

CITY OF POST FALLS, IDAHO

"Idaho's River City"



CITY OF POST FALLS, IDAHO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2004



Compiled By:
Shelly Enderud
City Finance Director/Treasurer

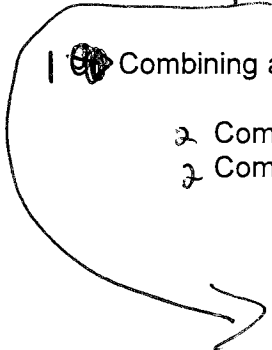
ABOVE: Q'emiln Park combines picnicking, swimming and boating opportunities for residents and visitors.

COVER: Black Bay park offers pristine views of the Spokane River in a natural setting.

**City of Post Falls, Idaho
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2004**

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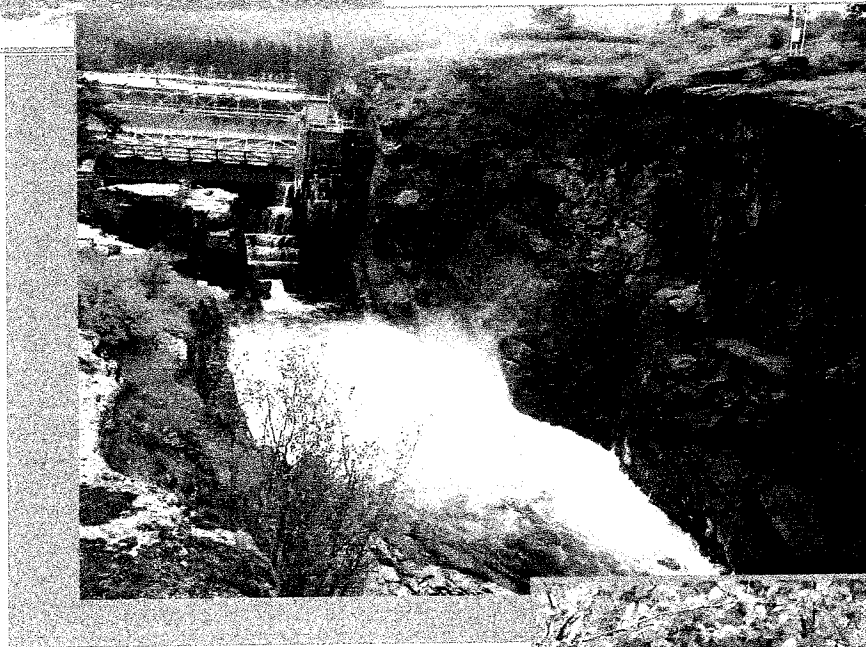
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CITY OF POST FALLS, IDAHO

Introductory Section



ABOVE: Post Falls is a growing community surrounded by natural beauty throughout the year.



March 1, 2005

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

The comprehensive annual financial report of the City of Post Falls for the year ended September 30, 2004, is hereby submitted as mandated by both local ordinances and state statutes. The City is required to issue an annual report on its financial position and activity. This report must be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Post Falls. All disclosures necessary to enable the reader to gain an understanding of the City of Post Falls' activities have been included.

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

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

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

Governmental Structure

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

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

The accompanying financial statements include all aspects controlled by the City Council of the City of Post Falls. Criteria for inclusion is determined by Governmental Accounting Standards Board Statement No. 14 (GASB No. 14) which states, in general, that 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 five directors, appointed by the City Council, governs the Agency. The City Council has the ability to appoint, hire, reassign, or dismiss those persons having responsibility for the day-to-day operations of the Agency. These powers of the City meet the criteria set forth in GASB No. 14 for having financial accountability for the Agency. Based on the above, the Agency has been discreetly presented in the accompanying financial statements of the City as a component unit.

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

Economic Conditions and Outlook

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

The City of Post Falls has grown from 7,350 residents in 1990 to an estimated 21,082 in 2004. This influx of new residents has resulted in a strong construction industry, with total building permit valuations in the City exceeding \$33,000,000 for the past seven years and topping \$118,000,000 in 2004. It is expected to continue at this higher level for FY 05.

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

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

water tower (approximately \$1,500,000) that was needed on the west side of town for development in that area. This plant is also expected to open for operation in 2005.

Major Initiatives

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

Planning continues to work on new and innovative ideas in growth management throughout the next fiscal year. The Comprehensive Plan, which helps set the stage for the implementation of growth management techniques, is online with links to many services and sites. The Revised Zoning Ordinance was adopted in FY 2005 and reflects many of the policies found in the Comprehensive Plan

The department is also developing a City Center plan that will help guide future land choices, economic development, and urban design 'look and feel' of the Historic City Center. A key part of the plan is to implement a community-based vision for what the future of the City Center should be. This plan will be used by both the City and the Urban Renewal Agency to guide future decisions.

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

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

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

The Fleet Maintenance Division will be focusing more on the preventive aspects of vehicle maintenance this year for the repair and maintenance of all vehicles trying to reduce our long term maintenance per vehicle costs. A vehicle replacement priority program has been developed to assist in prioritizing our general fund future vehicle replacement needs. Shop safety will also be a priority.

The Water Utility Division has installed two new wells this past year to meet the demands of our citizens. Along with the new wells the City is building a 2.25 million gallon stand pie reservoir on the West side of the City to meet fire flow demands.

The Water Utility Division has also installed radio read meters on most business accounts in the City. This will reduce labor time to read meters for these accounts.

The Wastewater system continues to work on up grades to the plant and collection system. The City now has 25 lift stations to serve the community. The bio solids from the plant are continuing to be hauled off site and processed by EKO Systems. The Wastewater Division purchased 467 acres for future land application for reclaimed water.

Other Community Services - The Parks and Recreation Department continues to upgrade its parks and facilities. Repairs and standardization of infrastructure to increase system efficiency, improve cost effectiveness, reduce liability, comply with Americans with Disabilities Act (ADA) and

improve aesthetics are principal goals. This includes irrigation systems, picnic shelters, restroom facilities, equipment, sponsorships, security cameras, pathways, lighting, flower beds, signage and playground equipment. In addition, the department continues to emphasize good customer service and maximization of resources as it tries to keep up with public demand for services.

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

Evaluating the efficiency, revenue capacity and service of the Cemetery Division was a prime focus of 2004 with many new projects identified, and new procedures now in place.

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

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

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

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

Departmental Highlights of FY 2004

Police

- Aggressively sought state and federal public safety (including domestic violence) grant funds to supplement the department budget and permit equipment purchases without impact to City funds. This year's grants totaled \$180,845.
- The department has continued to construct wireless communications towers that will lead to better communications between the patrol officers and the dispatch. Other departments are also taking advantage of this system, saving them money on monthly frame relay fees.
- Secured agreement with the County to provide animal control services.
- Started a new traffic school. It has processed 193 students.

Parks, Recreation, and Cemetery

- Relocated Kamp Kaa-mee-lin to Kiwanis Park.
- Opened a Recreation station with current usage at 34.5 hours per week.
- Awarded Tree City Growth award.

Public Works, Building and Planning

- In 2004, the street department laid 4,194.58 tons of asphalt covering 1.86 miles of City streets.
- Purchased two new Freightliner Trucks for plowing and dump body usage.
- Engineering division completed the Transportation Master plan.
- Received a community block grant for \$500,000 for the West Post Falls water reservoir.
- Well #8 was drilled and pump installed.

Administration

- Established a health insurance committee.
- Assisted County with general election.
- Adopted the second two year budget for the City.
- Began plans for a new City Hall Master plan.

Financial Information – Internal Control Structure and Budgetary Controls

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

In recording the financial transactions for the City, and in developing this financial report, consideration is given to the adequacy of internal accounting controls. The controls are designed to provide reasonable, but not absolute, assurance the transactions are recorded correctly, and the financial reports, supporting documents, and statistical tables are reliable. This concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived from the control. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

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

budget process insured that the budget program choices reflect the highest community priorities with maximum citizen participation.

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

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

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

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

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

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

- ⇒ General Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund had not been established.
- ⇒ Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.
- ⇒ Debt Service Funds - These funds are established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from enterprise funds.

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

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

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

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

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

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

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

Debt Administration: - At September 30, 2004, the City of Post Falls had the following bonded debt issues outstanding:

General Obligation Bonds:	\$1,370,000
Sewer Revenue Bonds:	1,745,915
Water Bonds:	2,648,255
Special Assessment Bonds:	595,087
	<u>\$6,359,257</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 \$21,482,304 on September 30, 2004. The City's general obligation bond above is subject to this limit. Therefore, \$20,112,304 is available for future general obligation indebtedness.

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

Certificate of Achievement – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Post Falls, Idaho for its comprehensive annual financial report for the fiscal year ended September 30, 2003. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report.

This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Shelly Enderud".

Shelly Enderud
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Post Falls,
Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

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



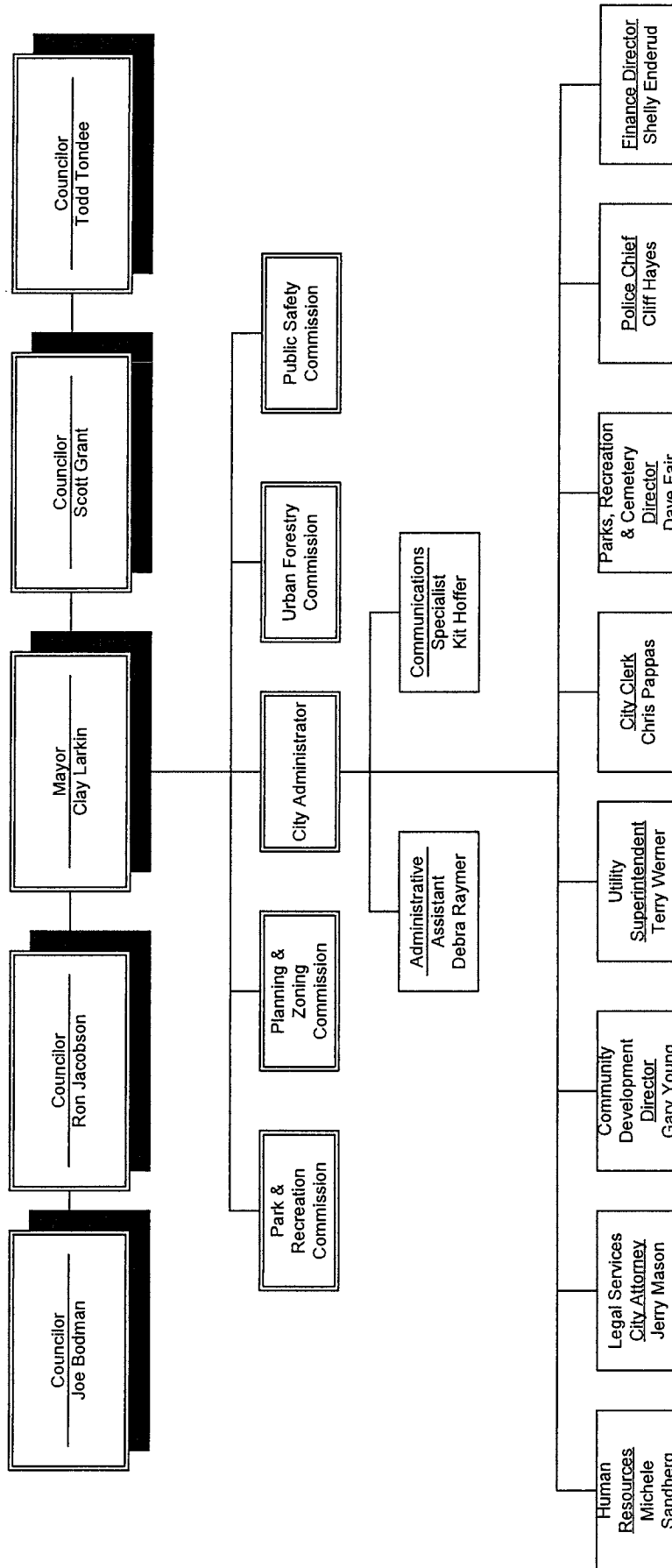
Nancy L. Zielle

President

Jeffrey R. Emmer






Executive Director

City of Post Falls Organizational Chart



**CITY OF POST FALLS, IDAHO
Listing of City Officials
As of September 30, 2004**

ELECTED OFFICIALS

	NAME	OFFICE	OCCUPATION	TERM EXPIRES
	Clay Larkin	Mayor	Retired	2005
	Scott Grant	Council President	Supervisor Probation/ Parole Office	2007
	Joe Bodman	Council Member	Spokane Deputy Sheriff	2005
	Todd Tondee	Council Member	Owner - Big Cheese Pizza	2007
	Ron Jacobson	Council Member	Senior VP— Inland North- west Bank	2005

APPOINTED OFFICIALS

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

CITY OF POST FALLS, IDAHO

Financial Section



ABOVE: City of Post Falls City Hall.



Magnuson, McHugh & Company, P.A.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Post Falls, Idaho's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho as of September 30, 2004, and the respective changes in changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2005 on our consideration of the City of Post Falls, Idaho's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

INDEPENDENT AUDITORS' REPORT (Concluded)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Post Falls, Idaho basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, statistical tables, and other financial statements (schedules) listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Post Falls, Idaho. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, statistical tables, and other financial statements (schedules) listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Magnuson, McHugh & Company, P.A.

February 4, 2005

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, 2004. 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 \$80,168,896 (net assets).
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$4,118,284, or 41 percent of total general fund expenditures.
- The governments net assets increased by \$14,074,101. Approximately half of this increase is attributed to one-time infusions of resources from cap fees.
- In the City's business-type activities, operating revenues increased by \$661,686 (13 percent) and operating expenses increased by \$494,006 (14 percent).
- A loan was increased by the water fund to continue a project to expand and replace wells, lines and reservoirs. The current balance is \$2,648,255.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all the City of Post Falls' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Post Falls is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Post Falls that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City of Post Falls include general government, public safety, streets, parks and recreation. The business-type activities of the City of Post Falls include water, wastewater, and sanitation.

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Post Falls, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Post Falls can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Sanitation operations, all of which are considered to be major funds of the City of Post Falls.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 34 to 54 of this report.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Post Falls, assets exceeded liabilities by \$80,168,896 at the close of the most recent fiscal year.

By far the largest portion of the City of Post Falls' net assets (67 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, other improvements, infrastructure, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City of Post Falls uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Post Falls' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

City of Post Falls' Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
ASSETS						
Current and other assets	\$9,285,537	\$6,987,236	\$19,065,196	\$14,701,070	\$28,350,733	\$21,688,306
Capital assets	<u>19,227,968</u>	<u>15,565,694</u>	<u>44,954,088</u>	<u>39,866,555</u>	<u>64,182,056</u>	<u>55,432,249</u>
Total assets	<u>28,513,505</u>	<u>22,552,930</u>	<u>64,019,284</u>	<u>54,567,625</u>	<u>92,532,789</u>	<u>77,120,555</u>
LIABILITIES						
Long-term liabilities outstanding	6,589,130	6,547,842	4,458,394	3,300,174	11,047,524	9,848,016
Other liabilities	<u>786,050</u>	<u>1,348,062</u>	<u>530,319</u>	<u>430,092</u>	<u>1,316,369</u>	<u>1,778,154</u>
Total liabilities	<u>7,375,180</u>	<u>7,895,904</u>	<u>3,730,266</u>	<u>3,730,266</u>	<u>11,105,446</u>	<u>11,626,170</u>
NET ASSETS						
Invested in capital assets, net of related						
Debt:	13,097,421	9,017,852	40,559,918	36,623,300	53,657,339	45,641,152
Restricted	734,213	833,042	3,475,869	3,075,936	4,210,082	3,908,978
Unrestricted	<u>7,306,691</u>	<u>4,806,132</u>	<u>14,994,784</u>	<u>11,138,123</u>	<u>22,301,475</u>	<u>15,944,255</u>
Total net assets	<u>\$21,138,325</u>	<u>\$14,657,026</u>	<u>\$59,030,571</u>	<u>\$50,837,359</u>	<u>\$80,168,896</u>	<u>\$65,494,385</u>

An additional portion of the City of Post Falls' net assets (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$22,301,475) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Post Falls is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

At the end of the current fiscal year, 78 percent of the liabilities are made up of noncurrent liabilities. This primarily represents bonds and leases discussed in Note 7 of the notes to the financials.

