total positive variance of .44 percent. The major variance in revenues was due to the use of fund balance dollars from the previous year. The variance in expenditures was due to a combination of numerous small savings in the general government area along with an unexpended fund balance carryover from FY 12. During this fiscal year, the City used a very conservative approach to operating expenses due to the current economy and the prediction of decreased tax revenues.

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, 2013 amounts to \$134,931,406 (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 0.6 percent (a 2.2 percent increase for governmental activities and a 0.61 percent decrease for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$5,223,404	\$5,223,404	\$12,439,674	\$12,439,674	\$17,663,078	\$17,663,078
Buildings & Imp.	13,968,803	14,480,039	3,501,435	3,654,085	17,470,238	18,134,124
Machinery & Equip.	3,189,277	2,263,130	657,869	545,782	3,847,146	2,808,912
Infrastructure	34,058,535	33,519,350			34,058,535	33,519,350
Wells			2,120,444	1,313,801	2,120,444	1,313,801
Water System			15,160,824	15,561,328	15,160,824	15,561,328
Reclaimed Water System			42,602,742	43,726,626	42,602,742	43,726,626
C.I.P.	1,044,178	740,478	964,221	683,981	2,008,399	1,424,459
Total	<u>\$57,484,197</u>	<u>\$56,226,401</u>	<u>\$77,447,209</u>	<u>\$77,925,276</u>	<u>\$134,931,406</u>	<u>\$134,151,677</u>

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.
- Focused on capital street projects during the course of the fiscal year.
- Various Reclaimed Water projects, including a plant upgrade, in an effort to keep up with growth.
- Purchased equipment for Public Safety through the use of federal grants to help keep the community safe.

Additional information on the City of Post Falls’ capital assets can be found in note 4 on pages 48 to 49 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 \$8,922,334. Of this amount, \$1,690,000 is a 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 (\$757,918), water (\$48,749) and Reclaimed Water (\$64,964).

<u>Debt Type</u>	<u>2013 Balance</u>	<u>2012 Balance</u>
General Obligation Bonds:		\$ 185,000
Reclaimed Water Revenue Bonds:	\$ 4,933,900	5,618,685
Water – DEQ Loan:		2,397,288
Water – Revenue Bonds, 2012	2,090,000	
Special Assessment Bonds:	1,690,000	1,760,000
Premium on bonds payable	208,234	
Leases:		2,625,000
Compensated Absences:	<u>871,631</u>	<u>867,615</u>
	<u>\$ 9,793,765</u>	<u>\$13,453,588</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 \$39,396,036 on September 30, 2013. The City’s general obligation bond above is subject to this limit. Therefore, \$39,396,036 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 50 to 57 of this report.

Economic Factors and Next Year’s Budgets and Rates

- Unemployment in Kootenai County dropped in 2013. The seasonally adjusted unemployment rate for Kootenai County in 2013 was 7.3% and the labor force pool was approximately 71,300, which was down by about 1,400 from 2012. This figure does not include the underemployed. The prior year reflected an unemployment rate of 8.1% in Kootenai County. In comparison, the national unemployment rate was approximately 7.5% and the statewide unemployment rate was 6.5% in 2013.
- The national and local economies are improving at a slow pace. Last year, the population increased by approximately 1.6% in the City of Post Falls and 1.5% in Kootenai County while the State increased by 1% overall. Since 2000, the City has increased by approximately 42.5%, while the County has increased by approximately 24.6%, the State has increased by 19.7%, and the U.S. population has increased by 10.9%. The State of Idaho was the fourth fastest growing state in the 2010 census. Population growth in the City is expected to range from 1.63 to 2.5% in FY14.

- Building permits issued in the City of Post Falls have dropped considerably over the last five years however, there was a substantial increase in FY 13. In the next year, this same level is anticipated.
- The number of utility accounts has continued to increase at a small level and that lower growth level has been included in the budget process.

All of these factors were considered in preparing the City of Post Falls' budget for the 2013 reported fiscal year and the upcoming 2014 fiscal year.

Budget Highlights for Fiscal Year 2012-2013

Governmental Activities. During the current fiscal year, unassigned fund balance in the general fund increased by \$506,552. The City of Post Falls has appropriated fund balance and performed a full redemption on the City's outstanding 2002 Certifications of Participation in FY 13. The remaining balance will be designated to the appropriate area.

Business-Type Activities. Both water and Reclaimed Water operating rates were increased by 2.5 percent in the 2013 budget year. Sanitation rates were increased by 3.08% as per the contract with an outside hauler that includes a fuel surcharge. Water and Reclaimed Water rates are set by rate studies that updated every five years. The Reclaimed Water fund is currently working on a facility plan that will recommend increasing the rates to cover new treatment processes to meet discharge permit requirements in the upcoming years. These rate increases are initially anticipated to be up to fourteen or fifteen percent in the first couple of 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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 408 N Spokane St., Post Falls, ID 83854.

Basic Financial Statements

**City of Post Falls
Statement of Net Position
September 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Post Falls Urban Renewal Agency
Assets				
Cash and cash equivalents	\$ 5,791,366	\$ 6,044,858	\$ 11,836,224	\$ 418,915
Investments	9,607,576	11,402,873	21,010,449	6,285,702
Receivables				
Accounts	120,129	1,319,152	1,439,281	
Taxes	216,030		216,030	318,773
Miscellaneous	942,069		942,069	
Special assessments	904,614		904,614	
Internal Balances	(2,254,833)	2,254,833		
Inventories	2,605		2,605	
Restricted cash, customer deposits		92,445	92,445	
Accrued interest	22,098	15,562	37,660	3,591
Prepaid items	226,308	28,195	254,503	1,709
Restricted cash	1,613,168	17,443,147	19,056,315	
Restricted Investments	3,754,393		3,754,393	
Restricted accrued interest		7,034	7,034	
Capital assets, net of depreciation:				
Land	5,223,404	12,439,674	17,663,078	
Buildings	13,968,803	3,501,435	17,470,238	
Machinery and equipment	3,189,277	657,869	3,847,146	1,068
Other improvements		59,884,010	59,884,010	
Infrastructure	34,058,535		34,058,535	
Construction in progress	1,044,178	964,221	2,008,399	
Total Assets	<u>78,429,720</u>	<u>116,055,308</u>	<u>194,485,028</u>	<u>7,029,758</u>
Liabilities				
Accounts payable	492,019	394,306	886,325	232,442
Accrued payroll	424,353	48,892	473,245	
Bond interest payable	36,250	40,194	76,444	
Restricted customer deposits	1,222,656	92,445	1,315,101	
Noncurrent liabilities				
Due within one year	459,643	853,031	1,312,674	
Due in more than one year	1,988,275	6,284,582	8,272,857	
Premium on Bonds Payable		208,234	208,234	
Total Liabilities	<u>4,623,196</u>	<u>7,921,684</u>	<u>12,544,880</u>	<u>232,442</u>
Net Position				
Net investment in capital assets	55,794,197	70,423,309	126,217,506	1,068
Restricted for:				
Special revenue projects	369,003		369,003	
Debt Service		9,461,647	9,461,647	
Special assessment debt	1,012,313		1,012,313	
Capital improvement projects	3,941,656	9,550,447	13,492,103	
Unrestricted	12,689,355	18,698,221	31,387,576	6,796,248
Total Net position	<u>\$ 73,806,524</u>	<u>\$ 108,133,624</u>	<u>\$ 181,940,148</u>	<u>\$ 6,797,316</u>

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

**City of Post Falls
Statement of Net Activities
For the Year Ended September 30, 2013**

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	\$ 5,357,269	\$ 1,731,925	\$ 134,608		\$ (3,490,736)		\$ (3,490,736)	\$ (2,492,007)
Public safety	5,691,276	681,988	334,503		(4,674,785)		(4,674,785)	
Highways and public works	3,878,422	984,488		\$ 1,034,241	(1,859,693)		(1,859,693)	(179,602)
Culture and recreation	1,751,145	887,040	66,985	50,000	(747,120)		(747,120)	
Interest on long-term debt	197,187				(197,187)		(197,187)	
Total governmental activities	<u>16,875,299</u>	<u>4,285,441</u>	<u>536,096</u>	<u>1,084,241</u>	<u>(10,969,521)</u>		<u>(10,969,521)</u>	<u>(2,671,609)</u>
Business-type activities:								
Water	1,591,485	2,595,523		167,526		\$ 1,171,564	1,171,564	
Reclaimed Water	3,733,341	5,571,994		2,016,838		3,855,491	3,855,491	
Sanitation	1,759,914	2,172,214				412,300	412,300	
Total business-type activities	<u>7,084,740</u>	<u>10,339,731</u>		<u>2,184,364</u>		<u>5,439,355</u>	<u>5,439,355</u>	
Total government	<u>\$ 23,960,039</u>	<u>\$ 14,625,172</u>	<u>\$ 536,096</u>	<u>\$ 3,268,605</u>	<u>(10,969,521)</u>	<u>5,439,355</u>	<u>(5,530,166)</u>	<u>(2,671,609)</u>
General revenues:								
Property taxes					8,863,691		8,863,691	4,266,303
Sales taxes					1,482,662		1,482,662	
Motor fuel taxes					1,212,413		1,212,413	
Alcoholic beverage taxes					911,944		911,944	
Unrestricted investment earnings					175,192	225,844	401,036	26,910
Gains (losses) on disposal of capital assets					(161,247)		(161,247)	
Miscellaneous					27,674		27,674	
Transfers					1,192,248	(1,192,248)		
Total general revenues and transfers					<u>13,704,577</u>	<u>(966,404)</u>	<u>12,738,173</u>	<u>4,293,213</u>
Change in net position					2,735,056	4,472,951	7,208,007	1,621,604
Net position - beginning					71,071,468	103,660,673	174,732,141	5,175,712
Net position - ending					<u>\$ 73,806,524</u>	<u>\$ 108,133,624</u>	<u>\$ 181,940,148</u>	<u>\$ 6,797,316</u>

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

**City of Post Falls
Balance Sheet
Governmental Funds
September 30, 2013**

	General Fund	Debt Service LID 2004-1 Fund	Capital Fund	Other Governmental Funds	Totals Government Funds 2013
Assets					
Cash on hand and cash equivalents	\$ 2,250,039	\$ 647,670	\$ 2,350,462	\$ 543,195	\$ 5,791,366
Investments	5,566,759		4,040,817		9,607,576
Accounts receivable:					
Property taxes - current	54,896				54,896
- delinquent	161,134				161,134
Loans receivable				8,975	8,975
Miscellaneous	882,101	44,186		6,806	933,093
Customers	4,098		29,480	86,551	120,129
Inventories	2,605				2,605
Special assessments - delinquent		23,403		3,998	27,401
Special assessments - deferred		827,192		50,022	877,214
Interfund receivables					
Prepaid items	226,308				226,308
Accrued interest	15,368		6,730		22,098
Restricted current assets:					
Cash and cash equivalents	1,608,693			4,475	1,613,168
Investments	3,511,489	242,904			3,754,393
Total assets and other debits	<u>\$ 14,283,490</u>	<u>\$ 1,785,355</u>	<u>\$ 6,427,489</u>	<u>\$ 704,022</u>	<u>\$ 23,200,356</u>
Liabilities:					
Accounts payable	\$ 185,204		\$ 263,452	\$ 43,363	\$ 492,019
Interfund payables			2,056,081	198,752	2,254,833
Accrued payroll and fringe benefits	424,353				424,353
Restricted customer deposits	1,051,881		166,300	4,475	1,222,656
Total liabilities	<u>1,661,438</u>		<u>2,485,833</u>	<u>246,590</u>	<u>4,393,861</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	161,134				161,134
Unavailable revenue - premium/discount	29,689				29,689
Unavailable revenue - special assessment		\$ 850,595		54,020	904,615
Unavailable revenue - other				8,975	8,975
Total deferred inflows of resources	<u>190,823</u>	<u>850,595</u>		<u>62,995</u>	<u>1,104,413</u>
Fund balances:					
Nonspendable:					
Inventory	2,605				2,605
Prepays	226,308				226,308
Restricted:					
Special revenue projects				369,003	369,003
Capital public safety debt service					
Special assessment debt		934,760		77,553	1,012,313
Capital improvement projects			3,941,656		3,941,656
Committed:					
Revenue stabilization	3,178,233				3,178,233
Assigned:					
Capital improvements	1,388,966				1,388,966
Capital lease redemption	28,673				28,673
Unassigned:	7,606,444			(52,119)	7,554,325
Total fund balances	<u>12,431,229</u>	<u>934,760</u>	<u>3,941,656</u>	<u>394,437</u>	<u>17,702,082</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 14,283,490</u>	<u>\$ 1,785,355</u>	<u>\$ 6,427,489</u>	<u>\$ 704,022</u>	

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

Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	57,484,197
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,104,413
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,484,168)
Net Position of governmental activities	<u>\$ 73,806,524</u>

City of Post Falls
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	General Fund	Debt Service LID 2004-1 Fund	Capital Fund	Other Governmental Funds	Totals Government Funds 2013
Revenues:					
Taxes	\$ 9,456,450				\$ 9,456,450
Intergovernmental	3,940,436		\$ 226,417		4,166,853
Charges for services	1,849,103		715,273	\$ 560,981	3,125,357
Other revenue	399,495		28,512	335,266	763,273
Special assessment revenue		\$ 363,836		8,748	372,584
Interest	118,252	94,302	56,786	3,706	273,046
Total revenues	<u>15,763,736</u>	<u>458,138</u>	<u>1,026,988</u>	<u>908,701</u>	<u>18,157,563</u>
Expenditures:					
Current:					
General government	4,684,507	16,250	126,651	1,873	4,829,281
Public safety	5,164,117			176,951	5,341,068
Highways and public works	2,303,983			438,100	2,742,083
Culture and recreation	1,610,407			22,600	1,633,007
Capital outlay	894,848		1,414,041	197,804	2,506,693
Debt service:					
Principal	2,458,066	55,000	351,934	15,000	2,880,000
Interest	76,662	79,920	46,996	18,446	222,024
Total expenditures	<u>17,192,590</u>	<u>151,170</u>	<u>1,939,622</u>	<u>870,774</u>	<u>20,154,156</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,428,854)</u>	<u>306,968</u>	<u>(912,634)</u>	<u>37,927</u>	<u>(1,996,593)</u>
Other financing sources (uses):					
Transfers in	1,358,168		1,415,000	28,803	2,801,971
Transfers out	<u>(1,500,273)</u>		<u>(98,300)</u>	<u>(11,150)</u>	<u>(1,609,723)</u>
Total other financing sources (uses)	<u>(142,105)</u>		<u>1,316,700</u>	<u>17,653</u>	<u>1,192,248</u>
Net change in fund balance	(1,570,959)	306,968	404,066	55,580	(804,344)
Fund balances, beginning	<u>14,002,188</u>	<u>627,792</u>	<u>3,537,590</u>	<u>338,857</u>	<u>18,506,427</u>
Fund balances, ending	<u>\$12,431,229</u>	<u>\$ 934,760</u>	<u>\$ 3,941,656</u>	<u>\$ 394,437</u>	<u>\$ 17,702,082</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, 2013

