



CITY OF
POSTFALLS, IDAHO

**Comprehensive Annual
Financial Report**

For the Year Ended September 30, 2015



CITY OF POST FALLS, IDAHO

2015

Comprehensive Annual Financial Report

For the Year Ended September 30, 2015



Above: Two water features welcome visitors to Post Falls with Spring flowers.

Cover Photo: Spring runoff at the Post Falls Dam creates as spectacular view.

Compiled by:
Jason Faulkner
Director of Finance and Support Services



City of Post Falls, Idaho
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2015

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Introductory Section



Above: Spring Soccer is offered through the Recreation Dept. for boys and girls.

Above: Kayaking on the Spokane River



April 21, 2016

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, 2015, 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, 2014. This was the eighteenth 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 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 31,932 at the end of 2015. This influx of new residents has resulted in a strong construction industry. Due to the recent recession, Post Falls has grown at a more modest annual growth rate from 2010 of approximately 2.4% through 2015, compared to the 4.8% annual growth rate experienced between 2000 and 2010. 2015 brought signs that things are changing as Post Falls grew at a higher 3.76% growth rate. In 2015, new dwelling units increased from 165 units in 2014 to 436 units. Of the 436 units, 265 of them were single family residential homes. At this point in early 2016, there has already been 32 single family homes that has been permitted and 1 multi-family project applied for. There has also been interest in developing numerous other multi-family sites. With a 0.7% vacancy rate in the multi-family sector, these projects if constructed should have a quick lease up rate. Recently at the Kootenai County Commercial Market Review and Forecast, it was suggested that there should be a continued demand for additional workforce housing. If Post Falls realizes another approximate 250 single family homes in 2016, in addition to the potential multi-family projects; Post Falls may see the first population bump above 4% since 2010.

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 timber-based. But, it has become more diverse with an increase in manufacturing, health care, retail, and tourism. Jobs Plus, Inc., this area's 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 can assist in relocating or establishing new businesses within the community. Post Falls also offers an extremely expedited permitting process to assist business development.

The Urban Renewal Agency has also played a key role in developing and creating jobs throughout the community. Urban Renewal Agency and Community Development Block Grant funds 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 Wal-Mart 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.

Post Falls experienced additional commercial and industrial development growth in 2015. As of December 31, 2015, there were 932 licensed businesses in the City of Post Falls, which is an increase from the 889 from the prior year.

In 2013, 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 2015. H&E Equipment, Cem Lifts, and Phones Plus opened in 2013. Post Falls' emerging medical community continued to grow with the opening of the Rehabilitation Hospital of the Northwest, Premier Urgent Care, Pleasant View Surgery Center, and Spine Center Surgical. Aided by generous community support, the Boys and Girls Club of Kootenai County also opened their 10,000 square foot facility.

In 2014, along Mullan Avenue, between Idaho Street and west of HWY 41 there were the addition of two new used car lots (Midway Automotive and The Car Lot). Emergency Pet Care applied for an expansion of their operation to facilitate both a new incinerator (processing deceased animals) and an area for a new private classroom (provides for an additional use at the facility). West Post Falls finally experienced an investment in the old vacant Burger King (5+ years of being vacant) as a tenant improvement for the establishment of a Trucking Insurance Company. Another vacant building that had additional investments into it and experienced a makeover is the old retail fireplace building within the Riverbend Commerce Park that now is home to Quest Integration. Realizing re-investment into vacant building is a good sign for Post Falls. Also in 2014, ATC Manufacturing decided to relocate to Post Falls. ATC Manufacturing is an aerospace company that will provide additional manufacturing jobs in Post Falls and will assist in creating diverse economic job base for the sustainability of Post Falls.

In 2015, the Post Falls School District completed and major addition to the River City Middle School and began construction of an additional elementary school within the Fieldstone Subdivision. The Post Falls Brewery began construction within the City Center, which was one of the first development within the City Center Planning area for some time. Next to the 7 eleven located at the NE corner of Idaho/Seltice Way, a long time vacant nuisance lot was developed with the Farm Bureau Office Building. Zips Drive Inn began construction of a second Zips along E. Seltice Way near O' Reilly Auto Parts. Solar Eclipse a professional tinting business expanded their operation with the construction of a second building along Mullan Ave near their existing facility. Post Falls also saw a distillery open at the south end of Boulder Court along Seltice Way. The most exciting development is that Tedder Industries purchased the vacant outlet mall and will begin moving their manufacturing facility to this location.

In 2016, the community anticipates additional commercial and industrial development growth as the economy appears to have recovered and there are significant additional rooftops being added to the City of Post Falls. This construction season should experience the completion of the expansion of the Kootenai Health Medical Facility, a major addition to the ALK ALBOA manufacturing facility at Riverbend, Tenant Improvements at the old outlet mall to facilitate Tedder Industries, additional coffee shops and fast food restaurants opening, additional apartment projects commencing in all areas of Post Falls.

Major Initiatives

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. Spokane Street improvements south of I-90 was substantially completed in 2016, with landscape beautification, traffic signalization, Centennial Trail safety improvements, and spur connections. The Greensferry Overpass was also substantially completed in 2015, which adds an additional connection from the north side of Post Falls to the south side of Post Falls. This connection assists the commercial properties in the area, as well as provide more efficient connectivity for emergency services.

The City and Agency continue to work on transportation improvements within other areas of the community, including completing the Spencer Street connection to Seltice Way and a providing 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 will continue in 2016 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 to include hiring a consultant to update the City's Comprehensive Plan and Zoning Code.

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. The Water Utility Division has installed radio read meters on the majority of residential accounts in the City to reduce labor time needed to read meters for these accounts.

The Water Reclamation Facility has a capacity of 4.1 million gallons a day. The City now maintains 33 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. In 2014, the City was issued a 5-year NPDES permit with some of the most stringent permit requirements in the nation. Construction commenced in spring of 2015 on the first of several phased upgrades toward future compliance with that permit. The permit contains a ten-year compliance schedule. The City submitted a plan in November, 2015 outlining the necessary steps to be taken in order to meet the compliance schedule.

The City's Surface Water program continues to maintain the drainage system and associated NPDES permit. Additionally, the City owns and maintains a large system of bio-infiltration swales which treat runoff prior to infiltration into the soil.

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 2015

Police

- Developed supervisory training manual for new supervisors.
- Provide traffic school as an alternative to a citation for traffic violations.
- Added an Emergency Communications officer to the 911 Center.
- Continued with community outreach programs, including virtual ride along, Coffee with a Cop.
- Partnered with the Parks Department to bring family movie nights to different neighborhoods in Post Falls.
- The Department reached 10,000 Facebook followers which has been beneficial in helping solve crimes.
- The administrative phone system upgrade was completed.
- The Department held its largest “Cops & Kids N Rodders & More” event.
- The Holiday’s and Heroes Program continues to be a huge success and is supported generously by the Post Falls Community. This year, that generosity allowed 17 additional families to receive \$200.00 gifts cards each.

Parks, Recreation, and Cemetery

- The Department entered into a partnership with our Police Department to provide community movie nights in our parks.
- ADA pathways and access points were added in White Pine Park, Q’emiln Park and Falls Park.
- The Urban Forestry Division again hosted the annual tree giveaway, providing 3,000 trees, with an estimated value of approximately \$300,000, to Post Falls’ residents, businesses, and organizations.
- The City celebrated its 18th year as a Tree City USA.
- The Cemetery Division sold 83 lots and handled with 67 services this year.
- The Department hosted the annual Memorial Day Celebration at the Cemetery.
- The Department began the 11 acre expansion of our Cemetery which will provide over 4,000 new lots.
- The Department renovated the gazebo at Q’emiln Park.
- The City’s summer camp program showed a growth in participants. The first sign of growth since the recession.
- River City Competitive Basketball program continues to grow with teams participating from all over North Idaho and the Spokane Valley.

Departmental Highlights of FY 2015 - Continued

Public Works, Community Development

- Construction began on a multi-year facility upgrade to the Water Reclamation Facility, to meet future permit requirements. Construction is expected to begin in 2015.
- The Water Reclamation Division submitted 5 plans and 1 report required as part of the new permit in a timely manner.
- The Building Division permitted 165 dwelling units and 12 new commercial buildings which is inclusive of the total valuations of approximately \$50 million.

Administration

- The Department approved a balanced budget that maintains a high level of service without taking an increase in additional taxes.
- The Department promoted City projects and programs at the Post Falls Chamber of Commerce Business Fair.
- The Clerk's Office and Media Division provided election information for candidates and voters for the City Council election on the City website. The Media Division produced a "Meet the Candidate" broadcast for the City cable channel and video-on-demand on the website and YouTube.
- The Media Division and Finance Department held the 4th annual e-recycling event for residents. Recycled grocery bags and recycling calendar were handed out to residents. The e-recycling Event and recycling promotional items for residents are funded by a grant from Post Falls Sanitation.
- The Media Division designed the online flipbook versions of the Budget, CAFR and PAFR. The Finance Department received GFOA awards for all three documents.

Factors Affecting Financial Condition

In the current economic environment, the main factors affecting the City's financial condition are the increase growth in the area, a reduction in the unemployment, and the stabilization of the investment markets. The City has responded to this upswing in the economy by implementing efficiencies by maintaining the current labor force without a reduction in the level of service. With the changes the City has implemented, it will be ready to address future needs of the citizens.

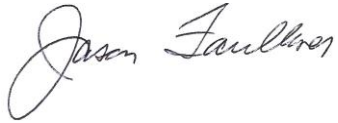
Other Information – Idaho State statutes require an annual audit by independent auditors. The accounting firm of Magnuson, McHugh & Company, P.A. was selected to perform the audit with the approval of the City Council. The auditor's report on the basic financial statements and combining and individual 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, 2014. This was the eighteenth 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 and Kit Hoffer in the Media Division for their dedicated services in assisting and contributing to the preparation of this report. Due credit should also be given to City Administrator Shelly Enderud, Mayor Ron Jacobson, and the City Council for their interest and support in conducting the operations of the City in an efficient and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jason Faulkner". The signature is written in black ink and is positioned above the printed name and title.

Jason Faulkner
Finance Director



Government Finance Officers Association

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

Presented to

**City of Post Falls
Idaho**

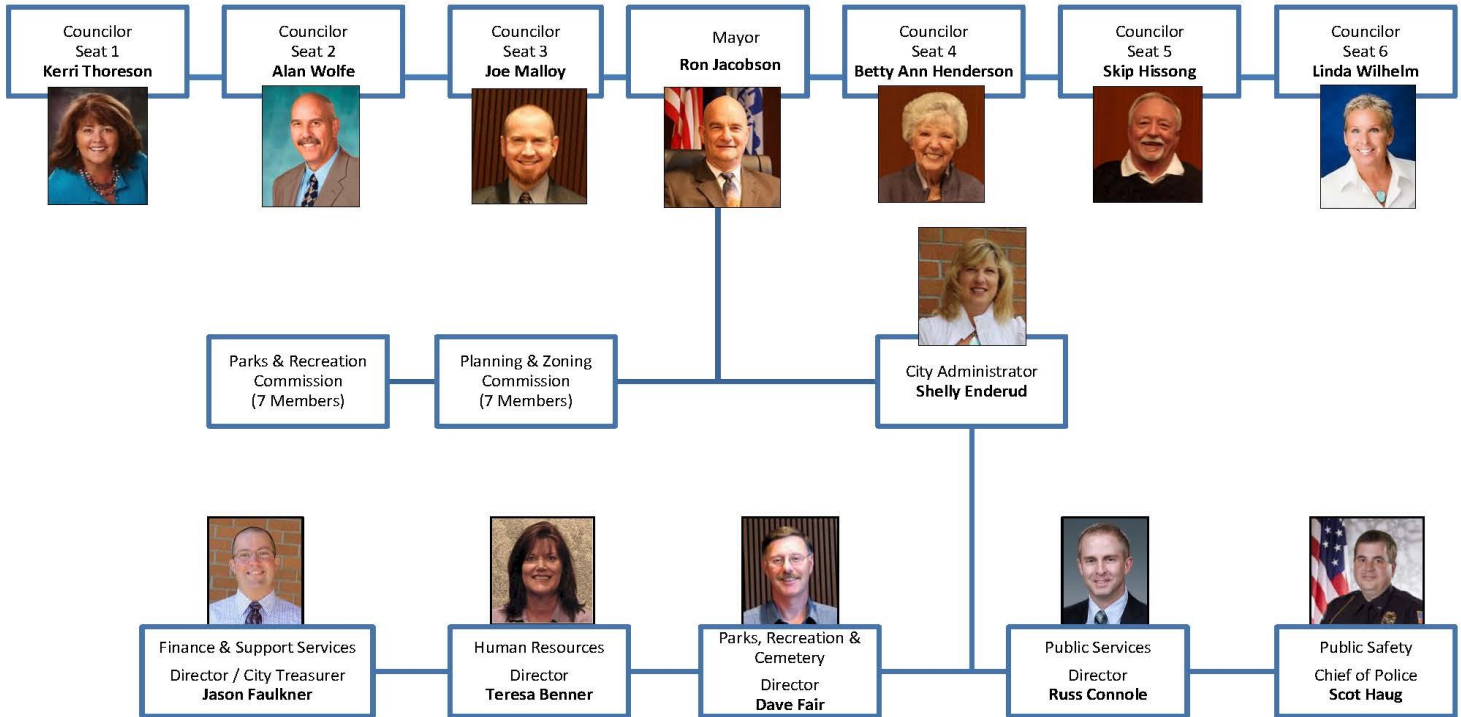
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

City of Post Falls Organizational Chart

Elected and Appointed Officials



CITY OF POST FALLS, IDAHO

Listing of City Officials As of September 30, 2015 Elected Officials



Mayor and City Council

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

ELECTED OFFICIALS			
NAME	OFFICE	OCCUPATION	TERM EXPIRES
Ron Jacobson	Mayor	Senior VP – bankcda	2017
Linda Wilhelm	Council President - Seat 6	Realtor – Coldwell Banker	2017
Kerri Thoreson	Councilor - Seat 1	Self Employed	2015
Alan Wolfe	Councilor - Seat 2	Director of Branches Spokane Teachers Credit Union	2017
Joe Malloy	Councilor - Seat 3	Project Coordinator - Outotec Energy Products	2015
Betty Ann Henderson	Councilor - Seat 4	Retired	2017
Skip Hissong	Councilor - Seat 5	Owner – Summit Equipment	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		
Russ Connole	Public Services Director		
Shannon Howard	City Clerk		



Financial Section



Above: Post Falls City hall in Spring.

Left: The Plaza at City Hall offers a relaxing miniature waterfall and stream

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 the City of Post Falls, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Post Falls' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The 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 the City of Post Falls, as of September 30, 2015, 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' 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, and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic 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, and the Schedule of Expenditures of Federal Awards 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 accompanying supplementary information as listed above and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic 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 April 21, 2016 on our consideration of the 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 the City of Post Falls internal control over financial reporting and compliance.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh & Company, P.A.

April 21, 2016

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, 2015. 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 \$195,937,382 (net position).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,633,958, or 67.8 percent of total general fund expenditures.
- The governments net position increased by \$11,744,753. Approximately \$739,038 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 \$1,792,413 (15.8 percent) and operating expenses increase by \$472,578. The increases in operating revenues is primarily due to the increase in utility rates (2.5% for water, 14.5% for reclaimed water and 1.10% 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. The amendments totaled \$1,212,013.
- 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 deferred outflows, and liabilities and deferred inflows, with the difference 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 71 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds may be found on pages 97 to 98 of this report. Combining and individual fund statements and schedules can be found on pages 75 to 76 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, 2015.

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 and deferred outflows, exceeded liabilities and deferred inflows by \$195,937,382 at the close of the most recent fiscal year.

By far the largest portion of the City of Post Falls' net position (66.8 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.

An additional portion of the City of Post Falls' net position (15.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$33,975,238) 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, 69.3 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.