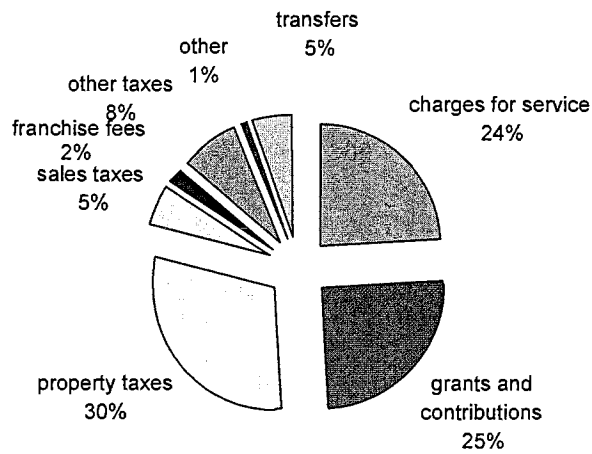
Governmental activities. Governmental activities' key elements are broken down in the following charts. Governmental activities increased the net assets by \$6,250,744 and business-type activities increased net assets by \$7,823,357.

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

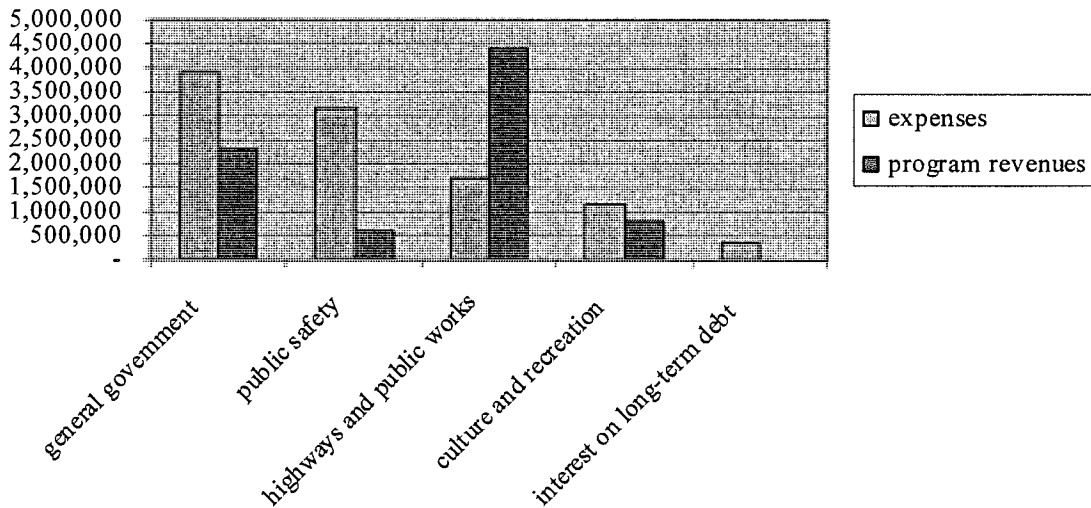
City of Post Falls' Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
REVENUES						
Program revenues:						
Charges for services	\$3,997,859	\$3,263,471	\$5,813,298	\$5,151,612	\$9,811,157	\$8,415,083
Operating grants and contributions	210,574	305,083			210,574	305,083
Capital grants and contributions	3,855,708	620,063	6,813,384	3,410,490	10,669,092	4,030,553
General revenues:						
Property taxes	4,990,766	4,751,170			4,990,766	4,751,170
Other taxes	2,457,664	2,219,109			2,457,664	2,219,109
Other	147,523	235,989	243,639	280,123	391,162	516,112
Total revenues	<u>15,660,094</u>	<u>11,394,885</u>	<u>12,870,321</u>	<u>8,842,225</u>	<u>28,530,415</u>	<u>20,237,110</u>
EXPENSES						
General government	3,908,589	3,446,537			3,908,589	3,446,537
Public safety	3,171,924	2,887,150			3,171,924	2,887,150
Highway and public works	1,701,489	1,290,539			1,701,489	1,521,094
Culture and recreation	1,172,659	983,357			1,172,659	983,357
Interest on long-term debt	325,229	374,533			\$325,229	374,533
Water			995,763	858,502	\$995,763	858,502
Sewer			2,224,803	1,584,745	2,224,803	1,584,745
Sanitation			955,858	889,681	955,858	889,681
Total expenses	<u>10,279,890</u>	<u>8,982,116</u>	<u>4,176,424</u>	<u>3,332,928</u>	<u>14,456,314</u>	<u>12,315,044</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	<u>5,380,204</u>	<u>2,412,769</u>	<u>8,693,897</u>	<u>5,509,297</u>	<u>14,074,101</u>	<u>7,922,066</u>
TRANSFERS IN (OUT)	<u>870,540</u>	<u>796,222</u>	<u>-870,540</u>	<u>-796,222</u>		
INCREASE IN NET ASSETS	<u>6,250,744</u>	<u>3,208,991</u>	<u>7,823,357</u>	<u>4,713,075</u>	<u>14,074,101</u>	<u>7,922,066</u>
NET ASSETS beginning	<u>14,887,581</u>	<u>11,678,590</u>	<u>51,207,214</u>	<u>46,494,139</u>	<u>66,094,795</u>	<u>58,172,729</u>
NET ASSETS ending	<u>\$21,138,325</u>	<u>\$14,887,581</u>	<u>\$59,030,571</u>	<u>\$51,207,214</u>	<u>\$80,168,896</u>	<u>\$66,094,795</u>

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities



- The majority of the City of Post Falls' governmental activities' revenue is received from property taxes (30 percent). When all taxes are added together, they make up 45 percent of the budget.

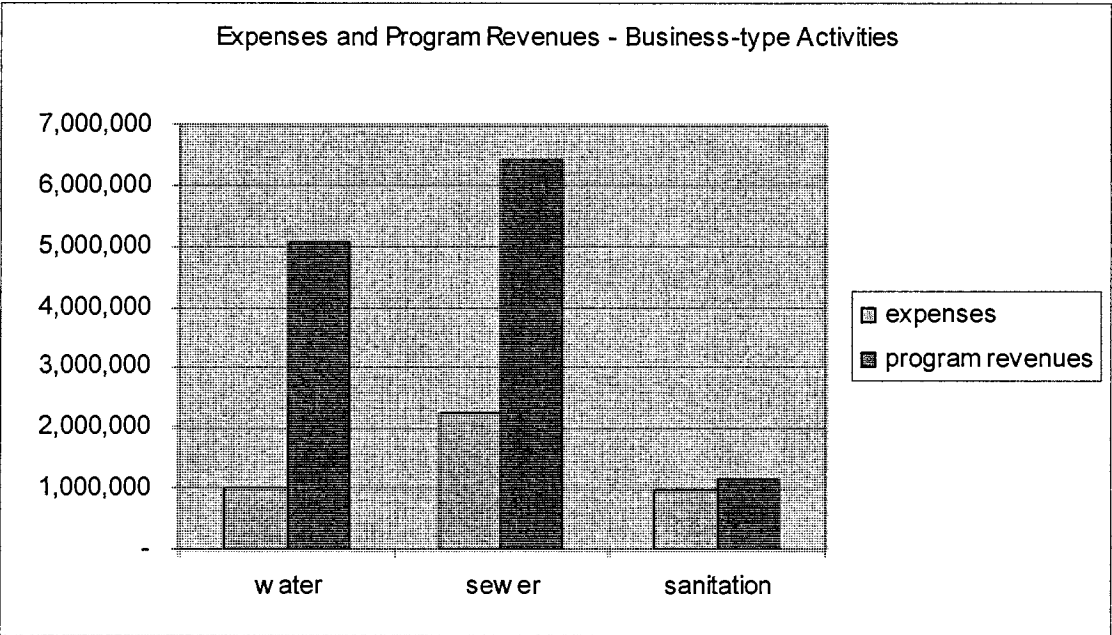
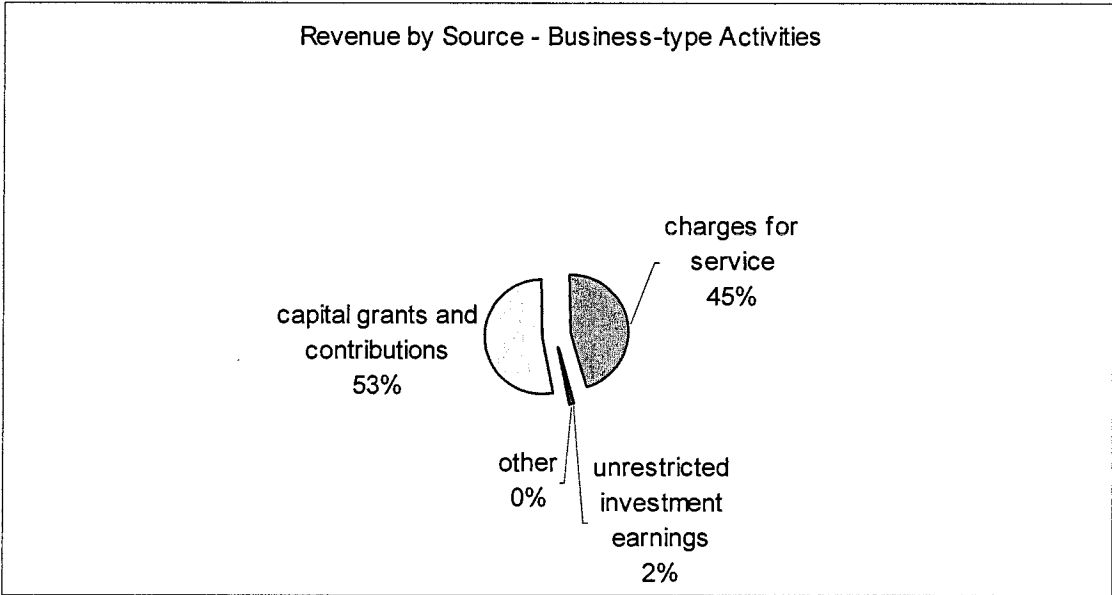
- When revenues are compared to expenses, it shows that only the City of Post Falls' highways and public works program is self supporting. This is due to donated capital assets from developers. Each program is funded by taxes or other general revenues.
- Grants and contributions are primarily received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

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The only major transactions during the year were construction projects such as the bond issuance of LID 99-1 (a transportation project in a new commercial area of town) and a number of park projects (new parks in subdivisions and updating old parks). No significant losses or revenues were received during the year.

Major funds in the City are general fund, LID 99-1, and the capital fund. Significant transactions within the general fund this year mainly consisted of repayment of debt and payment of personnel (has been steadily increasing since a wage study was performed in 2001 and since health insurance has been increasing at about 20 percent each year). The average wage increase in the City for the current fiscal year was 6 percent. A significant transaction for LID 99-1 was the bond issuance after closing out the project. This project was originally supposed to be complete in the prior year, so the budget was not adopted with correct numbers. Last, significant transactions in the capital fund were construction on a number of park projects.

The general fund has a significant cash balance at year end. A portion of this cash balance has been designated as a contingency fund in fiscal year 2004. Cash available at the end of each fiscal year is carried forward into next year's budget. LID 99-1 has the \$191,575 interfund payable to the general fund. This is due to an offsetting receivable from the Urban Renewal Agency. Last, the capital fund has a large cash balance that is primarily made up of money that is being saved for future projects such as a New City Hall.

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



- One of the major sources of the City of Post Falls' business-type activities' revenue is received from charges for services (45 percent). Currently, the City of Post Falls' business-type activities do not use property taxes for any type of funding.
- The second major source of revenue is capital contributions. These contributions are received by water and sewer only. The sanitation for the City of Post Falls is contracted out, and the City has very little capital investment in that program.

- When revenues are compared to expenses, it shows that all of the City of Post Falls' programs are self supporting.
- Investment earnings have been low because of a weak market, but they have improved over the prior year.

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

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City of Post Falls' reported a combined ending fund balance of \$7,672,374, an increase of \$2,494,098 in comparison with the prior year. This increase is primarily due to capital project savings and a dramatic increase in building permit fees. The current fund balance contains \$376,381 of reserved dollars, \$257,832 of designated dollars and the balance of \$7,038,161 is unreserved, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Post Falls. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,118,284, with a total fund balance of \$4,399,889. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 40 percent of total general fund expenditures, while total fund balance represents 43 percent of that same amount.

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

Unrestricted net assets of the water, sewer and sanitation funds at the end of the year amounted to \$14,994,784 (water \$3,535,245; sewer \$11,280,816; and sanitation \$178,723). Restricted net assets at the end of the year amounted to \$3,475,869 (water \$1,529,358 and sewer \$1,946,511).

General Fund Budgetary Highlights

No budget amendment was performed during the current fiscal year. General Fund revenues ended the fiscal year with a total positive variance of 8 percent. Expenditures ended the fiscal

year with a total positive variance of 3.5 percent. The major variance in revenues was due to an unprecedented year in issuing building permits. The variance in expenditures was due to a combination of numerous small savings in the general government area.

Capital Asset and Debt Administration

Capital assets. The City of Post Falls' investment in capital assets for its governmental and business type activities as of September 30 2004 amounts to \$54,522,378 (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 15 percent (a 55 percent increase for governmental activities and a 5 percent increase for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$3,372,084	\$3,372,084	\$2,354,871	\$2,354,871	\$5,726,955	\$5,726,955
Buildings & Imp.	7,244,079	7,043,304			7,244,079	7,043,304
Machinery & Equip.	1,755,820	1,766,325	338,787	337,119	2,094,607	2,103,444
Infrastructure Wells	6,855,985	3,383,981	751,742	806,169	6,855,985	3,383,981
Water System			10,690,054	8,250,575	10,690,054	8,250,575
Sewer System			26,367,739	25,942,037	26,367,739	25,942,037
C.I.P.			4,450,895	2,541,046	4,450,895	2,541,046
Total	<u>\$19,227,968</u>	<u>\$15,565,694</u>	<u>\$44,954,088</u>	<u>\$40,231,817</u>	<u>\$64,182,056</u>	<u>\$55,797,511</u>

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

- Donated capital assets from developers as they develop commercial areas and subdivisions.
- Continued with construction in various parks owned by the City.
- Continued construction of water project, (partially funded by a DEQ loan), which will include additional wells and reservoirs.