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

Net change in fund balances - total governmental funds	\$ (804,344)
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.	384,802
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	872,994
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(612,451)
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 positions. Also, governmental funds report the effect of 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>2,894,055</u>
Change in net position of governmental activities	<u><u>\$ 2,735,056</u></u>

City of Post Falls
Statement of Net Position
Proprietary Funds
September 30, 2013

Business-type Activities - Enterprise Funds							
	Water Current Year	Water Prior Year	Reclaimed Water Current Year	Reclaimed Water Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Assets							
Current assets:							
Cash	\$ 281,622	\$ 268,096	\$ 4,766,414	\$ 2,527,612	\$ 996,822	\$ 822,479	\$ 6,044,858
Investments	2,250,549	2,723,892	8,889,329	8,786,202	262,995	253,494	11,402,873
Utility receivables, net	430,040	490,185	677,210	641,823	211,902	199,888	1,319,152
Prepaid expenses	8,977		19,218				28,195
Restricted cash, customer deposits	92,445	93,240					92,445
Accrued interest	3,773	6,935	11,789	21,140		1,714	15,562
Due from other funds	514,020	554,203	1,740,813	1,920,934			2,254,833
Total current assets	<u>3,581,426</u>	<u>4,136,551</u>	<u>16,104,773</u>	<u>13,897,711</u>	<u>1,471,719</u>	<u>1,277,575</u>	<u>21,157,918</u>
Non-current assets:							
Restricted cash	7,401,488	6,757,449	10,041,659	8,551,871			17,443,147
Restricted accrued interest	1,730	1,515	5,304	2,924			7,034
Total restricted assets	<u>7,403,218</u>	<u>6,758,964</u>	<u>10,046,963</u>	<u>8,554,795</u>			<u>17,450,181</u>
Capital assets:							
Land	54,555	54,555	12,385,119	12,385,119			12,439,674
Wells	3,238,171	2,375,111					3,238,171
Water system	21,171,937	21,148,787					21,171,937
Equipment	1,032,467	945,020	1,217,974	1,110,301			2,250,441
Reclaimed Water system			64,489,526	64,376,095			64,489,526
Construction in progress	346,852	346,852	617,369	337,129			964,221
Less accumulated depreciation	(7,509,208)	(6,969,135)	(19,597,553)	(18,184,558)			(27,106,761)
Total capital assets (net of accumulated depreciation)	<u>18,334,774</u>	<u>17,901,190</u>	<u>59,112,435</u>	<u>60,024,086</u>			<u>77,447,209</u>
Total non-current assets	<u>25,737,992</u>	<u>24,660,154</u>	<u>69,159,398</u>	<u>68,578,881</u>			<u>94,897,390</u>
Total Assets	<u>29,319,418</u>	<u>28,796,705</u>	<u>85,264,171</u>	<u>82,476,592</u>	<u>1,471,719</u>	<u>1,277,575</u>	<u>116,055,308</u>
Liabilities							
Current liabilities:							
Accounts payable	40,786	183,756	204,345	250,416	149,175	137,818	394,306
Accrued payroll	18,952	17,758	29,940	28,940			48,892
Bond interest payable			40,194	41,819			40,194
Compensated absences - current maturity	27,300	25,983	33,781	46,670			61,081
Customer deposits payable	92,445	93,240					92,445
Bond payable - current maturity	155,000	76,037	636,950	684,785			791,950
Total current liabilities	<u>334,483</u>	<u>396,774</u>	<u>945,210</u>	<u>1,052,630</u>	<u>149,175</u>	<u>137,818</u>	<u>1,428,868</u>
Noncurrent liabilities:							
Compensated absences	21,449	20,416	31,183	27,410			52,632
Premium on bonds payable	208,234						208,234
Bonds payable	1,935,000	2,321,251	4,296,950	4,933,900			6,231,950
Total noncurrent liabilities	<u>2,164,683</u>	<u>2,341,667</u>	<u>4,328,133</u>	<u>4,961,310</u>			<u>6,492,816</u>
Total Liabilities	<u>2,499,166</u>	<u>2,738,441</u>	<u>5,273,343</u>	<u>6,013,940</u>	<u>149,175</u>	<u>137,818</u>	<u>7,921,684</u>
Net Position							
Net investment in capital assets	16,244,774	15,503,902	54,178,535	54,405,401			70,423,309
Restricted for:							
Debt service	242,861	242,446	9,218,786	7,762,836			9,461,647
Capital improvement projects	6,821,532	6,181,840	2,728,915	2,702,097			9,550,447
Unrestricted	3,511,085	4,130,076	13,864,592	11,592,318	1,322,544	1,139,757	18,698,221
Total Net Position	<u>\$ 26,820,252</u>	<u>\$ 26,058,264</u>	<u>\$ 79,990,828</u>	<u>\$ 76,462,652</u>	<u>\$ 1,322,544</u>	<u>\$ 1,139,757</u>	<u>\$ 108,133,624</u>

City of Post Falls
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended Spetember 30, 2013

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Reclaimed Water Current Year	Reclaimed Water Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Operating Revenues:							
Charges for services	\$ 2,419,515	\$ 2,196,251	\$ 5,414,047	\$ 5,236,482	\$ 2,133,956	\$ 1,989,355	\$ 9,967,518
Hookups and connections	16,178	12,663					16,178
Other revenues	159,830	165,674	157,947	132,024	38,258	47,120	356,035
Total operating revenues	<u>2,595,523</u>	<u>2,374,588</u>	<u>5,571,994</u>	<u>5,368,506</u>	<u>2,172,214</u>	<u>2,036,475</u>	<u>10,339,731</u>
Operating Expenses:							
Salaries and benefits	490,782	440,949	795,645	795,205			1,286,427
Administrative and supplies	497,600	399,710	1,311,143	1,240,568	1,759,914	1,647,114	3,568,657
Depreciation	540,073	529,477	1,412,995	1,113,482			1,953,068
Total operating expenses	<u>1,528,455</u>	<u>1,370,136</u>	<u>3,519,783</u>	<u>3,149,255</u>	<u>1,759,914</u>	<u>1,647,114</u>	<u>6,808,152</u>
Operating income	<u>1,067,068</u>	<u>1,004,452</u>	<u>2,052,211</u>	<u>2,219,251</u>	<u>412,300</u>	<u>389,361</u>	<u>3,531,579</u>
Nonoperating revenues (expenses):							
Investment income	50,696	62,895	166,629	184,063	8,519	6,247	225,844
Interest expense	(63,030)	(94,088)	(213,558)	(238,403)			(276,588)
Total nonoperating revenues (expenses)	<u>(12,334)</u>	<u>(31,193)</u>	<u>(46,929)</u>	<u>(54,340)</u>	<u>8,519</u>	<u>6,247</u>	<u>(50,744)</u>
Income before contributions and transfers	1,054,734	973,259	2,005,282	2,164,911	420,819	395,608	3,480,835
Capital Contributions - cap fees and other	167,526	167,020	2,016,838	1,516,846			2,184,364
Transfers in			79,920	79,920			79,920
Transfers out	(460,272)	(406,959)	(573,864)	(531,828)	(238,032)	(220,032)	(1,272,168)
Changes in net position	761,988	733,320	3,528,176	3,229,849	182,787	175,576	4,472,951
Net Position - beginning	<u>26,058,264</u>	<u>25,324,944</u>	<u>76,462,652</u>	<u>73,232,803</u>	<u>1,139,757</u>	<u>964,181</u>	<u>103,660,673</u>
Net Position - ending	<u>\$ 26,820,252</u>	<u>\$ 26,058,264</u>	<u>\$ 79,990,828</u>	<u>\$ 76,462,652</u>	<u>\$ 1,322,544</u>	<u>\$ 1,139,757</u>	<u>\$ 108,133,624</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, 2013

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Reclaimed Water Current Year	Reclaimed Water Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Cash Flows from Operating Activities							
Receipts from customers	\$ 2,655,667	\$ 2,339,113	\$ 5,517,389	\$ 5,288,378	\$ 2,161,914	\$ 2,035,973	\$ 10,334,970
Payments to suppliers	(649,547)	(267,240)	(1,357,214)	(1,775,343)	(1,748,557)	(1,644,776)	(3,755,318)
Payments to employees	(488,033)	(434,332)	(803,762)	(790,879)			(1,291,795)
Net cash provided by operating activities	<u>1,518,087</u>	<u>1,637,541</u>	<u>3,356,413</u>	<u>2,722,156</u>	<u>413,357</u>	<u>391,197</u>	<u>5,287,857</u>
Cash Flows from Non-capital Financing Activities							
Operating subsidies and transfers to other funds	(460,272)	(406,959)	(573,864)	(531,828)	(238,032)	(220,032)	(1,272,168)
Advances from other funds	40,183	38,190	260,041	251,546			300,224
Net cash (used) by non-capital financing activities	<u>(420,089)</u>	<u>(368,769)</u>	<u>(313,823)</u>	<u>(280,282)</u>	<u>(238,032)</u>	<u>(220,032)</u>	<u>(971,944)</u>
Cash Flows from Capital and Related Financing Activities							
Capital contributions	144,376	124,695	1,923,336	1,253,653			2,067,712
Principal payments on capital debt	(99,054)	(147,946)	(684,785)	(724,286)			(783,839)
Interest payments on capital debt	(63,030)	(94,088)	(215,183)	(243,872)			(278,213)
Purchase of capital assets	(950,506)	(462,794)	(407,841)	(426,944)			(1,358,347)
Net cash (used) by capital and related financing activities	<u>(968,214)</u>	<u>(580,133)</u>	<u>615,527</u>	<u>(141,449)</u>			<u>(352,687)</u>
Cash Flows from Investing Activities							
Interest received on investments	53,643	66,210	173,600	186,988	8,519	4,533	235,762
Net cash provided by investing activities	<u>53,643</u>	<u>66,210</u>	<u>173,600</u>	<u>186,988</u>	<u>8,519</u>	<u>4,533</u>	<u>235,762</u>
Net increase (decrease) in cash and cash equivalents	183,427	754,849	3,831,717	2,487,413	183,844	175,698	4,198,988
Cash and cash equivalents, beginning	<u>9,842,677</u>	<u>9,087,828</u>	<u>19,865,685</u>	<u>17,378,272</u>	<u>1,075,973</u>	<u>900,275</u>	<u>30,784,335</u>
Cash and cash equivalents, ending	<u>\$ 10,026,104</u>	<u>\$ 9,842,677</u>	<u>\$ 23,697,402</u>	<u>\$ 19,865,685</u>	<u>\$ 1,259,817</u>	<u>\$ 1,075,973</u>	<u>\$ 34,983,323</u>
Reconciliation of Operating Income to Net Cash							
Provided by operating activities:							
Operating income	\$ 1,067,067	\$ 1,004,452	\$ 2,052,211	\$ 2,219,251	\$ 412,300	\$ 389,361	\$ 3,531,578
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	540,073	529,477	1,412,995	1,113,482			1,953,068
Changes in assets and liabilities:							
Accounts receivable	60,145	(23,460)	(35,388)	(80,128)	(10,300)	(502)	14,457
Prepaid expense	(8,977)		(19,218)				(28,195)
Accounts payable	(142,970)	132,470	(46,071)	(534,775)	11,357	2,338	(177,684)
Accrued payroll	3,544	6,617	(8,116)	4,326			(4,572)
Customer deposits	(795)	(12,015)	-	-			(795)
Total adjustments	<u>\$ 1,518,087</u>	<u>\$ 1,637,541</u>	<u>\$ 3,356,413</u>	<u>\$ 2,722,156</u>	<u>\$ 413,357</u>	<u>\$ 391,197</u>	<u>\$ 5,287,857</u>
Noncash investing, capital, and financing activities:							
Contributions of capital assets		<u>\$ 42,325</u>	<u>\$ 138,041</u>	<u>\$ 263,193</u>			<u>\$ 138,041</u>
Reconciliation of Cash to the Balance Sheet							
Cash and cash equivalents	\$ 281,622	\$ 268,096	\$ 4,766,414	\$ 2,527,612	\$ 996,822	\$ 822,479	\$ 6,044,858
Investments	2,250,549	2,723,892	8,889,329	8,786,202	262,995	253,494	11,402,873
Restricted cash, customer deposits	92,445	93,240					92,445
Restricted cash	7,401,488	6,757,449	10,041,659	8,551,871			17,443,147
	<u>\$ 10,026,104</u>	<u>\$ 9,842,677</u>	<u>\$ 23,697,402</u>	<u>\$ 19,865,685</u>	<u>\$ 1,259,817</u>	<u>\$ 1,075,973</u>	<u>\$ 34,983,323</u>

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

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.

During the year ended September 30, 2013, the City implemented GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The following notes to the financial statements are an integral part of the City's basic financial statements. The most significant of the City's accounting policies are described below.

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, planning and zoning, animal control, cemetery, general administration, construction, water, reclaimed water, 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 fiscal year basis from October 1st through September 30th. Complete financial statements of the Agency can be obtained directly from:

Post Falls Urban Renewal Agency
201 E 4th Street
Post Falls, ID 83854

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statement are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

The government has one discretely presented component unit. While the Post Falls Urban Renewal Agency is not considered to be a major component unit, they are nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment in lieu of taxes where the amount are reasonably equivalent in value to the inter-fund services provided and other charges between the government's water and general government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of presentation – fund financial statements

The fund financial statement provide information about the government's funds, including its component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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 reclaimed water improvements. The primary source of revenue is from assessment collection. The primary expenditure is for bond obligations.
3. The *capital fund* accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major proprietary funds:

1. The *reclaimed water fund* is used to account for the activities of the City's water reclamation division.
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.