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	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	\$26,479,476	\$23,335,890	\$48,741,899	\$42,757,290	\$75,221,375	\$66,093,180
Capital assets	58,639,396	57,564,062	79,120,678	77,732,982	137,760,074	135,297,044
Total assets	85,118,872	80,899,952	127,862,577	120,490,272	212,981,449	201,390,224
DEFERRED OUTFLOW OF RESOURCES						
Proportionate share of collective deferred outflows of resources	1,581,664	363,948	190,906	43,928	1,772,570	407,876
Total deferred outflows of resources	1,581,664	363,948	190,906	43,928	1,772,570	407,876
LIABILITIES						
Long-term liabilities outstanding	5,117,941	1,908,835	6,082,668	5,472,363	11,200,609	7,381,198
Other liabilities	3,888,305	3,100,096	1,078,129	2,087,504	4,966,434	5,187,600
Total liabilities	9,006,246	5,008,931	7,160,797	7,559,867	16,167,043	12,568,798
DEFERRED INFLOW OF RESOURCES						
Proportionate share of collective deferred inflows of resources	2,163,404	2,603,084	261,122	314,190	2,424,526	2,917,274
Deferred contracts			225,068		225,068	
Total deferred inflows of resources	2,163,404	2,603,084	486,190	314,190	2,649,594	2,917,274
NET POSITION						
Net investment in capital assets	57,104,396	55,949,062	73,700,678	71,501,031	130,805,074	127,450,093
Restricted	6,541,874	5,979,420	24,615,196	21,400,534	31,157,070	27,379,954
Unrestricted	11,884,616	13,962,539	22,090,622	20,028,840	33,975,238	33,991,379
Total net position	\$75,530,886	\$75,891,021	\$120,406,496	\$112,930,405	\$195,937,382	\$188,821,426

Governmental activities. Governmental activities' key elements are broken down in the following charts. Governmental activities increased net position by \$3,769,926 and business-type activities increased net position by \$7,974,827.

The City's direct charges to users of governmental services made up \$4,622,306 or 22.8 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 includes police, domestic

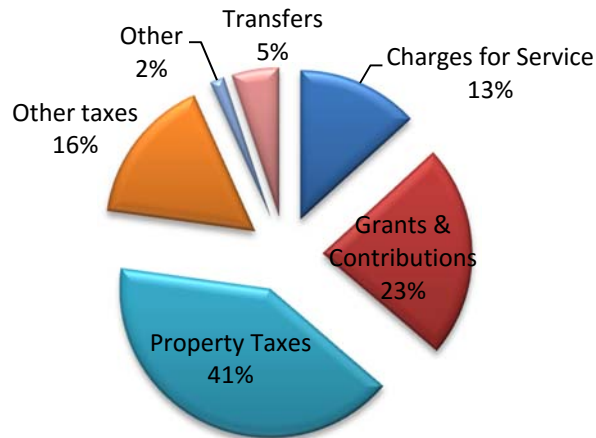
violence assistance, animal control and dispatch services and accounts for \$6,319,746 in expenditures, or 35.7 percent of the total. Highway and public works accounts for \$3,911,463 in expenditures, or 22.1 percent of the total. Culture and recreation accounts for \$2,046,169 in expenditures, or 11.5 percent of the total. General government accounts for \$5,308,266 in expenditures, or 29.9 percent of the total.

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

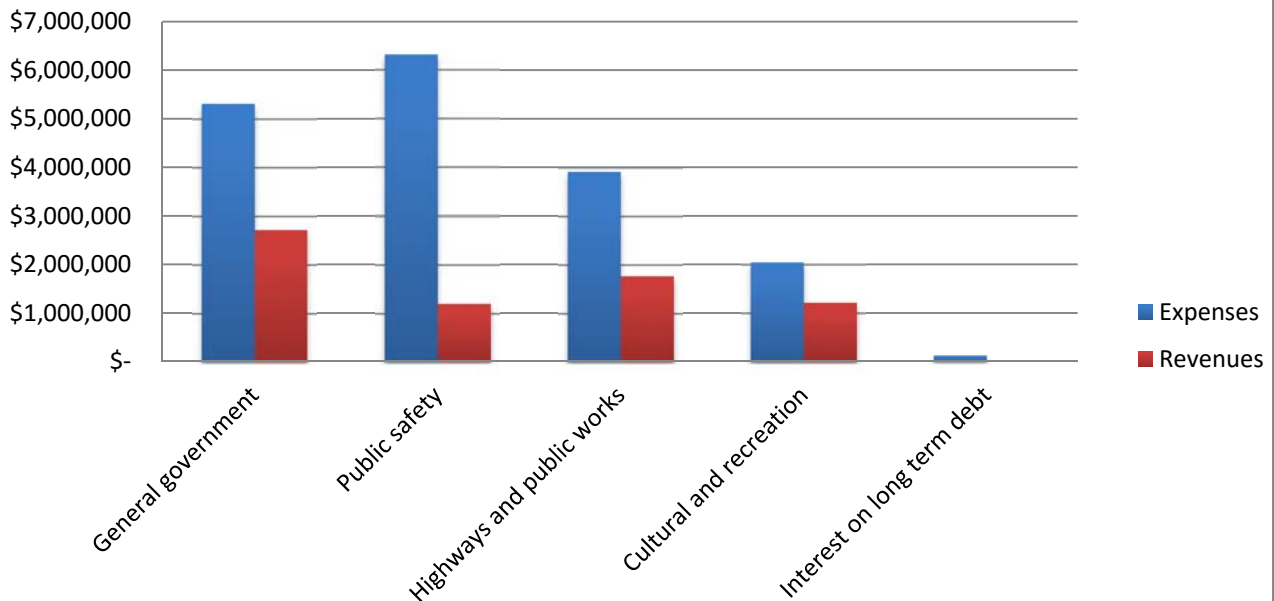
City of Post Falls' Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues:						
Charges for services	\$4,622,306	\$3,175,568	\$13,162,753	\$11,370,340	\$17,785,059	\$14,545,908
Operating grants and contributions	948,524	1,121,500			948,524	1,121,500
Capital grants and contributions	1,325,403	1,042,294	2,761,625	1,398,432	4,087,028	2,440,726
General revenues:						
Property taxes	9,519,735	8,878,092			9,519,735	8,878,092
Other taxes	3,605,032	3,583,611			3,605,032	3,583,611
Other	283,598	194,823	303,190	200,580	586,788	395,403
Total revenues	<u>\$20,304,598</u>	<u>\$17,995,888</u>	<u>\$16,227,568</u>	<u>\$12,969,352</u>	<u>\$36,532,166</u>	<u>\$30,965,240</u>
EXPENSES						
General government	\$5,308,266	\$5,243,100			\$5,308,266	\$5,243,100
Public safety	6,319,746	5,985,540			6,319,746	5,985,540
Highway and public works	3,911,463	3,869,930			3,911,463	3,869,930
Culture and recreation	2,046,169	1,798,034			2,046,169	1,798,034
Interest on long-term debt	140,031	137,296			140,031	137,296
Water			\$1,445,501	\$1,508,132	1,445,501	1,508,132
Reclaimed Water			3,664,041	3,663,184	3,664,041	3,663,184
Sanitation			1,952,196	1,878,746	1,952,196	1,878,746
Total expenses	<u>\$17,725,675</u>	<u>\$17,033,900</u>	<u>\$7,061,738</u>	<u>\$7,050,062</u>	<u>\$24,787,413</u>	<u>\$24,083,962</u>
INCREASE IN NET POSITION BEFORE TRANSFERS	<u>2,578,923</u>	<u>961,988</u>	<u>9,165,830</u>	<u>5,919,290</u>	<u>11,744,753</u>	<u>6,881,278</u>
TRANSFERS IN (OUT)	<u>1,191,003</u>	<u>1,122,509</u>	<u>(1,191,003)</u>	<u>(1,122,509)</u>		
INCREASE IN NET POSITION	<u>3,769,926</u>	<u>2,084,497</u>	<u>7,974,827</u>	<u>4,796,781</u>	<u>11,744,753</u>	<u>6,881,278</u>
NET POSITION beginning	75,891,021	73,806,524	112,930,405	108,133,624	188,821,426	181,940,148
PRIOR PERIOD ADJUSTMENT	<u>-4,130,061</u>		<u>-498,736</u>		<u>-4,628,797</u>	
NET POSITION ending	<u>\$75,530,886</u>	<u>\$75,891,021</u>	<u>\$120,406,496</u>	<u>\$112,930,405</u>	<u>\$195,937,382</u>	<u>\$188,821,426</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 (41 percent) with other taxes following at (16 percent).
- When all taxes are added together, they make up 57 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.

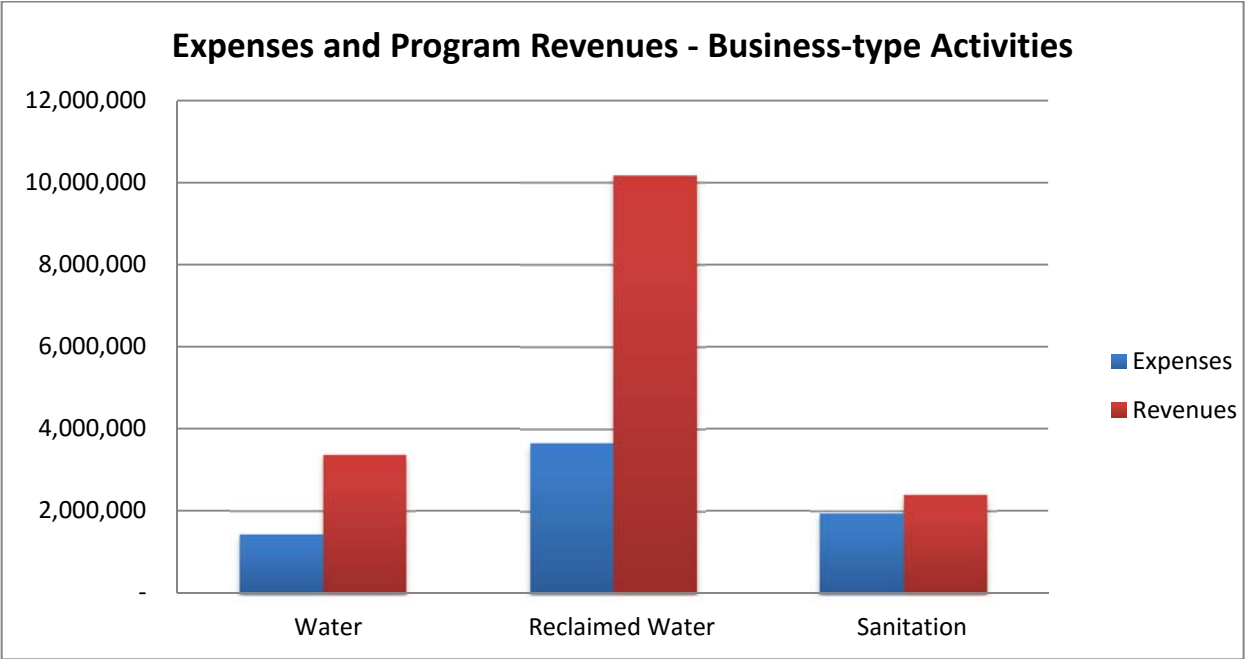
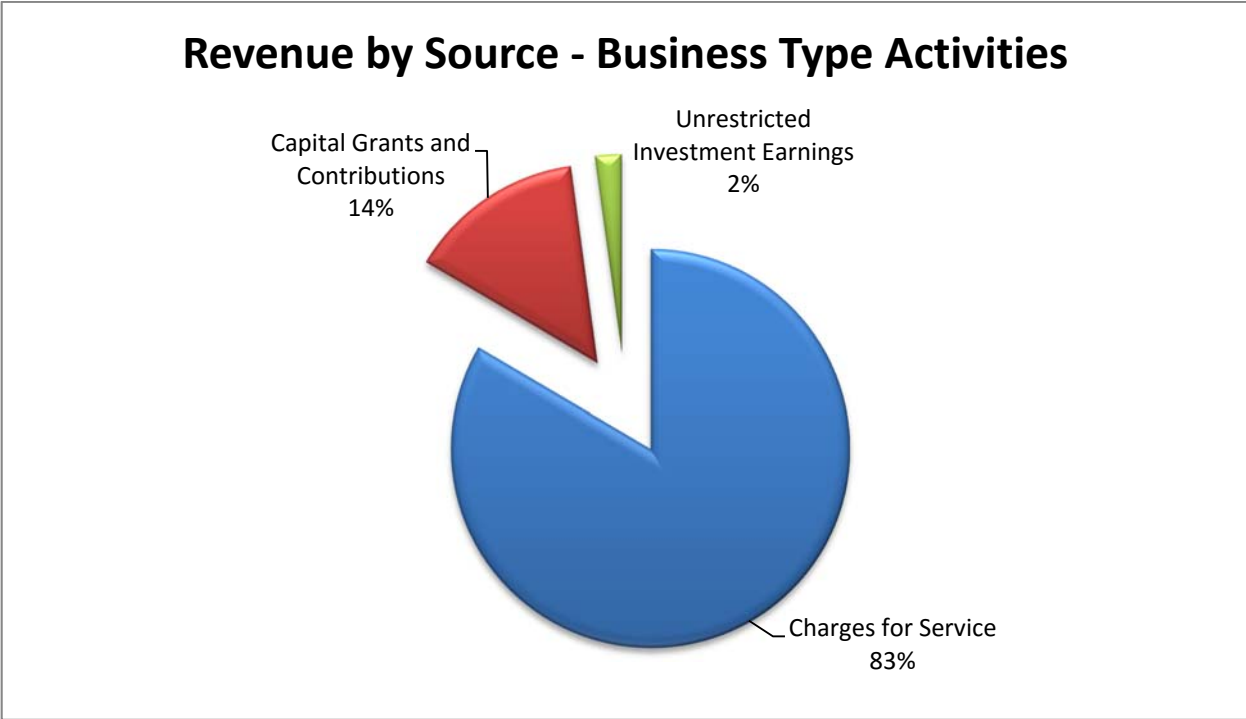
- Grants and contributions are primarily received by public safety and public works. These grants normally have matching requirements by the City, but allow programs and projects that may not happen without those additional funds. The City currently runs a domestic violence program that is significantly 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 15. No significant losses or revenues were received during the year and building permit revenue has increased during FY 15.

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 the payment of personnel that 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 4 percent. This was due to the current economy and the City to maintain and retain current staffing levels with the rebound in the local job market. 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 15 budget. Last, the capital fund has a large cash balance that is primarily made up of money that is being saved for future capital projects such as a 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 (83 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 (14 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 \$22,151,147, an increase of \$2,341,685 in comparison with the prior year. The current fund balance contains \$137,610 of nonspendable dollars, \$6,541,874 of restricted dollars, \$3,262,353 of committed dollars, \$1,653,761 of assigned dollars and the balance of \$10,555,549 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 \$10,633,958 with a total fund balance of \$15,687,682. 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 70.1 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 \$1,046,058. This balance is due to prepayments on the LID. The Capital Fund has a restricted fund balance of \$5,086,873. 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 \$22,090,622 (water \$5,414,756; Reclaimed Water \$14,968,572; and sanitation \$1,707,294). Restricted net position at the end of the year amounted to \$24,615,196 (water \$7,963,525 and Reclaimed Water \$16,651,671).

General Fund Budgetary Highlights

Two budget amendments were performed during the current fiscal year. This amendment increased the budget by a total of \$1,190,226. General Fund revenues ended the fiscal year with a total positive variance of 1.4 percent. Expenditures ended the fiscal year with a total positive variance of 9.6 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 14. During this fiscal year, the City used a very conservative approach to operating expenses with the assumption of a slight increase in revenues when compared to the prior year.

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, 2015 amounts to \$137,760,074 (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 1.82 percent (a 1.87 percent increase for governmental activities and a 1.79 percent increase for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$5,223,404	\$5,223,404	\$12,439,674	\$12,439,674	\$17,663,078	\$17,663,078
Buildings & Imp.	13,612,880	13,606,437	3,197,992	3,349,650	16,810,872	16,956,087
Machinery & Equip.	2,733,982	2,930,004	678,675	635,805	3,412,657	3,565,809
Infrastructure	33,808,259	33,855,568			33,808,259	33,855,568
Wells			1,984,514	2,054,551	1,984,514	2,054,551
Water System			14,371,318	14,742,257	14,371,318	14,742,257
Reclaimed Water System			40,480,440	41,457,046	40,480,440	41,457,046
C.I.P.	3,260,871	1,948,649	5,968,065	3,053,999	9,228,936	5,002,648
Total	<u>\$58,639,396</u>	<u>\$57,564,062</u>	<u>\$79,120,678</u>	<u>\$77,732,982</u>	<u>\$137,760,074</u>	<u>\$135,297,044</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.
- Upgrades to the cemetery owned by the City.
- Focused on capital street projects during the course of the fiscal year.
- Various Reclaimed Water projects, including a plant upgrade and the 3rd Avenue lift station, and beginning construction on the wastewater reclamation plant upgrade in an effort to keep up with growth.

Additional information on the City of Post Falls’ capital assets can be found in note 4 on pages 45 to 46 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 \$6,955,000. Of this amount, \$1,535,000 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 (\$691,429), water (\$32,280) and Reclaimed Water (\$65,377).