Additional information on the City of Post Falls' capital assets can be found in note 5 on pages 43 to 44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Post Falls had total bonded debt outstanding of \$6,359,257. Of this amount, \$1,370,000 is comprised of debt backed by the full faith and credit of the government and \$595,087 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Post Falls' debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), a water loan from DEQ secured solely by specified revenue sources, leases secured by general fund, and compensated absences accrued by employees and a liability of general fund (\$458,583), water (\$35,791) and sewer (\$28,433).

<u>Debt Type</u>	<u>2004 Balance</u>	<u>2003 Balance</u>
General Obligation Bonds:	\$1,370,000	\$1,490,000
Sewer Revenue Bonds:	1,745,915	2,408,979
Water – DEQ Loan	2,648,255	829,684
Special Assessment Bonds:	595,087	485,001
Leases	4,165,460	4,177,590
Compensated Absences	<u>522,807</u>	<u>456,762</u>
	<u>\$11,047,524</u>	<u>\$9,848,016</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 \$21,482,304 on September 30, 2004. The City's general obligation bond above is subject to this limit. Therefore, \$20,112,304 is available for future general obligation indebtedness.

Additional information on the City of Post Falls' long-term debt can be found in note 7 on pages 45 to 48 of this report.

Economic Factors and Next Year's Budgets and Rates

- The State of Idaho continued to see a slow recovery in sales tax and gas tax during 2004. During fiscal year 2002 there was a reduction in those taxes.
- Interest rates slowly started to creep up so investment interest has been budgeted to reflect this trend.
- Building permits issued in the City of Post Falls are at an all time high and are expected to continue at this rate for the next couple of years.
- The number of utility accounts has also been increasing at an all time high and that growth has been included in the budget process.

All of these factors were considered in preparing the City of Post Falls' budget for the 2005 fiscal year and the 2006 fiscal year. The City of Post Falls' budget is adopted in a two year cycle.

During the current fiscal year, undesignated fund balance in the general fund increased to \$4,118,284. The City of Post Falls has appropriated \$988,462 of this amount for spending in the 2005 fiscal year budget. The remaining balance will be reserved during fiscal year 2005 as a contingency fund.

Both water and sewer operating rates were increased by 4.5 percent in the 2005 budget year. Sanitation rates were increased by 4.95 percent. Water and sewer rates are set by rate studies that updated every five years. The sanitation rates are determined by PPI rates each year.

Requests for information

This financial report is designed to provide a general overview of the City of Post Falls' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 408 N Spokane St., Post Falls, ID 83854.

Basic Financial Statements

**City of Post Falls
Statement of Net Assets
September 30, 2004**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Post Falls Urban Renewal Agency
Assets				
Cash and cash equivalents	\$ 5,910,452	\$ 14,718,113	\$ 20,628,565	\$ 1,593
Investments	867,632		867,632	568,402
Receivables				
Accounts	20,634	706,616	727,250	
Taxes	325,737		325,737	16,123
Miscellaneous	406,046		406,046	
Special assessments	510,461		510,461	
Internal Balances	(5,844)	5,844		
Due from other governments	518,091		518,091	
Accrued interest			-	
Restricted cash	732,328	3,630,799	4,363,127	
Capital assets, net of depreciation:				
Land	3,372,084	2,354,871	5,726,955	
Buildings	7,244,079	4,593,962	11,838,042	
Machinery and equipment	1,755,820	338,787	2,094,607	
Other improvements		33,215,573	33,215,573	
Infrastructure	6,855,985		6,855,985	
Construction in progress		4,450,895	4,450,895	
Unamortized issue costs		3,824	3,824	
Total Assets	<u>28,513,505</u>	<u>64,019,284</u>	<u>92,532,789</u>	<u>586,118</u>
Liabilities				
Accounts payable	256,276	344,923	601,199	28,960
Accrued payroll	103,027	10,795	113,822	
Bond interest payable	47,027	19,669	66,696	
Restricted customer deposits	379,720	154,932	534,652	
Noncurrent liabilities				
Due within one year	714,400	652,216	1,366,616	
Due in more than one year	5,874,730	3,806,178	9,680,908	1,012,297
Total Liabilities	<u>7,375,180</u>	<u>4,988,713</u>	<u>12,363,894</u>	<u>1,041,257</u>
Net Assets				
Invested in fixed assets, net of related debt	13,097,421	40,559,918	53,657,339	
Restricted for:				
Library and art activities	23,773		23,773	
Debt service	352,608	1,516,825	1,869,433	
Capital improvements	357,832	1,959,044	2,316,876	
Unrestricted	7,306,691	14,994,784	22,301,475	(455,139)
Total Net Assets	<u>\$ 21,138,325</u>	<u>\$ 59,030,571</u>	<u>\$ 80,168,896</u>	<u>\$ (455,139)</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, 2004**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	
Governmental activities:							
General government	\$ 3,908,589	\$ 2,294,175	\$ 19,150	\$ 1,003	\$ (1,594,261)	\$	\$ (1,594,261)
Public safety	3,171,924	397,946	139,310	41,535	(2,593,133)		(2,593,133)
Highways and public works	1,701,489	574,995		3,800,882	2,674,388		2,674,388
Culture and recreation	1,172,659	730,743	52,114	12,288	(377,514)		(377,514)
Interest on long-term debt	325,229				(325,229)		(325,229)
Total governmental activities	10,279,890	3,997,859	210,574	3,855,708	(2,215,749)		(8,817)
							(430,487)
Business-type activities:							
Water	995,763	1,596,599		3,452,436		\$ 4,053,272	4,053,272
Sewer	2,224,803	3,065,150		3,360,948		4,201,295	4,201,295
Sanitation	955,858	1,151,549				195,691	195,691
Total business-type activities	4,176,424	5,813,298		6,813,384		8,450,258	8,450,258
Total government	\$14,456,314	\$ 9,811,157	\$ 210,574	\$ 10,669,092	(2,215,749)	8,450,258	6,234,509
							(430,487)
General revenues:							
Property taxes					4,990,766		4,990,766
Sales taxes					880,323		880,323
Franchise fees					297,093		297,093
Motor fuel taxes					912,867		912,867
Alcoholic beverage taxes					367,381		367,381
Grants and contributions not restricted to specific programs					145,760	241,539	387,299
Unrestricted investment earnings					1,763	2,100	3,863
Gains (losses) on disposal of capital assets					870,540	(870,540)	
Transfers					8,466,493	(626,901)	7,839,592
							333,707
Change in net assets					6,250,744	7,823,357	14,074,101
							(96,780)
Net Assets - beginning					14,887,581	51,207,214	66,094,795
Net Assets - ending					\$ 21,138,325	\$ 59,030,571	\$ 80,168,896
							\$ (455,139)

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

**City of Post Falls
Balance Sheet
Governmental Funds
September 30, 2004**

	Debt Service			Other Governmental Funds	Totals Government Funds 2004
	General Fund	LID 99-1 Fund	Capital Fund		
Assets					
Cash on hand and cash equivalents	\$ 2,954,541	\$ 3,920	\$ 2,540,160	\$ 411,831	\$ 5,910,452
Investments	867,632				867,632
Accounts receivable:					
Property taxes - current	64,458				64,458
- delinquent	261,279				261,279
Loans receivable				83,840	83,840
Miscellaneous	94,616	191,575		36,015	322,206
Customers				20,634	20,634
Due from other governments	508,181			9,910	518,091
Special assessments - delinquent				24,184	24,184
- deferred		250,086		236,191	486,277
Interfund receivables	225,337			2,241	227,578
Accrued interest					
Restricted current assets:					
Cash and cash equivalents	379,720		352,608		732,328
Total assets and other debits	<u>\$ 5,355,764</u>	<u>\$ 445,581</u>	<u>\$ 2,892,768</u>	<u>\$ 824,846</u>	<u>\$ 9,518,959</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 193,289		\$ 57,961	\$ 5,026	\$ 256,276
Interfund payables		\$ 191,575	10,757	31,090	233,422
Accrued payroll and fringe benefits	103,027				103,027
Deferred revenue	279,839	250,086		344,215	874,140
Restricted customer deposits	379,720				379,720
Total liabilities	<u>955,875</u>	<u>441,661</u>	<u>68,718</u>	<u>380,331</u>	<u>1,846,585</u>
Fund balances:					
Reserved for:					
Library and art activities	23,773				23,773
Debt			352,608		352,608
Unreserved:					
Designated for improvements	257,832				257,832
General fund	4,118,284				4,118,284
Special Revenue funds				254,216	254,216
Debt Service funds		3,920		190,299	194,219
Capital Fund			2,471,442		2,471,442
Total fund balances	<u>4,399,889</u>	<u>3,920</u>	<u>2,824,050</u>	<u>444,515</u>	<u>7,672,374</u>
Total liabilities and fund balances	<u>\$ 5,355,764</u>	<u>\$ 445,581</u>	<u>\$ 2,892,768</u>	<u>\$ 824,846</u>	

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

Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	19,227,968
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	874,140
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,636,157)
Net assets of governmental activities	<u>\$21,138,325</u>

City of Post Falls
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2004

	Debt Service			Capital Fund	Other Governmental Funds	Totals Government Funds 2004
	General Fund	LID 99-1 Fund				
Revenues:						
Taxes	\$ 5,267,092					\$ 5,267,092
Intergovernmental	2,320,893	\$ 280,887	\$ 23,088			2,624,868
Charges for services	2,043,333		807,292	\$ 249,150		3,099,775
Other revenue	302,064		31,444	151,188		484,696
Special assessment revenue		595,792		90,436		686,228
Interest	89,576	14	29,558	26,611		145,759
Total revenues	<u>10,022,958</u>	<u>876,693</u>	<u>891,382</u>	<u>517,385</u>		<u>12,308,418</u>
Expenditures:						
Current:						
General government	3,691,154	15,877	14,256	4,650		3,725,937
Public safety	2,897,361			6,414		2,903,775
Highways and public works	1,354,106			201,477		1,555,583
Culture and recreation	1,079,669			30,815		1,110,484
Capital outlay	315,398		450,882	28,698		794,978
Debt service:						
Principal	313,672			140,000		453,672
Interest	273,430	18,449		30,094		321,973
Total expenditures	<u>9,924,790</u>	<u>34,326</u>	<u>465,138</u>	<u>442,148</u>		<u>10,866,402</u>
Excess (deficiency) of revenues over expenditures	<u>98,168</u>	<u>842,367</u>	<u>426,244</u>	<u>75,237</u>		<u>1,442,016</u>
Other financing sources (uses):						
Proceeds of capital financing	181,542					181,542
Transfers in	1,016,540		278,318	15,780		1,310,638
Transfers out	(278,318)	(12,504)	(50,000)	(99,276)		(440,098)
Total other financing sources (uses)	<u>919,764</u>	<u>(12,504)</u>	<u>228,318</u>	<u>(83,496)</u>		<u>1,052,082</u>
Net change in fund balance	<u>1,017,932</u>	<u>829,863</u>	<u>654,562</u>	<u>(8,259)</u>		<u>2,494,098</u>
Fund balances, Beginning	<u>3,381,957</u>	<u>(825,943)</u>	<u>2,169,488</u>	<u>452,774</u>		<u>5,178,276</u>
Fund balances, Ending	<u>\$ 4,399,889</u>	<u>\$ 3,920</u>	<u>\$ 2,824,050</u>	<u>\$ 444,515</u>		<u>\$ 7,672,374</u>

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

**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, 2004**

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

Net change in fund balances - total governmental funds	\$ 2,494,098
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.	214,491
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	3,447,783
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. as revenue in the funds.	138,916
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of principal payments	<u>(44,544)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 6,250,744</u></u>

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

**City of Post Falls
Statement of Net Assets
Proprietary Funds
September 30, 2004**

	Business-type Activities - Enterprise Funds						Totals Current Year
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	
Assets							
Current assets:							
Cash	\$ 3,510,202	\$ 1,885,158	\$ 11,064,550	\$ 8,791,151	\$ 143,361	\$ 106,377	\$ 14,718,113
Utility receivables, net	269,990	271,758	317,741	328,921	118,885	111,692	706,616
Restricted cash, customer deposits	154,932						154,932
Accrued interest		37		115		1	
Due from other funds			5,844				5,844
Total current assets	3,935,124	2,156,953	11,388,135	9,120,187	262,246	218,070	15,585,505
Non-current assets:							
Restricted cash	1,529,357	1,591,096	1,946,510	1,614,718			3,475,867
Restricted accrued interest		20		26			
Bond issuance cost, net			3,824	4,593			3,824
Total restricted assets	1,529,357	1,591,116	1,950,334	1,619,337			3,479,691
Capital assets:							
Land	54,555	54,555	2,300,316	2,300,316			2,354,871
Wells	1,352,393	1,352,393					1,352,393
Water system	12,919,806	10,261,145					12,919,806
Equipment	357,051	252,186	1,043,335	1,025,398	12,979	12,979	1,413,365
Sewer system			35,928,897	34,748,954			35,928,897
Construction in progress	4,058,130	2,491,394	392,765	49,652			4,450,895
Less accumulated depreciation	(3,051,086)	(2,773,765)	(10,402,074)	(9,530,411)	(12,979)	(12,979)	(13,466,139)
Total capital assets (net of accumulated depreciation)	15,690,849	11,637,908	29,263,239	28,593,909			44,954,088
Total non-current assets	17,220,206	13,229,024	31,213,573	30,213,246			48,433,779
Total Assets	21,155,330	15,385,977	42,601,708	39,333,433	262,246	218,070	64,019,284
Liabilities							
Current liabilities:							
Accounts payable	193,715	71,153	67,685	86,898	83,523	78,504	344,923
Accrued payroll	4,657	12,781	6,138	18,535			10,795
Bond interest payable	10,783	1,235	8,886	31,062			19,669
Compensated absences	35,791	26,092	28,433	35,420			64,224
Bond payable - current maturity			614,260	625,421			614,260
Total current liabilities	244,946	111,261	725,402	797,336	83,523	78,504	1,053,871
Current liabilities payable from restricted assets:							
Customer deposits payable	154,932	129,924					154,932
Total current liabilities payable from restricted assets	154,932	129,924					154,932
Noncurrent liabilities:							
Bonds payable	2,648,255	829,684	1,131,655	1,783,557			3,779,910
Total noncurrent liabilities	2,648,255	829,684	1,131,655	1,783,557			3,779,910
Total Liabilities	3,048,133	1,070,869	1,857,057	2,580,893	83,523	78,504	4,988,713
Net Assets							
Invested in fixed assets, net of related debt	13,042,594	10,808,224	27,517,324	26,184,931			40,559,918
Restricted for:							
Replacement	806,036	1,002,014	1,153,008	841,267			1,959,044
Bond Retirement	723,322	459,178	793,503	773,477			1,516,825
Unrestricted	3,535,245	2,045,692	11,280,816	8,952,865	178,723	139,566	14,994,784
Total Net Assets	\$ 18,107,197	\$ 14,315,108	\$ 40,744,651	\$ 36,752,540	\$ 178,723	\$ 139,566	\$ 59,030,571

