

CITY OF POST FALLS IDAHO

"Idaho's River City"



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
September 30, 2005



CITY OF POST FALLS, IDAHO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2005



Prepared by
Shelly Enderud
City Finance Director/Treasurer

ABOVE: Park during scenic photo view.

COVER: View of the gorge during spring runoff from the Arava Dam.



**City of Post Falls, Idaho
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2005**

Table Of Contents

| | <u>Exhibit No.</u> | <u>Page No.</u> |
|--|--------------------|-----------------|
| INTRODUCTORY SECTION | | |
| Transmittal Letter | | 1 |
| Certificate of Achievement | | 9 |
| Organizational Chart | | 10 |
| City of Post Falls Elected and Appointed Officials | | 11 |
| FINANCIAL SECTION | | |
| Independent Auditor's Report | | 12 |
| Management's Discussion and Analysis | | 14 |
| Basic Financial Statements | | |
| Government-wide Financial Statements | | |
| Statement of Net Assets | 1 | 26 |
| Statement of Activities | 2 | 27 |
| Fund Financial Statements | | |
| Balance Sheet – Governmental Funds | 3 | 28 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds | 4 | 29 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities | 5 | 30 |
| Statement of Net Assets – Proprietary Funds | 6 | 31 |
| Statement of Revenue, Expenses, and Changes in Fund Net Assets – Proprietary Funds | 7 | 32 |
| Statement of Cash Flows – Proprietary Funds | 8 | 33 |
| Notes To General Purpose Financial Statements | | 34 |
| Required Supplementary Information | | |
| Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) - General Fund - Legal Appropriation Level | A-1 | 54 |
| Combining and Individual Fund Statements and Schedules | | |
| Combining Balance Sheet – Nonmajor Governmental Funds | B-1 | 55 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds | B-2 | 56 |
| Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: (Non-GAAP Budgetary Basis) - Legal Appropriation Level | | |
| LID 99-1 Debt Service Fund | C-1 | 57 |
| LID 2004-1 Debt Service Fund | C-2 | 58 |
| Capital Fund | C-3 | 59 |
| Cemetery Perpetual Care Special Revenue Fund | C-4 | 60 |
| HUD Loan Special Revenue Fund | C-5 | 61 |
| Falls Park Signs Special Revenue Fund | C-6 | 62 |
| Special Events Special Revenue Fund | C-7 | 63 |
| Street Lights Special Revenue Fund | C-8 | 64 |
| 911 Support Special Revenue Fund | C-9 | 65 |
| School Resource/DARE Special Revenue Fund | C-10 | 66 |
| LID 96-1 Debt Service Fund | C-11 | 67 |
| LID 91-1 Debt Service Fund | C-12 | 68 |
| CLID #2 Debt Service Fund | C-13 | 69 |
| LID 89-1 Debt Service Fund | C-14 | 70 |
| LID Guarantee Debt Service Fund | C-15 | 71 |

City of Post Falls, Idaho
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2005

Table Of Contents - continued

| | <u>Exhibit No.</u> | <u>Page No</u> |
|---|--------------------|----------------|
| STATISTICAL SECTION | | |
| Table 1 - General Fund Expenditures and Other Financing Uses by Function - Last Ten Years | | 72 |
| Table 2 - General Fund Revenues by Source - Last Ten Years | | 73 |
| Table 3 - Property Tax Levies and Collections - Last Ten Years | | 74 |
| Table 4 - Assessed Valuation and Tax Rate - Last Ten Years | | 75 |
| Table 5 - Property Tax Rates - Direct and Overlapping Governments - Last Ten Years | | 76 |
| Table 6 - Assessments Receivable and Collected - Last Ten Years | | 77 |
| Table 7 - Bonded Debt - Direct and Overlapping Governments | | 78 |
| Table 8 - New Construction and Additions - Last Six Years | | 79 |
| Table 9 - Major Taxpayers | | 80 |
| Table 10 - Statistical Information - Water Fund | | 81 |
| Table 11 - Statistical Information - Wastewater Fund | | 82 |
| Table 12 - Miscellaneous Statistics | | 83 |
| Table 13 - Computation of Legal Debt Margin | | 85 |
| Table 14 - Listing of Insurance | | 86 |
| Table 15 - Schedule of Sewer Revenue Bond Coverage - Last Ten Years | | 87 |
| Table 16 - Schedule of Water Revenue Bond Coverage - Last Ten Years | | 88 |
| Table 17 - Ratio of Annual Debt Service Expenditures for General Bonded Debt to General Government Expenditures - Last Ten Years | | 89 |
| Table 18 - Ratio of General Bonded Debt to Assessed Value and Bonded Debt Per Capita - Last Ten Years | | 90 |
| REPORT BY AUDITORS | | |
| Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | | 91 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | | 92 |
| Schedule of Expenditures of Federal Awards | | 94 |
| Notes to Schedule of Expenditures of Federal Awards | | 95 |
| Schedule of Findings | | 96 |

CITY OF POST FALLS, IDAHO

Introductory Section



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



March 31, 2006

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, 2005, is hereby submitted as mandated by both local ordinances and state statutes. The City is required to issue an annual report on its financial position and activity. This report must be audited by an independent firm of certified public accountants. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Post Falls. All disclosures necessary to enable the reader to gain an understanding of the City of Post Falls' activities have been included.

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

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

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

Governmental Structure

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

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

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

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

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

Economic Conditions and Outlook

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

The City of Post Falls has grown from 7,350 residents in 1990 to an estimated 22,926 in 2005. 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 eight years and topping \$151,903,993 in 2005. It is expected to continue at a high level for FY 06.

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 eleven years ago and employs a workforce of 350. This was done with the help of Jobs Plus, Inc. and by creating an Urban Renewal District to help build infrastructure. This District closed out at the end of December 2001. Jobs Plus, Inc. has also just recently helped bring Center Partners, a call center business (employing a workforce of 300), and Buck Knives brought their manufacturing headquarters (workforce of 250) to the City. Also, Wal-Mart opened its new store in January of 2002, employing a workforce of 300. Construction of a private surgical hospital was completed in 2004. Lastly, Sysco opened their distribution plant during 2005. This project was made possible by Jobs Plus, Urban Renewal, and the City working together. Also, a community development block grant for \$500,000 was used to help fund a water tower

(approximately \$1,500,000 total cost) that was needed on the west side of town for development in that area.

Major Initiatives

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

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

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

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

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

The Street Maintenance Division has 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. The City completed the construction of a 2.25 million gallon stand pipe reservoir on the west side of the City to meet fire flow demands.

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

The Wastewater Division has spent the last year working Capital Improvement Plan for the treatment plant and collection system. Oxidation basin #2 was upgraded with a new aeration

system to better treat the waste. The City now has 29 lift stations to serve the community. The bio-solids from the plant are continuing to be hauled off site and processed by EKO Systems. The Wastewater Division purchased 155 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 ensure good decision making when dealing with our open spaces. This department has been very successful in receiving tree planting and maintenance grants over the past several years.

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

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

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

Departmental Highlights of FY 2005

Police

- Traffic school continues to be a success, receiving positive comment from the public and providing education to reduce traffic related accidents.
- Obtained Homeland Security Grant to place an Automatic License Plate recognition program in the City to assist in identifying stolen vehicles that pass through our City.

- Will be installing a new Spillman records management system which will provide enhanced crime fighting features.
- Communication site was constructed on Blossom Mountain on land donated to the City by the Wallace family.
- Teamed with the Idaho Supreme Court to develop an e-citation program, which will be the first in the state.

Parks, Recreation, and Cemetery

- Completed development of two new parks to the city system.
- Purchased acreage for a new park.
- Installed cameras at parks to assist with fighting vandalism.