<u>Debt Type</u>	<u>2015 Balance</u>	<u>2014 Balance</u>
Reclaimed Water Revenue Bonds:	\$ 3,645,000	\$4,296,950
Water – Revenue Bonds, 2012	1,775,000	1,935,000
Special Assessment Bonds:	1,535,000	1,615,000
Premium on bonds payable	160,180	176,198
Compensated Absences:	<u>789,086</u>	<u>861,527</u>
	<u>\$7,904,266</u>	<u>\$8,884,675</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 \$45,353,507 on September 30, 2015. The City’s general obligation bond above is subject to this limit. Therefore, \$45,353,507 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 56 to 61 of this report.

Economic Factors and Next Year's Budgets and Rates

- Unemployment in Kootenai County increased in 2015. The seasonally adjusted unemployment rate for Kootenai County in 2015 was 5.1% and the labor force pool was approximately 72,743, which was a decrease by about 543 from 2014. This figure does not include the underemployed. The prior year reflected an unemployment rate of 4.3% in Kootenai County. In comparison, the national unemployment rate was approximately 4.9% and the statewide unemployment rate was 3.9% in 2015.
- Building permits issued in the City of Post Falls have increase significantly in FY 2015 after a strong recovery in the prior year. In the next year, a slight increase 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 2015 reported fiscal year and the upcoming 2016 fiscal year.

Budget Highlights for Fiscal Year 2014-2015

Governmental Activities. During the current fiscal year, unassigned fund balance in the general fund increased by \$1,373,283 when compared to the prior fiscal year.

Business-Type Activities. Water and Reclaimed Water operating rates were increased by 2.5 percent and 14.5 percent, respectively, during the 2015 budget year. Sanitation rates were increased by 1.10% as per the contract with an outside hauler which does not include a fuel surcharge as it has in the previous year. Water and Reclaimed Water rates are set by rate studies that updated every five years. The Reclaimed Water fund completed a s facility plan that recommend increasing the rates to cover new treatment processes to meet discharge permit requirements in the upcoming 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, 2015**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Post Falls Urban Renewal Agency
Assets				
Cash and cash equivalents	\$ 9,992,301	\$ 10,333,868	\$ 20,326,169	\$ 197,092
Investments	9,919,960	11,611,510	21,531,470	1,450,075
Receivables				
Accounts	155,776	1,846,896	2,002,672	
Taxes	355,180		355,180	198,117
Miscellaneous	1,027,693		1,027,693	
Special assessments	588,840		588,840	
Internal Balances	(1,728,964)	1,728,964		
Restricted cash, customer deposits		180,712	180,712	
Accrued interest	44,056	37,526	81,582	3,346
Prepaid items	137,610		137,610	1,974
Restricted cash	2,066,663	22,990,965	25,057,628	
Restricted Investments	3,920,361		3,920,361	1,302,708
Restricted accrued interest		11,458	11,458	
Capital assets, net of depreciation:				
Land	5,223,404	12,439,674	17,663,078	
Buildings	13,612,880	3,197,992	16,810,872	
Machinery and equipment	2,733,982	678,675	3,412,657	464
Other improvements		56,836,272	56,836,272	
Infrastructure	33,808,259		33,808,259	
Construction in progress	3,260,871	5,968,065	9,228,936	
Total assets	<u>85,118,872</u>	<u>127,862,577</u>	<u>212,981,449</u>	<u>3,153,776</u>
Deferred Outflows of Resources				
Proportionate share of collective deferred outflows of resources	1,581,664	190,906	1,772,570	
Total deferred outflows of resources	<u>1,581,664</u>	<u>190,906</u>	<u>1,772,570</u>	
Liabilities				
Accounts payable	1,334,091	856,846	2,190,937	1,032,623
Accrued payroll	513,017	15,328	528,345	9,452
Bond interest payable	33,401	25,243	58,644	12,033
Restricted customer deposits	1,545,268	180,712	1,725,980	
Noncurrent liabilities				
Due within one year	467,200	484,688	951,888	1,922,522
Due in more than one year	1,759,229	5,032,969	6,792,198	3,427,175
Premium on bonds payable		160,180	160,180	
Net Pension Liability	3,354,040	404,831	3,758,871	47,448
Total liabilities	<u>9,006,246</u>	<u>7,160,797</u>	<u>16,167,043</u>	<u>6,451,253</u>
Deferred Inflows of Resources				
Proportionate share of collective deferred inflows of resources	2,163,404	261,122	2,424,526	7,026
Deferred contracts		225,068	225,068	
Total deferred inflows of resources	<u>2,163,404</u>	<u>486,190</u>	<u>2,649,594</u>	<u>7,026</u>
Net Position				
Net investment in capital assets	57,104,396	73,700,678	130,805,074	464
Restricted for:				
Special revenue projects	365,311		365,311	
Debt Service		14,166,006	14,166,006	1,302,708
Special assessment debt	1,089,690		1,089,690	
Capital improvement projects	5,086,873	10,449,190	15,536,063	
Unrestricted	11,884,616	22,090,622	33,975,238	(4,607,675)
Total net position	<u>\$ 75,530,886</u>	<u>\$ 120,406,496</u>	<u>\$ 195,937,382</u>	<u>\$ (3,304,503)</u>

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

City of Post Falls
Statement of Activities
For the Year Ended September 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			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	\$ 5,308,266	\$ 2,688,266	\$ 26,739		\$ (2,593,261)		\$ (2,593,261)	\$ (13,571,821)
Public safety	6,319,746	816,362	382,149		(5,121,235)		(5,121,235)	
Highways and public works	3,911,463	1,898	492,236	\$ 1,271,803	(2,145,526)		(2,145,526)	(1,527)
Culture and recreation	2,046,169	1,115,780	47,400	53,600	(829,389)		(829,389)	
Interest on long-term debt	140,031				(140,031)		(140,031)	
Pension plan expense								(9,455)
Total governmental activities	<u>17,725,675</u>	<u>4,622,306</u>	<u>948,524</u>	<u>1,325,403</u>	<u>(10,829,442)</u>		<u>(10,829,442)</u>	<u>(13,582,803)</u>
Business-type activities:								
Water	1,445,501	3,118,366		243,190		\$ 1,916,055	1,916,055	
Reclaimed water	3,664,041	7,650,826		2,518,435		6,505,220	6,505,220	
Sanitation	1,952,196	2,393,561				441,365	441,365	
Total business-type activities	<u>7,061,738</u>	<u>13,162,753</u>		<u>2,761,625</u>		<u>8,862,640</u>	<u>8,862,640</u>	
Total government	<u>\$ 24,787,413</u>	<u>\$ 17,785,059</u>	<u>\$ 948,524</u>	<u>\$ 4,087,028</u>	<u>(10,829,442)</u>	<u>8,862,640</u>	<u>(1,966,802)</u>	<u>(13,582,803)</u>
General revenues:								
Property taxes					9,519,735		9,519,735	4,218,735
Sales taxes					1,695,430		1,695,430	
Motor fuel taxes					1,257,331		1,257,331	
Alcoholic beverage taxes					652,271		652,271	
Unrestricted investment earnings					276,560	303,190	579,750	18,414
Miscellaneous					7,038		7,038	44,800
Transfers					1,191,003	(1,191,003)		
Total general revenues and transfers					<u>14,599,368</u>	<u>(887,813)</u>	<u>13,711,555</u>	<u>4,281,949</u>
Change in net position					3,769,926	7,974,827	11,744,753	(9,300,854)
Net position - beginning					75,891,021	112,930,405	188,821,426	6,052,899
Prior Period Adjustment					(4,130,061)	(498,736)	(4,628,797)	(56,548)
Net position - ending					<u>\$ 75,530,886</u>	<u>\$ 120,406,496</u>	<u>\$ 195,937,382</u>	<u>\$ (3,304,503)</u>

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

**City of Post Falls
Balance Sheet
Governmental Funds
September 30, 2015**

	General Fund	Debt Service LID 2004-1 Fund (*)	Capital Fund	Other Governmental Funds	Totals Government Funds 2015
Assets					
Cash on hand and cash equivalents	\$ 5,416,419	\$ 760,255	\$ 3,085,388	\$ 730,239	\$ 9,992,301
Investments	5,768,191		4,151,769		9,919,960
Accounts receivable:					
Property taxes - current	33,957				33,957
- delinquent	321,223				321,223
Loans receivable				8,975	8,975
Miscellaneous	967,013	42,177		9,528	1,018,718
Customers	975		43,032	111,769	155,776
Special assessments - delinquent		35,052		5,978	41,030
Special assessments - deferred		512,758		35,052	547,810
Interfund receivables					
Prepaid items	137,610				137,610
Accrued interest	29,806	42	14,208		44,056
Restricted current assets:					
Cash and cash equivalents	2,055,613			11,050	2,066,663
Investments	3,676,777	243,584			3,920,361
Total assets and other debits	<u>\$18,407,584</u>	<u>\$ 1,593,868</u>	<u>\$ 7,294,397</u>	<u>\$ 912,591</u>	<u>\$28,208,440</u>
Liabilities:					
Accounts payable	\$ 500,829		\$ 711,995	\$ 121,267	\$ 1,334,091
Interfund payables			1,329,229	399,735	1,728,964
Accrued payroll and fringe benefits	513,017				513,017
Restricted customer deposits	1,367,918		166,300	11,050	1,545,268
Total liabilities	<u>2,381,764</u>		<u>2,207,524</u>	<u>532,052</u>	<u>5,121,340</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	321,223				321,223
Unavailable revenue - premium/discount	16,915				16,915
Unavailable revenue - special assessment		\$ 547,810		41,030	588,840
Unavailable revenue - other				8,975	8,975
Total deferred inflows of resources	<u>338,138</u>	<u>547,810</u>		<u>50,005</u>	<u>935,953</u>
Fund balances:					
Nonspendable:					
Prepays	137,610				137,610
Restricted:					
Special revenue projects				365,311	365,311
Capital public safety debt service				43,632	1,089,690
Special assessment debt		1,046,058			1,089,690
Capital improvement projects			5,086,873		5,086,873
Committed:					
Revenue stabilization	3,262,353				3,262,353
Assigned:					
Capital improvements	1,653,761				1,653,761
Unassigned:	10,633,958			(78,409)	10,555,549
Total fund balances	<u>15,687,682</u>	<u>1,046,058</u>	<u>5,086,873</u>	<u>330,534</u>	<u>22,151,147</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$18,407,584</u>	<u>\$ 1,593,868</u>	<u>\$ 7,294,397</u>	<u>\$ 912,591</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.	58,639,396
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	935,953
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,259,830)
Pension liabilities, pension expense (revenue), deferred outflows of resources and deferred inflows of resources related to pensions.	(3,935,780)
Net Position of governmental activities	<u>\$75,530,886</u>

(*) = Not a major fund during fiscal year 2015.

City of Post Falls
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2015

	General Fund	Debt Service LID 2004-1 Fund (*)	Capital Fund	Other Governmental Funds	Totals Government Funds 2015
Revenues:					
Taxes	\$ 9,754,151				\$ 9,754,151
Intergovernmental	3,847,766		\$ 175,711		4,023,477
Charges for services	2,513,857		1,064,399	\$ 877,055	4,455,311
Other revenue	371,429		4,270	142,942	518,641
Special assessment revenue		\$ 182,431		7,557	189,988
Interest	146,482	46,615	80,590	2,873	276,560
Total revenues	<u>16,633,685</u>	<u>229,046</u>	<u>1,324,970</u>	<u>1,030,427</u>	<u>19,218,128</u>
Expenditures:					
Current:					
General government	4,966,430	15,650	156,065	2,199	5,140,344
Public safety	5,722,127			201,662	5,923,789
Highways and public works	2,161,390			475,149	2,636,539
Culture and recreation	1,815,073			82,018	1,897,091
Capital outlay	504,330		1,483,252	273,338	2,260,920
Debt service:					
Principal		60,000		20,000	80,000
Interest		74,888	42,496	11,379	128,763
Total expenditures	<u>15,169,350</u>	<u>150,538</u>	<u>1,681,813</u>	<u>1,065,745</u>	<u>18,067,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,464,335</u>	<u>78,508</u>	<u>(356,843)</u>	<u>(35,318)</u>	<u>1,150,682</u>
Other financing sources (uses):					
Transfers in	1,270,923		957,731	50,470	2,279,124
Transfers out	(1,053,510)		(34,461)	(150)	(1,088,121)
Total other financing sources (uses)	<u>217,413</u>		<u>923,270</u>	<u>50,320</u>	<u>1,191,003</u>
Net change in fund balance	1,681,748	78,508	566,427	15,002	2,341,685
Fund balances, beginning	<u>14,005,934</u>	<u>967,550</u>	<u>4,520,446</u>	<u>315,532</u>	<u>19,809,462</u>
Fund balances, ending	<u>\$15,687,682</u>	<u>\$ 1,046,058</u>	<u>\$ 5,086,873</u>	<u>\$ 330,534</u>	<u>\$22,151,147</u>

(*) = Not a major fund during fiscal year 2015.

**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, 2015**

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

Net change in fund balances - total governmental funds	\$ 2,341,685
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.	27,667
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	1,047,667
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	26,029
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.	132,597
The net pension effect related to the pension expense recognized for the year.	<u>194,281</u>
Change in net position of governmental activities	<u><u>\$ 3,769,926</u></u>

**City of Post Falls
Statement of Net Position
Proprietary Funds
September 30, 2015**

	Business-type Activities - Enterprise Funds						
	Water	Water	Reclaimed Water	Reclaimed Water	Sanitation	Sanitation	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
Assets							
Current assets:							
Cash	\$ 1,840,758	\$ 989,629	\$ 7,107,156	\$ 5,543,325	\$ 1,385,954	\$ 1,181,035	\$ 10,333,868
Investments	2,304,125	2,270,987	9,035,036	8,978,183	272,349	267,172	11,611,510
Utility receivables, net	590,785	487,521	1,039,582	827,122	216,529	227,009	1,846,896
Restricted cash, customer deposits	100,530	89,880	80,182				180,712
Accrued interest	9,098	3,773	28,428	11,789			37,526
Due from other funds	760,407	473,616	968,557	1,557,411			1,728,964
Total current assets	<u>5,605,703</u>	<u>4,315,406</u>	<u>18,258,941</u>	<u>16,917,830</u>	<u>1,874,832</u>	<u>1,675,216</u>	<u>25,739,476</u>
Non-current assets:							
Restricted cash	8,308,956	7,878,557	14,682,009	11,963,085			22,990,965
Restricted accrued interest	2,837	1,767	8,621	5,429			11,458
Total restricted assets	<u>8,311,793</u>	<u>7,880,324</u>	<u>14,690,630</u>	<u>11,968,514</u>			<u>23,002,423</u>
Capital assets:							
Land	54,555	54,555	12,385,119	12,385,119			12,439,674
Wells	3,245,487	3,245,487					3,245,487
Water system	21,214,011	21,171,937					21,214,011
Equipment	1,175,237	1,075,068	1,267,188	1,243,993			2,442,425
Reclaimed Water system			64,848,270	64,583,414			64,848,270
Construction in progress	354,218	346,852	5,613,847	2,707,147			5,968,065
Less accumulated depreciation	<u>(8,588,050)</u>	<u>(8,061,655)</u>	<u>(22,449,204)</u>	<u>(21,018,935)</u>			<u>(31,037,254)</u>
Total capital assets (net of accumulated depreciation)	<u>17,455,458</u>	<u>17,832,244</u>	<u>61,665,220</u>	<u>59,900,738</u>			<u>79,120,678</u>
Total non-current assets	<u>25,767,251</u>	<u>25,712,568</u>	<u>76,355,850</u>	<u>71,869,252</u>			<u>102,123,101</u>
Total Assets	<u>31,372,954</u>	<u>30,027,974</u>	<u>94,614,791</u>	<u>88,787,082</u>	<u>1,874,832</u>	<u>1,675,216</u>	<u>127,862,577</u>
Deferred Outflow of Resources							
Proportionate share of collective deferred outflows of resources	64,167	14,765	126,739	29,162			190,906
Total deferred outflows of resources	<u>64,167</u>	<u>14,765</u>	<u>126,739</u>	<u>29,162</u>			<u>190,906</u>
Liabilities							
Current liabilities:							
Accounts payable	81,368	76,272	607,940	636,535	167,538	159,620	856,846
Accrued payroll	5,184	16,878	10,144	21,036			15,328
Bond interest payable		4,913	25,243	27,817			25,243
Compensated absences - current maturity	18,077	27,658	36,611	38,986			54,688
Customer deposits payable	100,530	89,880	80,182				180,712
Bond payable - current maturity	165,000	160,000	265,000	651,950			430,000
Total current liabilities	<u>370,159</u>	<u>375,601</u>	<u>1,025,120</u>	<u>1,376,324</u>	<u>167,538</u>	<u>159,620</u>	<u>1,562,817</u>
Noncurrent liabilities:							
Compensated absences	14,203	21,731	28,766	30,632			42,969
Premium on bonds payable	160,180	176,198					160,180
Bonds payable	1,610,000	1,775,000	3,380,000	3,645,000			4,990,000
Net Pension Liability	136,072	76,714	268,759	151,520			404,831
Total noncurrent liabilities	<u>1,920,455</u>	<u>2,049,643</u>	<u>3,677,525</u>	<u>3,827,152</u>			<u>5,597,980</u>
Total Liabilities	<u>2,290,614</u>	<u>2,425,244</u>	<u>4,702,645</u>	<u>5,203,476</u>	<u>167,538</u>	<u>159,620</u>	<u>7,160,797</u>
Deferred Inflows of Resources							
Proportionate share of collective deferred inflows of resources	87,768	105,605	173,354	208,585			261,122
Deferred contracts			225,068				225,068
Total deferred inflows of resources	<u>87,768</u>	<u>105,605</u>	<u>398,422</u>	<u>208,585</u>			<u>486,190</u>
Net Position							
Net investment in capital assets	15,680,458	15,897,244	58,020,220	55,603,788			73,700,678
Restricted for:							
Debt service	243,556	243,129	13,922,450	11,133,540			14,166,006
Capital improvement projects	7,719,969	7,294,832	2,729,221	2,729,033			10,449,190
Unrestricted	5,414,756	4,076,685	14,968,572	13,937,822	1,707,294	1,515,596	22,090,622
Total Net Position	<u>\$ 29,058,739</u>	<u>\$ 27,511,890</u>	<u>\$ 89,640,463</u>	<u>\$ 83,404,183</u>	<u>\$ 1,707,294</u>	<u>\$ 1,515,596</u>	<u>\$ 120,406,496</u>