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

City of Post Falls
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2004

	Business-type Activities - Enterprise Funds						
	Water	Water	Sewer	Sewer	Sanitation	Sanitation	Totals
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
Operating Revenues:							
Charges for services	\$ 1,433,091	\$ 1,321,635	\$ 3,028,574	\$ 2,606,011	\$ 1,128,396	\$ 1,044,512	\$ 5,590,061
Hookups and connections	84,200	62,171					84,200
Other revenues	79,308	64,354	36,576	34,868	23,153	18,061	139,037
Total operating revenues	<u>1,596,599</u>	<u>1,448,160</u>	<u>3,065,150</u>	<u>2,640,879</u>	<u>1,151,549</u>	<u>1,062,573</u>	<u>5,813,298</u>
Operating Expenses:							
Salaries and benefits	315,402	290,294	504,791	450,540			820,193
Administrative and supplies	379,267	366,573	749,940	629,490	955,858	889,681	2,085,065
Depreciation	291,546	200,400	872,501	378,466			1,164,047
Total operating expenses	<u>986,215</u>	<u>857,267</u>	<u>2,127,232</u>	<u>1,458,496</u>	<u>955,858</u>	<u>889,681</u>	<u>4,069,305</u>
Operating income	<u>610,384</u>	<u>590,893</u>	<u>937,918</u>	<u>1,182,383</u>	<u>195,691</u>	<u>172,892</u>	<u>1,743,993</u>
Nonoperating revenues (expenses):							
Intergovernmental	159,234						159,234
Investment income	66,517	72,224	173,341	206,035	1,681	1,864	241,539
Interest expense	(9,548)	(1,235)	(96,801)	(125,479)			(106,349)
Gain on sale of fixed assets	2,100						2,100
Amortization of refunding costs			(770)	(770)			(770)
Total nonoperating revenues (expenses)	<u>218,303</u>	<u>70,989</u>	<u>75,770</u>	<u>79,786</u>	<u>1,681</u>	<u>1,864</u>	<u>295,754</u>
Income before contributions and transfers	828,687	661,882	1,013,688	1,262,169	197,372	174,756	2,039,747
Capital Contributions - tap fees	3,293,202	658,546	3,360,948	2,751,944	(158,215)	(142,763)	6,654,150
Transfers out	(329,800)	(301,049)	(382,525)	(352,410)	39,157	31,993	(870,540)
Changes in net assets	<u>3,792,089</u>	<u>1,019,379</u>	<u>3,992,111</u>	<u>3,661,703</u>	<u>139,566</u>	<u>107,573</u>	<u>7,823,357</u>
Total net assets - beginning	<u>14,315,108</u>	<u>13,295,729</u>	<u>36,752,540</u>	<u>33,090,837</u>			<u>51,207,214</u>
Total net assets - ending	<u>\$ 18,107,197</u>	<u>\$ 14,315,108</u>	<u>\$ 40,744,651</u>	<u>\$ 36,752,540</u>	<u>\$ 178,723</u>	<u>\$ 139,566</u>	<u>\$ 59,030,571</u>

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

**City of Post Falls
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2004**

	Business-type Activities - Enterprise Funds						Totals Current Year
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	
Cash Flows from Operating Activities							
Receipts from customers	\$ 1,623,375	\$ 1,448,178	\$ 3,076,330	\$ 2,571,638	\$ 1,144,357	\$ 1,049,390	\$ 5,844,062
Payments to suppliers	(256,705)	(450,876)	(769,154)	(614,551)	(950,839)	(878,724)	(1,976,698)
Payments to employees	(313,827)	(289,539)	(524,175)	(442,086)			(838,002)
Net cash provided by operating activities	<u>1,052,843</u>	<u>707,763</u>	<u>1,783,001</u>	<u>1,515,001</u>	<u>193,518</u>	<u>170,666</u>	<u>3,029,362</u>
Cash Flows from Non-capital Financing Activities							
Operating subsidies and transfers to other funds	(329,800)	(301,049)	(382,525)	(352,410)	(158,215)	(142,763)	(870,540)
Advances from other funds			(5,844)				
Subsidy from federal grant	159,234						159,234
Net cash (used) by non-capital financing activities	<u>(170,566)</u>	<u>(301,049)</u>	<u>(388,369)</u>	<u>(352,410)</u>	<u>(158,215)</u>	<u>(142,763)</u>	<u>(711,306)</u>
Cash Flows from Capital and Related Financing Activities							
Proceeds from capital debt	1,818,571	829,684					1,818,571
System development fees	3,293,202	658,546	3,360,948	2,751,944			6,654,150
Proceeds from sale of capital assets	2,100						2,100
Principal payments on capital debt			(663,063)	(594,193)			(663,063)
Interest payments on capital debt			(118,977)	(129,765)			(118,977)
Purchase of capital assets	(4,344,487)	(2,385,291)	(1,541,831)	(1,182,825)			(5,886,318)
Net cash provided (used) by capital and related financing activities	<u>769,386</u>	<u>(897,061)</u>	<u>1,037,077</u>	<u>845,161</u>			<u>1,806,463</u>
Cash Flows from Investing Activities							
Interest received on investments	66,574	80,310	173,482	224,246	1,681	1,948	241,737
Net cash provided by investing activities	<u>66,574</u>	<u>80,310</u>	<u>173,482</u>	<u>224,246</u>	<u>1,681</u>	<u>1,948</u>	<u>241,737</u>
Net increase (decrease) in cash and cash equivalents	1,718,237	(410,037)	2,605,191	2,231,998	36,984	29,851	4,366,256
Cash and cash equivalents, beginning	3,476,254	3,886,291	10,405,869	8,173,871	106,377	76,526	13,988,500
Cash and cash equivalents, ending	<u>\$ 5,194,491</u>	<u>\$ 3,476,254</u>	<u>\$ 13,011,060</u>	<u>\$ 10,405,869</u>	<u>\$ 143,361</u>	<u>\$ 106,377</u>	<u>\$ 18,354,756</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:							
Operating income	\$ 610,384	\$ 590,893	\$ 937,918	\$ 1,182,383	\$ 195,691	\$ 172,892	\$ 1,743,993
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	291,546	200,400	872,501	378,466			1,164,047
Changes in assets and liabilities:							
Accounts receivable	1,768	(28,161)	11,179	(69,241)	(7,192)	(13,183)	5,755
Accounts payable	122,562	(84,303)	(19,213)	14,939	5,019	10,957	108,368
Accrued payroll	1,575	755	(19,384)	8,454			(17,809)
Customer deposits	25,008	28,179					25,008
Total adjustments	<u>\$ 1,052,843</u>	<u>\$ 707,763</u>	<u>\$ 1,783,001</u>	<u>\$ 1,515,001</u>	<u>\$ 193,518</u>	<u>\$ 170,666</u>	<u>\$ 3,029,362</u>

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Government-wide and fund financial statements

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, franchise fees and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The government reports the following major governmental funds:

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. The *capital fund* accounts for all governmental fund major capital projects. These projects include street capital, park improvements and city facilities. The primary sources of revenue are from impact fees, grants and general fund transfers. The primary expenditures are for park improvements, streets and city facilities.

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, water and sanitation funds are charges to customers for sales and services. The sewer and water fund also recognize as operating revenue the portion of cap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Prepaid Items

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

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

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Investments - Investments are stated at cost and are comprised principally of time certificates of deposit, government backed securities, and Idaho State pooled investments. Cost at September 30, 2004 materially approximates fair value. Investments on hand at September 30, 2004 meet the guidelines as set by regulations of the State of Idaho. These guidelines include securities of the U.S. Government or its agencies, certificates of deposit placed with commercial banks and savings and loans, banker's acceptances, commercial paper, repurchase agreements, State and County investment pools, insured money market accounts, and passbook savings account demand deposits.

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

Restricted Assets

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

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Capitalization of Interest - In accordance with Financial Accounting Standards Board Statement No. 62, the City follows the policy of capitalizing net interest costs on funds borrowed to finance the construction of fixed assets.

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

	Years
Water Bond refunding costs	16
Sewer Bond issuance costs	20

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

Accounts Receivable - Utility accounts receivable, net of allowances for doubtful accounts for the enterprise funds as of September 30, 2004 are as follows:

Water:	
Gross accounts receivable	\$278,036
Less allowance for doubtful accounts	<u>(8,046)</u>
Accounts receivable, net	<u>\$269,990</u>
Sewer:	
Gross accounts receivable	\$326,444
Less allowance for doubtful accounts	<u>(8,703)</u>
Accounts receivable, net	<u>\$317,741</u>
Sanitation:	
Gross accounts receivable	\$122,528
Less allowance for doubtful accounts	<u>(3,643)</u>
Accounts receivable, net	<u>\$118,885</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenues - Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The County Assessor establishes assessed values. Property tax payments are due in one-half installments in December and June. Property taxes become a lien on the property when it is levied. State statute sets maximum property tax rates for the various funds of the City of Post Falls. For the general fund, the City cannot levy more than 103% of the prior year levy rate. 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 2003-04 fiscal year was .005467134.

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

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

NOTE 2: PRIOR PERIOD ADJUSTMENT

During FY 03, the City miscalculated the depreciation amount for water and sewer assets. The Water assets were over depreciated by \$51,151 and sewer assets were over depreciated by \$313,704. Also, expenditures in the LID 99-1 fund were over recognized by \$230,555. The amounts have been corrected as follows:

As previously reported, September 30, 2003:	
Water invested in fixed assets, net of related debt	\$10,752,073
Sewer invested in fixed assets, net of related debt	\$25,871,227
LID 99-1 fund balance	\$(1,056,498)
As restated, September 30, 2003:	
Water invested in fixed assets, net of related debt	\$10,808,224
Sewer invested in fixed assets, net of related debt	\$26,184,931
LID 99-1 fund balance	\$ (825,943)

NOTE 3: CASH AND INVESTMENTS

Cash and Investments

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 3: CASH AND INVESTMENTS (Continued)

Cash and Investments are comprised of the following at September 30, 2004:

Cash on hand	\$ 2,654
Deposits with financial institutions:	
Demand deposit	65,669
Time certificates of deposit	10,266
Investments	<u>25,780,735</u>
Total	<u>\$25,859,324</u>

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

Cash and Investments	\$21,496,197
Restricted Cash and Investments	<u>4,363,127</u>
Total	<u>\$25,859,324</u>

Deposits

The carrying amount of the City's deposits with financial institutions was \$75,935 and the bank balance was \$129,054. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the City in its name	\$110,266
Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name)	18,788
Total bank balance	<u>\$129,054</u>

Investments

The City's investments are categorized as follows:

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 3: CASH AND INVESTMENTS (Continued)

At September 30, 2004, the carrying amount and fair value of the investments were:

	Categories			Carrying Amount	Fair Value
	1	2	3		
Repurchase Agreements	\$6,883,323			\$6,883,323	\$6,883,323
U.S. Government Bonds	<u>1,050,964</u>			<u>1,050,964</u>	<u>1,050,964</u>
	<u>\$7,934,287</u>			7,934,287	7,934,287

Investments not subject to categorizations:

Idaho State Treasurer's Local Government Investment Pool, variable interest rate	<u>17,846,448</u>	<u>17,772,742</u> ⁽¹⁾
Sub-total (Investments excluding Trust and Agency Funds)	<u>17,846,448</u>	<u>17,772,742</u>
Total investments	<u>\$25,780,735</u>	<u>\$25,707,029</u>

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

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

NOTE 4: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2004:

Delinquent principal amounts	\$ 24,184
Deferred principal amounts not currently due, but due at future date	<u>486,277</u>
	<u>\$510,461</u>

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 5: CAPITAL ASSETS

When depreciation was calculated for the Water and Sewer assets during 2003 an error was made and the appropriate depreciation was not taken. A prior period adjustment was made to retained earnings to correct this misstatement. Neither of these changes was material to the Governmental Capital Assets or to the Proprietary Funds. Capital assets activity for the year ended September 30, 2004, is as follows:

	September 30,	Adjustments			September 30,
	2003	Additions	Transfers	Deletions	2004
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$3,372,084				\$3,372,084
Total capital assets, not being depreciated	3,372,084				3,372,084
Capital assets, being depreciated:					
Buildings and improvements	8,340,163	\$436,797			8,776,960
Equipment	2,703,611	14,722			2,718,333
Vehicles	1,369,772	321,856	\$15,063	(\$15,545)	1,691,146
Infrastructure	3,383,981	3,472,004			6,855,985
Total capital assets, being depreciated	15,797,527	4,245,379	15,063	(15,545)	20,042,424
Less: accumulated depreciation					
Buildings and improvements	1,296,859	236,022			1,532,881
Equipment	1,493,966	272,706			1,766,672
Vehicles	813,092	71,759	15,063	(12,927)	886,987
Infrastructure					
Total accumulated depreciation	3,603,917	580,487	15,063	(12,927)	4,186,540
Total capital assets being depreciated, net	12,193,610	3,664,892		(2,618)	15,855,884
Governmental activities capital assets, net	\$15,565,694	\$3,664,892	\$	(\$2,618)	\$19,227,968

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 5: CAPITAL ASSETS (Continued)

	September 30,	Adjustments			September 30,
	2003	Additions	Transfers	Deletions	2004
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets, not being depreciated:					
Land	\$2,354,871				\$2,354,871
C.I.P.	2,541,046	\$ 1,911,843		(\$1,994)	4,450,895
Total capital assets, not being depreciated	4,895,917	1,911,843		(1,994)	6,805,766
Capital assets, being depreciated:					
Wells	1,352,393				1,352,393
Water System	10,261,145	2,658,661			12,919,806
Equipment	1,290,563	137,865	(15,063)		1,413,365
Sewer System	34,748,954	1,179,943			35,928,897
Total capital assets, being depreciated	47,653,055	3,976,469	(15,063)		51,614,461
Less: accumulated depreciation					
Wells	546,224	54,427			600,651
Water System	2,010,570	219,182			2,229,752
Equipment	953,444	136,197	(15,063)		1,074,578
Sewer System	8,806,917	754,241			9,561,158
Total accumulated depreciation	12,317,155	1,164,047	(15,063)		13,466,139
Total capital assets being depreciated, net	35,335,900	2,812,422			38,148,322
Business-type activities capital assets, net	\$40,231,817	\$4,724,265	\$0	(\$1,994)	\$44,954,088

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

Governmental activities:	
General government	\$119,320
Public safety	268,149
Highways and public works	130,843
Culture and recreation	62,175
Total depreciation expense – governmental activities	<u>\$580,487</u>
Business-type activities:	
Water	\$291,546
Sewer	872,501
Total depreciation expense – business-type activities	<u>\$1,164,047</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 6: DEFINED BENEFIT PENSION PLAN

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

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

The contribution requirements of the City of Post Falls and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2004, the required contribution rates of covered payroll were as follows:

For the period October 1, 2003 through June 30, 2004:

	<u>City</u>	<u>Employees</u>
General employees	9.77%	5.86%
Police officer/firefighter employees	10.11%	7.21%

For the period July 1, 2004 through September 30, 2004:

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

The City of Post Falls' contributions required and paid were \$494,192, \$457,234, and \$422,617 for the three years ended June 30, 2004, 2003, and 2002, respectively.