Public Works, Building and Planning

- In 2005, the street department laid 3,546.72 tons of asphalt covering 1.37 miles of City streets and chip sealed 4.2 miles of street totaling 5.57 miles of street resurfacing.
- The Water Utility Division installed 2,383 MXU's for radio read meters.
- The Wastewater Utility Division has been monitoring sewer usage to collect for used capacity at the plant.
- Developed a master plan for the Wastewater Plant and Collection system.
- Reached a new record in building permits and permit values.
- The Wastewater Utility Division purchased property to use for land application of reclaimed water.

Administration

- Developed a Growth Action Plan to redefine our growth parameters.
- Successfully completed negotiations for sanitation and banking services.
- Refined our employee benefit package to maximize the limited revenues.

Financial Information – Internal Control Structure and Budgetary Controls

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

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

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

The budget was developed through the combined efforts of the City's departments, commissions and boards, and by the extensive efforts of the City Council and Mayor. Each department spent a

substantial amount of time in analyzing and evaluating its needs and desires. All were striving to produce a meaningful spending plan. The final draft of the budget was developed in an open process to encourage community involvement in setting priorities and making choices for the new year. Public comments were taken throughout the process and a public hearing was held. These sessions provided very intense public review and discussion of the proposed budget. This open budget process ensured that the budget program choices reflect the highest community priorities with maximum citizen participation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Administration: - At September 30, 2005, the City of Post Falls had the following bonded debt issues outstanding:

| | |
|---------------------------|---------------------|
| General Obligation Bonds: | \$1,245,000 |
| Sewer Revenue Bonds: | 7,201,154 |
| Water Bonds: | 3,384,233 |
| Special Assessment Bonds: | <u>3,845,001</u> |
| | <u>\$15,675,388</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 \$25,164,747 on September 30, 2005. The City's general obligation bond above is subject to this limit. Therefore, \$23,919,747 is available for future general obligation indebtedness.

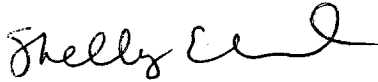
Other Information - Idaho State statutes require an annual audit by independent auditors. The accounting firm of Magnuson, McHugh, & Company, P.A. was selected to perform the audit with the approval of the City Council. In addition to meeting requirements set forth in the Idaho statutes, the audit was 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, 2004. 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,



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, 2004

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.



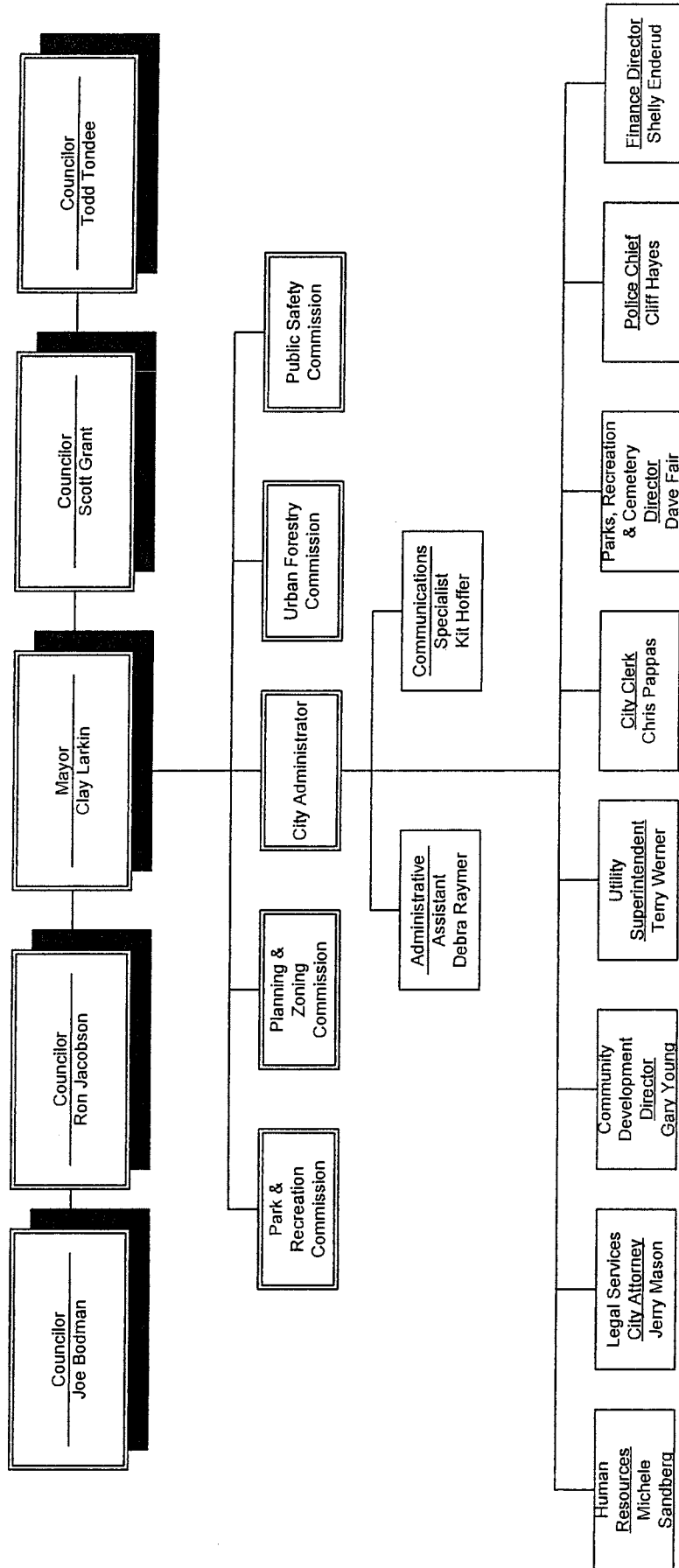
Carla E. Fudge

President

Jeffrey R. Emer






Executive Director

City of Post Falls Organizational Chart



CITY OF POST FALLS, IDAHO
Listing of City Officials
As of September 30, 2005

ELECTED OFFICIALS

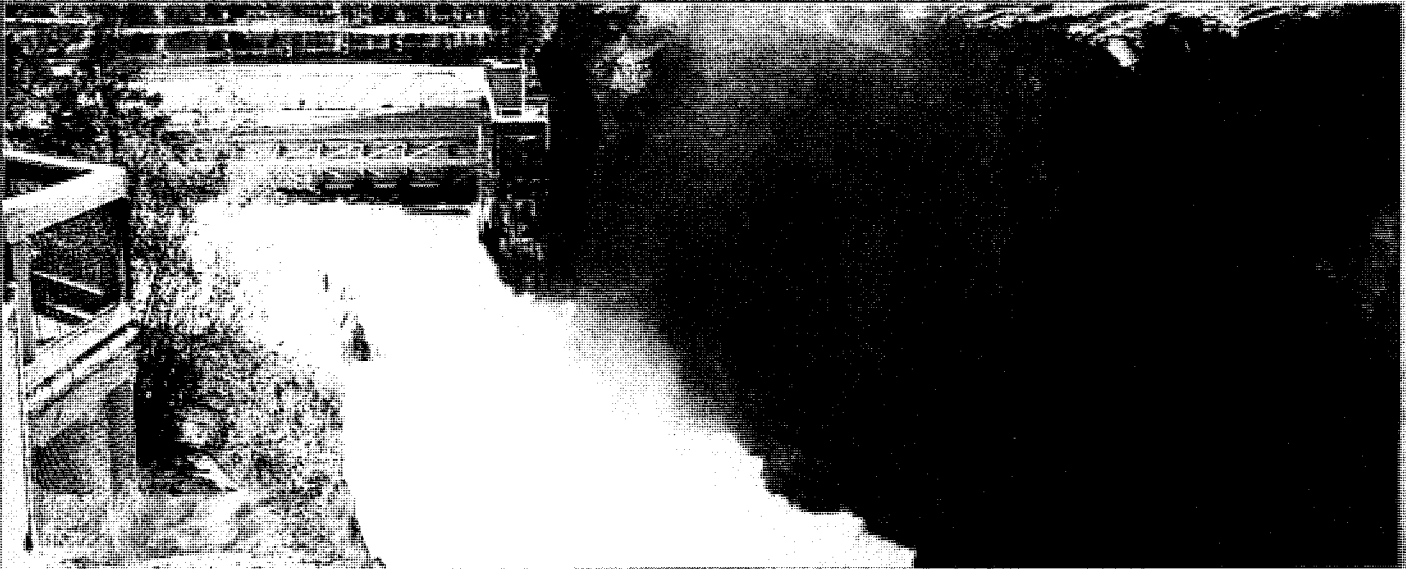
| | NAME | OFFICE | OCCUPATION | TERM EXPIRES |
|---|---------------------|-------------------|---|---------------------|
|  | Clay Larkin | Mayor | Retired | 2009 |
|  | Scott Grant | Council President | Supervisor Probation/ Parole Office | 2007 |
|  | Joe Bodman | Council Member | Spokane Deputy Sheriff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