City of Post Falls
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended Spetember 30, 2015

	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	\$ 2,931,016	\$ 2,462,125	\$ 7,426,010	\$ 6,239,705	\$ 2,360,320	\$ 2,272,249	\$ 12,717,346
Hookups and connections	19,043	11,458					19,043
Other revenues	168,307	162,944	224,816	184,570	33,241	37,289	426,364
Total operating revenues	<u>3,118,366</u>	<u>2,636,527</u>	<u>7,650,826</u>	<u>6,424,275</u>	<u>2,393,561</u>	<u>2,309,538</u>	<u>13,162,753</u>
Operating Expenses:							
Salaries and benefits	396,622	642,378	844,419	1,189,441			1,241,041
Administrative and supplies	484,464	445,485	1,229,052	1,206,116	1,952,196	1,878,746	3,665,712
Depreciation	526,395	552,447	1,430,269	1,421,382			1,956,664
Total operating expenses	<u>1,407,481</u>	<u>1,640,310</u>	<u>3,503,740</u>	<u>3,816,939</u>	<u>1,952,196</u>	<u>1,878,746</u>	<u>6,863,417</u>
Operating income	<u>1,710,885</u>	<u>996,217</u>	<u>4,147,086</u>	<u>2,607,336</u>	<u>441,365</u>	<u>430,792</u>	<u>6,299,336</u>
Nonoperating revenues (expenses):							
Investment income	69,085	43,725	228,216	152,167	5,889	4,688	303,190
Interest expense	(38,020)	(35,376)	(160,301)	(177,188)			(198,321)
Total nonoperating revenues (expenses)	<u>31,065</u>	<u>8,349</u>	<u>67,915</u>	<u>(25,021)</u>	<u>5,889</u>	<u>4,688</u>	<u>104,869</u>
Income before contributions and transfers	1,741,950	1,004,566	4,215,001	2,582,315	447,254	435,480	6,404,205
Capital Contributions - cap fees and other	243,190	102,332	2,518,435	1,296,100			2,761,625
Transfers in			79,920	79,920			79,920
Transfers (out)	(438,291)	(415,021)	(577,076)	(544,980)	(255,556)	(242,428)	(1,270,923)
Changes in net position	<u>1,546,849</u>	<u>691,877</u>	<u>6,236,280</u>	<u>3,413,355</u>	<u>191,698</u>	<u>193,052</u>	<u>7,974,827</u>
Net Position - beginning	<u>27,511,890</u>	<u>26,820,013</u>	<u>83,404,183</u>	<u>79,990,828</u>	<u>1,515,596</u>	<u>1,322,544</u>	<u>112,431,669</u>
Net Position - ending	<u>\$ 29,058,739</u>	<u>\$ 27,511,890</u>	<u>\$ 89,640,463</u>	<u>\$ 83,404,183</u>	<u>\$ 1,707,294</u>	<u>\$ 1,515,596</u>	<u>\$ 120,406,496</u>

(*) = GASB 68 implementation

City of Post Falls
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2015

	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	\$ 3,015,102	\$ 2,579,046	\$ 7,663,434	\$ 6,274,363	\$ 2,404,041	\$ 2,294,431	\$ 13,082,577
Payments to suppliers	(468,718)	(404,065)	(1,177,465)	(754,708)	(1,944,278)	(1,868,301)	(3,590,461)
Payments to employees	(433,306)	(476,019)	(875,121)	(862,748)			(1,308,427)
Net cash provided by operating activities	<u>2,113,078</u>	<u>1,698,962</u>	<u>5,610,848</u>	<u>4,656,907</u>	<u>459,763</u>	<u>426,130</u>	<u>8,183,689</u>
Cash Flows from Non-capital Financing Activities							
Transfer from other funds			79,920	79,920			79,920
Operating subsidies and transfers to other funds	(438,291)	(415,021)	(577,076)	(544,980)	(255,556)	(242,428)	(1,270,923)
Advances from other funds	(286,791)	40,404	588,854	183,402			302,063
Net cash (used) by non-capital financing activities	<u>(725,082)</u>	<u>(374,617)</u>	<u>91,698</u>	<u>(281,658)</u>	<u>(255,556)</u>	<u>(242,428)</u>	<u>(888,940)</u>
Cash Flows from Capital and Related Financing Activities							
Capital contributions	201,116	102,332	2,253,579	1,202,212			2,454,695
Principal payments on capital debt	(160,000)	(155,000)	(651,950)	(636,950)			(811,950)
Interest payments on capital debt	(58,951)	(62,499)	(162,875)	(189,565)			(221,826)
Purchase of capital assets	(107,535)	(49,917)	(2,929,895)	(2,115,797)			(3,037,430)
Net cash (used) provided by capital and related financing activities	<u>(125,370)</u>	<u>(165,084)</u>	<u>(1,491,141)</u>	<u>(1,740,100)</u>			<u>(1,616,511)</u>
Cash Flows from Investing Activities							
Interest received on investments	62,690	43,688	208,385	152,042	5,889	4,688	276,964
Net cash provided by investing activities	<u>62,690</u>	<u>43,688</u>	<u>208,385</u>	<u>152,042</u>	<u>5,889</u>	<u>4,688</u>	<u>276,964</u>
Net increase (decrease) in cash and cash equivalents	1,325,316	1,202,949	4,419,790	2,787,191	210,096	188,390	5,955,202
Cash and cash equivalents, beginning	11,229,053	10,026,104	26,484,593	23,697,402	1,448,207	1,259,817	39,161,853
Cash and cash equivalents, ending	<u>\$ 12,554,369</u>	<u>\$ 11,229,053</u>	<u>\$ 30,904,383</u>	<u>\$ 26,484,593</u>	<u>\$ 1,658,303</u>	<u>\$ 1,448,207</u>	<u>\$ 45,117,055</u>
Reconciliation of Operating Income to Net Cash Provided by operating activities:							
Operating income	\$ 1,710,885	\$ 1,163,771	\$ 4,147,086	\$ 2,938,279	\$ 441,365	\$ 430,792	\$ 6,299,336
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	526,395	552,447	1,430,269	1,421,382			1,956,664
Changes in assets and liabilities:							
Accounts receivable	(103,264)	(57,481)	12,608	(149,912)	10,480	(15,107)	(80,176)
Prepaid expense		8,977		19,218			
Accounts payable	5,096	35,247	(28,595)	432,190	7,918	10,445	(15,581)
Accrued payroll	(28,803)	(1,434)	(15,133)	(4,250)			(43,936)
Net change in pension liability	(7,881)		(15,569)				(23,450)
Customer deposits	10,650	(2,565)	80,182				90,832
Total adjustments	<u>\$ 2,113,078</u>	<u>\$ 1,698,962</u>	<u>\$ 5,610,848</u>	<u>\$ 4,656,907</u>	<u>\$ 459,763</u>	<u>\$ 426,130</u>	<u>\$ 8,183,689</u>
Noncash investing, capital, and financing activities:							
Contributions of capital assets	<u>\$ 42,074</u>	<u>\$ -</u>	<u>\$ 264,856</u>	<u>\$ 93,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,930</u>
Reconciliation of Cash to the Statement of Net Position							
Cash and cash equivalents	\$ 1,840,758	\$ 989,629	\$ 7,107,156	\$ 5,543,325	\$ 1,385,954	\$ 1,181,035	\$ 10,333,868
Investments	2,304,125	2,270,987	9,035,036	8,978,183	272,349	267,172	11,611,510
Restricted cash, customer deposits	100,530	89,880	80,182				180,712
Restricted cash	8,308,956	7,878,557	14,682,009	11,963,085			22,990,965
	<u>\$ 12,554,369</u>	<u>\$ 11,229,053</u>	<u>\$ 30,904,383</u>	<u>\$ 26,484,593</u>	<u>\$ 1,658,303</u>	<u>\$ 1,448,207</u>	<u>\$ 45,117,055</u>

(*) = The prior years amounts were not restated with the GASB 68 implementation.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

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

The following notes to the financial statements are an integral part of the City's basic financial statements. During the year ended September 30, 2015, the City implemented GASB No. 68, Accounting and Financial Reporting for Pensions. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pension in their basic financial statements. Employers are required to recognize amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflow of resources and pension expense. The effect of implementation of these standards on beginning net position is disclosed later in the footnotes (Note 15 – Prior Period Adjustment). Additional disclosures required by these standards are also included (Note 5 – Defined Benefit Pension Plan).

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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements 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 statements 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. The *capital fund* accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

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).

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, 2015

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, 2015

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, 2015 materially approximates fair value. Investments on hand at September 30, 2015 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, 2015

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, 2015 are as follows:

Water:

Gross accounts receivable	\$608,699
Less allowance for doubtful accounts	<u>(17,914)</u>
Accounts receivable, net	<u>\$590,785</u>

Reclaimed water:

Gross accounts receivable	\$1,148,273
Less allowance for doubtful accounts	<u>(108,691)</u>
Accounts receivable, net	<u>\$1,039,582</u>

Sanitation:

Gross accounts receivable	\$223,226
Less allowance for doubtful accounts	<u>(6,697)</u>
Accounts receivable, net	<u>\$216,529</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, 2015

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. The City only has one item that qualifies for reporting in this category. It is the deferred outflows relating to the accounting for the net pension obligation on the government-wide and proprietary funds statement of net position, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

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 City 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.

The City has one type of items, which arises under full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred inflows of resources, is reported only on the government-wide and proprietary funds statement of net position. The government-wide

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and proprietary statement of net position reports deferred inflows of resources from two sources: deferred contracts and accounting for the net pension obligation, in accordance with GASB 68, Accounting and Financial Reporting for Pensions.

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.

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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 2014-2015 fiscal year was .005786069.

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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Bond Premiums and Discounts – In the government fund types, bond discounts and premiums 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 – Premium	10

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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan' fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

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, 2015:

Cash on hand	\$ 11,679
Deposits with financial institutions:	
Demand deposit	(337,955)
Time certificates of deposit	767,347
Investments	<u>70,575,269</u>
Total	<u>\$71,016,340</u>

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

Cash and cash equivalents	\$20,326,169
Investments	21,531,470
Restricted Cash and Investments	<u>29,158,701</u>
Total	<u>\$71,016,340</u>

Deposits

The carrying amount of the City's deposits with financial institutions was (\$337,955) and the bank balance was \$75,000. Of the bank balance, \$75,000 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, 2015

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 \$25,096 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, 2015, 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, 2015**

NOTE 2: CASH AND INVESTMENTS (Continued)

Investment Type	Fair Value	Weighted Ave. Maturity - Years	Percentage of Portfolio
State Investment Pool	\$ 27,884,193	Daily	39.51%
Columbia Bank - Repurchase Sweep	18,123,640	Daily	25.68%
Federal Home Loan Bank	14,848,821	6.42	21.04%
Federal Farm Credit Bank	4,138,970	6.95	5.87%
Federal National Mortgage Association	2,068,262	4.89	2.93%
State of Idaho Bonds	1,802,815	6.00	2.55%
Federal Home Loan Mortgage Corporation	1,313,957	4.96	1.86%
Tennessee Valley Authority	382,507	7.26	0.54%
Money Market Funds	12,104	Daily	0.02%
	<u>\$ 70,575,269</u>		

NOTE 3: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2015:

	<u>LID 2004-1</u>	<u>LID 99-1</u>	<u>Total</u>
Beginning Assessment - principal	\$ 724,221	\$ 47,569	\$ 771,790
Assessments collected - principal*	176,411	6,539	182,950
Ending Assessment - principal**	<u>\$ 547,810</u>	<u>\$ 41,030</u>	<u>\$ 588,840</u>
Delinquent amounts	\$ 35,052	\$ 5,978	\$ 41,030
Guarantee/Reserve funds	\$ 243,584	\$ 16,434	\$ 260,018

*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, 2015

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2015, is as follows:

	September 30,	Adjustments			September 30,
	2014	Additions	Transfers	Deletions	2015
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$5,223,404				\$5,223,404
C.I.P.	1,948,649	\$1,312,222			3,260,871
Total capital assets, not being depreciated	7,172,053	1,312,222			8,484,275
Capital assets, being depreciated:					
Buildings and improvements	18,474,725	504,845			18,979,570
Equipment	5,705,034	219,365			5,924,399
Vehicles	4,297,443	204,077		(43,605)	4,457,915
Infrastructure	41,415,155	1,068,078			42,483,233
Total capital assets, being depreciated	69,892,357	1,996,365		(43,605)	71,845,117
Less: accumulated depreciation					
Buildings and improvements	4,868,288	498,402			5,366,690
Equipment	4,317,178	287,725			4,604,903
Vehicles	2,755,295	331,739		(43,605)	3,043,429
Infrastructure	7,559,587	1,115,387			8,674,974
Total accumulated depreciation	19,500,348	2,233,253		(43,605)	21,689,996
Total capital assets being depreciated, net	50,392,009	(236,888)			50,155,121
Governmental activities capital assets, net	\$57,564,062	\$1,075,334			\$58,639,396

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 4: CAPITAL ASSETS (Continued)

	September 30, 2014	Adjustments			September 30, 2015
		Additions	Transfers	Deletions	
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets, not being depreciated:					
Land	\$12,439,674				\$12,439,674
C.I.P.	3,053,999	\$2,914,066			5,968,065
Total capital assets, not being depreciated	15,493,673	2,914,066			18,407,739
Capital assets, being depreciated:					
Wells	3,245,487				3,245,487
Water System	21,171,937	42,074			21,214,011
Equipment	2,319,061	123,364			2,442,425
Reclaimed Water System	64,583,414	264,856			64,848,270
Total capital assets, being depreciated	91,319,899	430,294			91,750,193
Less: accumulated depreciation					
Wells	1,190,936	70,037			1,260,973
Water System	6,120,429	419,199			6,539,628
Equipment	1,683,256	80,494			1,763,750
Reclaimed Water System	20,085,969	1,386,934			21,472,903
Total accumulated depreciation	29,080,590	1,956,664			31,037,254
Total capital assets being depreciated, net	62,239,309	(1,526,370)			60,712,939
Business-type activities capital assets, net	\$77,732,982	\$1,387,696			\$79,120,678

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

Governmental activities:	
General government	\$ 413,294
Public safety	395,957
Highways and public works	1,274,924
Culture and recreation	<u>149,078</u>
Total depreciation expense – governmental activities	<u>\$2,233,253</u>
Business-type activities:	
Water	\$526,395
Reclaimed water	<u>1,430,269</u>
Total depreciation expense – business-type activities	<u>\$1,956,664</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN

Plan Description - The City contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Members:

Active plan	67,008
Terminated and vested	11,859
Retirees and beneficiaries	<u>42,657</u>
	<u>121,524</u>

Pension Benefits - The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

Member and Employer Contributions - Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. The City contributions were \$925,901 for the year ended September 30, 2015.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, the City's proportion was 0.02854469 percent.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended September 30, 2015, the City recognized pension expense (revenue) of \$708,171. At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$1,383,369	\$ 450,608		
Changes of assumptions	136,892	-		
Net difference between projected and actual earnings on pension plan investments	-	1,973,918		
City of Post Falls's contributions subsequent to the measurement date	252,309	-		
Total	<u>\$ 1,772,570</u>	<u>\$ 2,424,526</u>		

\$252,309 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 years.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year ended June 30:					
2016		\$	(385,581)		
2017			(385,581)		
2018			(385,581)		
2019			279,864		
2020			(27,385)		

Actuarial Assumptions - Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5-10.00%
Salary inflation	3.75%
Investment rate of return	7.1%, net of investment expenses
Cost of Living (COLA) adjustments	1.00%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

Asset Class	Index	Target Allocation	Long-Term Expected Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of investment expenses			7.10%

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.10%)</u>	<u>Current Discount</u> <u>Rate (7.10%)</u>	<u>1% Increase</u> <u>(8.10%)</u>
Employer's net pension liability (asset) – Employer	\$9,155,245	\$3,758,871	\$(727,498)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan - At September 30, 2015, the City reported payables to the defined benefit pension plan of \$4,117 for legally required employer contributions and \$3,888 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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.