NOTE 7: LONG-TERM DEBT

General Obligation Bond

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 7: LONG-TERM DEBT (Continued)

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

	<u>Year Ending</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
G.O.B.:	2005	4.20%	\$ 125,000	\$57,627	\$ 182,627
	2006	4.20	130,000	52,272	182,272
	2007	4.25	135,000	46,674	181,674
	2008	4.25	145,000	40,724	185,724
	2009	4.35	150,000	34,380	184,380
	2010-2012	4.40-4.65	<u>685,000</u>	<u>64,931</u>	<u>749,931</u>
			<u>\$1,370,000</u>	<u>\$296,608</u>	<u>\$1,666,608</u>

Sewer Revenue Bonds

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

On August 1, 1995 the City issued \$670,000 of Sewer Revenue Refunding Bonds, named the Series 1995A Bonds. The proceeds of these bonds, along with other resources of the City, were used to defease (refund) the Series 1985 bonds. On May 16, 1994 the City received Judicial Validation under Idaho Code to issue \$3,315,750 of Sewer Revenue Bonds, and issued those bonds, as Series 1995B, on August 1, 1995 in conjunction with the issuance of the Series 1995A bonds.

Repayment terms on the Series 1989 bonds are semi-annual payments, due January 1 and July 1, in the amount of \$54,833.62, including interest at 4.00%.

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%.

Repayment terms on the Series 1995A Bonds call for semi-annual interest payments on February 1 and August 1, at rates ranging from 3.9% to 4.9%, and annual principal repayments on August 1 in amounts ranging from \$55,000 in 1997 to \$80,000 in 2005.

Repayment terms on the Series 1995B Bonds call for semi-annual interest payments on February 1 and August 1, at rates ranging from 3.9% to 4.9%, and annual principal repayments on August 1 in amounts ranging from \$280,000 in 1997 to \$405,000 in 2005.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 7: LONG-TERM DEBT (Continued)

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

SEWER REVENUE BONDS:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2005	\$614,260	\$57,935	\$672,195
2006	173,645	43,547	217,192
2007	180,661	36,531	217,192
2008	187,959	29,233	217,192
2009	195,553	21,639	217,192
2010-2013	393,837	36,164	430,001
	<u>\$1,745,915</u>	<u>\$225,049</u>	<u>\$1,970,964</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2004, was as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
L.I.D. 91-1:	4/15/05	7.95%	\$20,000	\$4,770	\$24,770
	4/15/06	7.95	20,000	3,180	23,180
	4/15/07	7.95	<u>20,000</u>	<u>1,590</u>	<u>21,590</u>
			<u>\$60,000</u>	<u>\$9,540</u>	<u>\$69,540</u>
C.L.I.D. #2:	9/1/05	5.75%	<u>\$85,000</u>	<u>\$4,887</u>	<u>\$89,887</u>
			<u>\$85,000</u>	<u>\$4,887</u>	<u>\$89,887</u>
L.I.D. #96-1:	9/30/05	5.10%	\$ 35,000	\$10,620	\$ 45,620
	9/30/06	5.20	40,000	8,835	48,835
	9/30/07	5.30	40,000	6,755	46,755
	9/30/08	5.40	40,000	4,635	44,635
	9/30/09	5.50	<u>45,001</u>	<u>2,475</u>	<u>47,475</u>
			<u>\$200,001</u>	<u>\$33,320</u>	<u>\$233,321</u>
L.I.D. #99-1:	3/01/05	2.55%	\$ 10,086	\$12,067	\$ 22,153
	3/01/06	2.90	15,000	11,055	26,055
	3/01/07	3.15	15,000	10,620	25,620
	3/01/08	3.55	15,000	10,148	25,148
	3/01/09	3.85	15,000	9,615	24,615
	3/01/10-14	4.10-4.95	80,000	38,670	118,670
	3/01/15-19	5.10-5.60	<u>100,000</u>	<u>16,360</u>	<u>116,360</u>
			<u>\$250,086</u>	<u>\$108,535</u>	<u>\$358,621</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 7: LONG-TERM DEBT (Continued)

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. The required balance for this fund at September 30, 2004 is \$41,656. As of September 30, 2004, \$79,399 is set-aside in this fund.

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

	<u>Balance</u> <u>10/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/04</u>
Compensated absences	\$ 395,250	\$444,842	\$381,509	\$458,583
Capital leases (Note 8)	4,177,590	181,542	193,672	4,165,460
General Fund Bonds Payable	1,490,000		120,000	1,370,000
Local Imp. Bonds payable	<u>485,001</u>	<u>250,086</u>	<u>140,000</u>	<u>595,087</u>
	<u>\$6,547,841</u>	<u>\$876,470</u>	<u>\$835,181</u>	<u>\$6,589,130</u>

	<u>Due in</u> <u>One Year</u>
Compensated absences	\$232,731
Capital leases (Note 8)	206,583
General Fund Bonds Payable	125,000
Local Imp. Bonds payable	<u>150,086</u>
	<u>\$714,400</u>

NOTE 8: CAPITAL LEASES

General Fund - The General Fund has entered into 5 equipment leases and 1 building/land lease, which qualify as capital leases, as ownership of the assets transfers to the City at the end of the lease. The leases carry interest rates ranging from 2.50% to 5.44% and require annual principal payments. The equipment secures the leases. The booked asset value of the leased equipment is \$262,749 with \$58,250 in depreciation booked and the booked asset value of the building/land is \$4,358,192, with \$195,119 in depreciation booked, with \$352,608 held in US Government bonds for reserve of the Certificates. All of the capital leases have non-appropriation clauses, which state that if funding is unavailable during the budget process to make the annual required lease payments, then the lease is canceled and the equipment returned to the lending institution.

Future minimum lease payments are as follows:

2005	\$ 417,726
2006	415,186
2007	385,952
2008	388,740
2009	348,620
2010-2014	1,337,352
2015-2019	1,740,480
2020-2022	<u>1,734,480</u>
Future minimum lease payments	6,768,536
Less amounts representing interest	<u>(2,603,076)</u>
	<u>\$4,165,460</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 9: COMPONENT UNIT DISCLOSURES

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

Agency Bond Payable - On August 15, 1998, the Agency issued \$995,000 revenue allocation (tax increment) bonds, named Series 1998 Bonds. The purpose of this issue is to refund the Agency's Revenue Allocation Bonds, Series 1997. The notes were issued to partially finance the construction and development of the project within the Urban Renewal Area. Repayment terms are semi-annual payments, due February 1 and August 1, bearing interest ranging from 4.2% to 4.6%. As of September 30, 2004 the bond has been paid in full.

Jacklin - The long-term note payable balance of \$820,421 at September 30, 2004 is a note payable to Jacklin Land Company, L.P., with no interest. The loan was made in order to cover the cash flow requirement for payment of the August 1, 2000, 2001, 2002, 2003 and 2004 bond payments on the Riverbend Project Bonds. The debt will not be repaid until after revenues have been received by the Agency in excess of debt service payments on the Series 1998 Bonds.

City of Post Falls - Construction costs in the amount of \$230,856, incurred by the Agency were paid by the City of Post Falls. The City is to be reimbursed by the Agency. During fiscal year 2004, \$38,980 was paid by the Agency to the City. The debt will be repaid with anticipated tax revenues. The Agency will retain the greater of the first \$10,000 or 15% of tax revenues received. The remainder will be used to repay the City of Post Falls in an estimated three year period. The Agency is not required to pay the City unless tax revenues are received in excess of \$10,000 and due to the inability to estimate the amount of future payments, based on this requirement, the entire note payable will be considered long term.

The general long-term debt as of September 30, 2004 is as follows:

<u>Revenue Allocation Bonds</u>	Balance Outstanding <u>9/30/03</u>	Issued During <u>Year</u>	Retired During <u>Year</u>	Balance Outstanding <u>9/30/04</u>
Note payable - Jacklin	\$661,403	\$159,018		\$820,421
Note payable - City 1998 Series	<u>230,000</u>	230,856	\$ 38,980	191,876
	<u>\$ 891,403</u>	<u>\$389,874</u>	<u>\$268,980</u>	<u>\$1,012,297</u>

Agency Cash and Investments

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 9: COMPONENT UNIT DISCLOSURES (Continued)

Cash and Investments are comprised of the following at September 30, 2004:

Deposits with financial institutions:	
Demand deposit	\$ 1,593
Investments	<u>568,402</u>
Total	<u>\$569,995</u>

Cash and investments are reflected as follows:

Cash and Investments	<u>\$569,995</u>
Total	<u>\$569,995</u>

Deposits

The carrying amount of the Agency's deposits with financial institutions was \$569,995 and the bank balance was \$588,648. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the Agency in its name	\$588,648
Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Agency's name)	_____
Total bank balance	<u>\$588,648</u>

Investments

The Agency's investments are categorized as follows:

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 counterparty's trust department or agent in the Agency's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its agent but not in the Agency's name.

At September 30, 2004, the carrying amount and fair value of the investments were:

Categories	Carrying Amount	Fair Value
1	2	3

Investments not subject to categorizations:

Idaho State Treasurer's Local Government Investment Pool, variable interest rate	\$ 568,402	\$ 568,402
Total investments	<u>\$568,402</u>	<u>\$568,402</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 10: EXPENDITURES IN EXCESS OF BUDGETED APPROPRIATIONS

The following funds had expenditures in excess of budget:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>
Special Revenue:		
Cemetery Perpetual Care		\$1,716
Street Lights	\$181,200	\$195,633
911 Support	\$0	\$29,078
School Resource/DARE	\$2,100	\$6,034
LID 2004-1	\$0	\$5,844
LID 99-1 Fund:	\$0	\$34,326

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

The over expenditure in Cemetery Perpetual Care was due to interest paid on an internal borrowing from General Fund. The over expenditure in Street Lights was caused from an increase in the number of street lights served. The over expenditure in 911 Support was due to the completion of the new police facility. The over expenditure in School Resource/DARE was due to some unanticipated expenditures in the DARE program. The over expenditure on LID 2004-1 was due to a project beginning earlier than anticipated. The over expenditure in LID 99-1 was due to incorrect budget numbers.

NOTE 11: DEFICIT FUND EQUITY

The following funds had a deficit fund equity at September 30, 2004:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Cemetery/Perpetual Care	<u>\$9,142</u>
Debt Service:	
LID 2004-1	<u>\$5,844</u>

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

NOTE 12: COMMITMENTS AND CONTINGENCIES

Commitments – The City started the process of adding additional water capacity in FY 03. Planning took place during FY 02 and the option to finance the project through DEQ was approved by Council. The City has borrowed \$2,648,255 towards this project. This project is scheduled to be completed in FY 05. The City is also working on a few sewer projects. The first project is ditch aeration, the second project is adding sewer line along Highway 41, and the final project is purchasing property out on the prairie for land application of reclaimed water. The second project has been combined with LID 2004-1. The LID construction is estimated to begin in FY 05. On the third project, the electors approved the financing for this project, up to \$9,500,000 in August of 2004. The first property purchase in the amount of \$4,670,000 closed on December 31, 2004. The City will continue to look for additional property for this project.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

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

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

NOTE 13: DEFERRED COMPENSATION PLANS

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

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

NOTE 14: TRANSFERS:

The composition of interfund transfers as of September 30, 2004, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,016,540	\$ 278,318
Capital Fund	278,318	50,000
LID 99-1		12,504
Nonmajor Governmental Funds	15,780	99,276
Enterprise Funds	_____	870,540
Totals	<u>\$1,310,638</u>	<u>\$1,310,638</u>

The principal purposes for the transfer of funds from the Enterprise funds to the General fund to cover the administration costs of operating the City's utility division (water, sewer, and sanitation). The principal purpose for the transfer of funds from the Capital fund to the General fund was to cover the lease costs on the new police station. A portion of the new police station is paid for with impact fees collected in the capital fund. The principal purpose for the transfer of funds from the General fund to the Capital fund was to accrue a down payment for a new City Hall. The principal purpose for the transfer of funds from LID 99-1 to the Nonmajor governmental funds was to fund part of the LID Guarantee fund. 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 to fund part of the City Hall down payment.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 15: INTERFUND RECEIVABLES/PAYABLES:

The composition of interfund balances as September 30, 2004 is as follows:

Interfund receivable/payable:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$225,337	
Debt Service – LID 99-1		\$191,575
Capital Fund		10,757
Sewer Fund	5,844	
Nonmajor Governmental Funds	<u>2,241</u>	<u>31,090</u>
Totals	<u>\$233,422</u>	<u>\$233,422</u>

The principal purpose for the interfund/payables in the City are to cover negative cash balances are year-end. These are short-term interfund/payables and are intended to be corrected within the next fiscal year. The only exception to this is a borrowing from the Cemetery fund to the General fund that is to be paid over the next five to ten years. The current amount owed is \$23,005.

NOTE 16: RISK MANAGEMENT

The City faces a considerable number of risks of loss, including: a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e., errors and omissions, d) environmental damage, e) workers' compensation, i.e., employee injuries, and f) medical insurance costs of employees. A variety of methods are used to provide insurance for these risks. The only area they do not have insurance coverage for is environmental damage. This is due to lack of available coverage. During the last three years, the City has not had a claim in excess of insurance coverage. Therefore, there have been no outstanding claims at the end of those three years.

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2004

NOTE 16: RISK MANAGEMENT (Continued)

Last the City contracts with a broker, to help provide the City with 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.

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

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

General Fund

Debt Service Fund
LID 99-1 Fund

Capital Fund

**City of Post Falls
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
General property taxes	\$ 5,166,305	\$ 5,166,305	\$ 5,267,092	\$ 100,787
Intergovernmental revenue	2,173,919	2,173,919	2,320,893	146,974
Charges for services	1,236,792	1,236,792	2,043,333	806,541
Other revenue	600,432	600,432	302,064	(298,368)
Interest	95,187	95,187	89,576	(5,611)
Total revenues	<u>9,272,635</u>	<u>9,272,635</u>	<u>10,022,958</u>	<u>750,323</u>
Expenditures				
Current:				
General government	4,214,446	4,214,446	3,691,154	523,292
Public safety	2,965,893	2,965,893	2,897,361	68,533
Highways and public works	1,375,498	1,375,498	1,354,106	21,392
Culture and recreation	966,105	966,105	1,079,669	(113,564)
Capital outlay	168,638	168,638	315,398	(146,760)
Debt service				
Principal	313,675	313,675	313,672	3
Interest	277,249	277,249	273,430	3,819
Total expenditures	<u>10,281,504</u>	<u>10,281,504</u>	<u>9,924,790</u>	<u>356,714</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,008,869)</u>	<u>(1,008,869)</u>	<u>98,168</u>	<u>1,107,038</u>
Other Financing Sources (Uses)				
Proceeds of capital financing			181,542	181,542
Transfers in	961,540	961,540	1,016,540	55,000
Transfers (out)	(269,814)	(269,814)	(278,318)	(8,504)
Total other financing sources (uses)	<u>691,726</u>	<u>691,726</u>	<u>919,764</u>	<u>228,038</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	<u>(317,143)</u>	<u>(317,143)</u>	<u>1,017,932</u>	<u>1,335,076</u>
Fund balances - beginning	<u>3,381,957</u>	<u>3,381,957</u>	<u>3,381,957</u>	
Fund balances - ending	<u>\$ 3,064,814</u>	<u>\$ 3,064,814</u>	<u>\$ 4,399,889</u>	<u>\$ 1,335,076</u>