During the course of operations the government has activity between funds for various purposes. Any residual balance outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and post-employment benefits funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurements 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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".

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 (inter-fund payables) are charged interest equivalent to the average investment earnings lost in financing the deficits.

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

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, 2013 materially approximates fair value. Investments on hand at September 30, 2013 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable – Utility accounts receivable, net of allowances for doubtful accounts for the enterprise funds as of September 30, 2013 are as follows:

Water:

Gross accounts receivable	\$441,166
Less allowance for doubtful accounts	<u>(11,126)</u>
Accounts receivable, net	<u>\$430,040</u>

Reclaimed water:

Gross accounts receivable	\$877,993
Less allowance for doubtful accounts	<u>(200,783)</u>
Accounts receivable, net	<u>\$677,210</u>

Sanitation:

Gross accounts receivable	\$218,456
Less allowance for doubtful accounts	<u>(6,554)</u>
Accounts receivable, net	<u>\$211,902</u>

Due To and From Other Funds – Inter-fund receivables and payables arise from inter-fund 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.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 assets or materially extend assets lives are not capitalized.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Land and construction in process are not depreciated. 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
Building/Improvements	20 – 40 years
Reclaimed water System/Improvements	20 – 50 years
Water System/Improvements	20 – 50 years
Vehicles	3 – 5 years

Deferred outflow/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position flow assumption - Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund balance classifications and policies – The City has adopted GASB 54 as required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City does not have nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of a resolution or ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution/ordinance remains in place until a similar action is taken (the adoption of another resolution or ordinance or the repeal of either) to remove or revise the limitation.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose. This classification of fund balance is intended to be used for a specific purpose but does not meet the criteria to be classified as committed. The governing council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- **Unassigned:** fund balances of the general fund that is not constrained for any particular purpose.

Stabilization: Resolution 2005-05 sets a stabilization fund balance account target of 15% of operating costs for General Fund. Expenditures of the amounts in the stabilization reserve may occur only when specific circumstances exist. The adopted resolution directs that these resources may be used to mitigate actual revenue shortfalls (when compared to estimated revenues), fund

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

unanticipated emergencies, generate interest income, reduce the need for short-term borrowing and assist in maintaining an investment grade bond rating. These funds may only be expended with Council approval and any time the account balance falls below the above minimum balance due to usage, the City will budget the amount necessary to get back to the appropriate level within five budget years.

Fund balance flow assumptions - Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 2012-2013 fiscal year was .005889557.

Program revenues - Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Refunding Costs – In the government 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
Reclaimed water Bond issuance costs	20

Proprietary funds operating and nonoperating revenues and expenses - Proprietary funds distinguish operating revenues and expense 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 water and reclaimed water fund are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customer to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

Statement of Cash Flows – The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

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 Statement of Net Position as "Cash and Investments".

Cash and investments are comprised of the following at September 30, 2013:

Cash on hand	\$ 11,519
Deposits with financial institutions:	
Demand deposit	(2,394,173)
Time certificates of deposit	761,630
Investments	<u>57,370,850</u>
Total	<u>\$55,749,826</u>

Cash and investments are reflected on the Statement of Net Position as follows:

Cash and cash equivalents	\$11,836,224
Investments	21,010,449
Restricted Cash and Investments	<u>22,903,153</u>
Total	<u>\$55,749,826</u>

Deposits

The carrying amount of the City's deposits with financial institutions was (\$2,394,173) and the bank balance was \$102,016. Of the bank balance, \$102,016 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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 2: CASH AND INVESTMENTS (Continued)

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.

Fair Value - 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 \$72,151 which has not been recognized in the financial statements.

Credit risk – Credit risk is the risk that a debtor will not fulfill its obligations. All securities registered in the City's name carry a rating of AAA from Moody's and Standard and Poor's.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to cover the value of its investment or collateral securities that are in possession of another party. Authorized collateral includes the legal investment described earlier, as well as certain first mortgage notes, and certain other state or local obligations. According to City policy, the market value of the collateral must be a minimum of 105% of deposits not covered by insurance or bonds. None of the City's deposits or investments was subject to custodial credit risk.

Interest rate risk and concentration of credit risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. According to its investment policy, the City manages its exposure to interest rate risk by purchasing a combination of shorter-term and longer-term investments. The City also manages this risk by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity for operations. Further, the City purchases some securities that have interest rates that step-up over time. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Concentration of credit risk as defined by GASB exists when more than 5% of an investment portfolio is allocated to one security. State statutes contain no limitations on the amount that can be invested in any one issuer. As of September 30, 2013, the City held the following investments (and associated maturities and percentage of portfolio) in its internal investment portfolio:

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 2: CASH AND INVESTMENTS (Continued)

Investment Type	Fair Value	Maturity - Years	Portfolio
State Investment Pool	\$ 23,983,049	Daily	41.80%
Federal Home Loan Bank	10,463,280	7.63	18.24%
Panhandle State Bank - Repurchase Sweep	9,422,206	Daily	16.42%
Federal National Mortgage Association	6,124,318	6.08	10.67%
Tennessee Valley Authority	2,450,726	8.26	4.27%
Federal Farm Credit Bank	1,760,837	7.95	3.07%
State of Idaho Bonds	1,603,886	6.00	2.80%
Federal Home Loan Mortgage Corporation	716,214	5.96	1.25%
Financing Corp CTN FICO Strips	695,265	4.96	1.21%
Money Market Funds	151,069	Daily	0.26%
	<u>\$ 57,370,850</u>		

NOTE 3: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2013:

	<u>LID 2004-1</u>	<u>LID 99-1</u>	<u>Total</u>
Beginning Assessment - principal	\$ 1,191,028	\$ 58,497	\$ 1,249,525
Assessments collected - principal*	340,433	4,477	344,910
Ending Assessment - principal**	<u>\$ 850,595</u>	<u>\$ 54,020</u>	<u>\$ 904,615</u>
Delinquent amounts	\$ 23,403	\$ 3,998	\$ 27,401
Guarantee/Reserve funds	\$ 242,904	\$ 16,417	\$ 259,321

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

**Principal amounts are deferred amounts not currently due, but due at a future date.

Note: Please see Note 6 for Long term debt breakdown associated with the above assessments.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2013, is as follows:

	September 30,	Adjustments			September 30,
	2012	Additions	Transfers	Deletions	2013
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$5,223,404				\$5,223,404
C.I.P.	740,478	\$347,737		(\$44,037)	1,044,178
Total capital assets, not being depreciated	5,963,882	347,737		(44,037)	6,267,582
Capital assets, being depreciated:					
Buildings and improvements	18,419,918	104,010		(179,527)	18,344,401
Equipment	5,454,030	213,089		(204,998)	5,462,121
Vehicles	2,993,278	1,322,854		(73,068)	4,243,064
Infrastructure	38,992,225	1,553,244			40,545,469
Total capital assets, being depreciated	65,859,451	3,193,197		(457,593)	68,595,055
Less: accumulated depreciation					
Buildings and improvements	3,939,879	502,526		(66,807)	4,375,598
Equipment	3,883,604	350,555		(200,708)	4,033,451
Vehicles	2,300,574	254,751		(72,868)	2,482,457
Infrastructure	5,472,875	1,014,059			6,486,934
Total accumulated depreciation	15,596,932	2,121,891		(340,383)	17,378,440
Total capital assets being depreciated, net	50,262,519	1,071,306		(117,210)	51,216,615
Governmental activities capital assets, net	\$56,226,401	\$1,419,043		(\$161,247)	\$57,484,197

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 4: CAPITAL ASSETS (Continued)

	September 30,	Adjustments			September 30,
	2012	Additions	Transfers	Deletions	2013
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets, not being depreciated:					
Land	\$12,439,674				\$12,439,674
C.I.P.	683,981	\$280,240			964,221
Total capital assets, not being depreciated	13,123,655	280,240			13,403,895
Capital assets, being depreciated:					
Wells	2,375,111	863,059			3,238,170
Water System	21,148,787	23,150			21,171,937
Equipment	2,055,321	195,120			2,250,441
Reclaimed Water System	64,376,095	113,432			64,489,527
Total capital assets, being depreciated	89,955,314	1,194,761			91,150,075
Less: accumulated depreciation					
Wells	1,061,310	56,416			1,117,726
Water System	5,387,997	429,839			5,817,836
Equipment	1,509,539	83,033			1,592,572
Reclaimed Water System	17,194,847	1,383,780			18,578,627
Total accumulated depreciation	25,153,693	1,953,068			27,106,761
Total capital assets being depreciated, net	64,801,621	(758,307)			64,043,314
Business-type activities capital assets, net	\$77,925,276	(\$478,069)			\$77,447,209

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

Governmental activities:	
General government	\$517,206
Public safety	350,208
Highways and public works	1,136,339
Culture and recreation	118,138
Total depreciation expense – governmental activities	<u>\$2,121,891</u>
Business-type activities:	
Water	\$540,073
Reclaimed water	1,412,995
Total depreciation expense – business-type activities	<u>\$1,953,068</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 5: DEFINED BENEFIT PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) – the PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 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.

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

The actuarially determined 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, 2013, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The City of Post Falls' employer contributions required and paid were \$814,393, \$761,137, and \$741,268 for the three years ended September 30, 2013, 2012 and 2011, 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 of March 1 and September 1, at rates ranging from 4.0% to 6.5%, and annual principal repayments of September 1 in amounts are ranging for \$90,000 in 1999 to \$185,000 in 2013.

Reclaimed Water Revenue Bonds

On March 15, 1982, the requisite majority of the qualified voters of the City authorized the issuance of Reclaimed water Revenue Bonds in the principal amount of \$3,900,000 to finance the acquisition and construction of improvements and additions to the reclaimed water system of the City. The

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 6: LONG-TERM DEBT (Continued)

City issued these bonds on the following dates and in the following amounts: Series 1985, issued May 15, 1985 in the amount of \$929,300; Series 1989, issued May 5, 1989 in the amount of \$1,500,000; and Series 1994, issued April 1, 1994 in the amount of \$1,470,700, for a total issuance of \$3,900,000.

The Series 1985 bonds and the Series 1989 bonds have been paid in full.

Repayment terms on the Series 1994 Bonds are semi-annual payments, due April 1 and October 1, in the amount of \$53,762.54, including interest at 4.00%

On December 30, 2004, the City issued \$3,969,500 of Reclaimed water Revenue bonds, named the City of Post Falls Reclaimed water 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 4.00% for all bonds.

On June 15, 2005, the City issued \$2,100,000 of Reclaimed water Revenue Bonds, named the City of Post Falls Reclaimed water 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 Reclaimed water 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.

On March 19, 2008, the City issued \$3,430,000 of Reclaimed water Revenue Bonds, named the City of Post Falls Reclaimed water Revenue Bond, 2008. The proceeds of these bonds, along with other resources of the City, were used to purchase land next to the water reclamation treatment plant and make improvements to said land. This land will be used for future expansion of the plant and to maintain the vehicle maintenance shop.

Repayment terms on the bonds are semi-annual payments due March 1 and September 1 of each year with interest rates ranging from 3.00% to 5.00% on the bonds.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 6: LONG-TERM DEBT (Continued)

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

RECLAIMED WATER REVENUE BONDS:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2014	\$ 636,950	\$ 189,565	\$ 826,515
2015	651,950	162,875	814,825
2016	265,000	148,955	413,955
2017	275,000	138,827	413,827
2018-2022	1,530,000	520,856	2,050,856
2023-2027	<u>1,575,000</u>	<u>185,095</u>	<u>1,760,095</u>
	<u>\$4,933,900</u>	<u>\$1,346,173</u>	<u>\$6,280,073</u>

Water Revenue Bonds

The City issued \$2,255,000 in revenue bonds with interest rates ranging from 2.0% to 3.5%. The proceeds were used to advance refund \$2,405,655.57 of outstanding DEQ 2005 Bonds. The net proceeds of \$2,666,188.35 (including \$220,250 debt service requirement and after \$40,282.78 in costs of issuance associated with the 2012 bonds) were deposited and distributed accordingly. As a Result, the DEQ 2005 bonds were considered defeased and the liability for those bonds has been removed from the statement of net position.

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

WATER REVENUE REFUNDING BONDS, SERIES 2012:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2014	155,000	62,500	217,500
2015	160,000	58,950	218,950
2016	165,000	54,888	219,888
2017	165,000	50,350	215,350
2018	175,000	45,250	220,250
2019	180,000	39,925	219,925
2020	185,000	34,450	219,450
2021	190,000	28,350	218,350
2022	195,000	21,613	216,613
2023	205,000	14,613	219,613
2024	210,000	7,350	217,350
2025	<u>105,000</u>	<u>1,838</u>	<u>106,838</u>
	<u>\$2,090,000</u>	<u>\$420,077</u>	<u>\$2,510,077</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 6: LONG-TERM DEBT (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
L.I.D. #99-1:					
	3/01/14	4.95	20,000	6,360	26,360
	3/01/15	5.10	20,000	5,370	25,370
	3/01/16	5.25	20,000	4,350	24,350
	3/01/17	5.40	20,000	3,300	23,300
	3/01/18-19	5.50-5.60	<u>40,000</u>	<u>3,340</u>	<u>43,340</u>
			\$ <u>120,000</u>	<u>\$22,720</u>	<u>\$142,720</u>
L.I.D. 2004-1:					
	5/01/14	4.60	55,000	77,417	132,417
	5/01/15	4.65	60,000	74,888	134,888
	5/01/16	4.70	60,000	72,097	132,097
	5/01/17	4.75	65,000	69,278	134,278
	5/01/18-21	4.80-5.00	<u>1,330,000</u>	<u>244,935</u>	<u>1,574,935</u>
			<u>\$1,570,000</u>	<u>\$538,615</u>	<u>\$2,108,615</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, 2013 is \$9,450. As of September 30, 2013, \$16,404 is set-aside in this fund.