APPOINTED OFFICIALS

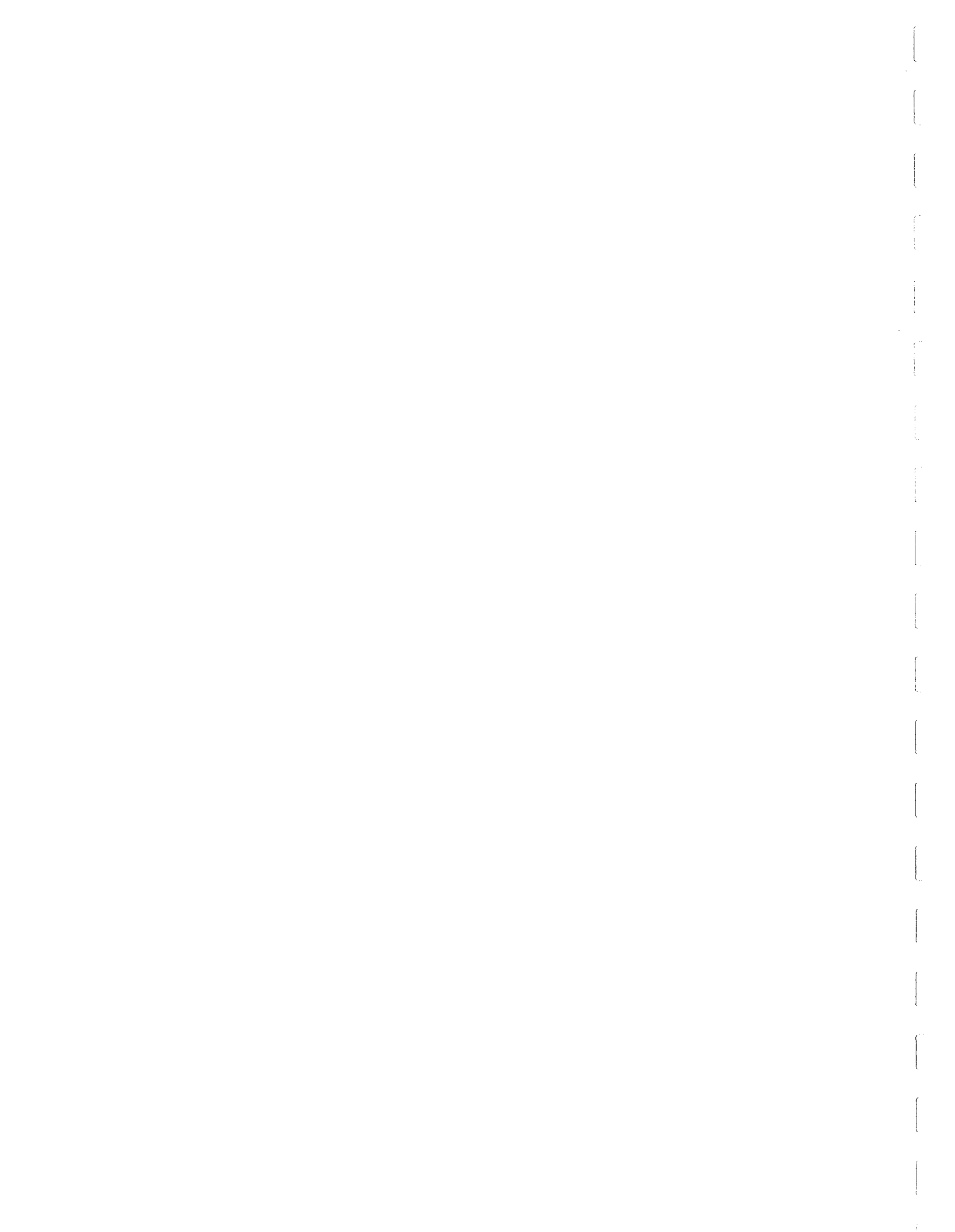
| <u>NAME</u> | <u>OFFICE</u> |
|--------------------|--------------------------------|
| James C. Hammond | City Administrator |
| Shelly Enderud | Finance Director/Treasurer |
| Cliff Hayes | Chief of Police |
| David Fair | Parks & Recreation Director |
| Gary Young | Community Development Director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

CITY OF POST FALLS, IDAHO

Financial Section



ABOVE: View of the Nevada Dam during spring runoff.



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, 2005, 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, 2005, and the respective changes in changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2006 on our consideration of the City of Post Falls, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

INDEPENDENT AUDITORS' REPORT (Concluded)

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

Magnuson, McHugh & Company, P.A.

February 15, 2006

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, 2005. 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 \$91,379,358 (net assets).
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$4,922,894, or 49.6 percent of total general fund expenditures.
- The governments net assets increased by \$11,210,462. 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 \$638,707 (11 percent) and operating expenses increased by \$323,152 (8 percent).
- The City took out an interim financing in the amount of \$3,400,000 to complete a Local Improvement District project (LID 2004-1). The term is 18 months but may be called after 12 months.
- The City sold bonds twice (\$3,969,500 and \$2,100,000 respectively) to acquire land for land application of reclaimed water for the Wastewater Division.
- The City signed a lease with Panhandle Area Council in the amount of \$825,000 to acquire additional park land.

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 sixteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, LID 99-1, LID 2004-1, and the capital fund, all of which are considered to be major funds. Data

from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 34 to 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 \$91,379,358 at the close of the most recent fiscal year.

By far the largest portion of the City of Post Falls' net assets (63 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 | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| ASSETS | | | | | | |
| Current and other assets | \$13,886,055 | \$9,285,537 | \$23,398,473 | \$19,065,196 | \$37,284,528 | \$28,350,733 |
| Capital assets | <u>22,799,485</u> | <u>19,227,968</u> | <u>55,072,977</u> | <u>44,954,088</u> | <u>77,872,462</u> | <u>64,182,056</u> |
| Total assets | <u>36,685,540</u> | <u>28,513,505</u> | <u>78,471,450</u> | <u>64,019,284</u> | <u>115,156,990</u> | <u>92,532,789</u> |
| LIABILITIES | | | | | | |
| Long-term liabilities outstanding | 10,527,645 | 6,589,130 | 10,680,992 | 4,458,394 | 21,208,637 | 11,047,524 |
| Other liabilities | <u>2,070,318</u> | <u>786,050</u> | <u>498,677</u> | <u>530,319</u> | <u>2,568,995</u> | <u>1,316,369</u> |
| Total liabilities | <u>12,597,963</u> | <u>7,375,180</u> | <u>11,179,669</u> | <u>3,730,266</u> | <u>23,777,632</u> | <u>11,105,446</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related | | | | | | |
| Debt: | 12,856,812 | 13,097,421 | 44,487,590 | 40,559,918 | 57,344,402 | 53,657,339 |
| Restricted | 872,546 | 734,213 | 4,699,749 | 3,475,869 | 5,572,295 | 4,210,082 |
| Unrestricted | <u>10,358,219</u> | <u>7,306,691</u> | <u>18,104,442</u> | <u>14,994,784</u> | <u>28,462,661</u> | <u>22,301,475</u> |
| Total net assets | <u>\$24,087,577</u> | <u>\$21,138,325</u> | <u>\$67,291,781</u> | <u>\$59,030,571</u> | <u>\$91,379,358</u> | <u>\$80,168,896</u> |

An additional portion of the City of Post Falls' net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$28,462,661) may be used to meet the government's ongoing obligations to citizens and creditors.