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 2014.

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 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 6: LONG-TERM DEBT (Continued)

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.

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

RECLAIMED WATER REVENUE BONDS:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>
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>\$3,645,000</u>	<u>\$993,733</u>	<u>\$4,638,733</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 6: LONG-TERM DEBT (Continued)

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</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>
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>\$1,775,000</u>	<u>\$298,627</u>	<u>\$2,073,627</u>

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>
L.I.D. #99-1:	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	5.50	20,000	2,220	22,220
	3/01/19	5.60	<u>20,000</u>	<u>1,120</u>	<u>21,120</u>
			<u>\$80,000</u>	<u>\$10,990</u>	<u>\$90,990</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 6: LONG-TERM DEBT (Continued)

L.I.D. 2004-1:

	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	4.80	65,000	66,190	131,190
	5/01/19	4.85	70,000	63,070	133,070
	5/01/20	4.90	75,000	59,675	134,675
	5/01/21	5.00	<u>1,120,000</u>	<u>56,000</u>	<u>1,176,000</u>
			<u>\$1,455,000</u>	<u>\$386,310</u>	<u>\$1,841,310</u>

Changes in long-term liabilities

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, 2015 is \$6,369. As of September 30, 2015, \$16,425 is set-aside in this fund.

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

	<u>Balance</u> <u>10/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/15</u>
Compensated absences	\$ 742,520	\$ 24,911	\$ 76,002	\$ 691,429
Local imp. bonds payable	<u>1,615,000</u>	<u> </u>	<u>80,000</u>	<u>1,535,000</u>
	<u>\$2,357,520</u>	<u>\$ 24,911</u>	<u>\$156,002</u>	<u>\$2,226,429</u>

	<u>Due in</u> <u>One Year</u>
Compensated absences	\$ 387,200
Local imp. bond payable	<u>80,000</u>
	<u>\$ 467,200</u>

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

	<u>Balance</u> <u>10/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/15</u>
Compensated absences	\$ 119,007		\$ 21,350	\$ 97,657
Premium on bonds payable	176,198		16,018	160,180
Bonds payable	<u>6,231,950</u>		<u>811,950</u>	<u>5,420,000</u>
	<u>\$6,527,155</u>		<u>\$849,318</u>	<u>\$5,677,837</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 6: LONG-TERM DEBT (Continued)

	Due in <u>One Year</u>
Compensated absences	\$ 54,688
Bonds payable	<u>430,000</u>
	<u>\$484,688</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 2015, the Post Falls Urban Renewal Agency has outstanding debt totaling \$5,349,697 which included project financing of \$794,743 from Community 1st Bank and \$4,554,954 from Washington Trust Bank.

Agency Cash and Investments

Deposit Insurance Corporation up to \$250,000. As of September 30, 2015, the Agency had uninsured balances totaling \$0.

The carrying amount of the Agency's deposits and investments as of September 30, 2015 is categorized as follows:

Cash and cash equivalents	\$ 197,092
Restricted cash and cash equivalents	1,302,708
Equity in the state investment pool	710,077
Amount insured by the FDIC or other agencies	<u>739,998</u>
Total	<u>\$2,949,875</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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 7: COMPONENT UNIT DISCLOSURES (Continued)

Investments in 2a7-like pools are valued based upon the value of pool shares. The Agency invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State

Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. GASB Statement No. 3 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 amortized costs, which is permitted pursuant to GASB 31. The Agency's portion of the State Investment Pool had an unrealized gain of \$693 as of September 30, 2015.

State statutes authorize the Agency 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.

GASB Statement No. 40 requires the Agency to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The short term investment pools are not evidenced by securities that exist in physical or book entry form and accordingly, are not categorized for credit risk.

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.

The following schedule classifies the investments of the Agency as of September 30, 2015, in the above categories:

	Category			Carrying
	1	2	3	Amount
Certificates of Deposit	\$ 739,998	-	-	739,998
Total Investments	\$ 739,998	-	-	739,998

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 7: COMPONENT UNIT DISCLOSURES (Continued)

Receivables

The following is a schedule of property taxes assessed for the year, collected, and remaining to be received.

<u>Year</u>	<u>Balance</u> <u>9/30/2014</u>	<u>Assessment</u> <u>Levied</u>	<u>Adjustments &</u> <u>Collections</u>	<u>Balance</u> <u>9/30/2015</u>
2007-2014	\$245,376	\$4,053,741	(\$4,101,000)	\$198,117

In accordance with NCGA Interpretation #3, revenue, which is not received within 60 days of the year-end, has been reflected as unavailable revenue – property taxes. The balance as of September 30, 2015 is as follows:

Taxes Due at September 30, 2015	\$ 198,117
Received October 2015	(5,636)
Received November 2015	<u>(6,347)</u>
Total	<u>\$ 186,134</u>

Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning	Increases	Decreases	Ending
	Balances			Balances
Office Furniture	\$ 2,114			\$ 2,114
Less Accumulated Depreciation	1,348	302		1,650
Capital Assets, Net	<u>\$ 766</u>	<u>(302)</u>	<u>-</u>	<u>\$ 464</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 7: COMPONENT UNIT DISCLOSURES (Continued)

Long Term Obligations & 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. In March 2014, financing cost reimbursements totaling \$96,509 was approved and added to the obligation. 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, \$1,742,112, and \$3,734 was reimbursed in fiscal year 2015, leaving no balance as of September 30, 2015.

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, \$780,975 was reimbursed in previous fiscal years, and \$89,047 was reimbursed in fiscal year 2015, leaving a balance of \$1,119,986.

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 the Agency has agreed to reimburse, \$1,131,396 was reimbursed in previous fiscal years, and \$283,208 was reimbursed in fiscal year 2015, leaving a balance of \$1,309,423.

Tullamore 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 reimbursed, leaving a balance of \$325,000.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 7: COMPONENT UNIT DISCLOSURES (Continued)

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, and \$91,554 was approved in fiscal year 2015 for reimbursement, totaling approved reimbursements of \$7,067,314. Of the total amount the Agency has agreed to reimburse, \$2,802,269 was reimbursed in previous fiscal years, and \$848,634 was reimbursed in fiscal year 2015, leaving a balance of \$3,416,411.

Agency entered into an operating lease for a copier. The term of the lease is 36 months with monthly payments of \$126. The lease ends in September 2017. Lease expense for the year ended September 30, 2015 was \$1,577.

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, 2015 was \$7,740.

In October 2013, the Post Falls Urban Renewal Agency signed loan documents for a Revenue Allocation Note, Series 2013 (the "Note") in the amount up to \$13,000,000. The Note is subject to a tax exempt rate of 3.10% per annum from the date of the first draw under the Note through September 23, 2018. On September 24, 2018, the annual interest rate shall be reset. The original terms of the Note were amended on September 18, 2014 wherein the first payment due date was changed to September 1, 2015. The note shall be payable in semi-annual payments, consisting of principal and accrued interest, commencing on September 1, 2015, continuing thereafter on the 1st day of each March and September until September 1, 2023. Payment made on March 1 will be in the amount of \$1,100,000 and payments on September 1 will be in the amount of \$650,000. The Post Falls Urban Renewal Agency has established and maintains a Reserve Fund in the amount of \$1,300,000.00 at Washington Trust Bank.

In November 2014, the Post Falls Urban Renewal Agency signed loan document for financing of the Post Falls City Center Corridor Project (the "Note") in the amount up to \$1,200,000. The Note is subject to a fixed rate of 3.95% for the four year term of the loan reflecting a tax exempt rate equivalent of 2.70%, fixed for the same period of time. The Note shall be payable in semi-annual payments of \$158,866.42, consisting of principal and accrued interest, commencing on March 1, 2015, continuing thereafter on the 1st day of each September and March until September 1, 2018. The Post Falls Urban Renewal Agency has pledged tax increment revenues from City Center District.

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

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>Special Revenue Fund</u>		
Street Lights	\$466,100	\$476,348

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.

NOTE 9: DEFICIT FUND EQUITY

The following funds had deficit fund equity at September 30, 2015:

<u>Fund</u>	<u>Deficit</u>
Special Revenue: 911 Support	\$78,409

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, rebuilding a major hiking/walking trail along Hwy.41, the beginning phases of a cemetery expansion, and beginning to update the Comprehensive 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 2016.

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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

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.

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, 2015, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,270,923	\$ 1,053,510
Capital Fund	957,731	34,461
Nonmajor Governmental Funds	50,470	150
Enterprise Funds	<u>79,920</u>	<u>1,270,923</u>
Totals	<u>\$2,359,044</u>	<u>\$2,359,044</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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 13: INTERFUND RECEIVABLES/PAYABLES

The composition of inter-fund balances as of September 30, 2015 is as follows:

Inter-fund receivable/payable:

	<u>Receivable</u>	<u>Payable</u>
Capital Fund		\$1,329,229
Nonmajor Governmental Funds		399,735
Enterprise Funds	\$1,728,964	
Totals	<u>\$1,728,964</u>	<u>\$1,728,964</u>

The current purposes for the inter-fund/payables in the City is or borrowing from other funds. The 911 Support Fund owes \$399,735 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 \$432,307 to the Water Fund, \$896,922 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 it 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 14: RISK MANAGEMENT (Continued)

In the past, the City has received refunds on a regular basis. The premiums for this program are budgeted directly through each department.

Last the City provides various types of employee insurance. The City has chosen to not be self insured in this area. The City provides a benefit amount to each eligible employee. This benefit amount can be used towards the purchase of eligible insurance premiums, dictated by Internal

Revenue Service codes. Currently, the City makes available for the employee to purchase medical, dental, life, and some supplemental insurance. Any insurance premiums not covered by this benefit amount are taken from the employee's wages. Excessive use of these insurance programs would be reflected in increased premiums in the following year. The benefit amount paid by the City is budgeted directly through each department.

NOTE 15: PRIOR PERIOD ADJUSTMENT

Beginning net position for the government-wide governmental activities and business type funds were adjusted in order to implement GASB 68, the new pension accounting standard, which became effective this year. Accordingly, beginning net position was adjusted as illustrated below. See Note 5 for further disclosures on the pension plan and related accounting.

	<u>PERSI Base Plan</u>		
	Reclaimed water	Water	Total Business type
Deferred outflow	\$29,163	\$14,765	\$43,928
Deferred inflow	(208,585)	(105,605)	(314,190)
Net pension liability	<u>(151,520)</u>	<u>(76,714)</u>	<u>(228,234)</u>
Prior period adjustment	<u>(330,942)</u>	<u>(167,554)</u>	<u>(498,496)</u>

	<u>PERSI Base Plan</u>	
		Total Government activities
Deferred outflow	\$363,948	\$363,948
Deferred inflow	(2,603,084)	2,603,084)
Net pension liability	<u>(1,890,925)</u>	<u>(1,890,925)</u>
Prior period adjustment	<u>(4,130,061)</u>	<u>(4,130,061)</u>

As a result of implementing GASB Statement No. 68, the City has restated the beginning net position in the Statement of Net Position, effectively decreasing net position as of October 1, 2014 by \$4,628,557.

A prior period adjustment was made to record \$239 to record a travel and meeting expenditure in the water fund restating fund balance from \$27,679,444 to \$27,679,683.

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2015**

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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 \$2,259,830 difference are as follows:

Bonds payable	\$1,535,000
Accrued interest payable	33,401
Compensated absences	<u>691,429</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$2,259,830</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 \$27,667 are as follows:

Capital outlay	\$2,260,920
Depreciation	<u>(2,233,253)</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>\$ 27,667</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this \$1,047,667 difference are as follows:

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.	<u>\$1,047,667</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>\$1,047,667</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

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

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 \$26,029 difference are as follows:

Property taxes	\$ 221,753
Special assessment debt issued and repaid	<u>(195,724)</u>

Net adjustment to *decrease net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*

\$ 26,029

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 \$132,597 difference are as follows:

Debt issued or incurred:	
Compensated absences	\$ 51,091
Principal repayments:	
Special assessment debt	80,000
Accrued interest payable	<u>1,506</u>

Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net position of governmental activities*

\$132,597

The net pension effect related to the pension expense recognized for the year.

\$194,281

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2015

NOTE 17: RECONCILIATION OF INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Governmental Activities:

Capital assets, net of depreciation	\$58,639,396
Local improvement bonds payable	<u>(1,535,000)</u>
Net investment in capital assets	<u>\$57,104,396</u>

Business-Type Activities:

Capital assets, net of depreciation	\$79,120,678
Reclaimed water bonds payable	(3,645,000)
Water bonds payable	<u>(1,775,000)</u>
Net investment in capital assets	<u>\$73,700,678</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, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
General taxes	\$ 9,760,521	\$ 9,760,521	\$ 9,754,151	\$ (6,370)
Intergovernmental revenue	3,961,133	3,981,133	3,847,766	(133,367)
Charges for services	1,385,331	1,505,331	2,513,857	1,008,526
Other revenue	411,150	411,150	371,429	(39,721)
Interest	55,050	55,050	146,482	91,432
Total revenues	<u>15,573,185</u>	<u>15,713,185</u>	<u>16,633,685</u>	<u>920,500</u>
Expenditures				
Current:				
General government	4,563,838	4,783,456	4,966,430	(182,974)
Public safety	5,405,421	5,657,256	5,722,127	(64,871)
Highways and public works	2,084,433	2,432,063	2,161,390	270,673
Culture and recreation	1,794,026	1,924,638	1,815,073	109,565
Capital outlay	514,902	755,433	504,330	251,103
Debt service				
Principal				
Interest	79,920	79,920		79,920
Total expenditures	<u>14,442,540</u>	<u>15,632,766</u>	<u>15,169,350</u>	<u>463,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,130,645</u>	<u>80,419</u>	<u>1,464,335</u>	<u>1,383,916</u>
Other financing sources (uses):				
Transfers in	1,270,923	1,270,923	1,270,923	
Transfers (out)	(287,651)	(287,651)	(1,053,510)	(765,859)
Total other financing sources (uses)	<u>983,272</u>	<u>983,272</u>	<u>217,413</u>	<u>(765,859)</u>
Net changes in fund balance	2,113,917	1,063,691	1,681,748	618,057
Fund balances - beginning	<u>14,005,934</u>	<u>14,005,934</u>	<u>14,005,934</u>	
Fund balances - ending	<u>\$ 16,119,851</u>	<u>\$ 15,069,625</u>	<u>\$ 15,687,682</u>	<u>\$ 618,057</u>

**Schedule of Employer's Share of
Net Pension Liability**

(required supplementary information)

City of Post Falls
Schedule of Employer's Share of Net Pension Liability
For the Year Ended September 30, 2015
PERSI - Base Plan
Last 10 - Fiscal Years *

	2015 (*)
Employer's portion of the net pension liability.	0.2854469%
Employer's proportionate share of the net pension liability.	\$ 3,758,871
Employer's covered-employee payroll.	8,100,621
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll.	5.69%
Plan fiduciary net position as a percentage of the total pension liability.	91.38%

* GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for these years for which information is available.

** Date reported in measured as of July 1, 2015 (measurement date)

**Schedule of Employer
Contributions**

(required supplementary information)

**City of Post Falls
 Schedule of Employer Contributions
 For the Year Ended September 30, 2015
 PERSI - Base Plan
 Last 10 - Fiscal Years ***

	2015 (*)
Statutorily required contribution.	\$ 925,901
Contributions in relation to the statutorily required contribution.	(925,901)
Contribution deficiency (excess).	-
 Employer's covered-employee payroll of its covered-employee payroll.	\$ 8,100,621
 Contributions as a percentage of covered employee payroll.	11.43%

* GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for these years for which information is available.