Changes in governmental activity long-term debt are as follows:

	<u>Balance 10/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/13</u>
Compensated absences	\$ 747,136	\$709,130	\$698,348	\$757,918
Capital leases	2,625,000		2,625,000	
General fund bonds payable	185,000		185,000	
Local imp. bonds payable	<u>1,760,000</u>		<u>70,000</u>	<u>1,690,000</u>
	<u>\$5,317,136</u>	<u>\$709,130</u>	<u>\$3,578,348</u>	<u>\$2,447,918</u>

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

NOTE 6: LONG-TERM DEBT (Continued)

	Due in <u>One Year</u>
Compensated absences	\$ 384,643
Local imp. bond payable	<u>75,000</u>
	\$ <u>459,643</u>

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

	<u>Balance</u> <u>10/1/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/13</u>
Compensated absences	\$120,479	\$102,298	\$ 109,064	\$113,713
Premium on bonds payable		208,234		208,234
Bonds payable	<u>8,015,973</u>		<u>992,073</u>	<u>7,023,900</u>
	<u>\$8,136,452</u>	<u>\$ 310,532</u>	<u>1,101,137</u>	<u>\$7,345,847</u>

	Due in <u>One Year</u>
Compensated absences	\$ 61,081
Bonds payable	<u>791,950</u>
	\$ <u>853,031</u>

NOTE 7: 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.

Long-Term Debt

At the end of FY 2013, the Post Falls Urban Renewal Agency had no outstanding debt.

Agency Cash and Investments

The Agency maintains its cash balances in one financial institution. The Agency also holds four certificates of deposit at four different financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of September 30, 2013, the Agency had uninsured balances totaling \$0. The certificates of deposit mature on dates ranging from March

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 7: COMPONENT UNIT DISCLOSURES (Continued)

2014 to March 2017. The carrying amount of the Agency's deposits and investments as of September 30, 2013 is \$6,686,374 and the bank balance is \$6,689,238, categorized as follows:

Idaho State Investment Pool	\$5,528,322
Amount insured by the FDIC or other agencies	<u>1,160,916</u>
Total	<u>\$6,689,238</u>

State statutes authorize the Agency's investments. The 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 pools, and money market funds consisting of any of these securities listed. No unauthorized investment transactions were carried out by the Agency during the year.

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 requires the Agency to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. The Pool has not been assigned a risk category since the Agency is not issued securities, but rather it owns an undivided beneficial interest in the assets of the Pool. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body nor is any balance insured by the Federal Deposit Insurance Corporation. Financial reports are available from the Idaho State Treasurer's Office upon request.

The balances above that the Agency has in the State Investment Pool are carried at fair market value pursuant to GASB 31. The Agency's portion of the State Investment Pool had an unrealized gain of \$18,243 as of September 30, 2013.

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 7: COMPONENT UNIT DISCLOSURES (Continued)

The following schedule classifies the investments of the Agency as of September 30, 2013, in the above categories:

	Category			Carrying Amount
	1	2	3	
Certificates of Deposit	\$ 984,137	-	-	984,137
Total Investments	\$ 984,137	-	-	984,137

Commitments

Watson and Associates (Expo) – During the 2007 fiscal year, the Agency entered into a Settlement Agreement with Watson and Associates for the Expo Urban Renewal District in an amount not to exceed \$4,702,827. Under this Agreement, the Agency will reimburse the cost of infrastructure improvements made within the Expo Urban Renewal District. Seven (7) separate costs submittals totaling \$1,649,337 have been approved. It is anticipated that as infrastructure improvements are completed, further reimbursement requests will be made. The Agency is only obligated to reimburse Watson and Associates from tax increment revenues of the Agency generated within the district. The Agency receives tax increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$1,188,827 was reimbursed in previous fiscal years, and \$306,250 was reimbursed in fiscal year 2013, leaving a balance of \$154,260.

Greenstone-Kootenai, Inc. (West Seltice II) – In July 2007, the Agency entered into an Owner Participation Agreement with Greenstone- Kootenai, Inc. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the West Seltice II Urban Renewal District totaling \$1,990,008. The Agency is only obligated to reimburse Greenstone-Kootenai, Inc. if tax increment revenues of the Agency, directly resulting from the project improvements made by Greenstone-Kootenai, Inc. are available. The Agency receives tax increment revenue and then deducts the amount necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$523,231 was reimbursed in previous fiscal years, and \$164,066 was reimbursed in fiscal year 2013, leaving a balance of \$1,302,711.

Jacklin Land Company (Riverbend) – During the 2008 fiscal year, the Agency entered into an Owner Participation Agreement with Jacklin Land Company. The Agency reimbursed in full the final balance of costs of infrastructure in August 2012 and a residual amount of increment totaling \$207,077 was rebated to the several taxing districts as surplus tax increment in November 2012.

Tullamore Properties, LLC (East Post Falls) – During the 2008 fiscal year, the Agency entered into an Owner Participation Agreement with Tullamore Properties, LLC. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the East Post Falls Urban Renewal District totaling \$2,724,027. The Agency is only obligated to reimburse Tullamore Properties, LLC if tax increment revenues of the Agency, directly resulting from the project improvements made by Tullamore Properties, LLC are available. The Agency receives increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 7: COMPONENT UNIT DISCLOSURES (Continued)

the Agency has agreed to reimburse, \$618,668 was reimbursed in previous fiscal years, and \$283,747 was reimbursed in fiscal year 2013, leaving a balance of \$1,821,612.

Tulamore Properties, LLC (East Post Falls) – During the 2013 fiscal year, the Agency entered into an Owner Participation Agreement with Tullamore Commons II, LLC. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the East Post Falls Urban Renewal District in an amount not to exceed \$325,000. The Agency is only obligated to reimburse Tullamore Commons II, LLC. If tax increment revenues of the Agency, directly resulting from the project improvements made by Tullamore Commons II, LLC are available. The Agency receives increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, none has been reimburse, leaving a balance of \$325,000.

The Point, LLC (Center Point) – During the 2012 fiscal year, the Agency entered into an Owner Participation Agreement with The Point, LLC. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the Center Point Urban Renewal District. The Agency is only obligated to reimburse The Point, LLC if tax increment revenues of the Agency, directly resulting from the project improvements made by The Point, LLC are available. The Agency receives increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the initial reimbursement request totaling \$6,975,760, the amount of \$3,552,954 was approved for payment in fiscal year 2012, with the balance of \$3,422,806 was approved in fiscal year 2013. Of the total amount the Agency has agreed to reimburse, \$1,022,246 was reimbursed in fiscal year 2012, and \$919, 935 was reimbursed in fiscal year 2013, leaving a balance of \$5,033,579.

Agency entered into an operating lease for a copier. The term of the lease is 48 months with monthly payments of \$119. The lease ends in January 2015. Lease expense for the year ended September 30, 2013 was \$1,552.

The Agency also leases its office space. The term of the lease is 12 months with annual payments of \$7,740. Rent expense for the year ended September 30, 2013 was \$7,740.

NOTE 8: EXPENDITURES IN EXCESS OF BUDGETED APPROPRIATIONS

The following funds had expenditures in excess of budget:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>
<u>Governmental Fund</u>		
Insurance Deductible	\$222,398	\$274,038
<u>Special Revenue Fund</u>		
Street Lights	449,000	449,624
<u>Capital Fund</u>		
Street Capital Projects		7,285

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

NOTE 8: EXPENDITURES IN EXCESS OF BUDGETED APPROPRIATIONS (Continued)

The over expenditure in these funds occurred because the budget was not amended during the year to handle the resultant over expenditures. Adequate cash and fund balance was available to handle the additional costs. The reason behind the over expenditures was the street lighting fees were increased by the vendors during the fiscal year for the Street Light fund. An increase in street light fees and insurance contributions has been established to offset the additional costs.

NOTE 9: DEFICIT FUND EQUITY

The following funds had deficit fund equity at September 30, 2013:

<u>Fund</u>	<u>Deficit</u>
Special Revenue: 911 Support	\$52,119

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

NOTE 10: COMMITMENTS AND CONTINGENCIES

Commitments – The City is currently working on a few reclaimed water, parks and street projects. The first and largest project is the reclaimed water facility plan. In parks, the City is upgrading amenities at Meadows Park, rebuilding a major hiking/walking trail and kicking off the process to update the Parks and Recreation Master Plan. In streets the City is completing a railroad crossing project, a signalization project and a round-a-bout to help with transportation in the City. All projects should be completed within FY 2013. The City also refinanced the DEQ water bonds in October 2012 and fully redeemed the 2002 Certificates of Participation used to build the police station.

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. Although amounts are unknown at this point, management believes that the joint effort lawsuit against DEQ to contest the State of Washington Total Daily Maximum Load requirements. The cities in the Spokane River Watershed are asking for “Declaratory Judgment and Injunctive Relief.” The settlement date for this case is undetermined, but may have a material effect in the future of the City’s operations and required infrastructure if the requirements are upheld. Management does not believe any other actions 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 reimbursement 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 11: DEFERRED COMPENSATION PLANS

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

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

NOTE 12: TRANSFERS

The composition of inter-fund transfers as of September 30, 2013, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,358,168	\$ 1,500,273
Capital Fund	1,415,000	98,300
Nonmajor Governmental Funds	28,803	11,150
Enterprise Funds	<u>79,920</u>	<u>1,272,168</u>
Totals	<u>\$2,881,891</u>	<u>\$2,881,891</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, reclaimed water, and sanitation). The principal purpose of the transfer of funds from General fund to the Enterprise funds was to cover the lease costs of the street and fleet shop housed at the water reclamation plant. 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 pay for the debt service on the 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.

NOTE 13: INTERFUND RECEIVABLES/PAYABLES

The composition of inter-fund balances as of September 30, 2013 is as follows:

Inter-fund receivable/payable:

	<u>Receivable</u>	<u>Payable</u>
Capital Fund		\$2,056,080
Nonmajor Governmental Funds		198,753
Enterprise Funds	<u>\$2,254,833</u>	
Totals	<u>\$2,254,833</u>	<u>\$2,254,833</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 13: INTERFUND RECEIVABLES/PAYABLES (Continued)

The current purposes for the inter-fund/payables in the City is or borrowing from other funds. The 911 Support Fund owes \$198,753 to the Reclaimed water 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 \$514,020 to the Water Fund, \$1,542,060 to the Reclaimed water Fund for construction of the New City Hall in 2007, to be paid back over the next 19 years.

NOTE 14: 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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2013

NOTE 14: RISK MANAGEMENT (Continued)

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 15: 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 position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. 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 \$2,484,168 difference are as follows:

Bonds payable	\$1,690,000
Accrued interest payable	36,250
Compensated absences	<u>757,918</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$2,484,168</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 position 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 \$384,802 are as follows:

Capital outlay	\$2,506,693
Depreciation	<u>(2,121,891)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$384,802</u>

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

**NOTE 15: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)**

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 position." The details of this \$872,994 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets are reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by \$ (161,247)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 1,034,241

Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities* \$872,994

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 \$(612,451) difference are as follows:

Property taxes \$(169,686)
Deferred bond discount/premiums (97,855)
Special Assessment debt issued and repaid (344,910)

Net adjustment to *decrease net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities* \$(612,451)

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2013**

**NOTE 15: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)**

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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 \$2,894,055 difference are as follows:

Debt issued or incurred:	
Compensated absences	\$ (10,782)
Principal repayments:	
General obligation debt	185,000
Capital lease financing	2,625,000
Special assessment debt	70,000
Accrued interest payable	<u>24,837</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$2,894,055</u>

NOTE 16: RECONCILIATION OF INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Governmental Activities:	
Capital assets, net of depreciation	\$57,484,197
Local imp. bonds payable	<u>(1,690,000)</u>
Net investment in capital assets	<u>\$55,794,197</u>
Business-Type Activities:	
Capital assets, net of depreciation	\$77,447,209
Reclaimed water bonds payable	(4,933,900)
Water bonds payable	<u>(2,090,000)</u>
Net investment in capital assets	<u>\$70,423,309</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, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
General taxes	\$ 9,574,155	\$ 9,574,155	\$ 9,456,450	\$ (117,705)
Intergovernmental revenue	3,215,217	3,393,541	3,940,436	546,895
Charges for services	1,349,523	1,349,523	1,849,103	499,580
Other revenue	216,536	284,772	399,495	114,723
Interest	80,050	80,050	118,252	38,202
Total revenues	<u>14,435,481</u>	<u>14,682,041</u>	<u>15,763,736</u>	<u>1,081,695</u>
Expenditures				
Current:				
General government	8,190,215	7,795,585	4,684,507	3,111,078
Public safety	4,815,390	5,311,789	5,164,117	147,672
Highways and public works	2,239,367	2,408,577	2,303,983	104,594
Culture and recreation	1,610,266	1,708,169	1,610,407	97,762
Capital outlay	928,300	953,258	894,848	58,410
Debt service				
Principal	413,000	2,392,210	2,458,066	(65,856)
Interest	149,021	149,021	76,662	72,359
Total expenditures	<u>18,345,559</u>	<u>20,718,609</u>	<u>17,192,590</u>	<u>3,526,019</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,910,078)</u>	<u>(6,036,568)</u>	<u>(1,428,854)</u>	<u>4,607,714</u>
Other financing sources (uses):				
Transfers in	1,358,168	1,358,168	1,358,168	
Transfers (out)	(454,920)	(454,920)	(1,500,273)	(1,045,353)
Total other financing sources (uses)	<u>903,248</u>	<u>903,248</u>	<u>(142,105)</u>	<u>(1,045,353)</u>
Net changes in fund balance	(3,006,830)	(5,133,320)	(1,570,959)	3,562,361
Fund balances - beginning	<u>14,002,188</u>	<u>14,002,188</u>	<u>14,002,188</u>	
Fund balances - ending	<u>\$ 10,995,358</u>	<u>\$ 8,868,868</u>	<u>\$ 12,431,229</u>	<u>\$ 3,562,361</u>