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

At the end of the current fiscal year, 89 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 \$2,949,252 and business-type activities increased net assets by \$8,261,210.

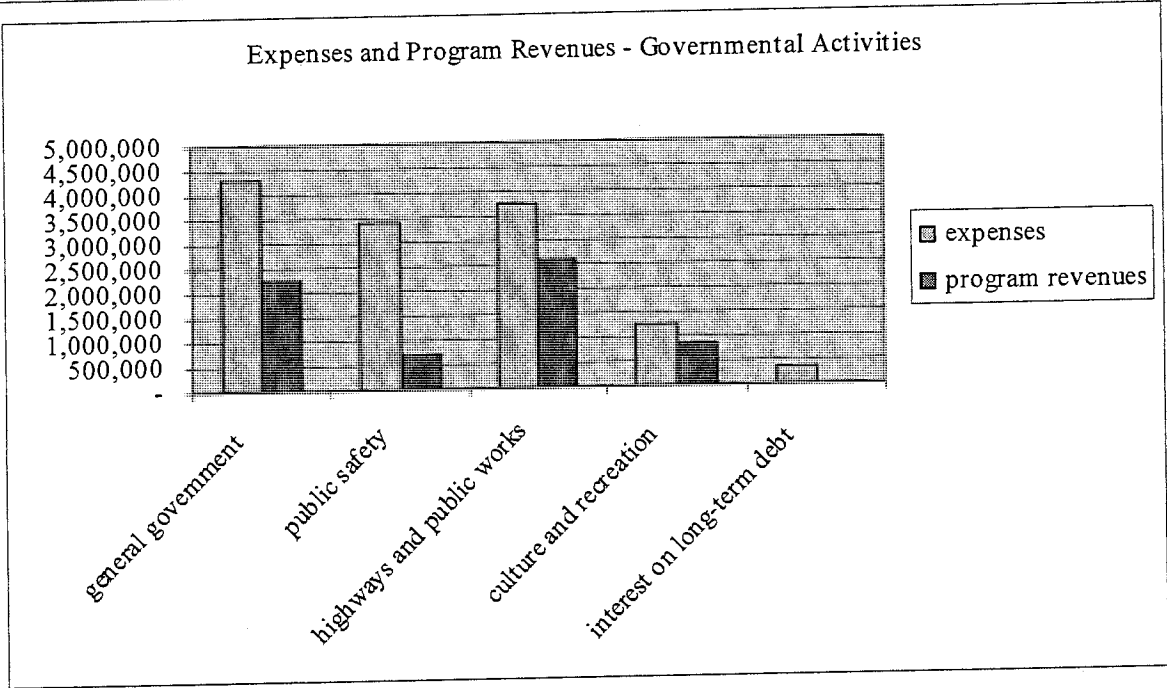
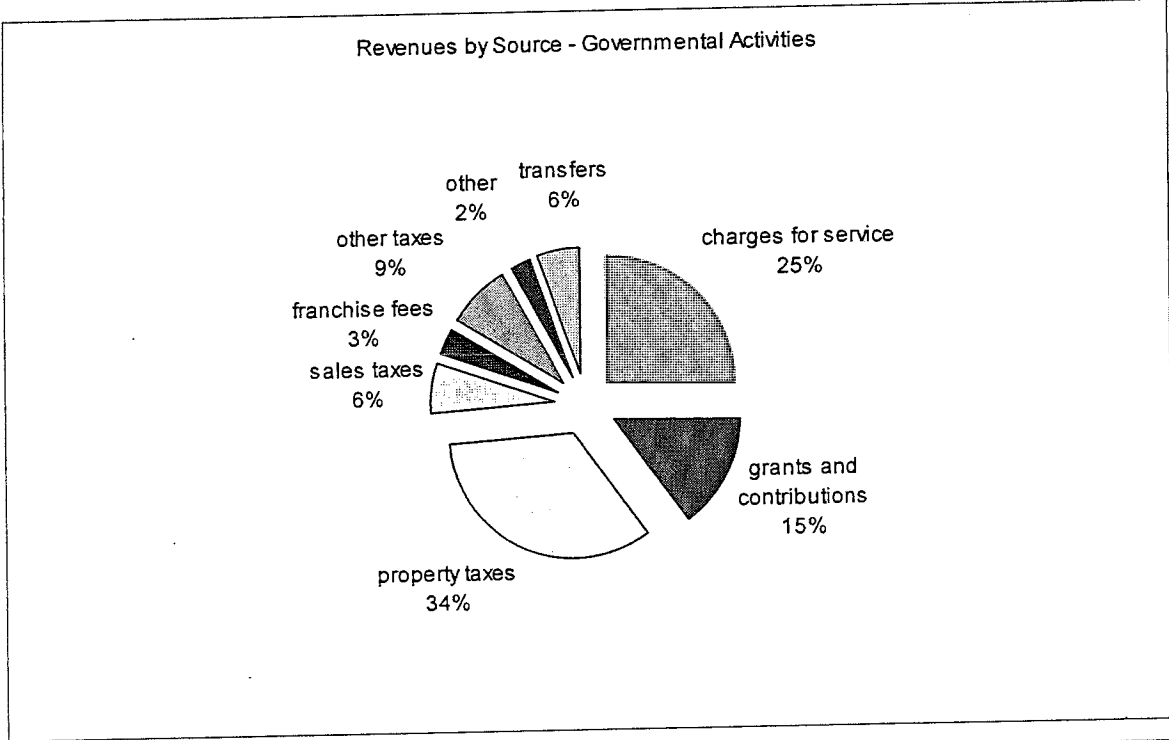
The City's direct charges to users of governmental services made up \$4,050,476 or 27 percent of total governmental revenue. These charges are for park rentals, recreation classes, building permits and other fees related to public safety and administration.

Public safety which includes police, domestic violence assistance, animal control and dispatch services accounts for \$3,409,806 in expenditures, or 26% of the total. Highway and public works accounts for \$3,750,058 in expenditures, or 29% of the total. Culture and recreation accounts for \$1,233,832 in expenditures, or 9% of the total. General government, the largest program, accounts for \$4,296,656 in expenditures, or 33% of the total.