**City of Post Falls
LID 99-1 Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue			\$ 280,887	\$ 280,887
Principal			595,792	595,792
Interest			14	14
Total revenues			<u>876,693</u>	<u>876,693</u>
Expenditures				
Current:				
General government			15,877	(15,877)
Debt Service				
Interest			18,449	18,449
Total expenditures			<u>34,326</u>	<u>2,572</u>
Excess (deficiency) of revenues over expenditures			<u>842,367</u>	<u>879,265</u>
Other Financing Sources (Uses)				
Transfers (out)			(12,504)	(12,504)
sources (uses)			<u>(12,504)</u>	<u>(12,504)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)			829,863	866,761
Fund balances - beginning	\$ (825,943)	\$ (825,943)	(825,943)	
Fund balances - ending	<u>\$ (825,943)</u>	<u>\$ (825,943)</u>	<u>\$ 3,920</u>	<u>\$ 866,761</u>

**City of Post Falls
Capital Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue			\$ 23,088	\$ 23,088
Charges for services	\$ 380,000	\$ 380,000	807,292	427,292
Other revenue			31,444	31,444
Interest	30,000	30,000	29,558	(442)
Total revenues	<u>410,000</u>	<u>410,000</u>	<u>891,382</u>	<u>481,382</u>
Expenditures				
Current:				
General government			14,256	14,256
Capital outlay	760,000	760,000	450,882	309,118
Total expenditures	<u>760,000</u>	<u>760,000</u>	<u>465,138</u>	<u>323,374</u>
Excess (deficiency) of revenues over expenditures	<u>(350,000)</u>	<u>(350,000)</u>	<u>426,244</u>	<u>804,756</u>
Other Financing Sources (Uses)				
Transfers in			278,318	278,318
Transfers (out)	(50,000)	(50,000)	(50,000)	
sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>228,318</u>	<u>278,318</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)	(400,000)	(400,000)	654,562	1,083,074
Fund balances - beginning	<u>4,899,451</u>	<u>4,899,451</u>	<u>2,169,488</u>	
Fund balances - ending	<u>\$ 4,499,451</u>	<u>\$ 4,499,451</u>	<u>\$ 2,824,050</u>	<u>\$ 1,083,074</u>

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

LID 91-4 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

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

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

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

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

City of Post Falls
 Combining Balance Sheet
 Nonmajor Government Funds
 September 30, 2004

	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	School Resource Date	LID 2004-1	LID 96-1	LID 91-4	LID 91-1	CLID #2	LID 89-1	LID Guarantee	
Assets															
Cash	\$ 13,863	\$ 13,524	\$ 1,400	\$ 53,169	\$ 82,570	\$ 86,525	\$ 34				\$ 16,381	\$ 65,429	\$ 1,778	\$ 77,158	\$ 411,831
Accounts receivable:															
Loans receivable		83,840									812	3,984			83,840
Miscellaneous Customers					20,634										36,015
Other governments						9,910					606	3,531			20,634
Assessments - delinquent - deferred											8,531	35,558	1,062		9,910
Interfund receivables														2,241	24,184
Accrued interest															236,191
Total assets	\$ 13,863	\$ 97,364	\$ 1,400	\$ 53,169	\$ 103,204	\$ 96,435	\$ 34	\$ 242,326	\$ 2,840	\$ 26,330	\$ 108,462	\$ 2,840	\$ 79,399	\$ 824,846	
Liabilities and Fund balances															
Liabilities:															
Accounts payable	\$ 23,005			\$ 31	\$ 4,196	\$ 181						\$ 618			\$ 5,026
Interfund payable		\$ 83,840									\$ 9,136	39,089	\$ 1,062		31,090
Deferred revenue											9,136	39,089			344,215
Total liabilities	23,005	83,840		31	4,196	181		5,844	5,844		18,272	78,178	1,062		380,331
Fund balances:															
Undesignated	(9,142)	13,524	\$ 1,400	53,138	99,008	96,254	\$ 34	(5,844)	28,998		17,193	68,775	1,778	\$ 79,399	444,515
Total fund balances	(9,142)	13,524	1,400	53,138	99,008	96,254	34	(5,844)	28,998		17,193	68,775	1,778	79,399	444,515
Total liabilities and fund balances	\$ 13,863	\$ 97,364	\$ 1,400	\$ 53,169	\$ 103,204	\$ 96,435	\$ 34	\$ 242,327	\$ 2,840	\$ 26,329	\$ 108,462	\$ 2,840	\$ 79,399	\$ 824,846	

City of Post Falls
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Government Funds
For the fiscal year ended September 30, 2004

	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	School Resource Base	LID 2004-1	LID 96-1	LID 91-4	LID 91-1	CLID #2	LID 89-1	LID Guarantee	
Revenues:															
Taxes															
Charges-services/program remittances	\$ 19,620	\$ 10,120		\$ 32,312	\$ 216,638	\$ 118,920		\$ 32,134			2,508	\$ 45,426	\$ 248		\$ 249,150
Other revenue				954	11,694			12,973			1,367	7,924			151,188
Principal				794	970	675	\$ 27			9				\$ 1,346	90,436
Interest	199	165		34,060	229,502	119,595	27	45,107		9	3,895	53,350	370		26,611
Total revenues	19,819	10,285	20												517,385
Expenditures:															
Current:															
General government						380	6,034	2,350			600	1,700			4,650
Public safety															6,414
Highways and public works															201,477
Culture and recreation				30,815	195,633										30,815
Debt service:															
Principal	1,716					28,698		35,000			20,000	85,000			140,000
Interest						29,078		12,370			6,360	9,648			30,094
Capital outlay								49,720			26,960	96,348			28,698
Total expenditures	1,716			30,815	195,633	29,078	6,034	49,720			26,960	96,348			442,148
Excess (deficiency) of revenues over expenditures	18,103	10,285	20	3,245	33,869	90,517	(6,007)	(4,613)		9	(23,065)	(42,998)	370	1,346	75,237
Other financing sources (uses):															
Transfers in															
Transfers out				(11,000)	(11,000)	(30,000)				(3,276)				15,780	15,780
Total other financing sources (uses)				(11,000)	(11,000)	(30,000)				(3,276)				(95,000)	(95,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	18,103	10,285	20	3,245	22,869	60,517	(6,007)	(4,613)		(3,267)	(23,065)	(42,998)	370	(37,874)	(8,259)
Fund balances, beginning	(27,245)	3,239	1,360	49,893	76,139	35,737	6,041	33,611		3,267	40,258	111,773	1,408	117,273	452,774
Fund balances, ending	\$ (9,142)	\$ 13,524	\$ 1,400	\$ 53,138	\$ 99,008	\$ 96,254	\$ 34	\$ 28,998	\$	\$ 17,193	\$ 68,775	\$	\$ 1,778	\$ 79,399	\$ 444,515

**City of Post Falls
Cemetery Perpetual Care Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004**

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 25,000	\$ 19,620	\$ (5,380)
Interest		199	199
Total revenues	<u>25,000</u>	<u>19,819</u>	<u>(5,181)</u>
 Expenditures:			
Debt service:			
Interest		1,716	(1,716)
Total expenditures		<u>1,716</u>	<u>(1,716)</u>
 Excess (deficiency) of revenues over expenditures	<u>25,000</u>	<u>18,103</u>	<u>(6,897)</u>
 Other financing (uses):			
Operating transfers out	(25,000)		25,000
Total other financing (uses)	<u>(25,000)</u>		<u>25,000</u>
 Excess (deficiency) of revenues over expenditures and other financing (uses)		18,103	18,103
 Fund balances, beginning	<u>(27,245)</u>	<u>(27,245)</u>	
 Fund balances, ending	<u>\$ (27,245)</u>	<u>\$ (9,142)</u>	<u>\$ 18,103</u>

**City of Post Falls
 HUD Loan Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances--Budget and Actual
 For the fiscal years ended September 30, 2004**

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal		\$ 10,120	\$ 10,120
Interest		165	165
Total revenues		<u>10,285</u>	<u>10,285</u>
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		<u>10,285</u>	<u>10,285</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		10,285	10,285
Fund balances, beginning	\$ 3,239	<u>3,239</u>	
Fund balances, ending	<u>\$ 3,239</u>	<u>\$ 13,524</u>	<u>\$ 10,285</u>

City of Post Falls
Falls Park Signs Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 20	\$ 20
Total revenues		20	20
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over expenditures		20	20
Other financing (uses):			
Total other financing (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		20	20
Fund balances, beginning	\$ 1,380	1,380	
Fund balances, ending	\$ 1,380	\$ 1,400	\$ 20

**City of Post Falls
Special Events Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004**

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 26,850	\$ 32,312	\$ 5,462
Other revenue	3,800	954	(2,846)
Interest		794	794
Total revenues	<u>30,650</u>	<u>34,060</u>	<u>3,410</u>
Expenditures:			
Culture and recreation	26,720	30,815	(4,095)
Capital outlay	8,000		8,000
Total expenditures	<u>34,720</u>	<u>30,815</u>	<u>3,905</u>
Excess (deficiency) of revenues over (under) expenditures	(4,070)	3,245	7,315
Other financing (uses):			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(4,070)	3,245	7,315
Fund balances, beginning	<u>49,893</u>	<u>49,893</u>	
Fund balances, ending	<u>\$ 45,823</u>	<u>\$ 53,138</u>	<u>\$ 7,315</u>

City of Post Falls
Street Lights Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 190,200	\$ 216,838	\$ 26,638
Other revenue		11,694	11,694
Interest	2,000	970	(1,030)
Total revenues	<u>192,200</u>	<u>229,502</u>	<u>37,302</u>
Expenditures:			
Highways and public works	181,200	195,633	(14,433)
Capital outlay			
Total expenditures	<u>181,200</u>	<u>195,633</u>	<u>(14,433)</u>
Excess (deficiency) of revenues over expenditures	<u>11,000</u>	<u>33,869</u>	<u>22,869</u>
Other financing sources (uses):			
Operating transfers out	(11,000)	(11,000)	
Total other financing sources (uses)	<u>(11,000)</u>	<u>(11,000)</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)		22,869	22,869
Fund balances, beginning	<u>76,139</u>	<u>76,139</u>	
Fund balances, ending	<u>\$ 76,139</u>	<u>\$ 99,008</u>	<u>\$ 22,869</u>

**City of Post Falls
 911 Support Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances--Budget and Actual
 For the fiscal years ended September 30, 2004**

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 30,000	\$ 118,920	\$ 88,920
Interest		674	674
Total revenues	<u>30,000</u>	<u>119,594</u>	<u>89,594</u>
 Expenditures:			
Public safety		380	(380)
Capital outlay		<u>28,698</u>	<u>(28,698)</u>
Total expenditures		<u>29,078</u>	<u>(29,078)</u>
 Excess (deficiency) of revenues over expenditures	<u>30,000</u>	<u>90,517</u>	<u>60,517</u>
 Other financing (uses):			
Operating transfers out	<u>(30,000)</u>	<u>(30,000)</u>	
Total other financing (uses)	<u>(30,000)</u>	<u>(30,000)</u>	
 Excess of revenues and other financing sources over (under) expenditures and other financing (uses)		60,517	60,517
 Fund balances, beginning	<u>35,737</u>	<u>35,737</u>	
 Fund balances, ending	<u>\$ 35,737</u>	<u>\$ 96,254</u>	<u>\$ 60,517</u>

City of Post Falls
School Resource/DARE Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 27	\$ 27
Total revenues		27	27
Expenditures:			
Public safety	\$ 2,100	6,034	(3,934)
Total expenditures	2,100	6,034	(3,934)
Excess (deficiency) of revenues over expenditures	(2,100)	(6,007)	(3,907)
Other financing sources (uses):			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(2,100)	(6,007)	(3,907)
Fund balances, beginning	6,041	6,041	
Fund balances, ending	\$ 3,941	\$ 34	\$ (3,907)

**City of Post Falls
LID #2004-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004**

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Total revenues			
Expenditures:			
Highways and public works		\$ 5,844	\$ (5,844)
Total expenditures		5,844	(5,844)
Excess (deficiency) of revenues over expenditures		(5,844)	(5,844)
Other financing sources (uses):			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		(5,844)	(5,844)
Fund balances, beginning			
Fund balances, ending	\$	\$	\$ (5,844)

**City of Post Falls
LID 96-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004**

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 25,000	\$ 32,134	\$ 7,134
Interest	12,000	12,973	973
Total revenues	<u>37,000</u>	<u>45,107</u>	<u>8,107</u>
Expenditures:			
General governmental	2,350	2,350	
Debt service - principal	35,000	35,000	
- interest	12,370	12,370	
Total expenditures	<u>49,720</u>	<u>49,720</u>	
Excess (deficiency) of revenues over expenditures	(12,720)	(4,613)	8,107
Fund balances, beginning	<u>33,611</u>	<u>33,611</u>	
Fund balances, ending	<u>\$ 20,891</u>	<u>\$ 28,998</u>	<u>\$ 8,107</u>

City of Post Falls
LID 91-4 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal			
Interest		\$ 9	\$ 9
Total revenues		9	9
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over expenditures		9	9
Other financing sources (uses):			
Operating transfers out		(3,276)	(3,276)
Total other financing sources (uses)		(3,276)	(3,276)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		(3,267)	(3,276)
Fund balances, beginning	\$ 3,267	3,267	
Fund balances, ending	\$ 3,267	\$	\$ (3,276)

City of Post Falls
LID 91-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 6,000	\$ 2,508	\$ (3,492)
Interest	2,000	1,387	(613)
Total revenues	<u>8,000</u>	<u>3,895</u>	<u>(4,105)</u>
Expenditures:			
General governmental	600	600	
Debt service - principal	20,000	20,000	
- interest	6,360	6,360	
Total expenditures	<u>26,960</u>	<u>26,960</u>	
Excess (deficiency) of revenues over expenditures	(18,960)	(23,065)	(4,105)
Fund balances, beginning	<u>40,258</u>	<u>40,258</u>	
Fund balances, ending	<u>\$ 21,298</u>	<u>\$ 17,193</u>	<u>\$ (4,105)</u>

**City of Post Falls
CLID # 2 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004**

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 38,000	\$ 45,426	\$ 7,426
Interest	13,860	7,924	(5,936)
Total revenues	<u>51,860</u>	<u>53,350</u>	<u>1,490</u>
Expenditures:			
General governmental	1,700	1,700	
Debt service - principal	85,000	85,000	
- interest	9,648	9,648	
Total expenditures	<u>96,348</u>	<u>96,348</u>	
Excess (deficiency) of revenues over expenditures	(44,488)	(42,998)	1,490
Fund balances, beginning	<u>111,773</u>	<u>111,773</u>	
Fund balances, ending	<u>\$ 67,285</u>	<u>\$ 68,775</u>	<u>\$ 1,490</u>