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

**City of Post Falls
Combining Balance Sheet
Nonmajor Government Funds
September 30, 2013**

	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 Guarantee
Assets										
Cash	\$ 228,923	\$ 1,319	\$ 1,609	\$ 56,126	\$ 54,933	\$ 115,479	\$ 14,059	\$ 54,330	\$ 16,417	\$ 543,195
Accounts receivable:										
Loans receivable		8,975								8,975
Miscellaneous Customers					50,213	35,355	983	6,806		6,806
Assessments - delinquent - deferred								3,998		3,998
								50,022		50,022
Restricted current assets:										
Cash and cash equivalents						4,475				4,475
Total assets	<u>\$ 228,923</u>	<u>\$ 10,294</u>	<u>\$ 1,609</u>	<u>\$ 56,126</u>	<u>\$ 105,146</u>	<u>\$ 150,834</u>	<u>\$ 19,517</u>	<u>\$ 115,156</u>	<u>\$ 16,417</u>	<u>\$ 704,022</u>
Liabilities:										
Accounts payable				\$ (160)	\$ 36,769	\$ 4,201	\$ 2,553			\$ 43,363
Interfund payable						198,752				198,752
Restricted customer deposits							4,475			4,475
Total liabilities				<u>(160)</u>	<u>36,769</u>	<u>202,953</u>	<u>7,028</u>			<u>246,590</u>
Deferred Inflows of Resources										
Unavailable revenue - other		\$ 8,975								8,975
Unavailable revenue - special assessment								\$ 54,020		54,020
Total Deferred Inflows of Resources		<u>8,975</u>						<u>54,020</u>		<u>62,995</u>
Fund Balance										
Restricted:										
Special revenue projects	\$ 228,923	1,319	\$ 1,609	\$ 56,286	68,377		12,489			369,003
Special assessment debt								61,136	\$ 16,417	77,553
Unassigned:						(52,119)				(52,119)
Total fund balance	<u>228,923</u>	<u>1,319</u>	<u>1,609</u>	<u>56,286</u>	<u>68,377</u>	<u>(52,119)</u>	<u>12,489</u>	<u>61,136</u>	<u>16,417</u>	<u>394,437</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 228,923</u>	<u>\$ 10,294</u>	<u>\$ 1,609</u>	<u>\$ 56,126</u>	<u>\$ 105,146</u>	<u>\$ 150,834</u>	<u>\$ 19,517</u>	<u>\$ 115,156</u>	<u>\$ 16,417</u>	<u>\$ 704,022</u>

**City of Post Falls
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Government Funds
For the fiscal year ended September 30, 2013**

	<u>Special Revenue Funds</u>						<u>Debt Service Funds</u>		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 Guarantee
Revenues:										
Charges-services/program remittances				\$ 14,531	\$ 459,163	\$ 87,287			\$ 560,981	
Other revenue	\$ 26,938			1,329	9,928	258,760	\$ 38,311		335,266	
Principal							\$ 8,748		8,748	
Interest	170	\$ 1	\$ 1	47	36	171	22	3,245	\$ 13	
Total revenues	<u>27,108</u>	<u>1</u>	<u>1</u>	<u>15,907</u>	<u>469,127</u>	<u>346,218</u>	<u>38,333</u>	<u>11,993</u>	<u>13</u>	<u>908,701</u>
Expenditures:										
Current:										
General government					523			1,350		1,873
Public safety						160,212	16,739			176,951
Highways and public works					438,100					438,100
Culture and recreation				22,600						22,600
Capital outlay						173,004	24,800			197,804
Debt service:										
Principal								15,000		15,000
Interest								7,080		18,446
Total expenditures				<u>22,600</u>	<u>438,623</u>	<u>344,582</u>	<u>41,539</u>	<u>23,430</u>		<u>870,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,108</u>	<u>1</u>	<u>1</u>	<u>(6,693)</u>	<u>30,504</u>	<u>1,636</u>	<u>(3,206)</u>	<u>(11,437)</u>	<u>13</u>	<u>37,927</u>
Other financing sources (uses):										
Transfers in				5,353		23,300			150	28,803
Transfers out					(11,000)				(150)	(11,150)
Total other financing sources (uses)				<u>5,353</u>	<u>(11,000)</u>	<u>23,300</u>				<u>17,653</u>
Net change in fund balance	27,108	1	1	(1,340)	19,504	24,936	(3,206)	(11,437)	13	55,580
Fund balance - beginning	<u>201,815</u>	<u>1,318</u>	<u>1,608</u>	<u>57,626</u>	<u>48,873</u>	<u>(77,055)</u>	<u>15,695</u>	<u>72,573</u>	<u>16,404</u>	<u>338,857</u>
Fund balance - ending	<u>\$ 228,923</u>	<u>\$ 1,319</u>	<u>\$ 1,609</u>	<u>\$ 56,286</u>	<u>\$ 68,377</u>	<u>\$ (52,119)</u>	<u>\$ 12,489</u>	<u>\$ 61,136</u>	<u>\$ 16,417</u>	<u>\$ 394,437</u>

**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
Statement of Revenues, Expenditures, and
Changes in Fund Balance-Budget and Actual
For the Year Ended September 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Principal	\$ 100,000	\$ 100,000	\$ 363,836	\$ 263,836
Interest	80,900	80,900	94,302	13,402
Total revenues	<u>180,900</u>	<u>180,900</u>	<u>458,138</u>	<u>277,238</u>
Expenditures				
Current:				
General government	16,250	16,250	16,250	
Capital outlay				
Debt Service				
Principal	55,000	55,000	55,000	
Interest	79,920	79,920	79,920	
Total expenditures	<u>151,170</u>	<u>151,170</u>	<u>151,170</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>29,730</u>	<u>29,730</u>	<u>306,968</u>	<u>277,238</u>
Other financing sources (uses):				
Total other financing sources (uses)				
Net change in fund balance	29,730	29,730	306,968	277,238
Fund balance - beginning	<u>627,792</u>	<u>627,792</u>	<u>627,792</u>	
Fund balance - ending	<u>\$ 657,522</u>	<u>\$ 657,522</u>	<u>\$ 934,760</u>	<u>\$ 277,238</u>

**City of Post Falls
Capital Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance-Budget and Actual
For the Year Ended September 30, 2013**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue			\$ 226,417	\$ 226,417
Charges for services	\$ 650,000	\$ 650,000	715,273	65,273
Other revenue			28,512	28,512
Interest	35,500	35,500	56,786	21,286
Total revenues	<u>685,500</u>	<u>685,500</u>	<u>1,026,988</u>	<u>341,488</u>
Expenditures				
Current:				
General government	862,200	2,012,200	126,651	1,885,549
Capital outlay	2,325,000	2,450,000	1,414,041	1,035,959
Debt Service				
Principal	320,026	671,956	351,934	320,022
Interest	54,974	54,974	46,996	7,978
Total expenditures	<u>3,562,200</u>	<u>5,189,130</u>	<u>1,939,622</u>	<u>3,249,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,876,700)</u>	<u>(4,503,630)</u>	<u>(912,634)</u>	<u>3,590,996</u>
Other financing sources (uses):				
Transfers in	375,000	725,000	1,415,000	690,000
Transfers out	(98,300)	(98,300)	(98,300)	
Total other financing sources (uses)	<u>276,700</u>	<u>626,700</u>	<u>1,316,700</u>	<u>690,000</u>
Net change in fund balance	(2,600,000)	(3,876,930)	404,066	4,280,996
Fund balance - beginning	<u>3,537,590</u>	<u>3,537,590</u>	<u>3,537,590</u>	
Fund balance - ending	<u>\$ 937,590</u>	<u>\$ (339,340)</u>	<u>\$ 3,941,656</u>	<u>\$ 4,280,996</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 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
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended September 30, 2013**

	2013		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 20,000	\$ 26,938	\$ 6,938
Interest		170	170
Total revenues	<u>20,000</u>	<u>27,108</u>	<u>7,108</u>
Expenditures:			
Culture and recreation	<u>20,000</u>		<u>20,000</u>
Total expenditures	<u>20,000</u>		<u>20,000</u>
Excess (deficiency) of revenues over (under) expenditures		<u>27,108</u>	<u>27,108</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		27,108	27,108
Fund balance - beginning	<u>201,815</u>	<u>201,815</u>	
Fund balance - ending	<u>\$ 201,815</u>	<u>\$ 228,923</u>	<u>\$ 27,108</u>

**City of Post Falls
 HUD Loan Special Revenue Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance-Budget and Actual
 For the Year Ended September 30, 2013**

	2013		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 1	\$ 1
Total revenues		1	1
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		1	1
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		1	1
Fund balance - beginning	\$ 1,318	1,318	
Fund balance - ending	\$ 1,318	\$ 1,319	\$ 1

**City of Post Falls
Falls Park Signs Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended September 30, 2013**

	2013		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 1	\$ 1
Total revenues		1	1
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		1	1
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		1	1
Fund balance - beginning	\$ 1,608	1,608	
Fund balance - ending	\$ 1,608	\$ 1,609	\$ 1

City of Post Falls
Special Events Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended September 30, 2013

	2013		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 45,055	\$ 14,531	\$ (30,524)
Other revenue	8,050	1,329	(6,721)
Interest		47	47
Total revenues	<u>53,105</u>	<u>15,907</u>	<u>(37,198)</u>
Expenditures:			
Culture and recreation	<u>59,355</u>	<u>22,600</u>	<u>36,755</u>
Total expenditures	<u>59,355</u>	<u>22,600</u>	<u>36,755</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,250)</u>	<u>(6,693)</u>	<u>(443)</u>
Other financing sources (uses):			
Transfers in	<u>6,250</u>	<u>5,353</u>	<u>(897)</u>
Total other financing sources (uses)	<u>6,250</u>	<u>5,353</u>	<u>(897)</u>
Net change in fund balance		(1,340)	(1,340)
Fund balance - beginning	<u>57,626</u>	<u>57,626</u>	
Fund balance - ending	<u>\$ 57,626</u>	<u>\$ 56,286</u>	<u>\$ (1,340)</u>

City of Post Falls
Street Lights Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2013

	2013		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 441,600	\$ 459,163	\$ 17,563
Other revenue	7,300	9,928	2,628
Interest	100	36	(64)
Total revenues	<u>449,000</u>	<u>469,127</u>	<u>20,127</u>
Expenditures:			
General governmental		523	(523)
Highways and public works	438,000	438,100	(100)
Total expenditures	<u>438,000</u>	<u>438,623</u>	<u>(623)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,000</u>	<u>30,504</u>	<u>19,504</u>
Other financing sources (uses):			
Transfers out	(11,000)	(11,000)	
Total other financing sources (uses)	<u>(11,000)</u>	<u>(11,000)</u>	
Net change in fund balance		19,504	19,504
Fund balance - beginning	<u>48,873</u>	<u>48,873</u>	
Fund balance - ending	<u>\$ 48,873</u>	<u>\$ 68,377</u>	<u>\$ 19,504</u>

City of Post Falls
911 Support Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended September 30, 2013

	2013			Variance with Final Budget- Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues:				
Charges-services/programs	\$ 82,577	\$ 485,169	\$ 87,287	\$ (397,882)
Other revenue	255,095	763,195	258,760	(504,435)
Interest	200	200	171	(29)
Total revenues	<u>337,872</u>	<u>1,248,564</u>	<u>346,218</u>	<u>(902,346)</u>
Expenditures:				
Public safety	177,065	178,178	160,212	17,966
Capital outlay	113,171	1,022,750	173,004	849,746
Debt service - interest	70,936	70,936	11,366	59,570
Total expenditures	<u>361,172</u>	<u>1,271,864</u>	<u>344,582</u>	<u>927,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,300)</u>	<u>(23,300)</u>	<u>1,636</u>	<u>24,936</u>
Other financing sources (uses):				
Transfers in	23,300	23,300	23,300	
Total other financing sources (uses)	<u>23,300</u>	<u>23,300</u>	<u>23,300</u>	
Net change in fund balance			24,936	24,936
Fund balance - beginning	<u>(77,055)</u>	<u>(77,055)</u>	<u>(77,055)</u>	
Fund balance - ending	<u>\$ (77,055)</u>	<u>\$ (77,055)</u>	<u>\$ (52,119)</u>	<u>\$ 24,936</u>

**City of Post Falls
Drug Seizure Special Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2013**

	2013		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 75,695	\$ 38,311	\$ (37,384)
Interest		22	22
Total revenues	<u>75,695</u>	<u>38,333</u>	<u>(37,362)</u>
Expenditures:			
Public safety	75,695	16,739	58,956
Capital Outlay		24,800	(24,800)
Total expenditures	<u>75,695</u>	<u>41,539</u>	<u>34,156</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(3,206)</u>	<u>(3,206)</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		(3,206)	(3,206)
Fund balance - beginning	<u>15,695</u>	<u>15,695</u>	
Fund balance - ending	<u>\$ 15,695</u>	<u>\$ 12,489</u>	<u>\$ (3,206)</u>

City of Post Falls
LID 99-1 Debt Service Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended September 30, 2013

	2013		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 5,000	\$ 8,748	\$ 3,748
Interest	4,050	3,245	(805)
Total revenues	<u>9,050</u>	<u>11,993</u>	<u>2,943</u>
Expenditures:			
General governmental	1,350	1,350	
Debt service - principal	15,000	15,000	
- interest	7,080	7,080	
Total expenditures	<u>23,430</u>	<u>23,430</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(14,380)</u>	<u>(11,437)</u>	<u>2,943</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance	(14,380)	(11,437)	2,943
Fund balance - beginning	<u>72,573</u>	<u>72,573</u>	
Fund balance - ending	<u>\$ 58,193</u>	<u>\$ 61,136</u>	<u>\$ 2,943</u>

City of Post Falls
LID Guarantee Debt Service Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget and Actual
For the Year Ended September 30, 2013

	2013		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 13	\$ 13
Total revenues		13	13
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		13	13
Other financing sources (uses):			
Operating transfers in	\$ 150	150	
Transfers out	(150)	(150)	
Total other financing sources (uses)			
Net change in fund balance		13	13
Fund balance - beginning	16,404	16,404	
Fund balance - ending	\$ 16,404	\$ 16,417	\$ 13



Statistical Section



**“Quality Educational, Recreational
and Lifestyle Opportunities”**

*Support Educational Excellence. Maintain and Expand Parks
and Recreational Opportunities.*