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

City of Post Falls' Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$4,050,476 | \$3,997,859 | \$6,452,005 | \$5,813,298 | \$10,502,481 | \$9,811,157 |
| Operating grants and contributions | 248,978 | 210,574 | | | 248,978 | 210,574 |
| Capital grants and contributions | 2,082,757 | 3,855,708 | 6,971,034 | 6,813,384 | 9,053,791 | 10,669,092 |
| General revenues: | | | | | | |
| Property taxes | 5,452,343 | 4,990,766 | | | 5,452,343 | 4,990,766 |
| Other taxes | 2,889,702 | 2,457,664 | | | 2,889,702 | 2,457,664 |
| Other | 378,177 | 147,523 | 500,448 | 243,639 | 878,625 | 391,162 |
| Total revenues | <u>\$15,102,433</u> | <u>\$15,660,094</u> | <u>\$13,923,487</u> | <u>\$12,870,321</u> | <u>\$29,025,920</u> | <u>\$28,530,415</u> |
| EXPENSES | | | | | | |
| General government | \$4,296,656 | \$3,908,589 | | | \$4,296,656 | \$3,908,589 |
| Public safety | 3,409,806 | 3,171,924 | | | \$3,409,806 | 3,171,924 |
| Highway and public works | 3,750,058 | 1,701,489 | | | \$3,750,058 | 1,701,489 |
| Culture and recreation | 1,233,832 | 1,172,659 | | | \$1,233,832 | 1,172,659 |
| Interest on long-term debt | 362,559 | 325,229 | | | \$362,559 | 325,229 |
| Water | | | \$1,290,046 | \$995,763 | \$1,290,046 | 995,763 |
| Sewer | | | 2,358,255 | 2,224,803 | \$2,358,255 | 2,224,803 |
| Sanitation | | | 1,114,246 | 955,858 | 1,114,246 | 955,858 |
| Total expenses | <u>\$13,052,911</u> | <u>\$10,279,890</u> | <u>\$4,762,547</u> | <u>\$4,176,424</u> | <u>\$17,815,458</u> | <u>\$14,456,314</u> |
| INCREASE IN NET ASSETS BEFORE TRANSFERS | <u>2,049,522</u> | <u>5,380,204</u> | <u>9,160,940</u> | <u>8,693,897</u> | <u>11,210,462</u> | <u>14,074,101</u> |
| TRANSFERS IN (OUT) | <u>899,730</u> | <u>870,540</u> | <u>(899,730)</u> | <u>(870,540)</u> | | |
| INCREASE IN NET ASSETS | <u>2,949,252</u> | <u>6,250,744</u> | <u>8,261,210</u> | <u>7,823,357</u> | <u>11,210,462</u> | <u>14,074,101</u> |
| NET ASSETS beginning | <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> |
| NET ASSETS ending | <u>\$24,087,577</u> | <u>\$21,138,325</u> | <u>\$67,291,781</u> | <u>\$59,030,571</u> | <u>\$91,379,358</u> | <u>\$80,168,896</u> |



- The majority of the City of Post Falls' governmental activities' revenue is received from property taxes (34 percent). When all taxes are added together, they make up 52 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.

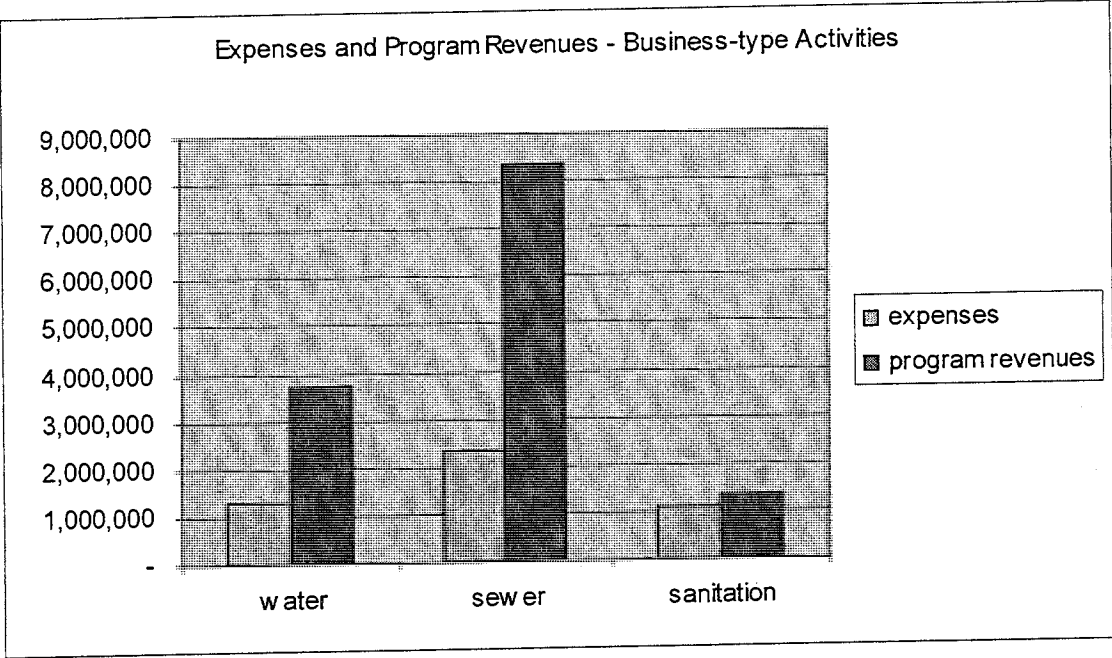
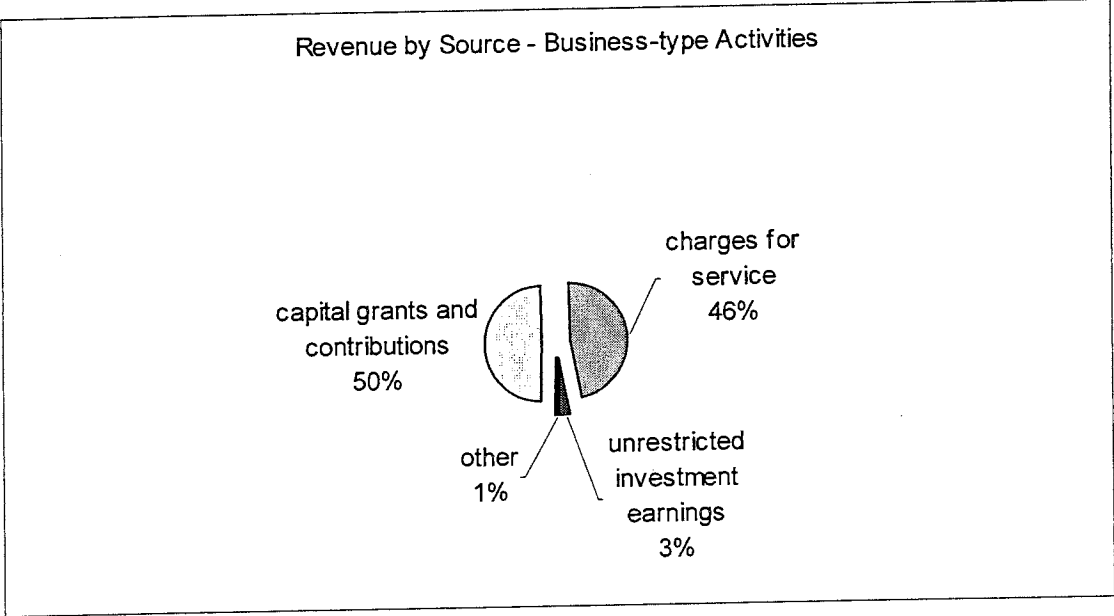
- Grants and contributions are primarily received by public safety and public works. These grants normally have matching requirements by the City, but allow programs and projects that may not happen without those additional funds. The City currently runs a domestic violence program that is funded through 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 interim bond issuance of LID 2004-1 (a wastewater extension/transportation project in a new commercial area of town) and a number of park projects (purchase of new park acreage, new parks in subdivisions and updating old parks). No significant losses or revenues were received during the year and building permit revenue has continued at an all time high.

Major funds in the City are general fund, LID 99-1, LID 2004-1 and the capital fund. Significant transactions within the general fund this year mainly consisted of repayment of debt and payment of personnel (has been steadily increasing since a wage study was performed in 2001 and since health insurance has been increasing at about 20 percent each year). The average wage increase in the City for the current fiscal year was 4.5 percent. A significant transaction for LID 2004-1 was the sale of interim bonds and construction of the project. Last, significant transactions in the capital fund were construction on a number of park projects and acquisition of additional park acreage.

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 2005. 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 (46 percent). Currently, the City of Post Falls' business-type activities do not use property taxes for any type of funding.
- The second major source of revenue is capital contributions. These contributions are received by water and sewer only. The sanitation for the City of Post Falls is contracted out, and the City has no capital investment in that program.