** Date reported in measured as of September 30, 2015.

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, 2015**

	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	\$ 211,034	\$ 1,320	\$ 1,611	\$ 68,488	\$ 92,821	\$ 275,340	\$ 45,521	\$ 17,670	\$ 16,434	\$ 730,239
Accounts receivable:										
Loans receivable		8,975								8,975
Miscellaneous Customers					45,622	66,147		9,528		111,769
Assessments - delinquent - deferred								5,978 35,052		5,978 35,052
Restricted current assets:										
Cash and cash equivalents						11,050				11,050
Total assets	<u>\$ 211,034</u>	<u>\$ 10,295</u>	<u>\$ 1,611</u>	<u>\$ 68,488</u>	<u>\$ 138,443</u>	<u>\$ 341,487</u>	<u>\$ 56,571</u>	<u>\$ 68,228</u>	<u>\$ 16,434</u>	<u>\$ 912,591</u>
Liabilities:										
Accounts payable	\$ 60,766			\$ 130	\$ 39,958	\$ 20,161	\$ 252			\$ 121,267
Interfund payable						399,735				399,735
Restricted customer deposits							11,050			11,050
Total liabilities	<u>60,766</u>			<u>130</u>	<u>39,958</u>	<u>419,896</u>	<u>11,302</u>			<u>532,052</u>
Deferred Inflows of Resources										
Unavailable revenue - other		\$ 8,975								8,975
Unavailable revenue - special assessment								\$ 41,030		41,030
Total Deferred Inflows of Resources		<u>8,975</u>						<u>41,030</u>		<u>50,005</u>
Fund Balance										
Restricted:										
Special revenue projects	150,268	1,320	\$ 1,611	68,358	98,485		45,269			365,311
Special assessment debt								27,198	\$ 16,434	43,632
Unassigned:						(78,409)				(78,409)
Total fund balance	<u>150,268</u>	<u>1,320</u>	<u>1,611</u>	<u>68,358</u>	<u>98,485</u>	<u>(78,409)</u>	<u>45,269</u>	<u>27,198</u>	<u>16,434</u>	<u>330,534</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 211,034</u>	<u>\$ 10,295</u>	<u>\$ 1,611</u>	<u>\$ 68,488</u>	<u>\$ 138,443</u>	<u>\$ 341,487</u>	<u>\$ 56,571</u>	<u>\$ 68,228</u>	<u>\$ 16,434</u>	<u>\$ 912,591</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, 2015**

	<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				\$ 18,009	\$ 476,820	\$ 382,226			\$ 877,055	
Other revenue	\$ 41,088			2,476	15,417	54,112	\$ 29,849		142,942	
Principal							\$ 7,557		7,557	
Interest	136		\$ 1	34	45	116	2,507	\$ 9	2,873	
Total revenues	<u>41,224</u>		<u>1</u>	<u>20,519</u>	<u>492,282</u>	<u>436,454</u>	<u>29,874</u>	<u>10,064</u>	<u>1,030,427</u>	
Expenditures:										
Current:										
General government					1,199		1,000		2,199	
Public safety						195,281	6,381		201,662	
Highways and public works					475,149				475,149	
Culture and recreation	50,853			31,165					82,018	
Capital outlay	101,196					172,142			273,338	
Debt service:										
Principal							20,000		20,000	
Interest						6,009	5,370		11,379	
Total expenditures	<u>152,049</u>			<u>31,165</u>	<u>476,348</u>	<u>373,432</u>	<u>6,381</u>	<u>26,370</u>	<u>1,065,745</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(110,825)</u>		<u>1</u>	<u>(10,646)</u>	<u>15,934</u>	<u>63,022</u>	<u>23,493</u>	<u>(16,306)</u>	<u>9</u>	<u>(35,318)</u>
Other financing sources (uses):										
Transfers in				15,859		34,461		150	50,470	
Transfers out								(150)	(150)	
Total other financing sources (uses)				<u>15,859</u>		<u>34,461</u>			<u>50,320</u>	
Net change in fund balance	<u>(110,825)</u>		<u>1</u>	<u>5,213</u>	<u>15,934</u>	<u>97,483</u>	<u>23,493</u>	<u>(16,306)</u>	<u>9</u>	<u>15,002</u>
Fund balance - beginning	<u>261,093</u>	<u>\$ 1,320</u>	<u>1,610</u>	<u>63,145</u>	<u>82,551</u>	<u>(175,892)</u>	<u>21,776</u>	<u>43,504</u>	<u>16,425</u>	<u>315,532</u>
Fund balance - ending	<u>\$ 150,268</u>	<u>\$ 1,320</u>	<u>\$ 1,611</u>	<u>\$ 68,358</u>	<u>\$ 98,485</u>	<u>\$ (78,409)</u>	<u>\$ 45,269</u>	<u>\$ 27,198</u>	<u>\$ 16,434</u>	<u>\$ 330,534</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, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Principal	\$ 100,000	\$ 100,000	\$ 182,431	\$ 82,431
Interest	80,900	80,900	46,615	(34,285)
Total revenues	<u>180,900</u>	<u>180,900</u>	<u>229,046</u>	<u>48,146</u>
Expenditures				
Current:				
General government	16,250	16,250	15,650	600
Capital outlay				
Debt Service				
Principal	60,000	60,000	60,000	
Interest	74,888	74,888	74,888	
Total expenditures	<u>151,138</u>	<u>151,138</u>	<u>150,538</u>	<u>600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,762</u>	<u>29,762</u>	<u>78,508</u>	<u>48,746</u>
Other financing sources (uses):				
Total other financing sources (uses)				
Net change in fund balance	29,762	29,762	78,508	48,746
Fund balance - beginning	<u>967,550</u>	<u>967,550</u>	<u>967,550</u>	
Fund balance - ending	<u>\$ 997,312</u>	<u>\$ 997,312</u>	<u>\$ 1,046,058</u>	<u>\$ 48,746</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, 2015**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 800,000	\$ 800,000	\$ 175,711	\$ (624,289)
Charges for services	650,000	650,000	1,064,399	414,399
Other revenue			4,270	4,270
Interest	35,500	35,500	80,590	45,090
Total revenues	<u>1,485,500</u>	<u>1,485,500</u>	<u>1,324,970</u>	<u>(160,530)</u>
Expenditures				
Current:				
General government	1,736,039	1,736,039	156,065	1,579,974
Capital outlay	1,780,000	1,780,000	1,483,252	296,748
Debt Service				
Principal	165,235	165,235		165,235
Interest	42,496	42,496	42,496	
Total expenditures	<u>3,723,770</u>	<u>3,723,770</u>	<u>1,681,813</u>	<u>2,041,957</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,238,270)</u>	<u>(2,238,270)</u>	<u>(356,843)</u>	<u>1,881,427</u>
Other financing sources (uses):				
Transfers in	207,731	207,731	957,731	750,000
Transfers out	(34,461)	(34,461)	(34,461)	
Total other financing sources (uses)	<u>173,270</u>	<u>173,270</u>	<u>923,270</u>	<u>750,000</u>
Net change in fund balance	(2,065,000)	(2,065,000)	566,427	2,631,427
Fund balance - beginning	<u>4,520,446</u>	<u>4,520,446</u>	<u>4,520,446</u>	
Fund balance - ending	<u>\$ 2,455,446</u>	<u>\$ 2,455,446</u>	<u>\$ 5,086,873</u>	<u>\$ 2,631,427</u>

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, 2015

	2015		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 77,000	\$ 41,088	\$ (35,912)
Interest		136	136
Total revenues	<u>77,000</u>	<u>41,224</u>	<u>(35,776)</u>
Expenditures:			
Culture and recreation	77,000	50,853	26,147
Capital Outlay		101,196	(101,196)
Total expenditures	<u>77,000</u>	<u>152,049</u>	<u>(75,049)</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(110,825)</u>	<u>(110,825)</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		(110,825)	(110,825)
Fund balance - beginning	<u>261,093</u>	<u>261,093</u>	
Fund balance - ending	<u>\$ 261,093</u>	<u>\$ 150,268</u>	<u>\$ (110,825)</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, 2015

	2015		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest			
Total revenues			
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures			
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance			
Fund balance - beginning	\$ 1,320	1,320	
Fund balance - ending	<u>\$ 1,320</u>	<u>\$ 1,320</u>	<u>\$ -</u>

**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, 2015**

	2015		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 1	1
Total revenues		<u>1</u>	<u>1</u>
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		<u>1</u>	<u>1</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		1	1
Fund balance - beginning	\$ 1,610	1,610	
Fund balance - ending	<u>\$ 1,610</u>	<u>\$ 1,611</u>	<u>\$ 1</u>

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, 2015

	2015		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 33,398	\$ 18,009	\$ (15,389)
Other revenue	6,250	2,476	(3,774)
Interest		34	34
Total revenues	<u>39,648</u>	<u>20,519</u>	<u>(19,129)</u>
Expenditures:			
Culture and recreation	<u>39,648</u>	<u>31,165</u>	<u>8,483</u>
Total expenditures	<u>39,648</u>	<u>31,165</u>	<u>8,483</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(10,646)</u>	<u>(10,646)</u>
Other financing sources (uses):			
Transfers in		<u>15,859</u>	<u>15,859</u>
Total other financing sources (uses)		<u>15,859</u>	<u>15,859</u>
Net change in fund balance		5,213	5,213
Fund balance - beginning	<u>63,145</u>	<u>63,145</u>	
Fund balance - ending	<u>\$ 63,145</u>	<u>\$ 68,358</u>	<u>\$ 5,213</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, 2015**

	2015		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 456,000	\$ 476,820	\$ 20,820
Other revenue	10,000	15,417	5,417
Interest	100	45	(55)
Total revenues	<u>466,100</u>	<u>492,282</u>	<u>26,182</u>
Expenditures:			
General governmental		1,199	(1,199)
Highways and public works	466,100	475,149	(9,049)
Total expenditures	<u>466,100</u>	<u>476,348</u>	<u>(10,248)</u>
Excess (deficiency) of revenues over (under) expenditures		<u>15,934</u>	<u>15,934</u>
Other financing sources (uses):			
Transfers out			
Total other financing sources (uses)			
Net change in fund balance		15,934	15,934
Fund balance - beginning	<u>82,551</u>	<u>82,551</u>	
Fund balance - ending	<u>\$ 82,551</u>	<u>\$ 98,485</u>	<u>\$ 15,934</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, 2015

	2015			Variance with Final Budget- Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues:				
Charges-services/programs	\$ 339,521	\$ 339,521	\$ 382,226	\$ 42,705
Other revenue	75,011	75,011	54,112	(20,899)
Interest	200	200	116	(84)
Total revenues	<u>414,732</u>	<u>414,732</u>	<u>436,454</u>	<u>21,722</u>
Expenditures:				
Public safety	143,745	143,745	195,281	(51,536)
Capital outlay	235,992	235,992	172,142	63,850
Debt service - interest	70,936	70,936	6,009	64,927
Total expenditures	<u>450,673</u>	<u>450,673</u>	<u>373,432</u>	<u>77,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,941)</u>	<u>(35,941)</u>	<u>63,022</u>	<u>98,963</u>
Other financing sources (uses):				
Transfers in	34,461	34,461	34,461	
Total other financing sources (uses)	<u>34,461</u>	<u>34,461</u>	<u>34,461</u>	
Net change in fund balance			97,483	98,963
Fund balance - beginning	<u>(175,892)</u>	<u>(175,892)</u>	<u>(175,892)</u>	
Fund balance - ending	<u>\$ (175,892)</u>	<u>\$ (175,892)</u>	<u>\$ (78,409)</u>	<u>\$ 98,963</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, 2015

	2015		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 81,776	\$ 29,849	\$ (51,927)
Interest		25	25
Total revenues	<u>81,776</u>	<u>29,874</u>	<u>(51,902)</u>
Expenditures:			
Public safety	81,776	6,381	75,395
Capital Outlay			
Total expenditures	<u>81,776</u>	<u>6,381</u>	<u>75,395</u>
Excess (deficiency) of revenues over (under) expenditures		<u>23,493</u>	<u>23,493</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		23,493	23,493
Fund balance - beginning	<u>21,776</u>	<u>21,776</u>	
Fund balance - ending	<u>\$ 21,776</u>	<u>\$ 45,269</u>	<u>\$ 23,493</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, 2015

	2015		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 5,000	\$ 7,557	\$ 2,557
Interest	4,050	2,507	(1,543)
Total revenues	<u>9,050</u>	<u>10,064</u>	<u>1,014</u>
Expenditures:			
General governmental	1,350	1,000	350
Debt service - principal	20,000	20,000	
- interest	5,370	5,370	
Total expenditures	<u>26,720</u>	<u>26,370</u>	<u>350</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,670)</u>	<u>(16,306)</u>	<u>1,364</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance	(17,670)	(16,306)	1,364
Fund balance - beginning	<u>43,504</u>	<u>43,504</u>	
Fund balance - ending	<u>\$ 25,834</u>	<u>\$ 27,198</u>	<u>\$ 1,364</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, 2015

	2015		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 9	\$ 9
Total revenues		9	9
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		9	9
Other financing sources (uses):			
Operating transfers in	\$ 150	150	
Transfers out	(150)	(150)	
Total other financing sources (uses)			
Net change in fund balance		9	9
Fund balance - beginning	16,425	16,425	
Fund balance - ending	\$ 16,425	\$ 16,434	\$ 9



Statistical Section



Above: Community events like the annual Tree Giveaway are well attended. Over 3,500 trees were given out in 2015 and over 30 thousand trees have been given out over the years.

Statistical Section

Financial Trends Information

Financial trends schedules are intended to provide users with information to assist them in understanding and assessing how the City's financial position has changed over time.

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Revenue Capacity Information

Financial trends schedules are intended to provide users with information to assist them in understanding and assessing how the City's financial position has changed over time.

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Demographic and Economic Information

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Operating Information

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Table #1

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014 (*)	2015
Governmental activities:										
Net investment in capital assets	\$ 21,984,148	\$ 36,222,792	\$ 45,191,875	\$ 47,567,676	\$ 49,083,464	\$ 50,259,164	\$ 51,656,401	\$ 55,794,197	\$ 55,949,062	\$ 57,104,396
Restricted	6,539,791	9,482,313	3,616,343	3,305,761	6,957,699	7,451,981	4,581,294	5,322,972	5,979,420	6,541,874
Unrestricted	8,642,267	6,031,023	8,335,529	9,981,735	8,580,055	8,577,119	14,833,773	12,689,355	13,962,539	11,884,616
Total governmental activities net position	\$ 37,166,206	\$ 51,736,128	\$ 57,143,747	\$ 60,855,172	\$ 64,621,218	\$ 66,288,264	\$ 71,071,468	\$ 73,806,524	\$ 75,891,021	\$ 75,530,886
Business-type activities:										
Net investment in capital assets	\$ 46,839,184	\$ 52,836,337	\$ 55,575,732	\$ 59,324,239	\$ 67,461,731	\$ 69,484,774	\$ 69,909,303	\$ 70,423,309	\$ 71,501,031	\$ 73,700,678
Restricted	5,903,678	7,657,572	10,022,627	11,338,570	13,006,075	14,951,113	16,889,219	19,012,094	21,400,534	24,615,196
Unrestricted	21,429,394	21,833,861	21,892,917	21,457,902	15,594,800	15,086,041	16,862,151	18,698,221	20,028,840	22,090,622
Total business-type activities net position	\$ 74,172,256	\$ 82,327,770	\$ 87,491,276	\$ 92,120,711	\$ 96,062,606	\$ 99,521,928	\$ 103,660,673	\$ 108,133,624	\$ 112,930,405	\$ 120,406,496
Primary government										
Net investment in capital assets	\$ 68,823,332	\$ 89,059,129	\$ 100,767,607	\$ 106,891,915	\$ 116,545,195	\$ 119,743,938	\$ 121,565,704	\$ 126,217,506	\$ 127,450,093	\$ 130,805,074
Restricted	12,443,469	17,139,885	13,638,970	14,644,331	19,963,774	22,403,094	21,470,513	24,335,066	27,379,954	31,157,070
Unrestricted	30,071,661	27,864,884	30,228,446	31,439,637	24,174,855	23,663,160	31,695,924	31,387,576	33,991,379	33,975,238
Total primary government net position	\$ 111,338,462	\$ 134,063,898	\$ 144,635,023	\$ 152,975,883	\$ 160,683,824	\$ 165,810,192	\$ 174,732,141	\$ 181,940,148	\$ 188,821,426	\$ 195,937,382

(*) = The prior years amounts were not restated with the GASB 68 implementation.