The City of Post Falls Strategic Plan 2013-2017 Goals

City of Post Falls
Net Position By Components
Last Ten Fiscal Years
(Accrual-Basis of Accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities:										
Net investment in capital assets	\$ 13,097,421	\$ 12,856,812	\$ 21,984,148	\$ 36,222,792	\$ 45,191,875	\$ 47,567,676	\$ 49,083,464	\$ 50,259,164	\$ 51,656,401	\$ 55,794,197
Restricted	734,213	872,546	6,539,791	9,482,313	3,616,343	3,305,761	6,957,699	7,451,981	4,581,294	5,322,972
Unrestricted	7,306,691	10,358,219	8,642,267	6,031,023	8,335,529	9,981,735	8,580,055	8,577,119	14,833,773	12,689,355
Total governmental activities net position	\$ 21,138,325	\$ 24,087,577	\$ 37,166,206	\$ 51,736,128	\$ 57,143,747	\$ 60,855,172	\$ 64,621,218	\$ 66,288,264	\$ 71,071,468	\$ 73,806,524
Business-type activities:										
Net investment in capital assets	\$ 40,559,918	\$ 44,487,590	\$ 46,839,184	\$ 52,836,337	\$ 55,575,732	\$ 59,324,239	\$ 67,461,731	\$ 69,484,774	\$ 69,909,303	\$ 70,423,309
Restricted	3,475,869	4,699,749	5,903,678	7,657,572	10,022,627	11,338,570	13,006,075	14,951,113	16,889,219	19,012,094
Unrestricted	14,994,784	18,104,442	21,429,394	21,833,861	21,892,917	21,457,902	15,594,800	15,086,041	16,862,151	18,698,221
Total business-type activities net position	\$ 59,030,571	\$ 67,291,781	\$ 74,172,256	\$ 82,327,770	\$ 87,491,276	\$ 92,120,711	\$ 96,062,606	\$ 99,521,928	\$ 103,660,673	\$ 108,133,624
Primary government										
Net investment in capital assets	\$ 53,657,339	\$ 57,344,402	\$ 68,823,332	\$ 89,059,129	\$ 100,767,607	\$ 106,891,915	\$ 116,545,195	\$ 119,743,938	\$ 121,565,704	\$ 126,217,506
Restricted	4,210,082	5,572,295	12,443,469	17,139,885	13,638,970	14,644,331	19,963,774	22,403,094	21,470,513	24,335,066
Unrestricted	22,301,475	28,462,661	30,071,661	27,864,884	30,228,446	31,439,637	24,174,855	23,663,160	31,695,924	31,387,576
Total primary government net position	\$ 80,168,896	\$ 91,379,358	\$ 111,338,462	\$ 134,063,898	\$ 144,635,023	\$ 152,975,883	\$ 160,683,824	\$ 165,810,192	\$ 174,732,141	\$ 181,940,148

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 3,908,589	\$ 4,296,656	\$ 4,880,704	\$ 5,701,979	\$ 5,979,508	\$ 6,075,916	\$ 5,707,518	\$ 5,162,556	\$ 4,934,403	\$ 5,357,269
Public safety	3,171,924	3,409,806	3,593,961	4,065,252	4,447,348	4,763,989	5,059,738	5,269,056	5,480,365	5,691,276
Highways and public works	1,701,489	3,750,058	2,576,928	2,422,039	2,681,745	3,348,343	3,550,658	3,544,205	3,795,333	3,878,422
Cultural and recreation	1,172,659	1,233,832	1,350,230	1,594,522	1,686,824	1,738,374	1,728,016	1,897,509	1,717,205	1,751,145
Interest on long term debt	325,229	362,559	428,521	434,931	525,919	481,634	453,861	419,106	322,596	197,187
Total governmental activities expenses	10,279,890	13,052,911	12,830,344	14,218,723	15,321,344	16,408,256	16,499,791	16,292,432	16,249,902	16,875,299
Business-type activities:										
Water	995,763	1,290,046	1,412,346	1,447,266	1,448,401	1,507,373	1,528,147	1,485,415	1,464,224	1,591,485
Reclaimed Water	2,224,803	2,358,255	2,863,232	2,703,705	3,136,575	3,198,146	3,472,086	3,319,383	3,387,658	3,733,341
Sanitation	955,858	1,114,246	1,202,137	1,281,986	1,356,495	1,543,693	1,533,863	1,572,294	1,647,114	1,759,914
Total business-type activities expenses	4,176,424	4,762,547	5,477,715	5,432,957	5,941,471	6,249,212	6,534,096	6,377,092	6,498,996	7,084,740
Total primary government expenses	\$ 14,456,314	\$ 17,815,458	\$ 18,308,059	\$ 19,651,680	\$ 21,262,815	\$ 22,657,468	\$ 23,033,887	\$ 22,669,524	\$ 22,748,898	\$ 23,960,039
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,591,268	\$ 2,753,370	\$ 2,141,369	\$ 1,763,765	\$ 1,543,133	\$ 1,195,845	\$ 1,351,455	\$ 1,160,796	\$ 1,354,409	\$ 1,731,925
Public safety	397,946	446,423	567,520	755,149	818,834	722,323	785,143	407,404	384,853	681,988
Highways and public works	574,995	564,228	912,773	1,206,647	1,097,468	675,331	640,930	317,006	236,362	984,488
Cultural and recreation	730,743	789,159	1,245,372	1,214,653	916,117	1,053,274	846,638	742,254	801,510	887,040
Operating grants and contributions	210,574	248,978	258,756	560,896	796,891	1,253,066	1,595,061	1,100,014	2,473,455	536,096
Capital grants and contributions	3,855,708	2,082,757	10,280,692	6,382,770	2,655,088	2,059,783	1,310,061	1,198,937	2,375,607	1,084,241
Total governmental activities program revenues	8,361,234	6,884,915	15,406,482	11,883,880	7,827,531	6,959,622	6,529,288	4,926,411	7,626,196	5,905,778
Business-type activities:										
Charges for services:										
Water	1,596,599	1,773,912	1,994,463	2,095,496	2,035,430	2,261,475	2,143,358	2,155,844	2,374,588	2,595,523
Reclaimed Water	3,065,150	3,344,028	3,956,633	4,177,428	4,615,976	4,716,926	4,963,818	5,171,025	5,368,506	5,571,994
Sanitation	1,151,549	1,334,065	1,489,071	1,595,944	1,705,759	1,921,476	1,908,915	1,957,393	2,036,475	2,172,214
Capital grants and contributions	6,813,384	6,971,034	5,020,402	5,559,972	2,778,366	2,477,679	1,659,308	1,393,450	1,683,866	2,184,364
Total business-type activities program revenues	12,626,682	13,423,039	12,460,569	13,428,840	11,135,531	11,377,556	10,675,399	10,677,712	11,463,435	12,524,095
Total primary government program revenues	\$ 20,987,916	\$ 20,307,954	\$ 27,867,051	\$ 25,312,720	\$ 18,963,062	\$ 18,337,178	\$ 17,204,687	\$ 15,604,123	\$ 19,089,631	\$ 18,429,873

City of Post Falls
Changes In Net Position
Last Ten Fiscal Years
(Accrual-Basis of Accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	(1,918,656)	(6,167,996)	2,576,138	(2,334,843)	(7,493,813)	(9,448,634)	(9,970,503)	(11,366,021)	(8,623,706)	(10,969,521)
Business-type activities	8,450,258	8,660,492	6,982,854	7,995,883	5,194,060	5,128,344	4,141,303	4,300,620	4,964,439	5,439,355
Total primary government net (expense)/revenue	\$ 6,531,602	\$ 2,492,496	\$ 9,558,992	\$ 5,661,040	\$ (2,299,753)	\$ (4,320,290)	\$ (5,829,200)	\$ (7,065,401)	\$ (3,659,267)	\$ (5,530,166)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	4,990,766	5,452,343	6,228,757	7,191,562	8,017,157	8,705,541	8,876,092	8,459,938	8,609,294	8,863,691
Other taxes and licenses	2,160,571	2,386,998	2,681,188	3,220,308	3,301,797	3,060,788	3,028,031	3,205,182	3,384,489	3,634,693
Unrestricted intergovernmental revenues										
Grants and contributions not restricted to specific programs										
Unrestricted investment earnings	145,760	375,469	633,704	1,007,266	774,806	341,011	732,368	283,207	334,228	175,192
Gains (losses) on sale of capital assets	1,763	2,708	1,502	10,853	(302,789)	8,960	21,159	5,841		(161,247)
Transfers	870,540	899,730	957,340	1,532,034	1,110,461	1,043,759	1,078,899	1,078,899	1,078,899	1,192,248
Total governmental activities	8,169,400	9,117,248	10,502,491	12,962,023	12,901,432	13,160,059	13,736,549	13,033,067	13,406,910	13,704,577
Business-type activities:										
Unrestricted investment earnings	241,539	416,271	854,961	1,218,220	1,079,907	544,850	879,491	237,601	253,205	225,844
Gains (losses) on sale of capital assets	2,100	84,177		1,800						
Transfers	(870,540)	(899,730)	(957,340)	(1,532,034)	(1,110,461)	(1,043,759)	(1,078,899)	(1,078,899)	(1,078,899)	(1,192,248)
Total business-type activities	(626,901)	(399,282)	(102,379)	(312,014)	(30,554)	(498,909)	(199,408)	(841,298)	(825,694)	(966,404)
Total primary government	\$ 7,542,499	\$ 8,717,966	\$ 10,400,112	\$ 12,650,009	\$ 12,870,878	\$ 12,661,150	\$ 13,537,141	\$ 12,191,769	\$ 12,581,216	\$ 12,738,173
Changes in Net Position										
Governmental activities	\$ 6,250,744	\$ 2,949,252	\$ 13,078,629	\$ 10,627,180	\$ 5,407,619	\$ 3,711,425	\$ 3,766,046	\$ 1,667,046	\$ 4,783,204	\$ 2,735,056
Business-type activities	7,823,357	8,261,210	6,880,475	7,683,869	5,163,506	4,629,435	3,941,895	3,459,322	4,138,745	4,472,951
Total primary government	\$ 14,074,101	\$ 11,210,462	\$ 19,959,104	\$ 18,311,049	\$ 10,571,125	\$ 8,340,860	\$ 7,707,941	\$ 5,126,368	\$ 8,921,949	\$ 7,208,007

Table # 3

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

Fiscal Year	Property Tax	Sales Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2003-04	\$ 4,990,766	\$ 880,323	\$ 912,867	\$ 367,381	\$ 7,151,337
2004-05	5,452,343	1,022,177	979,582	385,239	7,839,341
2005-06	6,228,757	1,234,141	1,030,468	416,579	8,909,945
2006-07	7,191,562	1,449,594	1,185,285	585,429	10,411,870
2007-08	8,017,157	1,486,213	1,197,377	618,207	11,318,954
2008-09	8,705,541	1,268,438	1,128,484	663,502	11,765,965
2009-10	8,876,092	1,186,962	1,175,615	665,454	11,904,123
2010-11	8,459,938	1,233,465	1,210,926	760,791	11,665,120 *
2011-12	8,609,294	1,348,216	1,175,883	860,390	11,993,783
2012-13	\$ 8,863,691	\$ 1,482,662	\$ 1,212,413	\$ 911,944	12,470,710

*Note: Property tax reduction is due to the Library moving from the City's authority to the Library District's authority.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable:										
Inventory					\$ 634	\$ 981	\$ 1,513	\$ 1,725	\$ 2,148	\$ 2,605
Prepays						153,607		98,656	98,409	226,308
Committed:										
Revenue stabilization								2,635,588	3,148,740	3,178,233
Assigned:										
Capital improvements	\$ 281,605	\$ 518,142	\$ 581,671	\$ 780,419	852,342	703,570	3,808,176	3,903,600	1,307,499	1,388,966
Capital lease redemption									2,345,500	28,673
Unassigned:	4,118,284	4,922,894	6,348,640	4,643,329	7,108,576	8,506,662	7,149,865	4,676,543	7,099,892	7,606,444
Total General Fund	<u>\$ 4,399,889</u>	<u>\$ 5,441,036</u>	<u>\$ 6,930,311</u>	<u>\$ 5,423,748</u>	<u>\$ 7,961,552</u>	<u>\$ 9,364,820</u>	<u>\$ 10,959,554</u>	<u>\$ 11,316,112</u>	<u>\$ 14,002,188</u>	<u>\$ 12,431,229</u>
All Other Governmental Funds										
Nonspendable:										
Prepays		\$ 8,650	\$ 17,300	\$ 660,017	\$ 8,650	\$ 50,000				
Restricted:										
Special revenue projects	\$ 254,216	281,675	327,414	333,094	409,761	414,792	\$ 272,938	\$ 277,380	\$ 326,935	\$ 369,003
Capital public safety debt service	352,608	384,113	356,293	354,832	363,404	351,930	351,934	351,934	351,934	
Special assessment debt	546,827	2,187,168	880,608	988,546	1,086,371	1,155,483	1,237,815	933,073	716,769	1,012,313
Capital improvements projects	2,118,834	3,099,833	4,703,919	6,698,499	1,305,576	1,044,778	1,559,774	2,263,374	3,185,656	3,941,656
Unassigned:			(531,144)	(531,553)	(517,975)	(367,622)	(321,772)	(233,732)	(77,055)	(52,119)
Total all other governmental funds	<u>\$ 3,272,485</u>	<u>\$ 5,961,439</u>	<u>\$ 5,754,390</u>	<u>\$ 8,503,435</u>	<u>\$ 2,655,787</u>	<u>\$ 2,649,361</u>	<u>\$ 3,100,689</u>	<u>\$ 3,592,029</u>	<u>\$ 4,504,239</u>	<u>\$ 5,270,853</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Taxes	\$ 5,267,092	\$ 6,042,106	\$ 6,587,395	\$ 7,544,333	\$ 8,320,641	\$ 9,044,911	\$ 9,260,823	\$ 8,798,392	\$ 9,216,527	\$ 9,456,450
Intergovernmental	2,624,868	2,710,478	3,132,055	4,090,629	4,442,267	3,414,896	4,783,640	3,689,124	5,690,820	4,166,853
Charges for services	3,099,775	3,580,138	4,033,890	4,354,124	3,740,219	3,094,007	3,147,491	2,439,614	2,671,750	3,125,357
Other revenue	484,696	557,950	640,963	917,785	982,879	1,301,071	633,495	763,997	639,519	763,273
Special assessment revenue	686,228	282,452	547,609	205,917	180,710	202,253	166,467	143,410	214,120	372,584
Interest	145,759	375,469	633,704	1,007,266	774,806	341,011	732,368	224,513	265,379	273,046
Total Revenues	12,308,418	13,548,593	15,575,616	18,120,054	18,441,522	17,398,149	18,724,284	16,059,050	18,698,115	18,157,563
Expenditures:										
Current										
General government	3,725,937	4,069,030	4,561,224	5,381,605	5,426,015	5,657,339	5,567,916	4,231,147	4,515,375	4,829,281
Public safety	2,903,775	3,145,202	3,433,945	3,822,573	4,192,009	4,480,215	4,743,296	4,881,746	5,118,157	5,341,068
Highways and public works	1,555,583	3,478,417	2,252,495	1,841,807	2,008,242	2,468,066	2,651,799	2,547,996	2,765,314	2,742,083
Cultural and recreation	1,110,484	1,156,462	1,256,420	1,481,597	1,562,015	1,608,878	1,588,503	1,761,595	1,585,977	1,633,007
Capital Outlay	794,978	2,367,801	1,722,900	4,899,437	8,595,303	1,619,862	2,331,142	1,348,256	1,408,658	2,506,693
Debt Service										
Principal	453,672	498,238	3,916,445	589,655	598,480	1,103,922	473,451	1,075,353	458,935	2,880,000
Interest	321,973	313,437	438,255	434,069	529,901	487,143	441,992	443,958	326,312	222,024
Total Expenditures	10,866,402	15,028,587	17,581,684	18,450,743	22,911,965	17,425,425	17,798,099	16,290,051	16,178,728	20,154,156
Excess (deficiency) of revenues over (under) expenditures	1,442,016	(1,479,994)	(2,006,068)	(330,689)	(4,470,443)	(27,276)	926,185	(231,001)	2,519,387	(1,996,593)
Other financing sources (uses):										
Debt issued	181,542	4,310,365	2,330,954	41,138	50,138	380,359	40,978			
Operating transfers in	1,310,638	2,063,901	1,606,305	5,410,418	1,928,351	1,619,955	1,662,246	1,971,577	1,864,163	2,801,971
Operating transfers out	(440,098)	(1,164,171)	(648,965)	(3,878,385)	(817,890)	(576,196)	(583,347)	(892,678)	(785,264)	(1,609,723)
Total other financing sources (uses)	1,052,082	5,210,095	3,288,294	1,573,171	1,160,599	1,424,118	1,119,877	1,078,899	1,078,899	1,192,248
Net change in fund balances	\$ 2,494,098	\$ 3,730,101	\$ 1,282,226	\$ 1,242,482	\$ (3,309,844)	\$ 1,396,842	\$ 2,046,062	\$ 847,898	\$ 3,598,286	\$ (804,344)
Debt service as a percentage of noncapital expenditures	7.7%	6.4%	27.5%	7.6%	7.9%	10.1%	5.9%	10.2%	5.3%	17.6%