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

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

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City of Post Falls' reported a combined ending fund balance of \$11,402,475, an increase of \$3,730,101 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 \$381,220 of reserved dollars, \$491,326 of designated dollars and the balance of \$10,529,929 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 \$4,922,894, with a total fund balance of \$5,441,036. 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 49.6 percent of total general fund expenditures, while total fund balance represents 50.8 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 \$18,104,442 (water \$4,428,196; sewer \$13,453,078; and sanitation \$223,168). Restricted net assets at the end of the year amounted to \$4,699,749 (water \$2,100,500 and sewer \$1,999,249).

General Fund Budgetary Highlights

No budget amendment was performed during the current fiscal year. General Fund revenues ended the fiscal year with a total positive variance of 16 percent. Expenditures ended the fiscal

year with a total positive variance of 4.8 percent. The major variance in revenues was due to another unprecedented year in issuing building permits and an improving economy. The variance in expenditures was due to a combination of numerous small savings in the general government area.

Capital Asset and Debt Administration

Capital assets. The City of Post Falls' investment in capital assets for its governmental and business type activities as of September 30, 2005 amounts to \$77,872,461 (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 21 percent (a 19 percent increase for governmental activities and a 23 percent increase for business-type activities).

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | \$4,837,936 | \$3,372,084 | \$9,156,067 | \$2,354,871 | \$13,994,003 | \$5,726,955 |
| Buildings & Imp. | 7,659,805 | 7,244,079 | | | 7,659,805 | 7,244,079 |
| Machinery & Equip. | 1,552,445 | 1,755,820 | 499,733 | 338,787 | 2,052,178 | 2,094,607 |
| Infrastructure | 8,749,299 | 6,855,985 | | | 8,749,299 | 6,855,985 |
| Wells | | | 690,882 | 751,742 | 690,882 | 751,742 |
| Water System | | | 16,240,299 | 10,690,054 | 16,240,299 | 10,690,054 |
| Sewer System | | | 27,681,857 | 26,367,739 | 27,681,857 | 26,367,739 |
| C.I.P. | | | 804,138 | 4,450,895 | 804,138 | 4,450,895 |
| Total | <u>\$22,799,485</u> | <u>\$19,227,968</u> | <u>\$55,072,976</u> | <u>\$44,954,088</u> | <u>\$77,872,461</u> | <u>\$64,182,056</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 and acquired additional park acreage.
- Completed construction of water project, (partially funded by a DEQ loan), which included additional wells and reservoirs.
- Purchase of land for land application of reclaimed water from the Wastewater plant.

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 \$15,675,388. Of this amount, \$1,245,000 is comprised of debt backed by the

full faith and credit of the government and \$3,845,001 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Post Falls' debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), a water loan from DEQ secured solely by specified revenue sources, leases secured by general fund, and compensated absences accrued by employees and a liability of general fund (\$584,972), water (\$44,855) and sewer (\$50,750).

| <u>Debt Type</u> | <u>2005 Balance</u> | <u>2004 Balance</u> |
|---------------------------|---------------------|---------------------|
| General Obligation Bonds: | \$1,245,000 | \$1,370,000 |
| Sewer Revenue Bonds: | 7,201,154 | 1,745,915 |
| Water – DEQ Loan | 3,384,233 | 2,648,255 |
| Special Assessment Bonds: | 3,845,001 | 595,087 |
| Leases | 4,852,672 | 4,165,460 |
| Compensated Absences | <u>680,577</u> | <u>522,807</u> |
| | <u>\$21,208,637</u> | <u>\$11,047,524</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 \$25,164,747 on September 30, 2005. The City's general obligation bond above is subject to this limit. Therefore, \$23,919,747 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 2005. During fiscal year 2002 there was a reduction in those taxes.
- Interest rates have continued to creep up so investment interest has been budgeted to reflect this trend.
- Building permits issued in the City of Post Falls are at an all time high and are expected to continue at a higher 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 \$4,922,894. The City of Post Falls has appropriated \$100,000 of this amount for spending in the 2006 fiscal year budget. The remaining balance will be reserved during fiscal year 2006 as a contingency fund or designated to the appropriate area.

Both water and sewer operating rates were increased by 4.5 percent in the 2006 budget year. Sanitation rates will remain constant for the next couple of years as per a new contract with an outside hauler. Water and sewer rates are set by rate studies that updated every five years.

Requests for information

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

Basic Financial Statements

**City of Post Falls
Statement of Net Assets
September 30, 2005**

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------------|------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Post Falls Urban Renewal Agency |
| Assets | | | | |
| Cash and cash equivalents | \$ 8,791,122 | \$ 16,181,467 | \$ 24,972,589 | \$ 59,427 |
| Investments | 2,916,269 | | 2,916,269 | 807,687 |
| Receivables | | | | |
| Accounts | 24,275 | 1,605,568 | 1,629,843 | |
| Taxes | 199,936 | | 199,936 | 6,211 |
| Miscellaneous | 479,573 | | 479,573 | |
| Special assessments | 277,545 | | 277,545 | |
| Due from other governments | 539,958 | | 539,958 | |
| Accrued interest | 7,389 | 2,665 | 10,054 | |
| Prepaid items | 8,650 | | 8,650 | 215 |
| Restricted cash | 641,338 | 5,605,719 | 6,247,057 | |
| Capital assets, net of depreciation: | | | | |
| Land | 4,837,936 | 9,156,067 | 13,994,003 | |
| Buildings | 7,659,805 | 4,467,782 | 12,127,587 | |
| Machinery and equipment | 1,552,445 | 499,733 | 2,052,178 | |
| Other improvements | | 40,145,257 | 40,145,257 | |
| Infrastructure | 8,749,299 | | 8,749,299 | |
| Construction in progress | | 804,138 | 804,138 | |
| Unamortized issue costs | | 3,054 | 3,054 | |
| Total Assets | <u>36,685,540</u> | <u>78,471,450</u> | <u>115,156,990</u> | <u>873,540</u> |
| Liabilities | | | | |
| Accounts payable | 1,276,167 | 194,674 | 1,470,841 | 37,639 |
| Accrued payroll | 129,419 | 15,181 | 144,600 | |
| Bond interest payable | 96,149 | 119,502 | 215,651 | |
| Restricted customer deposits | 568,583 | 169,320 | 737,903 | |
| Noncurrent liabilities | | | | |
| Due within one year | 4,212,957 | 817,032 | 5,029,989 | |
| Due in more than one year | 6,314,688 | 9,863,960 | 16,178,648 | 812,295 |
| Total Liabilities | <u>12,597,963</u> | <u>11,179,669</u> | <u>23,777,632</u> | <u>849,934</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 12,856,812 | 44,487,590 | 57,344,402 | |
| Restricted for: | | | | |
| Library and art activities | 26,816 | | 26,816 | |
| Debt service | 354,404 | 1,820,194 | 2,174,598 | |
| Capital improvements | 491,326 | 2,879,555 | 3,370,881 | |
| Unrestricted | 10,358,219 | 18,104,442 | 28,462,661 | 23,606 |
| Total Net Assets | <u>\$ 24,087,577</u> | <u>\$ 67,291,781</u> | <u>\$ 91,379,358</u> | <u>\$ 23,606</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, 2005