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

	2006 (*)	2007 (*)	2008 (*)	2009 (*)	2010 (*)	2011 (*)	2012 (*)	2013 (*)	2014 (*)	2015
Expenses										
Governmental activities:										
General government	\$ 4,880,704	\$ 5,701,979	\$ 5,979,508	\$ 6,075,916	\$ 5,707,518	\$ 5,162,556	\$ 4,934,403	\$ 5,357,269	\$ 5,243,100	\$ 5,308,266
Public safety	3,593,961	4,065,252	4,447,348	4,763,989	5,059,738	5,269,056	5,480,365	5,691,276	5,985,540	6,319,746
Highways and public works	2,576,928	2,422,039	2,681,745	3,348,343	3,550,658	3,544,205	3,795,333	3,878,422	3,869,930	3,911,463
Cultural and recreation	1,350,230	1,594,522	1,686,824	1,738,374	1,728,016	1,897,509	1,717,205	1,751,145	1,798,034	2,046,169
Interest on long term debt	428,521	434,931	525,919	481,634	453,861	419,106	322,596	197,187	137,296	140,031
Total governmental activities expenses	12,830,344	14,218,723	15,321,344	16,408,256	16,499,791	16,292,432	16,249,902	16,875,299	17,033,900	17,725,675
Business-type activities:										
Water	1,412,346	1,447,266	1,448,401	1,507,373	1,528,147	1,485,415	1,464,224	1,591,485	1,508,132	1,445,501
Reclaimed Water	2,863,232	2,703,705	3,136,575	3,198,146	3,472,086	3,319,383	3,387,658	3,733,341	3,663,184	3,664,041
Sanitation	1,202,137	1,281,986	1,356,495	1,543,693	1,533,863	1,572,294	1,647,114	1,759,914	1,878,746	1,952,196
Total business-type activities expenses	5,477,715	5,432,957	5,941,471	6,249,212	6,534,096	6,377,092	6,498,996	7,084,740	7,050,062	7,061,738
Total primary government expenses	\$ 18,308,059	\$ 19,651,680	\$ 21,262,815	\$ 22,657,468	\$ 23,033,887	\$ 22,669,524	\$ 22,748,898	\$ 23,960,039	\$ 24,083,962	\$ 24,787,413
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,141,369	\$ 1,763,765	\$ 1,543,133	\$ 1,195,845	\$ 1,351,455	\$ 1,160,796	\$ 1,354,409	\$ 1,731,925	\$ 1,484,917	\$ 2,688,266
Public safety	567,520	755,149	818,834	722,323	785,143	407,404	384,853	681,988	686,542	816,362
Highways and public works	912,773	1,206,647	1,097,468	675,331	640,930	317,006	236,362	984,488	235,115	1,898
Cultural and recreation	1,245,372	1,214,653	916,117	1,053,274	846,638	742,254	801,510	887,040	768,994	1,115,780
Operating grants and contributions	258,756	560,896	796,891	1,253,066	1,595,061	1,100,014	2,473,455	536,096	1,121,500	948,524
Capital grants and contributions	10,280,692	6,382,770	2,655,088	2,059,783	1,310,061	1,198,937	2,375,607	1,084,241	1,042,294	1,325,403
Total governmental activities program revenues	15,406,482	11,883,880	7,827,531	6,959,622	6,529,288	4,926,411	7,626,196	5,905,778	5,339,362	6,896,233
Business-type activities:										
Charges for services:										
Water	1,994,463	2,095,496	2,035,430	2,261,475	2,143,358	2,155,844	2,374,588	2,595,523	2,636,527	3,118,366
Reclaimed Water	3,956,633	4,177,428	4,615,976	4,716,926	4,963,818	5,171,025	5,368,506	5,571,994	6,424,275	7,650,826
Sanitation	1,489,071	1,595,944	1,705,759	1,921,476	1,908,915	1,957,393	2,036,475	2,172,214	2,309,538	2,393,561
Capital grants and contributions	5,020,402	5,559,972	2,778,366	2,477,679	1,659,308	1,393,450	1,683,866	2,184,364	1,398,432	2,761,625
Total business-type activities program revenues	12,460,569	13,428,840	11,135,531	11,377,556	10,675,399	10,677,712	11,463,435	12,524,095	12,768,772	15,924,378
Total primary government program revenues	\$ 27,867,051	\$ 25,312,720	\$ 18,963,062	\$ 18,337,178	\$ 17,204,687	\$ 15,604,123	\$ 19,089,631	\$ 18,429,873	\$ 18,108,134	\$ 22,820,611

(*) = The prior years amounts were not restated with the GASB 68 implementation.

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

	2006 (*)	2007 (*)	2008 (*)	2009 (*)	2010 (*)	2011 (*)	2012 (*)	2013 (*)	2014 (*)	2015
Net (Expense)/Revenue										
Governmental activities	2,576,138	(2,334,843)	(7,493,813)	(9,448,634)	(9,970,503)	(11,366,021)	(8,623,706)	(10,969,521)	(11,694,538)	(10,829,442)
Business-type activities	6,982,854	7,995,883	5,194,060	5,128,344	4,141,303	4,300,620	4,964,439	5,439,355	5,718,710	8,862,640
Total primary government net (expense)/revenue	\$ 9,558,992	\$ 5,661,040	\$ (2,299,753)	\$ (4,320,290)	\$ (5,829,200)	\$ (7,065,401)	\$ (3,659,267)	\$ (5,530,166)	\$ (5,975,828)	\$ (1,966,802)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	6,228,757	7,191,562	8,017,157	8,705,541	8,876,092	8,459,938	8,609,294	8,863,691	8,878,092	9,519,735
Other taxes and licenses	2,681,188	3,220,308	3,301,797	3,060,788	3,028,031	3,205,182	3,384,489	3,634,693	3,583,611	3,605,032
Unrestricted intergovernmental revenues										
Grants and contributions not restricted to specific programs										
Unrestricted investment earnings	633,704	1,007,266	774,806	341,011	732,368	283,207	334,228	175,192	188,504	276,560
Gains (losses) on sale of capital assets	1,502	10,853	(302,789)	8,960	21,159	5,841		(161,247)	6,319	7,038
Transfers	957,340	1,532,034	1,110,461	1,043,759	1,078,899	1,078,899	1,078,899	1,192,248	1,122,509	1,191,003
Total governmental activities	10,502,491	12,962,023	12,901,432	13,160,059	13,736,549	13,033,067	13,406,910	13,704,577	13,779,035	14,599,368
Business-type activities:										
Unrestricted investment earnings	854,961	1,218,220	1,079,907	544,850	879,491	237,601	253,205	225,844	200,580	303,190
Gains (losses) on sale of capital assets		1,800								
Transfers	(957,340)	(1,532,034)	(1,110,461)	(1,043,759)	(1,078,899)	(1,078,899)	(1,078,899)	(1,192,248)	(1,122,509)	(1,191,003)
Total business-type activities	(102,379)	(312,014)	(30,554)	(498,909)	(199,408)	(841,298)	(825,694)	(966,404)	(921,929)	(887,813)
Total primary government	\$ 10,400,112	\$ 12,650,009	\$ 12,870,878	\$ 12,661,150	\$ 13,537,141	\$ 12,191,769	\$ 12,581,216	\$ 12,738,173	\$ 12,857,106	\$ 13,711,555
Changes in Net Position										
Governmental activities	\$ 13,078,629	\$ 10,627,180	\$ 5,407,619	\$ 3,711,425	\$ 3,766,046	\$ 1,667,046	\$ 4,783,204	\$ 2,735,056	\$ 2,084,497	\$ 3,769,926
Business-type activities	6,880,475	7,683,869	5,163,506	4,629,435	3,941,895	3,459,322	4,138,745	4,472,951	4,796,781	7,974,827
Total primary government	\$ 19,959,104	\$ 18,311,049	\$ 10,571,125	\$ 8,340,860	\$ 7,707,941	\$ 5,126,368	\$ 8,921,949	\$ 7,208,007	\$ 6,881,278	\$ 11,744,753

(*) = The prior years amounts were not restated with the GASB 68 implementation.

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
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
2013-14	9,407,052	1,563,722	1,172,456	847,433	12,990,663
2014-15	\$ 9,754,151	\$ 1,695,430	\$ 1,257,331	\$ 652,271	\$ 13,359,183

*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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable:										
Inventory			\$ 981	\$ 1,513	\$ 1,725	\$ 2,148	\$ 2,605	\$ 31		\$ -
Prepays		\$ 634	153,607		98,656	98,409	226,308	127,801		137,610
Committed:										
Revenue stabilization					2,635,588	3,148,740	3,178,233	3,211,508		3,262,353
Assigned:										
Capital improvements	\$ 581,671	\$ 780,419	852,342	703,570	3,808,176	3,903,600	1,307,499	1,388,966	1,405,919	1,653,761
Capital lease redemption							2,345,500	28,673		
Unassigned:	6,348,640	4,643,329	7,108,576	8,506,662	7,149,865	4,676,543	7,099,892	7,606,444	9,260,675	10,633,958
Total General Fund	\$ 6,930,311	\$ 5,423,748	\$ 7,961,552	\$ 9,364,820	\$ 10,959,554	\$ 11,316,112	\$ 14,002,188	\$ 12,431,229	\$ 14,005,934	\$ 15,687,682
All Other Governmental Funds										
Nonspendable:										
Prepays	\$ 17,300	\$ 660,017	\$ 8,650	\$ 50,000						
Restricted:										
Special revenue projects	327,414	333,094	409,761	414,792	\$ 272,938	\$ 277,380	\$ 326,935	\$ 369,003	\$ 431,495	\$ 365,311
Capital public safety debt service	356,293	354,832	363,404	351,930	351,934	351,934	351,934			
Special assessment debt	880,608	988,546	1,086,371	1,155,483	1,237,815	933,073	716,769	1,012,313	1,027,479	1,089,690
Capital improvements projects	4,703,919	6,698,499	1,305,576	1,044,778	1,559,774	2,263,374	3,185,656	3,941,656	4,520,446	5,086,873
Unassigned:	(531,144)	(531,553)	(517,975)	(367,622)	(321,772)	(233,732)	(77,055)	(52,119)	(175,892)	(78,409)
Total all other governmental funds	\$ 5,754,390	\$ 8,503,435	\$ 2,655,787	\$ 2,649,361	\$ 3,100,689	\$ 3,592,029	\$ 4,504,239	\$ 5,270,853	\$ 5,803,528	\$ 6,463,465

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 6,587,395	\$ 7,544,333	\$ 8,320,641	\$ 9,044,911	\$ 9,260,823	\$ 8,798,392	\$ 9,216,527	\$ 9,456,450	\$ 9,407,052	\$ 9,754,151
Intergovernmental	3,132,055	4,090,629	4,442,267	3,414,896	4,783,640	3,689,124	5,690,820	4,166,853	4,008,438	4,023,477
Charges for services	4,033,890	4,354,124	3,740,219	3,094,007	3,147,491	2,439,614	2,671,750	3,125,357	2,865,780	4,455,311
Other revenue	640,963	917,785	982,879	1,301,071	633,495	763,997	639,519	763,273	784,006	518,641
Special assessment revenue	547,609	205,917	180,710	202,253	166,467	143,410	214,120	372,584	139,144	189,988
Interest	633,704	1,007,266	774,806	341,011	732,368	224,513	265,379	273,046	188,504	276,560
Total Revenues	15,575,616	18,120,054	18,441,522	17,398,149	18,724,284	16,059,050	18,698,115	18,157,563	17,392,924	19,218,128
Expenditures:										
Current										
General government	4,561,224	5,381,605	5,426,015	5,657,339	5,567,916	4,231,147	4,515,375	4,829,281	4,846,187	5,140,344
Public safety	3,433,945	3,822,573	4,192,009	4,480,215	4,743,296	4,881,746	5,118,157	5,341,068	5,577,511	5,923,789
Highways and public works	2,252,495	1,841,807	2,008,242	2,468,066	2,651,799	2,547,996	2,765,314	2,742,083	2,639,659	2,636,539
Cultural and recreation	1,256,420	1,481,597	1,562,015	1,608,878	1,588,503	1,761,595	1,585,977	1,633,007	1,658,863	1,897,091
Capital Outlay	1,722,900	4,899,437	8,595,303	1,619,862	2,331,142	1,348,256	1,408,658	2,506,693	1,472,194	2,260,920
Debt Service										
Principal	3,916,445	589,655	598,480	1,103,922	473,451	1,075,353	458,935	2,880,000	75,000	80,000
Interest	438,255	434,069	529,901	487,143	441,992	443,958	326,312	222,024	138,639	128,763
Total Expenditures	17,581,684	18,450,743	22,911,965	17,425,425	17,798,099	16,290,051	16,178,728	20,154,156	16,408,053	18,067,446
Excess (deficiency) of revenues over (under) expenditures	(2,006,068)	(330,689)	(4,470,443)	(27,276)	926,185	(231,001)	2,519,387	(1,996,593)	984,871	1,150,682
Other financing sources (uses):										
Debt issued	2,330,954	41,138	50,138	380,359	40,978					
Operating transfers in	1,606,305	5,410,418	1,928,351	1,619,955	1,662,246	1,971,577	1,864,163	2,801,971	1,591,619	2,279,124
Operating transfers out	(648,965)	(3,878,385)	(817,890)	(576,196)	(583,347)	(892,678)	(785,264)	(1,609,723)	(469,110)	(1,088,121)
Total other financing sources (uses)	3,288,294	1,573,171	1,160,599	1,424,118	1,119,877	1,078,899	1,078,899	1,192,248	1,122,509	1,191,003
Net change in fund balances	\$ 1,282,226	\$ 1,242,482	\$ (3,309,844)	\$ 1,396,842	\$ 2,046,062	\$ 847,898	\$ 3,598,286	\$ (804,344)	\$ 2,107,380	\$ 2,341,685
Debt service as a percentage of noncapital expenditures	27.5%	7.6%	7.9%	10.1%	5.9%	10.2%	5.3%	17.6%	1.4%	1.3%

Table # 6

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Motor Fuel Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
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
2013-14	8,878,092	1,563,722	1,172,456	847,433	12,461,703
2014-15	\$ 9,519,735	\$ 1,695,430	\$ 1,257,331	\$ 652,271	\$ 13,124,767

*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		
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
2014	2,128,571,353	511,868,844	1,616,702,509	110,409,923	7.33%	5.55	0.005550563
2015	\$2,267,675,363	\$559,343,439	\$1,708,331,924	\$ 91,629,415	5.67%	5.45	0.005446790

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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City of Post Falls - Operating	5.45	5.55	5.79	5.89	5.58	5.09	4.85	4.46	3.78	3.94
Library Bond	0.00	0.00	0.00	0.11	0.13	0.12	0.11	0.10	0.09	0.11
Total Direct Rate	5.45	5.55	5.79	6.00	5.71	5.21	4.96	4.56	3.87	4.05
North Idaho College	1.10	1.12	1.20	1.22	1.11	1.00	0.83	0.73	0.48	0.53
Kootenai County	3.18	3.28	3.51	3.47	3.20	2.94	2.52	2.21	1.84	1.84
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	0.17	0.17	0.18	0.18	0.16	0.15	0.13	0.11	0.10	0.1
Community Library Network	0.40	0.41	0.42	0.41	0.36	0.31	0.2	0.17	0.16	0.17
School District #273	2.82	3.08	3.16	3.16	2.84	2.58	2.36	2.29	2.23	2.23
Post Falls Highway District #1	0.65	0.67	0.69	0.68	0.50	0.45	0.38	0.31	0.36	0.36
Kootenai Fire & Rescue	<u>1.93</u>	<u>1.92</u>	<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>
Total	15.70	16.21	16.96	17.10	15.88	14.50	13.04	11.78	10.38	10.62
% CHANGE FOR TOTAL	-3.14%	-4.44%	-0.82%	7.68%	9.52%	11.20%	10.70%	13.49%	-2.26%	-32.57%

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, 2015**

<u>Taxpayer</u>	<u>Type Of Business</u>	2015	
		<u>Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Post Falls Retirement Real Estate Investors, LLC	Retirement Facility	\$ 32,523,853	1.43%
Kimball International Mkt, Inc.	Manufacturing-Furniture	26,558,865	1.17%
Wal-Mart Real Estate Business	Retail	24,530,619	1.08%
North Idaho Surgical Hospital Bldg, LLC	Medical	23,626,137	1.04%
Avista Corporation	Utilities	23,206,769	1.02%
Cabelas Retail Inc.	Retail	15,684,133	0.69%
Buck Knives	Manufacturing- Retail	15,219,989	0.67%
MPT of Post Falls, LLC	Comm. Bus. Prod. (Seed)	14,951,409	0.66%
Biopol Laboratory, Inc.	Research & Development	14,567,181	0.64%
ALK Abello Source Materials, Inc	Pharmaceutical Company	13,717,968	0.60%
Subtotal - Ten Of City's Largest Taxpayers		\$ 204,586,923	9.0%
All Other Taxpayers		2,063,088,440	91.0%
Total City Taxpayers		<u>\$ 2,267,675,363</u>	<u>100.00%</u>

<u>Taxpayer</u>	<u>Type Of Business</u>	2006	
		<u>Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Flexcel, Inc./Kimball International Mkt, Inc.	Manufacturing-Furniture	\$ 39,076,637	2.30%
North Idaho Surgical Hospital Bldg., LLC	Medical	15,935,891	0.94%
Sysco Food Services, Inc	Food Distribution Center	13,759,348	0.81%
Puryear Family, LPT	Private Owner	13,212,252	0.78%
Verizon NW, Inc	Marketing	11,411,269	0.67%
Wal-Mart Real Est. Bus./Stores Inc. #3472	Retail	10,515,704	0.62%
Northern Idaho Advanced Care Hospital, Inc	Medical	8,754,005	0.51%
Buck 110 LLC	Manufacturing	8,530,030	0.50%
Jacklin Land Company, LPT	Comm. Bus. Prod. (Seed)	6,546,405	0.38%
Dicker-Warmington Properties	Real Estate	6,512,919	0.38%
Subtotal - Ten Of City's Largest Taxpayers		\$ 134,254,460	7.89%
All Other Taxpayers		1,566,814,919	92.11%
Total City Taxpayers		<u>\$ 1,701,069,379</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
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%	\$332,375	\$7,809,348	99.04%
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%	\$160,730	\$8,475,541	100.00%
2013	\$8,739,197	\$8,641,589	98.88%	\$97,608	\$8,739,197	100.00%
2014	\$8,720,259	\$8,619,493	98.84%	\$19,627	\$8,720,259 *	100.00%
2015	\$8,973,609	\$8,907,750	99.27%	\$20,140	\$8,927,890	99.49%

* Indicates figure has been changed from the previous year's information. This includes the subsequent collections for FY2015.