**City of Post Falls
LID 89-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004**

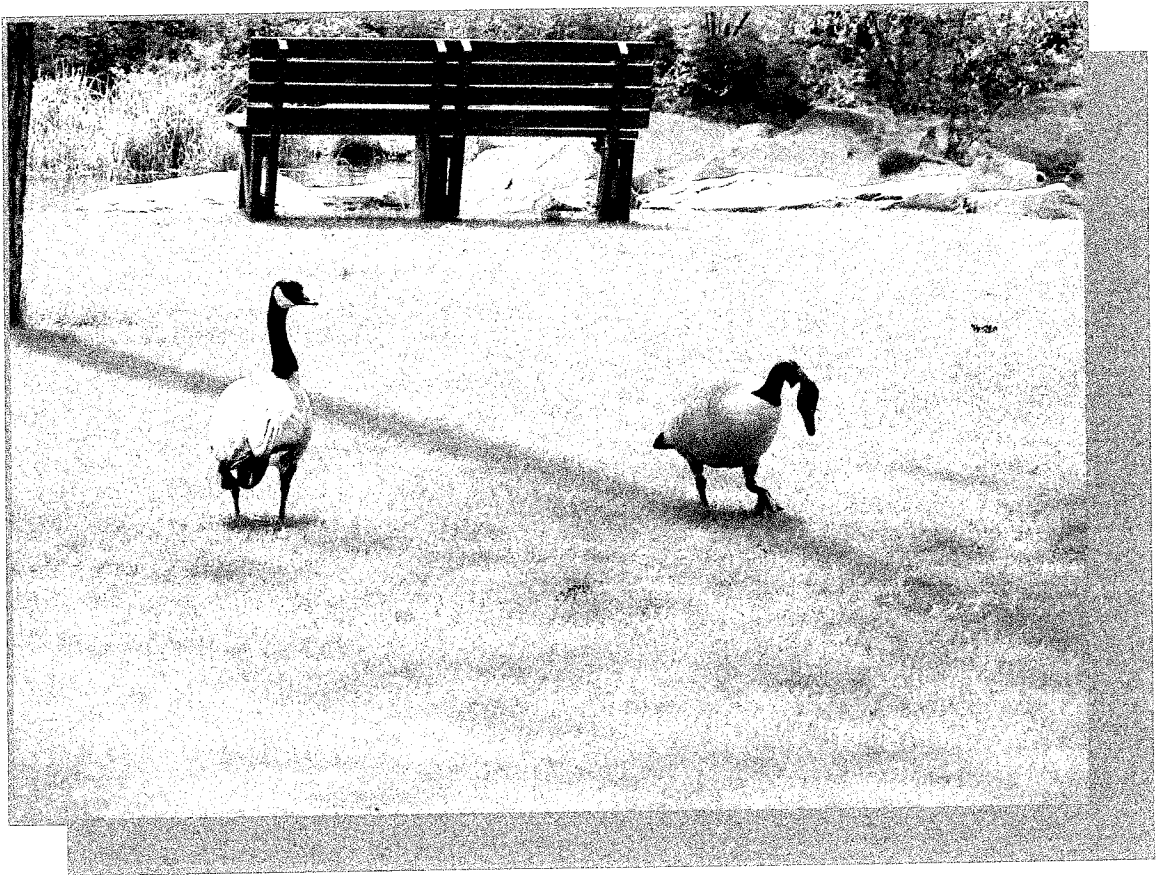
	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal		\$ 248	\$ 248
Interest		122	122
Total revenues		<u>370</u>	<u>370</u>
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over expenditures		370	370
Other financing sources:			
Total other financing sources (uses)			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		370	370
Fund balances, beginning	\$ 1,408	1,408	
Fund balances, ending	<u>\$ 1,408</u>	<u>\$ 1,778</u>	<u>\$ 370</u>

City of Post Falls
LID Guarantee Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2004

	2004		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Taxes			
Interest		\$ 1,346	\$ 1,346
Total revenues		1,346	1,346
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over expenditures		1,346	1,346
Other financing sources:			
Operating transfers in		15,780	15,780
Operating transfers out		(55,000)	(55,000)
Total other financing sources (uses)		(39,220)	(39,220)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)		(37,875)	(37,874)
Fund balances, beginning	\$ 117,273	117,273	
Fund balances, ending	\$ 117,273	\$ 79,399	\$ (37,874)

CITY OF POST FALLS, IDAHO

Statistical Section



ABOVE: Geese visiting Q'emiln Riverside Park

Table #1

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

	General Government	Public Safety	Highways & Public Works	Culture And Recreation	Capital Outlays	Debt Service	Total Expenditures
1994-95	\$1,792,715	\$1,749,996	\$855,071	\$536,345	\$926,226	\$113,872	\$5,974,225
1995-96	\$1,926,726	\$1,832,621	\$1,165,420	\$582,777	\$375,053	\$354,159	\$6,236,756
1996-97	\$1,789,099	\$2,005,513	\$1,296,461	\$598,956	\$523,530	\$329,553	\$6,543,113
1997-98	\$1,955,171	\$2,128,126	\$1,927,708	\$676,318	\$806,999	\$268,813	\$7,763,135
1998-99	\$2,116,467	\$2,194,066	\$949,289	\$671,279	\$2,540,527	\$923,842	\$9,395,470
1999-00	\$2,419,524	\$2,249,065	\$1,048,887	\$719,488	\$1,219,679	\$525,324	\$8,181,967
2000-01	\$2,571,361	\$2,381,335	\$1,136,381	\$758,193	\$1,279,537	\$498,315	\$8,625,122
2001-02	\$2,943,384	\$2,603,846	\$2,487,208	\$869,370	\$2,449,428	\$507,137	\$11,860,373
2002-03	\$3,283,259	\$2,776,302	\$2,785,694	\$931,638	\$3,708,335	\$874,972	\$14,360,200
2003-04	\$3,725,937	\$2,903,775	\$1,555,583	\$1,110,484	\$794,978	\$775,645	\$10,866,402

NOTES:

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

Table # 2

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

Fiscal Year	Taxes	Special Assessments	Intergovernmental	Charges For Services	Miscellaneous	Total
1994-95	\$2,505,970	\$145,907	\$1,064,401	\$857,820	\$580,059	\$5,154,157
1995-96	\$2,588,554	\$180,156	\$1,192,470	\$874,351	\$540,443	\$5,375,974
1996-97	\$2,692,551	\$122,027	\$1,456,277	\$915,443	\$489,965	\$5,676,263
1997-98	\$2,828,014	\$127,020	\$1,662,858	\$1,070,906	\$2,531,773	\$8,220,571
1998-99	\$3,299,035	\$245,502	\$2,027,230	\$1,518,433	\$507,516	\$7,597,716
1999-00	\$3,486,218	\$123,554	\$2,159,833	\$1,565,164	\$666,910	\$8,001,679
2000-01	\$3,833,894	\$125,661	\$2,390,805	\$1,597,607	\$756,662	\$8,704,629
2001-02	\$4,361,376	\$107,236	\$3,588,311	\$1,723,947	\$588,896	\$10,369,766
2002-03	\$4,730,516	\$162,658	\$2,618,459	\$2,371,648	\$776,379	\$10,659,660
2003-04	\$5,267,092	\$686,228	\$2,624,868	\$3,099,775	\$630,455	\$12,308,418

NOTES:

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

TABLE #3

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

TAX YEAR	TOTAL TAX LEVY	FISCAL YEAR TAX COLLECTIONS	% OF LEVY COLLECTED	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	% OF TOTAL COLLECTION TO LEVY	ADJUSTMENTS	OUTSTANDING DELINQUENT TAXES	% OF DELINQUENT TO LEVY
1993	\$1,992,026	\$1,469,876	73.79%	\$493,013	\$1,962,889	98.54%	(\$3,382)	\$25,755	1.30%
1994	\$2,349,312	\$1,967,905	83.77%	\$219,772	\$2,187,677	93.12%	(\$7,252)	\$154,384	6.59%
1995	\$2,429,200	\$2,335,586	96.15%	\$160,478	\$2,496,064	102.75%	(\$3,585)	\$116,322	4.80%
1996	\$2,599,770	\$2,536,953	97.58%	(\$56,785)	\$2,480,168	95.40%	(\$1,598)	\$118,004	4.54%
1997	\$2,713,597	\$2,629,635	96.91%	\$59,293	\$2,688,928	99.09%	(\$4,472)	\$79,491	2.93%
1998	\$3,211,944	\$3,053,838	95.08%	\$150,489	\$3,204,327	99.76%	(\$7,617)	\$57,673	1.80%
1999	\$3,368,327	\$3,183,069	94.50%	\$77,407	\$3,260,476	96.80%	(\$5,903)	\$157,175	4.67%
2000	\$3,631,687	\$3,504,567	96.50%	\$64,541	\$3,569,108	98.28%	(\$6,202)	\$120,918	3.34%
2001	\$3,896,692	\$3,646,882	93.59%	\$80,163	\$3,727,045	95.65%	(\$18,108)	\$151,539	3.91%
2002	\$4,430,009	\$4,148,223	93.64%	\$79,042	\$4,227,265	95.42%	(\$16,043)	\$268,622	6.09%

Source: Kootenai County Auditor

Table #4

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

Tax Year	Assessed Valuation	Exemptions	Net Taxable Value	Valuation Increase		Tax Rate Per \$1,000 Value
				Amount	Percentage	
1994	424,346,760	76,882,272	347,464,488	54,738,295	18.70%	6.76
1995	573,920,618	103,752,421	470,168,197	122,703,709	35.31%	5.18
1996	656,498,967	113,951,342	542,547,625	72,379,428	15.39%	4.80
1997	695,182,787	122,678,457	572,504,350	29,956,725	5.52%	4.74
1998	742,251,793	132,469,458	609,782,335	37,277,985	6.51%	5.27
1999	791,143,568	140,866,247	650,277,321	40,494,986	6.64%	5.18
2000	841,776,651	152,996,162	688,780,489	38,503,168	5.92%	5.28
2001	892,717,766	162,554,696	730,163,070	41,382,581	6.01%	5.34
2002	1,007,449,488	177,060,965	830,388,523	100,225,453	13.73%	5.33
2003	1,074,115,199	187,101,426	887,013,773	56,625,250	6.82%	5.46

Source: Kootenai County Assessor

Table #5

**City of Post Falls
Property Tax Rates
Direct and Overlapping Governments
FY 1994 thru 2003**

Governmental Unit	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
City of Post Falls	5.46	5.33	5.34	5.28	5.18	5.27	4.74	4.80	5.18	6.76
%CHANGE	2.44%	-0.19%	1.14%	1.90%	-1.70%	11.13%	-1.17%	-7.24%	-23.43%	-0.64%
North Idaho College	0.77	0.77	0.77	0.94	1.03	1.03	1.03	1.21	1.34	1.72
Kootenai County	3.65	3.14	3.43	3.92	3.73	3.32	3.21	3.26	3.51	4.45
Kootenai Hospital District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.13
Kootenai Ambulance District	0.32	0.33	0.15	0.13	0.15	0.15	0.14	0.14	0.15	0.21
School District #273	6.43	6.18	6.08	5.85	5.95	5.29	4.57	4.79	4.87	6.81
Post Falls Highway District #1	0.57	0.6	0.65	0.66	0.67	0.68	0.69	0.68	0.82	1.04
Post Falls Fire District	1.93	1.69	1.67	1.50	1.21	1.26	1.26	1.21	1.36	1.65
Total	19.13	18.04	18.17	18.35	17.92	17.00	15.65	16.10	17.23	22.77
% CHANGE FOR TOTAL	6.04%	-0.72%	-0.98%	2.40%	5.41%	8.63%	-5.54%	-6.54%	-24.33%	1.06%

Notes:

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

Table # 6

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

Fiscal Year	Assessments Receivable		Current & Delinquent Collections		Total Collections
	Delinquent	Deferred	Collected	Penalties & Interest Collected	
1995	3,294	971,754	188,720	24,614	213,334
1996	18,563	776,330	180,156	53,414	233,570
1997	15,526	656,817	122,027	56,960	178,987
1998	6,062	535,398	127,021	53,938	180,959
1999	14,382	857,618	245,502	36,017	281,519
2000	30,579	656,850	123,554	53,273	176,827
2001	53,718	545,116	125,661	50,210	175,871
2002	48,921	438,028	107,236	36,114	143,350
2003	65,070	316,508	162,658	34,242	196,900
2004	\$24,184	\$486,278	\$80,316	\$20,397	\$100,713

Source: City of Post Falls

**City of Post Falls
Bonded Debt
Direct and Overlapping Governments
September 30, 2004**

Table # 7

Governmental Unit	Gross Debt	Government's Net Market Value	Percentage Applicable to City	City Share of Debt
City of Post Falls	\$ 6,359,257	\$ 991,057,746	100.0%	<u>\$ 6,359,257</u>
Kootenai County		7,528,170,197	13.2%	
School District #273	23,770,000	1,392,684,581	71.2%	16,915,131
Post Falls Highway District		2,277,726,077	43.5%	
Kootenai County Fire & Rescue	1,310,000	2,023,923,491	49.0%	<u>641,470</u>
				<u>\$ 17,556,601</u>

Source: Kootenai County Auditor

Table #8

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

	Residential		Commercial		Industrial		Other		Total Permits	Total Construction	
	Dwelling Units	Permits	Value	Permits	Value	Permits	Value	Permits			Value
1994	590	437	43,443,471	29	7,622,516	1	3,763	339	5,466,384	467	56,536,134
1995	546	436	39,132,652	27	8,612,234			83	3,514,378	463	51,259,264
1996	362	329	25,974,314	23	6,331,820			330	2,791,487	682	35,097,621
1997	297	286	21,498,234	19	2,783,969	3	999,685	415	2,927,518	723	28,209,406
1998	298	291	25,193,960	15	2,906,641	6	2,438,309	492	4,525,496	804	35,064,406
1999	391	377	29,908,269	22	4,369,232	2	166,561	416	4,617,439	817	39,061,501
2000	297	400	27,502,425	60	5,451,857	4	235,770	208	506,431	673	33,696,483
2001	291	280	28,182,712	24	12,245,890	2	76,584	373	2,900,317	679	43,405,503
2002	379	370	39,575,650	26	18,717,530	4	685,708	481	3,543,729	881	62,522,617
2003	496	474	53,847,647	24	6,992,409	3	1,299,533	451	9,209,499	952	71,349,088
2004	712	635	\$ 88,667,541	38	\$ 16,523,032	5	\$ 5,864,034	688	\$ 7,139,381	1,366	\$118,193,988

Table # 9

City of Post Falls
Major Tax Payers
September 30, 2004

Taxpayer	Type Of Business	Assessed Market Value	Percentage Of Total Assessed Market Value
Flexcel, Inc./Kimball International Mkt, Inc.	Manufacturing-Furniture	\$ 36,759,385	3.42%
Wal-Mart Real Est. Bus./Stores Inc. #3472	Retail	11,152,343	1.04%
Puryear Family LPT	Private Owner	9,502,480	0.88%
North Idaho Surgical Hospital Bldg. LLC	Medical	8,389,873	0.78%
Potlatch Corp.	Manufacturing - Wood Products	7,942,643	0.74%
Coeur d'Alene Factory Outlets Ltd Ptn	Retail	7,326,948	0.68%
Cananaugh's Hospitality Ltd. Ptn	Hotel/Motel/Restaurant	6,770,100	0.63%
Idaho Veneer Co.	Manufacturing - Wood Products	6,679,999	0.62%
Jacklin Land Company LPT	Comm. Bus. Prod. (Seed)	4,840,939	0.45%
John C. Young Etal	Retail	4,460,851	0.42%
Subtotal - Ten Of City's Largest Taxpayers		\$ 103,825,561	9.67%
All Other Taxpayers		970,289,638	90.33%
Total City Taxpayers		\$ 1,074,115,199	100.00%

Source: Kootenai County Assessor

City of Post Falls
Statistical Information
Water Fund
September 30, 2004

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

Total Revenue	\$1,433,091
Estimated number of active customers	7,500
Total water produced (thousands of gallons)	1,475,436

Schedule of Water Rates

Monthly Base Fee (by meter size)

1" or less	\$ 6.77	1½"	\$11.36
2"	16.87	3"	29.81
4"	48.21	6"	94.30

Metered water Usage 71¢ per 1,000 gallons

Source: City of Post Falls

**City of Post Falls
Statistical Information
Wastewater (Sewer) Fund
September 30, 2004**

Schedule of Treatment Volume

Average Volume	2.636 million gallons per day
Total Volume	848,870,300 gallons

Schedule of Monthly Sewer Rates

The residential rate is \$21.45 for 94% of the City's customers.