| 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 | | Total |
| | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 4,296,656 | \$ 2,250,666 | \$ 20,073 | \$ 50,361 | \$ (2,025,917) | \$ (2,025,917) | \$ 46,916 | |
| Public safety | 3,409,806 | 446,423 | 179,443 | \$ 2,032,396 | (2,733,579) | (2,733,579) | | |
| Highways and public works | 3,750,058 | 564,228 | | | (1,153,434) | (1,153,434) | | |
| Culture and recreation | 1,233,832 | 789,159 | 49,462 | | (395,211) | (395,211) | | |
| Interest on long-term debt | 362,559 | | | | (362,559) | (362,559) | | |
| Total governmental activities | 13,052,911 | 4,050,476 | 248,978 | 2,082,757 | (6,670,700) | (6,670,700) | 46,916 | |
| Business-type activities: | | | | | | | | |
| Water | 1,290,046 | 1,773,912 | | 1,977,265 | \$ 2,461,131 | 2,461,131 | | |
| Sewer | 2,358,255 | 3,344,028 | | 4,993,769 | 5,979,542 | 5,979,542 | | |
| Sanitation | 1,114,246 | 1,334,065 | | | 219,819 | 219,819 | | |
| Total business-type activities | 4,762,547 | 6,452,005 | | 6,971,034 | 8,660,492 | 8,660,492 | | |
| Total government | \$17,815,458 | \$ 10,502,481 | \$ 248,978 | \$ 9,053,791 | (6,670,700) | 1,989,792 | 46,916 | |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 5,452,343 | 5,452,343 | 414,124 | |
| Sales taxes | | | | | 1,022,177 | 1,022,177 | | |
| Franchise fees | | | | | 502,704 | 502,704 | | |
| Motor fuel taxes | | | | | 979,582 | 979,582 | | |
| Alcoholic beverage taxes | | | | | 385,239 | 385,239 | | |
| Grants and contributions not restricted to specific programs | | | | | 375,469 | 375,469 | 17,705 | |
| Unrestricted investment earnings | | | | | 2,708 | 2,708 | 86,885 | |
| Gains (losses) on disposal of capital assets | | | | | (899,730) | (899,730) | | |
| Transfers | | | | | 9,619,952 | (399,282) | 431,829 | |
| Total general revenues and transfers | | | | | 9,220,670 | 9,220,670 | | |
| Change in net assets | | | | | 2,949,252 | 8,261,210 | 478,745 | |
| Net Assets - beginning | | | | | 21,138,325 | 59,030,571 | (455,139) | |
| Net Assets - ending | | | | | \$ 24,087,577 | \$ 67,291,781 | \$ 23,606 | |

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

City of Post Falls
Balance Sheet
Governmental Funds
September 30, 2005

| | Debt Service | | | | Other Governmental Funds | Totals Government Funds 2005 |
|--|---------------------|-------------------|---------------------|---------------------|--------------------------------|---------------------------------------|
| | General Fund | LID 99-1 Fund | LID 2004-1 Fund | Capital Fund | | |
| Assets | | | | | | |
| Cash on hand and cash equivalents | \$ 2,191,744 | \$ 166,309 | \$ 2,453,590 | \$ 3,525,769 | \$ 453,710 | \$ 8,791,122 |
| Investments | 2,916,269 | | | | | 2,916,269 |
| Accounts receivable: | | | | | | 25,717 |
| Property taxes - current | 25,717 | | | | | 25,717 |
| - delinquent | 174,219 | | | | | 174,219 |
| Loans receivable | | | | | 39,088 | 39,088 |
| Miscellaneous | 205,775 | 191,575 | | 2,488 | 40,647 | 440,485 |
| Customers | | | | | 24,275 | 24,275 |
| Due from other governments | 523,845 | | | | 16,113 | 539,958 |
| Special assessments - delinquent | | | | | 29,178 | 29,178 |
| - deferred | | 97,638 | | | 150,729 | 248,367 |
| Interfund receivables | 212,741 | | | | | 212,741 |
| Prepaid items | | | | 8,650 | | 8,650 |
| Accrued interest | 7,389 | | | | | 7,389 |
| Restricted current assets: | | | | | | 641,338 |
| Cash and cash equivalents | 286,934 | | | 354,404 | | 641,338 |
| Total assets and other debits | <u>\$ 6,544,633</u> | <u>\$ 455,522</u> | <u>\$ 2,453,590</u> | <u>\$ 3,891,311</u> | <u>\$ 753,740</u> | <u>\$ 14,098,796</u> |
| Liabilities and fund balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 212,816 | | \$ 926,817 | \$ 36,150 | \$ 100,384 | \$ 1,276,167 |
| Interfund payables | | \$ 191,575 | | 8,161 | 13,005 | 212,741 |
| Accrued payroll and fringe benefits | 129,419 | | | | | 129,419 |
| Deferred revenue | 192,779 | 97,638 | | | 218,994 | 509,411 |
| Restricted customer deposits | 568,583 | | | | | 568,583 |
| Total liabilities | <u>1,103,597</u> | <u>289,213</u> | <u>926,817</u> | <u>44,311</u> | <u>332,383</u> | <u>2,696,321</u> |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | 26,816 |
| Library and art activities | 26,816 | | | | | 26,816 |
| Debt | | | | 354,404 | | 354,404 |
| Unreserved: | | | | | | 491,326 |
| Designated for improvements | 491,326 | | | | | 491,326 |
| General fund | 4,922,894 | | | | | 4,922,894 |
| Special Revenue funds | | | | | 281,675 | 281,675 |
| Debt Service funds | | 166,309 | 1,526,773 | | 139,682 | 1,832,764 |
| Capital Fund | | | | 3,492,596 | | 3,492,596 |
| Total fund balances | <u>5,441,036</u> | <u>166,309</u> | <u>1,526,773</u> | <u>3,847,000</u> | <u>421,357</u> | <u>11,402,475</u> |
| Total liabilities and fund balances | <u>\$ 6,544,633</u> | <u>\$ 455,522</u> | <u>\$ 2,453,590</u> | <u>\$ 3,891,311</u> | <u>\$ 753,740</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. | 22,799,485 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 509,411 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (10,623,794) |
| Net assets of governmental activities | <u>\$ 24,087,577</u> |

City of Post Falls
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2005

| | Debt Service | | | | Totals Government Funds 2005 |
|--|--------------------|-------------------|---------------------|---------------------|---------------------------------------|
| | General Fund | LID 99-1 Fund | LID 2004-1 Fund | Capital Fund | |
| Revenues: | | | | | |
| Taxes | \$6,042,106 | | | | \$ 6,042,106 |
| Intergovernmental | 2,593,942 | \$ 2,500 | | \$ 114,036 | 2,710,478 |
| Charges for services | 2,503,446 | | | 799,243 | 3,580,138 |
| Other revenue | 306,210 | | | 104,589 | 557,950 |
| Special assessment revenue | | 152,448 | | | 282,452 |
| Interest | 208,575 | 32,093 | \$ 37,306 | 69,316 | 375,469 |
| Total revenues | <u>11,654,279</u> | <u>187,041</u> | <u>37,306</u> | <u>1,087,184</u> | <u>13,548,593</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 3,915,668 | 2,500 | 116,138 | 31,577 | 4,069,030 |
| Public safety | 3,144,246 | | | 956 | 3,145,202 |
| Highways and public works | 1,455,876 | | 1,788,551 | 233,990 | 3,478,417 |
| Culture and recreation | 1,133,731 | | | 22,731 | 1,156,462 |
| Capital outlay | 457,528 | | | 1,787,552 | 2,367,801 |
| Debt service: | | | | | |
| Principal | 329,672 | 12,066 | | 16,500 | 498,238 |
| Interest | 267,506 | 10,086 | | 14,371 | 313,437 |
| Total expenditures | <u>10,704,227</u> | <u>24,652</u> | <u>1,904,689</u> | <u>1,850,000</u> | <u>15,028,587</u> |
| Excess (deficiency) of revenues over expenditures | <u>950,052</u> | <u>162,389</u> | <u>(1,867,383)</u> | <u>(762,816)</u> | <u>(1,479,994)</u> |
| Other financing sources (uses): | | | | | |
| Proceeds of capital financing | 85,365 | | 3,400,000 | 825,000 | 4,310,365 |
| Transfers in | 1,030,730 | | | 1,030,766 | 2,063,901 |
| Transfers out | (1,025,000) | | | (70,000) | (1,164,171) |
| Total other financing sources (uses) | <u>91,095</u> | | <u>3,400,000</u> | <u>1,785,766</u> | <u>5,210,095</u> |
| Net change in fund balance | <u>1,041,147</u> | <u>162,389</u> | <u>1,532,617</u> | <u>1,022,950</u> | <u>3,730,101</u> |
| Fund balances, Beginning | <u>4,399,889</u> | <u>3,920</u> | <u>(5,844)</u> | <u>2,824,050</u> | <u>7,672,374</u> |
| Fund balances, Ending | <u>\$5,441,036</u> | <u>\$ 166,309</u> | <u>\$ 1,526,773</u> | <u>\$ 3,847,000</u> | <u>\$11,402,475</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, 2005**