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			
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	1.33%	456
2012-13	-	1,690,000	-	2,090,000	4,933,900	8,713,900	0.85%	293
2013-14	-	1,615,000	-	1,935,000	4,296,950	7,846,950	0.72%	255
2014-15	\$	\$ 1,535,000	\$	\$ 1,775,000	\$ 3,645,000	\$ 6,955,000	0.63%	231

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
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%	-
2013-14	30,774	1,969,801,802	-	259,590	(259,590)	-0.01%	-
2014-15	31,932	\$ 2,128,571,353	\$ -	\$ 260,018	\$ (260,018)	-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.*

**City of Post Falls
Direct and Overlapping Governmental Activities Debt
September 30, 2015**

Governmental Unit	Bond Debt	Government's Net Market Value	Percentage Applicable to City	City Share of Debt
City of Post Falls	\$ 1,535,000	1,708,331,924	100.0%	<u>\$ 1,535,000</u>
Kootenai County	-	13,087,893,022		-
School District #273	22,660,000	2,394,010,898	71.4%	16,169,852
Post Falls Highway District	-	4,000,797,591	42.7%	-
Kootenai County Fire & Rescue	-	3,381,339,327	50.5%	-
Subtotal of overlapping debt				<u>\$ 16,169,852</u>
Total direct and overlapping debt				<u>\$ 17,704,852</u>

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 29,193,102	\$ 34,021,388	\$ 54,778,197	\$ 51,994,028	\$ 47,622,831	\$ 45,332,019	\$ 11,919,221	\$ 39,396,036	\$ 42,571,427	\$ 45,353,507
Total net debt applicable to limit	1,115,000	980,000	835,000	685,000	525,000	360,000	185,000	-	-	-
Legal debt margin	<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>	<u>\$ 42,571,427</u>	<u>\$ 45,353,507</u>
Total net debt applicable to the limit as a percentage of debt limit	3.82%	2.88%	1.52%	1.32%	1.10%	0.79%	1.55%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 1,708,331,924
Add back: exempt real property	\$ 559,343,439
Total assessed value	<u>\$ 2,267,675,363</u>
Debt limit* (2% of total assessed value)	45,353,507
Debt applicable to limit:	
General obligation bonds	-
Legal debt margin	<u>\$ 45,353,507</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	
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
2014	6,576,442	2,064,614	4,511,828	636,950	189,565	826,515	5.46
2015	\$ 7,879,042	\$ 2,073,471	\$ 5,805,571	\$ 651,950	\$ 162,875	\$ 814,825	7.12

(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	
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
2014	2,680,252	920,309	1,759,943	155,000	62,500	217,500	8.09
2015	\$ 3,187,451	\$ 881,086	\$ 2,306,365	\$ 160,000	\$ 58,950	\$ 218,950	10.53

(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	
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
2014	192,036	75,000	83,777	158,777	2.20
2015	\$ 239,110	\$ 80,000	\$ 80,258	\$ 160,258	1.49

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
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%
2014	29,896	\$1,090,546	\$36,478	5,658	6.40%
2015	30,123	\$1,104,189	\$36,656	5,864	5.80%

Data Sources

¹ U.S. Census Bureau² Bureau of Economic Analysis³ School District- June 2015 enrollment⁴ Department of Labor

**City of Post Falls
Principal Employers
September 30, 2015**

		2015		
Employer ⁽¹⁾	Type of Business	Range of Employees	Percentage of Total City Employment	
1	Qualfon (formerly Center Partners)	Call Center	700 - 799	4.51 - 5.14%
2	Post Falls School District	Public Education	700 - 799	4.51 - 5.14%
3	Wal-Mart Supercenter	Department Store; Retail Groceries	500 - 599	3.22 - 3.86%
4	Buck Knives, Inc.	Manufacturing	300 - 399	1.93 - 2.57%
6	City of Post Falls	Government	149 - 199	0.96 - 1.28%
19	All Wall Contracting	Building Construction	100 - 149	0.64 - 0.96%
21	Guardian Angel Homes	Assisted Living Facility	50 - 99	0.32 - 0.64%
22	MOR Manufacturing	Electronic Assembly Manufacturing	50 - 99	0.32 - 0.64%
24	Knudtsen Chevrolet	New Car Dealership	50 - 99	0.32 - 0.64%
		Estimated number of employees in Post Falls	15,533	

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

* Preliminary 3rd quarter 2015 data

Includes only those employers who have signed a consent form with IDOL to release such information

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	50.75	59.85	58.48	49.40	41.50	44.80	43.21	42.25	41.50	41.10
Public safety	53.89	60.46	61.60	64.09	65.39	66.70	67.12	67.71	70.10	72.30
Highways and public works	15.06	19.39	20.04	17.42	17.06	17.10	17.04	17.03	17.00	17.00
Cultural and Recreation	24.76	33.60	32.61	32.95	32.17	35.30	35.28	38.27	38.30	37.30
Water	6.48	6.45	6.50	6.60	6.60	6.40	6.83	6.75	6.80	7.00
Reclaimed Water	11.48	12.43	12.53	13.03	13.03	13.30	14.65	13.59	13.60	14.30
Total	162.42	192.18	191.76	183.49	175.75	183.60	184.13	185.60	187.30	189.00

Note: This schedule represents number of persons employed as of September 30 of each year. Vacant positions are included in the above numbers. Full time personnel work 2,080 hours per year.
No Sanitation FTE number is provided since the City contracts out its sanitation services.

Table #21

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Function										
Police										
Calls for service	25,368	27,826	29,074	28,840	30,467	30,156	31,543	29,722	30,959	33,061
Burglary	111	89	94	106	107	128	185	88	125	99
Phone harassment	24	35	33	39	38	25	9	11	11	18
Motor vehicle theft	51	50	30	31	24	25	42	50	57	25
Highways and streets										
Street resurfacing - paving (miles)	1.37	1.65	1.74	1.00	2.40	2.02	3.08	2.44	2.84	2.38
Street resurfacing - chip seal (miles)	3.59	2.26	0.00	8.62	6.93	9.43	11.26	11.07	11.55	13.24
Culture and recreation										
Sports leagues programs enrollment	4,283	5,319	5,557	5,566	5,459	5,093	4,825	5,251	5,388	6,016
Special interest programs enrollment	2,101	3,125	2,725	2,190	1,654	2,257	1,646	1,425	1,978	2,003
Water										
New connections	193	206	44	47	9	41	15	36	13	45
Average daily consumption (thousands of gallons)	4,819	4,860	4,786	4,518	4,190	4,050	4,200	4,300	4,365	4,695
Reclaimed Water										
Average daily sewage treatment (millions of gallons)	2.4	2.4	2.4	2.5	2.4	2.4	2.5	2.5	2.5	2.6

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Units	49	52	54	54	58	60	66	70	74	69
Highways and streets										
Streets (miles)	143	149	150.89	153.05	153.05	154.69	156	156.59	157.79	159.24
Culture and recreation										
Park acreage	408.37	421.25	437.4	437.4	437.4	438.8	442.7	442.7	456	464.54
Parks		19	23	23	23	24	27	27	27	28
Sports Fields	5	5	6	6	7	7	15*	15	15	15
Tennis/Pickle Ball Courts	2	2	2	5	3	3	5	8	8	8
Water										
Water mains (miles)	110	113	113	115	116	116	116.67	116.84	116.85	126.44
Fire hydrants	811	842	842	865	858	879	901	913	918	918
Maximum daily capacity (millions of gallons)	16.99	16.99	16.99	16.99	16.99	16.99	16.99	18.54	18.54	18.54
Reclaimed Water										
Sanitary sewer (miles)	110	155	158	159	160	160	163.30	163.90	164.46	166.02
Surface water (miles)	1.53	1.53	1.53	1.53	4.60	4.60	4.89	4.89	4.89	4.94
Maximum daily treatment capacity (millions of gallons)	3.48	3.48	3.48	3.48	4.10	4.10	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, 2015**

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

Total Revenue	\$3,118,366
Estimated number of active customers	8,419
Total water produced (gallons)	1,842,555,498

Schedule of Water Rates

Monthly Base Fee (by meter size)

1" or less	\$9.78	1½"	\$ 16.40
2"	24.40	3"	43.11
4"	69.69	6"	136.28

Metered water usage: \$1.05 per 1,000 gallons for 0 – 49,000 gallons
 \$1.53 per gallon for 50,000+ gallons

Source: City of Post Falls

**City of Post Falls
Statistical Information
Reclaimed Water Fund
September 30, 2015**

Schedule of Treatment Volume

Average Volume	2.55 million gallons per day
Total Volume	967,639,000 gallons
Active number of customers	10,504

Schedule of Monthly Reclaimed Water Rates

The residential rate is \$38.69 for 94% of the City's customers.

The non-residential rate per customer is \$38.69 + \$7.74 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, 2015**

<u>Customer</u>	<u>Amount</u>	<u>Percentage of Total Revenue</u>
1 Lucky Pines Estates	\$ 36,912	1.21%
2 Coeur d'Alene RV Resort	\$ 26,701	0.88%
3 Plummer Forest Products	\$ 20,566	0.67%
4 Century Park & Associates	\$ 19,015	0.62%
5 Coeur d'Alene Greyhound Park	\$ 17,074	0.56%
6 North Idaho Surgical Hospital	\$ 9,870	0.32%
7 J.R. Simplot	\$ 9,731	0.32%
8 Knudtsen Chevrolet	\$ 6,697	0.22%
9 Sysco Foods	\$ 5,670	0.19%
10 Northwest Specialty Hospital	\$ 4,851	0.16%

**City of Post Falls
Ten Largest Reclaimed Water Customers
For the Year Ended September 30, 2015**

<u>Customer</u>	<u>Amount</u>	<u>Percentage of Total Revenue</u>
1 Coeur d'Alene RV Resort	\$ 92,864	1.40%
2 Camelot Estates	\$ 89,606	1.35%
3 Lucky Pines Estates	\$ 49,214	0.74%
4 Century Park & Associates	\$ 46,922	0.71%
5 Flying J, Inc.	\$ 43,346	0.66%
6 Northwest Specialty Hospital	\$ 23,382	0.35%
7 Wal-Mart	\$ 19,079	0.29%
8 Kimball International	\$ 12,891	0.19%
9 Knudtsen Chevrolet	\$ 9,417	0.14%
10 Plummer Forest Products	\$ 2,477	0.04%

**City of Post Falls
Insurance Schedule
September 30, 2015**

The City is insured through the Idaho Counties Reciprocal Management Program (ICRMP), Policy No. 34A02152100114. 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



Above: Opportunities to recreate are part of community life with 19 City parks.

**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 as of and for the year ended September 30, 2015, which collectively comprise the City of Post Falls' basic financial statements and have issued our report thereon dated April 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Post Falls' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Post Falls' 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency [2015-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Post Falls' 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)

City of Post Falls' Response to Findings

The City of Post Falls' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Post Falls' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

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.

April 21, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Post Falls' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of City of Post Falls' major federal programs for the year ended September 30, 2015. The City of Post Falls' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Post Falls' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Post Falls' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Post Falls' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Post Falls complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONCLUDED)

Report on Internal Control over Compliance

Management of the City of Post Falls is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Post Falls' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Post Falls' internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Magnuson, McHugh & Company, P.A.

April 21, 2016

City of Post Falls

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2015**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Department of Justice:</u>			
Passed through State of Idaho State Police:			
Missing Children's Assistance	16.543	826000245 00	\$ 1,287
Crime Victim Assistance	16.575	826000245 00	1,511
Violence Against Women Formula Grants	16.588	826000245 00	<u>110,803</u>
Total Department of Justice			<u>113,601</u>
<u>Department of Transportation:</u>			
Passed through State of Idaho Department of Transportation:			
State and Community Highway Safety	20.600	826000245 00	3,285
National Priority Safety Programs	20.616	826000245 00	<u>13,271</u>
Total Department of Transportation			<u>16,556</u>
<u>Department of Health and Human Services:</u>			
Passed through State of Idaho Health & Welfare:			
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	826000245 00	<u>11,908</u>
Total Department of Health and Human Services			<u>11,908</u>
<u>Environment Protection Agency:</u>			
Pass Through Program from:			
Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	Loan project no. WW1310	<u>1,130,570</u>
Total Environment Protection Agency			<u>1,130,570</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,272,635</u>

City of Post Falls

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2015

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, 2015

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified?
Significant deficiency (ies) identified that are not considered to be material weakness (es)

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:

- Material weakness (es) identified?
Significant deficiency(ies) identified that are not considered to be material weakness (es)?

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?

Identification of major programs:

Table with 2 columns: CFDA Number(s) and Name of Federal Program or Cluster. Row 1: 66.458, Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee?

City of Post Falls

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2015

Section II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

2015-001 – Significant deficiency in internal control over financial reporting – improper accrual of loan proceeds.

Criteria: Governmental accounting standards board (GASB) Statement no. 34; *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, addresses accounting and financial reporting for long term liabilities. Long-term liabilities directly related to and expected to be paid from proprietary funds are reported in the proprietary fund statement of net position and in the government-wide statement of net position.

Condition: The City of Post Falls management mistakenly: (1) accrued loan proceeds that were received in the subsequent accounting period and (2) recorded the accruals in the wrong general ledger accounts.

Cause: The City of Post Falls mistakenly understood that loan proceeds are reported in a similar manner with proprietary funds as they are with governmental funds and that loan funds are to be accrued in a similar manner as other revenues.

The City of Post Falls management failed to look back at the effect of the accruals on the financial statements.

Effect of Condition: The aggregate effect on proprietary funds was an overstatement of revenues and receivables of \$1,356,738.

Recommendation: The management of the City of Post Falls should have a formal process for researching accounting issues that are new to the City. In addition; that whenever the City posts large accruals at the end of the reporting period or during any time of the year, there should be a process where management looks-back at the effect of the adjustments on the financial statements.

Response: The City of Post Falls appreciates the importance the Auditor applies to the need for internal controls, the City is committed to internal controls, and the City will work diligently to ensure compliance with all reporting requirements.

The loan proceeds provided by Idaho Department Environmental Quality (IDEQ) were initially recorded as revenue but reclassified as a liability since the monies received will be repaid using user fees. The final loan amount will be established at the completion of the required upgrade to the reclaimed water facility.

The City has started to create a formal process for researching accounting issues that are new to the City. In addition, the management of the City of Post Falls will establish a process to analyze the effect of adjustments made to the financial statements.

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. Prior Year Findings and Questioned Costs—Major Federal Award Programs Audit

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



City of Post Falls
408 N. Spokane St.
Post Falls, ID 83854
(208)773-3511

www.postfallsidaho.org