Table # 6

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

Fiscal Year	Property Tax	Sales Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2003-04	4,969,999	880,323	912,867	367,381	7,130,570
2004-05	6,042,106	1,022,177	979,582	385,239	8,429,104
2005-06	6,216,994	1,234,141	1,030,468	416,579	8,898,182
2006-07	7,164,627	1,449,594	1,185,285	585,429	10,384,935
2007-08	7,939,435	1,486,213	1,197,377	618,207	11,241,232
2008-09	8,623,774	1,268,438	1,128,484	663,502	11,684,198
2009-10	8,848,311	1,186,962	1,175,615	665,454	11,876,342
2010-11	8,352,943	1,233,465	1,210,926	760,791	11,558,125 *
2011-12	8,785,069	1,348,216	1,175,883	860,390	12,169,558
2012-13	\$ 9,033,377	\$ 1,482,662	\$ 1,212,413	\$ 911,944	\$ 12,640,396

*Note: Property tax reduction is due to the Library moving from the City's authority to the Library District's authority.

Table #7

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

Tax Year	Assessed Valuation	Exemptions	Net Taxable Value	Valuation Change		Tax Rate Per \$1,000 Value	
				Amount	Percentage		
2004	1,258,237,363	222,571,578	1,035,665,785	148,652,012	16.76%	5.35	0.005346722
2005	1,459,655,088	268,780,754	1,190,874,334	155,208,549	14.99%	4.64	0.004643181
2006	1,701,069,379	423,200,428	1,277,868,951	86,994,617	7.31%	4.05	0.004051779
2007	2,738,909,864	783,533,222	1,955,376,642	677,507,691	53.02%	3.87	0.003873574
2008	2,698,716,071	870,893,234	1,827,822,837	(127,553,805)	-6.52%	4.56	0.004559765
2009	2,599,701,389	875,517,459	1,724,183,930	(103,638,907)	-5.67%	4.96	0.004955054
2010	2,381,141,525	860,829,515	1,520,312,010	(203,871,920)	-11.82%	5.21	0.005213787
2011	2,266,600,927	828,343,141	1,438,257,786	(82,054,224)	-5.40%	5.71	0.005713423
2012	1,905,961,040	450,130,458	1,455,830,582	17,572,796	1.22%	6.00	0.006002894
2013	\$1,969,801,802	\$463,509,216	\$1,506,292,586	\$ 50,462,004	3.47%	5.79	0.005786069

Note: The County is unable to provide the City with a breakdown of assessed value by property classes, so the assessed value is presented as a whole.

Table #8

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

Governmental Unit	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
City of Post Falls - Operating	5.79	5.89	5.58	5.09	4.85	4.46	3.78	3.94	4.48	5.16
Library Bond	0.00	0.11	0.13	0.12	0.11	0.10	0.09	0.11	0.15	0.19
Total Direct Rate	5.79	6.00	5.71	5.21	4.96	4.56	3.87	4.05	4.63	5.35
North Idaho College	1.20	1.22	1.11	1.00	0.83	0.73	0.48	0.53	0.71	0.74
Kootenai County	3.51	3.47	3.20	2.94	2.52	2.21	1.84	1.84	2.47	3.48
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	0.18	0.18	0.16	0.15	0.13	0.11	0.10	0.1	0.14	0.16
School District #273	3.16	3.16	2.84	2.58	2.36	2.29	2.23	2.23	5.61	6.28
Post Falls Highway District #1	0.69	0.68	0.50	0.45	0.38	0.31	0.36	0.36	0.47	0.57
Kootenai Fire & Rescue	<u>2.01</u>	<u>1.98</u>	<u>2.00</u>	<u>1.86</u>	<u>1.66</u>	<u>1.40</u>	<u>1.34</u>	<u>1.34</u>	<u>1.72</u>	<u>2.06</u>
Total	16.54	16.69	15.52	14.19	12.84	11.61	10.22	10.45	15.75	18.64
% CHANGE FOR TOTAL	-0.90%	7.54%	9.37%	10.51%	10.59%	13.60%	-2.20%	-33.65%	-15.50%	-2.56%

Notes:

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

Table # 9

**City of Post Falls
Principal Property Taxpayers
December 31, 2013**

<u>Taxpayer</u>	<u>Type Of Business</u>	2013	
		<u>Property Assessed Valuation</u>	<u>Percentatge of Total Assessed Valuation</u>
Post Falls Retirement Real Estate Investors LLC	Retirement Facility	\$ 35,203,654	1.79%
Kimball International Mkt, Inc.	Manufacturing-Furniture	26,975,792	1.37%
North Idaho Surgical Hospital Bldg LLC	Medical	23,956,655	1.22%
Avista Corporation	Utilities	21,284,217	1.08%
Wal-Mart Real Estate Business	Retail	19,769,096	1.00%
Cabelas Retail Inc.	Retail	15,491,668	0.79%
Buck Knives	Manufacturing- Retail	14,933,403	0.76%
Sysco Food Services Inc.	Food Distribution Center	12,372,380	0.63%
Biopol Laboratory Inc.	Research & Development	11,872,681	0.60%
Jacklin Land Company	Comm. Bus. Prod. (Seed)	11,664,974	0.59%
Subtotal - Ten Of City's Largest Taxpayers		\$ 193,524,520	9.83%
All Other Taxpayers		1,776,277,282	90.17%
Total City Taxpayers		<u>\$ 1,969,801,802</u>	<u>100.00%</u>

<u>Taxpayer</u>	<u>Type Of Business</u>	2004	
		<u>Property Assessed Valuation</u>	<u>Percentatge of Total Assessed Valuation</u>
Flexcel, Inc./Kimball International Mkt, Inc.	Manufacturing-Furniture	\$ 36,759,385	3.42%
Wal-Mart Real Est. Bus./Stores Inc. #3472	Retail	11,152,343	1.04%
Puryear Family LPT	Private Owner	9,502,480	0.88%
North Idaho Surgical Hospital Bldg. LLC	Medical	8,389,873	0.78%
Potlatch Corp.	Manufacturing - Wood Products	7,942,643	0.74%
Coeur d'Alene Factory Outlets Ltd Ptn	Retail	7,326,948	0.68%
Cananaugh's Hospitality Ltd. Ptn	Hotel/Motel/Restaurant	6,770,100	0.63%
Idaho Veneer Co.	Manufacturing - Wood Products	6,679,999	0.62%
Jacklin Land Company LPT	Comm. Bus. Prod. (Seed)	4,840,939	0.45%
John C. Young Etal	Retail	4,460,851	0.42%
Subtotal - Ten Of City's Largest Taxpayers		\$ 103,825,561	9.66%
All Other Taxpayers		970,289,638	90.34%
Total City Taxpayers		<u>\$ 1,074,115,199</u>	<u>100.00%</u>

Note - Taxable values include both Base and Incremental values

Table #10

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

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$4,835,070	\$4,501,529	93.10%	\$303,444	\$4,804,973	99.38%
2005	\$5,298,911 *	\$5,173,550	97.63%	\$106,032 *	\$5,279,582	99.64% *
2006	\$6,046,220 *	\$5,887,316 *	97.37%	\$134,586 *	\$6,021,902	99.60% *
2007	\$7,056,253 *	\$6,953,396 *	98.54%	\$102,857 *	\$7,056,253	100.00% *
2008	\$7,885,081 *	\$7,476,973 *	94.82%	\$331,887 *	\$7,808,860	99.03% *
2009	\$8,370,420 *	\$8,351,263	99.77%	\$19,157 *	\$8,370,420	100.00% *
2010	\$8,767,658	\$8,414,340	95.97%	\$353,318 *	\$8,767,658	100.00% *
2011	\$8,163,649	\$7,905,515	96.84%	\$258,134 *	\$8,163,649	100.00% *
2012	\$8,475,541	\$8,314,811	98.10%	\$143,610 *	\$8,458,421	99.80% *
2013	\$8,739,197	\$8,641,589	98.88%	\$23,773	\$8,665,361	99.16%

* Indicates figure has been changed from the previous year's information. This includes the subsequent collections for FY2013.

Source: Kootenai County Auditor

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	Reclaimed Water Bonds			
2003-04	1,370,000	595,087	4,165,460	N/A	1,745,915	7,876,462	1.54%	374
2004-05	1,245,000	3,845,001	4,852,672	3,384,234	7,201,154	20,528,061	3.54%	895
2005-06	1,115,000	2,555,001	4,687,182	3,268,028	6,560,560	18,185,771	2.81%	758
2006-07	980,000	2,435,001	4,393,665	3,147,425	5,907,948	16,864,039	2.37%	671
2007-08	835,000	2,335,001	4,090,323	3,022,255	8,598,039	18,880,618	2.35%	745
2008-09	685,000	2,230,000	3,621,761	2,892,350	7,803,754	17,232,865	2.02%	661
2009-10	525,000	2,170,000	3,409,288	2,757,526	7,104,115	15,965,929	1.87%	591
2010-11	360,000	1,825,000	2,843,935	2,545,234	6,342,971	13,917,140	1.56%	505
2011-12	185,000	1,760,000	2,625,000	2,397,288	5,618,685	12,585,973	1.42%	456
2012-13	\$ -	\$ 1,690,000	\$ -	\$ 2,090,000	\$ 4,933,900	\$ 8,713,900	0.98%	\$ 293

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**

Fiscal Year	Population	Assessed Value	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Ratio of Net Long-Term Debt to Assessed Value	Net Long-Term Debt Per Capita
2003-04	21,082	1,074,115,199	1,370,000	79,399	1,290,601	0.12%	65
2004-05	22,926	1,258,237,363	1,245,000	297,144	947,856	0.08%	54
2005-06	23,992	1,459,655,088	1,115,000	291,287	823,713	0.06%	46
2006-07	25,137	1,701,069,379	980,000	303,770	676,230	0.04%	39
2007-08	25,358	2,738,909,864	835,000	307,608	527,392	0.02%	33
2008-09	26,053	2,698,716,071	685,000	309,105	375,895	0.01%	26
2009-10	27,000	2,599,701,389	525,000	258,329	266,671	0.01%	19
2010-11	27,574	2,381,141,525	360,000	258,873	101,127	0.00%	13
2011-12	29,700	2,266,600,927	185,000	259,049	(74,049)	0.00%	6
2012-13	30,075	\$ 1,905,964,040	\$ -	\$ 259,321	\$ (259,321)	-0.01%	-

*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, 2013**

Governmental Unit	Bond Debt	Government's Net Market Value	Percentage Applicable to City	City Share of Debt
City of Post Falls	\$ 1,690,000	1,507,112,931	100.0%	<u>\$ 1,690,000</u>
Kootenai County	-	11,472,122,065		-
School District #273	10,535,000	2,061,831,379	73.1%	7,700,647
Post Falls Highway District	-	3,470,438,906	43.4%	-
Kootenai County Fire & Rescue	-	2,969,188,616	50.8%	-
Subtotal of overlapping debt				<u>\$ 7,700,647</u>
Total direct and overlapping debt				<u>\$ 9,390,647</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.