The non-residential rate per customer is \$4.04 per 1,000 gallons of water consumption.

Source: City of Post Falls

Table # 12

**City of Post Falls
Demographic & Misc. Statistics
September 30, 2004**

<u>Population</u>	21,082		
<u>Dwelling Units</u>	8,550		
 <u>Health Care Facilities</u>			
Distance to Nearest Hospital	10 miles		
Ambulance Service Available	Yes		
Number of General Clinics	3		
 <u>Educational Facilities</u>			
	<u>Average Daily 2004 Attendance (ADA)</u>	<u>Pupil/Teacher (FTE) Ratio</u>	
◆ Public Schools (District #273) Total Enrollment = 5,020	4,883	28.1	
 ◆ Private Schools (not all private schools report)			
Number of Schools	5		
Enrollment Total (5 report enrollment figures)	1,706		
 ◆ Community Colleges (nearest)			
	<u>Enrollment – 2004</u>	<u>Distance (in miles)</u>	
North Idaho College	4,519	10	
Spokane Community College	6,560	20	
 ◆ Four-Year Colleges or Universities			
Gonzaga University	6,100	20	
Whitworth College	2,373	20	
University of Idaho	12,824	87	
Eastern Washington University	9,060	35	
Washington State University (Spokane Campus)	739	20	
Washington State University (Pullman Campus)	17,354	90	

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

Table # 12
(Continued)

**City of Post Falls
Demographic & Misc. Statistics
September 30, 2004**

<u>Finance Services</u>	<u>Number</u>
◆ Bank & Savings Institutions (local)	11
 <u>Municipal Services</u>	
◆ Sewer System	
Treatment Plant Design Capacity	3.4 mgd
Average Daily Usage (% of capacity)	61.62%
◆ Water System	
Maximum Plant Daily Production	17,493,120
gal/day	
Maximum Daily Usage	11,173,385 gal/day
Average Daily Usage	4,042,000 gal/day
Storage Capacity	4,000,000 gallons
◆ Fire Protection System	
Rating by Idaho Surveying & Rating Bureau (1 = best; 10 = worst)	4
Number of Paid and Volunteer Firefighters	55 volunteers 16 full-time
◆ Police Protection	
Number of Full-time Officers	30
Number of Sworn Officers per 1,000 population	1.4
◆ Library System	
Number of Public Libraries	1

Source: City of Post Falls, Post Falls Fire District

Table # 13

**City of Post Falls
Computation of Legal Debt Margin
September 30, 2004**

Assessed Valuations		
Assessed Value (00 net value)		\$ 887,013,773
Add Back Homestead Exemptions		<u>\$ 187,101,426</u>
Total Assessed Value		\$1,074,115,199
Legal Debt Margin		
Debt Limitation*: 2% of assessed market value		\$ 21,482,304
Less Debt applicable		<u>\$ 1,370,000</u>
Legal Debt Margin		\$ 20,112,304

* Idaho Code 50-1019

Source: Kootenai County Assessor, City of Post Falls

**City of Post Falls
Insurance Schedule
September 30, 2004**

The City is insured through the Idaho Counties Reciprocal Management Program (ICRMP), Policy No. 0902152100192. Coverage is as follows:

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

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

Source: City of Post Falls

Table # 15

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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1995	1,539,347	1,154,150	385,197	146,871	197,520	344,391	1.12
1996	1,882,248	1,013,443	868,805	442,608	256,801	699,409	1.24
1997	1,868,880	1,023,640	845,240	456,579	257,359	713,938	1.18
1998	2,001,493	1,092,914	908,579	482,173	238,445	720,618	1.26
1999	2,118,666	987,608	1,131,058	441,602	222,749	664,351	1.70
2000	2,360,050	933,090	1,426,960	521,918	201,524	723,442	1.97
2001	2,497,060	980,559	1,516,501	547,450	173,888	721,338	2.10
2002	2,648,989	1,081,199	1,567,790	568,205	149,641	717,846	2.18
2003	2,846,914	1,080,030	1,766,884	594,193	125,479	719,672	2.46
2004	\$ 3,238,491	\$ 1,254,731	\$ 1,983,760	\$ 663,063	\$ 118,977	\$ 782,040	2.54

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

(2) Total operating expenses exclusive of depreciation.

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

Table # 16

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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1995	1,040,840	798,397	242,443	55,000	58,422	113,422	2.14
1996	1,039,076	611,522	427,554	65,000	52,792	117,792	3.63
1997	990,236	631,997	358,239	70,000	45,915	115,915	3.09
1998	1,116,870	513,020	603,850	70,000	38,927	108,927	5.54
1999	1,184,270	507,373	676,897	80,000	31,027	111,027	6.10
2000	1,288,343	518,940	769,403	290,000	15,197	305,197	2.52
2001	1,273,899	541,972	731,927				N/A
2002	1,385,385	580,706	804,679				N/A
2003	1,520,384	656,867	863,517				N/A
2004	\$ 1,824,450	\$ 694,669	\$ 1,129,781	\$	\$	\$	N/A

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

(2) Total operating expenses exclusive of depreciation.

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

Table # 17

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Government Expenditures	Ratio of Debt Service to Total General Government Expenditures
1994-95	41,589	36,088	77,677	5,974,225	1.30%
1995-96	88,053	66,137	154,190	6,236,756	2.47%
1996-97	111,589	64,804	176,393	6,543,113	2.70%
1997-98	111,589	59,478	171,067	7,763,135	2.20%
1998-99	212,589	187,902	400,491	9,395,470	4.26%
1999-00	258,040	150,445	408,485	8,181,967	4.99%
2000-01	255,000	137,633	392,633	8,625,122	4.55%
2001-02	280,000	123,976	403,976	11,860,373	3.41%
2002-03	295,000	109,935	404,935	14,608,090	2.77%
2003-04	\$ 260,000	\$ 110,099	\$ 370,099	\$ 11,306,500	3.27%

Source: City of Post Falls

Table # 18

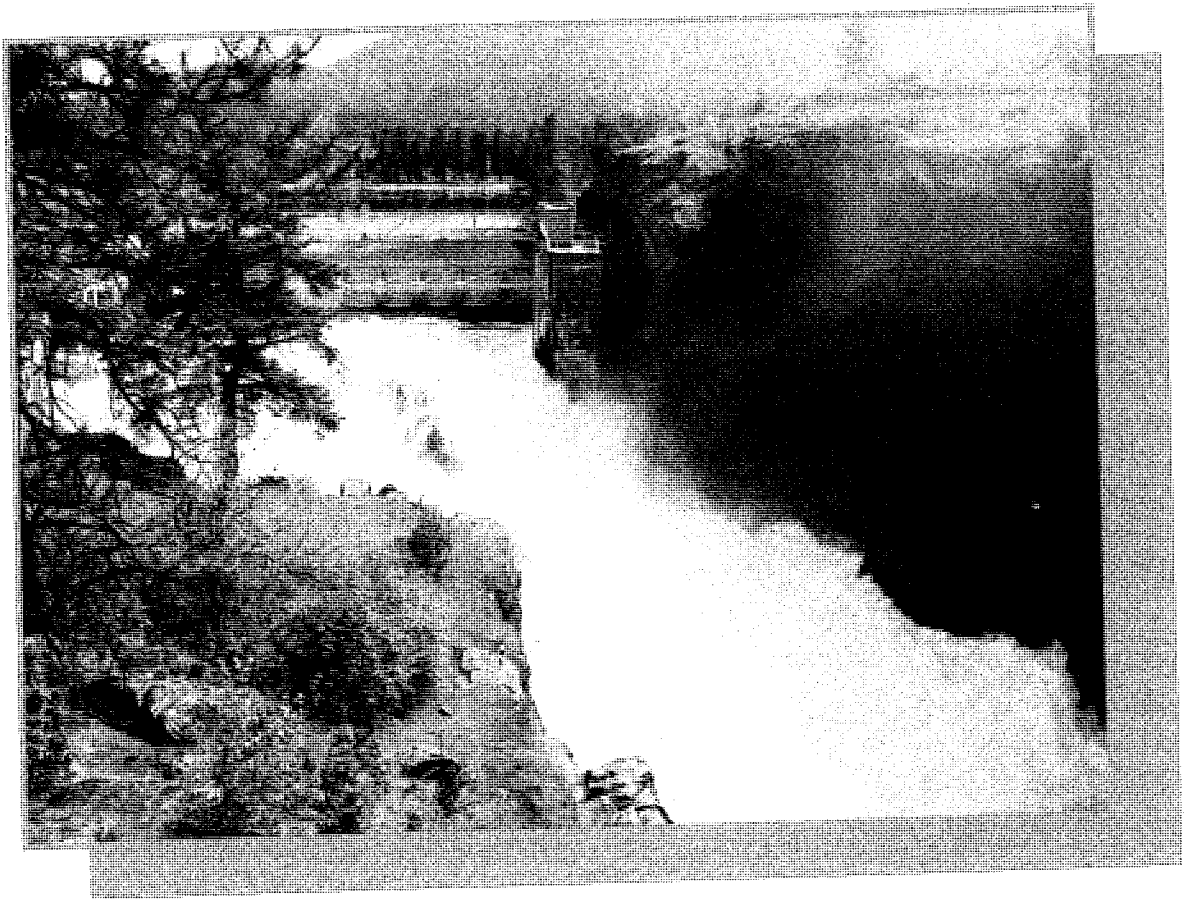
City of Post Falls
Ratio of General Bonded Debt To Assessed Value
And Net Bonded Debt Per Capita
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Net Long-Term Debt</u>	<u>Ratio of Net Long-Term Debt to Assessed Value</u>	<u>Net Long-Term Debt Per Capita</u>
1994-95	13,000	424,346,760	1,231,938	0.29%	95
1995-96	13,500	573,920,618	1,143,885	0.20%	85
1996-97	14,500	656,498,967	1,032,296	0.16%	71
1997-98	15,000	695,182,787	2,920,707	0.42%	195
1998-99	16,684	742,251,793	3,063,041	0.41%	184
1999-00	17,500	791,143,568	2,805,001	0.35%	160
2000-01	18,000	841,776,651	2,550,001	0.30%	142
2001-02	18,281	892,717,766	2,270,001	0.25%	124
2002-03	19,500	1,007,449,488	1,975,001	0.20%	101
2002-03	21,082	\$ 1,074,115,199	\$ 1,965,087	0.18%	\$ 93

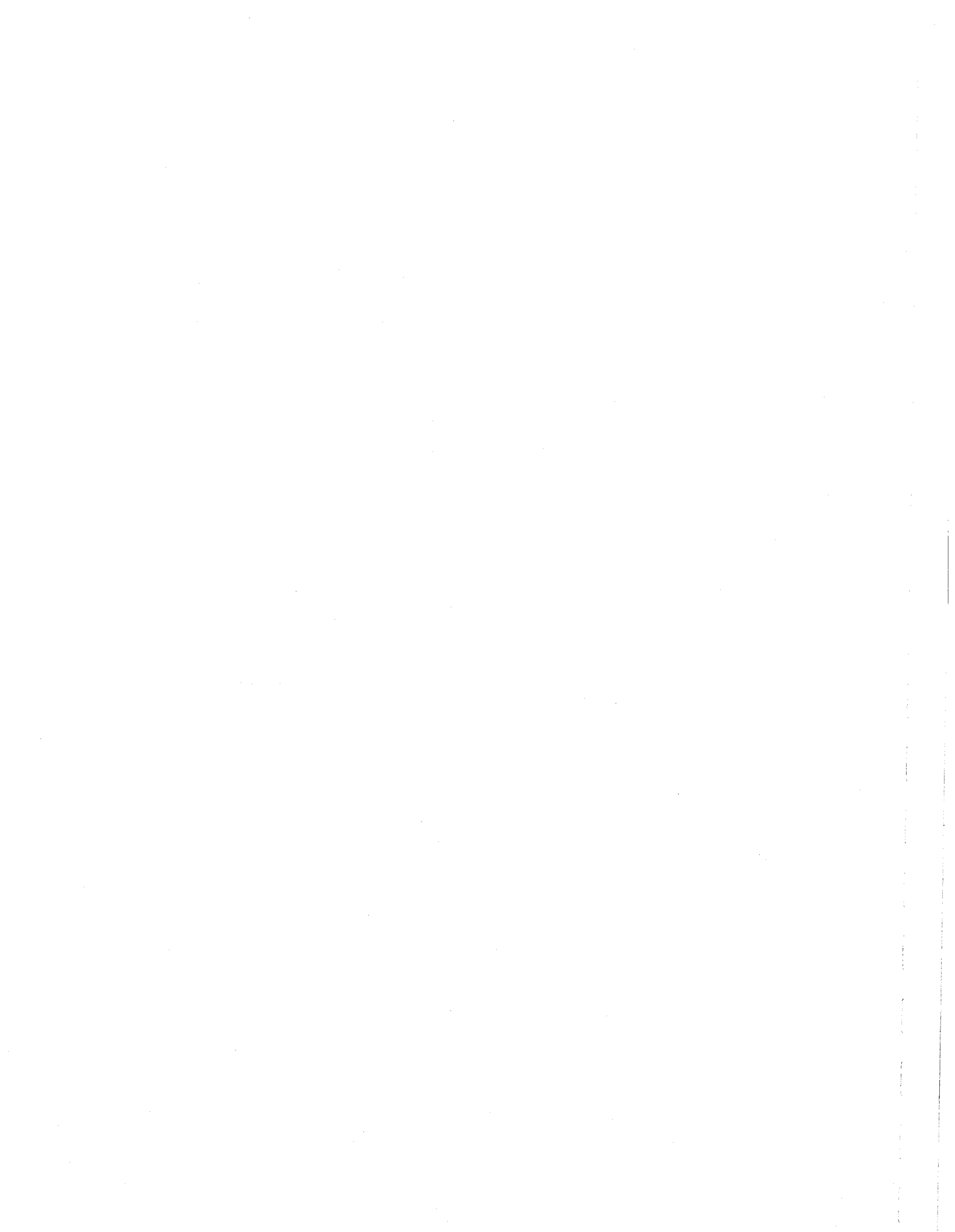
Source: City of Post Falls

CITY OF POST FALLS, IDAHO

Audit Section



ABOVE: The Falls at the Avista Dam in early spring.
Back Cover: Black Bay park at sunset.





Magnuson, McHugh & Company, P.A.

Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho as of and for the year ended September 30, 2004, which collectively comprise the City of Post Falls, Idaho's basic financial statements and have issued our report thereon dated February 4, 2005. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Post Falls, Idaho's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Magnuson, McHugh & Company, P.A.

February 4, 2005

1121 Mullan Avenue • P.O. Box 1379 • Coeur d'Alene, ID 83816-1379 • (208) 765-9500 • (800) 735-1115 • FAX (208) 667-9174
cpas@mmcoepa.com

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