Table #14

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 21,482,304	\$ 25,164,747	\$ 29,193,102	\$ 34,021,388	\$ 54,778,197	\$ 51,994,028	\$ 47,622,831	\$ 45,332,019	\$ 11,919,221	\$ 39,396,036
Total net debt applicable to limit	1,370,000	1,245,000	1,115,000	980,000	835,000	685,000	525,000	360,000	185,000	-
Legal debt margin	<u>\$ 20,112,304</u>	<u>\$ 23,919,747</u>	<u>\$ 28,078,102</u>	<u>\$ 33,041,388</u>	<u>\$ 53,943,197</u>	<u>\$ 51,309,028</u>	<u>\$ 47,097,831</u>	<u>\$ 44,972,019</u>	<u>\$ 11,734,221</u>	<u>\$ 39,396,036</u>
Total net debt applicable to the limit as a percentage of debt limit	6.38%	4.95%	3.82%	2.88%	1.52%	1.32%	1.10%	0.79%	1.55%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 1,506,292,586
Add back: exempt real property	<u>\$ 463,509,216</u>
Total assessed value	\$ 1,969,801,802
Debt limit* (2% of total assessed value)	39,396,036
Debt applicable to limit:	
General obligation bonds	-
Legal debt margin	<u>\$ 39,396,036</u>
Debt margin percentage available	100.00%

*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
Reclaimed 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	
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
2008	5,397,338	1,718,785	3,678,553	739,909	330,330	1,070,239	3.44
2009	5,124,480	1,855,260	3,269,220	794,285	317,112	1,111,397	2.94
2010	5,641,020	2,135,511	3,505,509	699,639	249,680	949,319	3.69
2011	5,335,318	1,946,264	3,389,054	761,144	267,934	1,029,078	3.29
2012	5,552,569	2,035,773	3,516,796	724,286	238,403	\$ 962,689	3.65
2013	\$ 5,738,623	\$ 2,106,788	\$ 3,631,835	\$ 684,788	\$ 213,558	\$ 898,346	4.04

(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	
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
2008	2,325,253	799,792	1,525,461	125,169	114,519	239,688	6.36
2009	2,394,870	864,817	1,530,053	129,906	109,692	239,598	6.39
2010	2,344,734	870,523	1,474,211	134,824	104,683	239,507	6.16
2011	2,227,186	843,715	1,383,471	212,292	99,056	311,348	4.44
2012	2,437,483	840,659	1,596,824	147,946	94,088	242,034	6.60
2013	\$ 2,646,219	\$ 988,382	1,657,837	\$ 99,054	\$ 63,030	162,084	10.23

(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	
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 ¹
2007	349,319	120,000	147,059	267,059	1.31
2008	309,173	100,000	118,780	218,780	1.60
2009	321,379	105,001	137,161	242,162	1.44
2010	272,674	60,000	109,412	169,412	2.06
2011	238,086	345,000	106,818	451,818	0.77 ²
2012	307,787	65,000	89,940	154,940	2.25
2013	\$ 470,131	\$ 70,000	\$ 87,000	\$ 157,000	2.22

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

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

² During 2011, the City redeemed \$280,000 in bonds on LID 2004-1

Table # 18

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

Fiscal Year	Population ¹	Personal Income (amounts expressed in thousands)	Per Capita Personal Income ²	Public School Enrollment ³	Unemployment Rate ⁴
2004	21,082	510,058	24,194	5,020	5.50%
2005	22,926	579,959	25,297	5,250	4.10%
2006	23,992	647,064	26,970	5,334	3.80%
2007	25,137	711,842	28,319	5,416	3.40%
2008	25,358	803,925	31,703	5,486	4.90%
2009	26,053	851,829	32,696	5,536	8.80%
2010	26,909	851,993	31,662	5,620	8.70%
2011	27,574	889,455	32,257	5,649	8.50%
2012	28,651	\$943,277	\$32,923	5,679	8.90%
2013	29,700	\$1,029,283	\$34,656	5,730	6.90%

Data Sources

¹ U.S. Census Bureau² Bureau of Economic Analysis³ School District⁴ Department of Labor

**City of Post Falls
Principal Employers
September 30, 2013**

		2013*		
Employer ⁽¹⁾	Type of Business	Range of Employees	Percentage of Total City Employment	
1	Post Falls School District	Public Education	700 - 799	7.18% - 8.20%
2	Wal-Mart Supercenter	Department Store; Retail Groceries	500 - 599	5.13% - 6.15%
3	Center Partners, Inc.	Call Center	300 - 399	3.08% - 4.09%
4	Buck Knives, Inc.	Manufacturing	200 - 299	2.05% - 3.07%
5	Flexcel, Inc.	Manufacturing	200 - 299	2.05% - 3.07%
7	City of Post Falls	Government	200 - 299	2.05% - 3.07%
12	All Wall Contracting	Building Construction	100 - 149	1.03% - 1.53%
20	MOR Manufacturing	Electronic Assembly Manufacturing	50 - 99	0.51% - 1.02%
22	Jacklin Seed Co	Manufacturing	50 - 99	0.51% - 1.02%
24	Knudtsen Chevrolet	New Car Dealership	50 - 99	0.51% - 1.02%
Estimated number of employees in Post Falls		9,747		

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

* 3rd quarter 2013 data

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	43.53	49.95	50.75	59.85	58.48	49.40	41.50	44.80	43.21	42.25
Public safety	56.27	54.14	53.89	60.46	61.60	64.09	65.39	66.70	67.12	67.71
Highways and public works	12.77	15.06	15.06	19.39	20.04	17.42	17.06	17.10	17.04	17.03
Cultural and Recreation	23.09	24.76	24.76	33.60	32.61	32.95	32.17	35.30	35.28	38.27
Water	5.98	6.48	6.48	6.45	6.50	6.60	6.60	6.40	6.83	6.75
Reclaimed Water	11.98	11.48	11.48	12.43	12.53	13.03	13.03	13.30	14.65	13.59
Total	153.62	161.87	162.42	192.18	191.76	183.49	175.75	183.60	184.13	185.60

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.

Source: City Finance Department

Table #21

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
Police										
Calls for service	24,789	26,270	25,368	27,826	29,074	28,840	30,467	30,156	31,543	29,722
Burglary	159	140	111	89	94	106	107	128	185	88
Phone harassment	40	34	24	35	33	39	38	25	9	11
Motor vehicle theft	46	46	51	50	30	31	24	25	42	50
Highways and streets										
Street resurfacing - paving (miles)	1.89	1.86	1.37	1.65	1.74	1.00	2.40	2.02	3.08	2.44
Street resurfacing - chip seal (miles)	5.00	4.20	3.59	2.26	0.00	8.62	6.93	9.43	11.26	11.07
Culture and recreation										
Sports leagues programs attendance		4,048	4,283	5,319	5,557	5,566	5,459	5,093	4,825	5,251
Special interest programs attendance		1,227	2,101	3,125	2,725	2,190	1,654	2,257	1,646	1,425
Water										
New connections	390	393	193	206	44	47	9	41	15	36
Average daily consumption (millions of gallons)	4,042	4,194	4,819	4,860	4,786	4,518	4,190	4,050	4,200	4,300
Reclaimed Water										
Average daily sewage treatment (millions of gallons)	2.2	2.3	2.4	2.4	2.4	2.5	2.4	2.4	2.5	2.5

Note: 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Units	43	46	49	52	54	54	58	60	66	70
Highways and streets										
Streets (miles)	129	133	143	149	150.89	153.05	153.05	154.69	156	156.59
Culture and recreation										
Park acreage	382.62	395.5	408.37	421.25	437.4	437.4	437.4	438.8	442.7	442.7
Parks				19	23	23	23	24	27	27
Sports Fields	5	5	5	5	6	6	7	7	15*	15
Tennis/Pickle Ball Courts	2	2	2	2	2	5	3	3	5	8
Water										
Water mains (miles)	104	108	110	113	113	115	116	116	116.67	116.84
Fire hydrants	745	772	811	842	842	865	858	879	901	913
Maximum daily capacity (thousands of gallons)	11.23	16.99	16.99	16.99	16.99	16.99	16.99	16.99	16.99	18.54
Reclaimed Water										
Sanitary sewer (miles)	105	109	110	155	158	159	160	160	163.30	166.89
Service water (miles)	1.53	1.53	1.53	1.53	1.53	1.53	4.60	4.60	4.89	4.89
Maximum daily treatment capacity (millions of gallons)	3.48	3.48	3.48	3.48	3.48	3.48	4.10	4.10	4.10	4.10

Note: The city contracts out Sanitation services.

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

* The city reclassified the sports fields for a more accurate representation of the fields available for use.

Source: Various city departments.

**City of Post Falls
Statistical Information
Water Fund
September 30, 2013**

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

Total Revenue	\$2,595,523
Estimated number of active customers	7,060
Total water produced (gallons)	1,595,959,377

Schedule of Water Rates

Monthly Base Fee (by meter size)

1" or less	\$ 9.30	1½"	\$ 15.61
2"	23.22	3"	41.02
4"	66.33	6"	129.70

Metered water usage: 99¢ per 1,000 gallons for 0 – 49,000 gallons
 \$1.45 per gallon for 50,000+ gallons

Source: City of Post Falls

**City of Post Falls
Statistical Information
Reclaimed Water Fund
September 30, 2013**

Schedule of Treatment Volume

Average Volume	2.5 million gallons per day
Total Volume	901,700,000 gallons

Schedule of Monthly Reclaimed Water Rates

The residential rate is \$29.51 for 94% of the City's customers.

The non-residential rate per customer is \$29.51 + \$5.56 per 1,000 gallons of water consumption over 5,000 gallons.

Source: City of Post Falls

**City of Post Falls
Ten Largest Water Customers
For the Year Ended September 30, 2013**

<u>Customer</u>	<u>Amount</u>	<u>Percentage of Total Revenue</u>
1 Lucky Pines Estates	\$ 32,281	1.27%
2 Coeur d'Alene RV Resort	\$ 23,904	0.94%
3 Plummer Forest Products	\$ 23,223	0.92%
4 Coeur d'Alene Greyhound Park	\$ 14,922	0.59%
5 Century Park & Associates	\$ 14,545	0.57%
6 J.R. Simplot	\$ 6,865	0.27%
7 Knudtsen Chevrolet	\$ 5,716	0.23%
8 Sysco Foods	\$ 4,592	0.18%
9 North Idaho Surgical Hospital	\$ 4,265	0.17%
10 Northwest Specialty Hospital	\$ 3,377	0.13%

City of Post Falls
Ten Largest Reclaimed Water Customers
For the Year Ended September 30, 2013

<u>Customer</u>	<u>Amount</u>	<u>Percentage of Total Revenue</u>
1 Coeur d'Alene RV Resort	\$ 73,577	1.52%
2 Camelot Estates	\$ 60,890	1.26%
3 Flying J, Inc.	\$ 41,594	0.86%
4 Lucky Pines Estates	\$ 39,074	0.81%
5 Century Park & Associates	\$ 37,537	0.78%
6 Northwest Specialty Hospital	\$ 13,098	0.27%
7 Kimball International	\$ 12,445	0.26%
8 Wal-Mart	\$ 12,141	0.25%
9 Knudtsen Chevrolet	\$ 8,259	0.17%
10 Plummer Forest Products	\$ 2,745	0.06%

**City of Post Falls
Insurance Schedule
September 30, 2013**

The City is insured through the Idaho Counties Reciprocal Management Program (ICRMP), Policy No. 32A02152100112. Coverage is as follows:

	<u>Coverage</u>
Auto:	
Liability	\$ 3,000,000 per occurrence
Uninsured/underinsured	\$ 100,000 per person
	\$ 300,000 per accident
Medical	\$ 5,000 per person
	\$ 100,000 per accident
Crime	\$ 500,000 per occurrence
Law Enforcement	\$ 3,000,000 per occurrence
General Liability	\$ 3,000,000 per occurrence
Errors & Omissions	\$ 3,000,000 per claim
Flood and Earthquake	\$50,000,000 (Annual aggregate all ICRMP members)

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

Source: City of Post Falls



Audit Section



“Sense of Community”
Provide and promote community events to further develop a sense of community.
The City of Post Falls Strategic Plan
2013-2017 Goals

**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**

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Post Falls
Post Falls, ID 83854

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho, as of and for the year ended September 30, 2013, which collectively comprise the City of Post Falls, Idaho's basic financial statements and have issued our report thereon dated May 28, 2014.

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. Accordingly, we do not express an opinion on the effectiveness of the City of Post Falls, Idaho's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 or other matters 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 (CONCLUDED)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh & Company, P.A.

May 28, 2014

City of Post Falls

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2013**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development:</u>		
Passed through State of Idaho Department of Commerce:		
Community Development Block Grants	14.228	\$ 115,273
Total Department of Housing and Urban Development		<u>115,273</u>
<u>Department of Justice:</u>		
Passed through State of Idaho Health & Welfare:		
Crime Victim Assistance	16.575	7,657
Passed through State of Idaho State Police:		
Edward Byrne Memorial Justice Assistance Grant	16.738	31,521
ARRA Edward Byrne Memorial Justice Assistance Grant	16.803	20,900
ARRA Violence Against Women Formula Grants	16.588	165,122
Juvenile Justice and Delinquency Prevention	16.540	1,328
Total Department of Justice		<u>226,528</u>
<u>Department of Transportation:</u>		
Passed through State of Idaho Department of Transportation:		
State and Community Highway Safety	20.600	18,194
Alcohol Traffic Safety & Drunk Driving Prevention	20.601	8,131
Highway Planning and Construction	20.205	6,259
Total Department of Transportation		<u>32,584</u>
<u>Department of Health and Human Services:</u>		
Passed through State of Idaho Health & Welfare:		
Family Violence Prevention	93.671	7,941
Total Department of Health and Human Services		<u>7,941</u>
<u>Department of Agriculture Forest Service</u>		
Passed through State of Idaho Lands:		
Homeland Security Grant Program	10.664	12,200
Total Department of Agriculture Forest Service		<u>12,200</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>394,526</u>

City of Post Falls

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2013

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Post Falls and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

City of Post Falls

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2013

Section I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Reportable condition(s) identified that are not considered to be material weakness(es) Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable conditions(s) identified that are not considered to be material weakness(es)? Yes None reported

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

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

Identification of major programs:

CFDA Number(s)

14.228

Name of Federal Program or Cluster

Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

City of Post Falls

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2013

Section II. Findings—Financial Statements Audit

We noted no findings relating to the financial statements, which are required to be reported in accordance with generally accepted *Government Auditing Standards*.

Section III. Findings and Questioned Costs—Major Federal Award Programs Audit

We noted no findings or questioned costs relating to federal awards, which are required to be reported in accordance with OMB Circular A-133, Section 510(a).

Section IV. Summary of Prior Year Audit Findings Relating to Federal Awards

We noted no findings or questioned costs relating to federal awards during the prior year.



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“Safe Community”

To maintain a safe and secure community.

The City of Post Falls Strategic Plan 2013-2017 Goals