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

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds | \$ 3,730,101 |
| 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. | 1,652,949 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. | 1,918,568 |
| 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. | (364,729) |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | <u>(3,987,637)</u> |
| Change in Net Assets of Governmental Activities | <u><u>\$ 2,949,252</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, 2005**

| Business-type Activities - Enterprise Funds | | | | | | | |
|--|-----------------------|----------------------|-----------------------|----------------------|----------------------------|--------------------------|------------------------|
| | Water Current Year | Water Prior Year | Sewer Current Year | Sewer Prior Year | Sanitation Current Year | Sanitation Prior Year | Totals Current Year |
| Assets | | | | | | | |
| Current assets: | | | | | | | |
| Cash | \$ 3,465,712 | \$ 3,510,202 | \$ 12,543,171 | \$ 11,064,550 | \$ 172,584 | \$ 143,361 | \$ 16,181,467 |
| Utility receivables, net | 812,887 | 269,990 | 639,960 | 317,741 | 152,721 | 118,885 | 1,605,568 |
| Restricted cash, customer deposits | 169,320 | 154,932 | | | | | 169,320 |
| Accrued interest | | | | 5,844 | | | |
| Due from other funds | | | | 11,388,135 | 325,305 | 262,246 | 17,956,355 |
| Total current assets | <u>4,447,919</u> | <u>3,935,124</u> | <u>13,183,131</u> | <u>11,388,135</u> | <u>325,305</u> | <u>262,246</u> | <u>17,956,355</u> |
| Non-current assets: | | | | | | | |
| Restricted cash | 2,355,817 | 1,529,357 | 3,080,582 | 1,946,510 | | | 5,436,399 |
| Restricted accrued interest | 924 | | 1,741 | | | | 2,665 |
| Bond issuance cost, net | | | 3,054 | 3,824 | | | 3,054 |
| Total restricted assets | <u>2,356,741</u> | <u>1,529,357</u> | <u>3,085,377</u> | <u>1,950,334</u> | | | <u>5,442,118</u> |
| Capital assets: | | | | | | | |
| Land | 54,555 | 54,555 | 9,101,512 | 2,300,316 | | | 9,156,067 |
| Wells | 1,367,689 | 1,352,393 | | | | | 1,367,689 |
| Water system | 18,742,781 | 12,919,806 | | | | 12,979 | 18,742,781 |
| Equipment | 357,507 | 357,051 | 1,069,524 | 1,043,335 | | 12,979 | 1,427,031 |
| Sewer system | | | 38,000,961 | 35,928,897 | | | 38,000,961 |
| Construction in progress | | 4,058,130 | 804,138 | 392,765 | | | 804,138 |
| Less accumulated depreciation | (3,309,281) | (3,051,086) | (11,116,409) | (10,402,074) | | (12,979) | (14,425,690) |
| Total capital assets (net of accumulated depreciation) | <u>17,213,251</u> | <u>15,690,849</u> | <u>37,859,726</u> | <u>29,263,239</u> | | | <u>55,072,977</u> |
| Total non-current assets | <u>19,569,992</u> | <u>17,220,206</u> | <u>40,945,103</u> | <u>31,213,573</u> | <u>325,305</u> | <u>262,246</u> | <u>60,515,095</u> |
| Total Assets | <u>24,017,911</u> | <u>21,155,330</u> | <u>54,128,234</u> | <u>42,601,708</u> | <u>325,305</u> | <u>262,246</u> | <u>78,471,450</u> |
| Liabilities | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | 21,805 | 193,715 | 70,732 | 67,685 | 102,137 | 83,523 | 194,674 |
| Accrued payroll | 6,070 | 4,657 | 9,111 | 6,138 | | | 15,181 |
| Bond interest payable | 33,914 | 10,783 | 85,588 | 8,886 | | | 119,502 |
| Compensated absences | 44,855 | 35,791 | 50,750 | 28,433 | | | 95,605 |
| Customer deposits payable | 169,320 | 154,932 | | | | | 169,320 |
| Bond payable - current maturity | 116,205 | | 640,595 | 614,260 | | | 756,800 |
| Total current liabilities | <u>392,169</u> | <u>399,878</u> | <u>856,776</u> | <u>725,402</u> | <u>102,137</u> | <u>83,523</u> | <u>1,351,082</u> |
| Noncurrent liabilities: | | | | | | | |
| Bonds payable | 3,268,028 | 2,648,255 | 6,560,559 | 1,131,655 | | | 9,828,587 |
| Total noncurrent liabilities | <u>3,268,028</u> | <u>2,648,255</u> | <u>6,560,559</u> | <u>1,131,655</u> | | | <u>9,828,587</u> |
| Total Liabilities | <u>3,660,197</u> | <u>3,048,133</u> | <u>7,417,335</u> | <u>1,857,057</u> | <u>102,137</u> | <u>83,523</u> | <u>11,179,669</u> |
| Net Assets | | | | | | | |
| Invested in capital assets, net of related debt | 13,829,018 | 13,042,594 | 30,658,572 | 27,517,324 | | | 44,487,590 |
| Restricted for: | | | | | | | 2,879,555 |
| Replacement | 1,103,881 | 806,036 | 1,775,674 | 1,153,008 | | | 1,820,194 |
| Bond Retirement | 996,619 | 723,322 | 823,575 | 793,503 | | | 18,104,442 |
| Unrestricted | 4,428,196 | 3,535,245 | 13,453,078 | 11,280,816 | 223,168 | 178,723 | 18,104,442 |
| Total Net Assets | <u>\$ 20,357,714</u> | <u>\$ 18,107,197</u> | <u>\$ 46,710,899</u> | <u>\$ 40,744,651</u> | <u>\$ 223,168</u> | <u>\$ 178,723</u> | <u>\$ 67,291,781</u> |

City of Post Falls
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2005

| | 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 | |
| Operating Revenues: | | | | | | | |
| Charges for services | \$ 1,593,135 | \$ 1,433,091 | \$ 3,300,320 | \$ 3,028,574 | \$ 1,311,450 | \$ 1,128,396 | \$ 6,204,905 |
| Hookups and connections | 78,375 | 84,200 | | | | | 78,375 |
| Other revenues | 102,402 | 79,308 | 43,708 | 36,576 | 22,615 | 23,153 | 168,725 |
| Total operating revenues | <u>1,773,912</u> | <u>1,596,599</u> | <u>3,344,028</u> | <u>3,065,150</u> | <u>1,334,065</u> | <u>1,151,549</u> | <u>6,452,005</u> |
| Operating Expenses: | | | | | | | |
| Salaries and benefits | 365,960 | 315,402 | 552,373 | 504,791 | | | 918,333 |
| Administrative and supplies | 409,073 | 379,267 | 817,791 | 749,940 | 1,114,246 | 955,858 | 2,341,110 |
| Depreciation | 361,101 | 291,546 | 771,913 | 872,501 | | | 1,133,014 |
| Total operating expenses | <u>1,136,134</u> | <u>986,215</u> | <u>2,142,077</u> | <u>2,127,232</u> | <u>1,114,246</u> | <u>955,858</u> | <u>4,392,457</u> |
| Operating income | 637,778 | 610,384 | 1,201,951 | 937,918 | 219,819 | 195,691 | 2,059,548 |
| Nonoperating revenues (expenses): | | | | | | | |
| Intergovernmental | 311,727 | 159,234 | | | | | 311,727 |
| Investment income | 123,404 | 66,517 | 289,828 | 173,341 | 3,039 | 1,681 | 416,271 |
| Interest expense | (153,912) | (9,548) | (215,408) | (96,801) | | | (369,320) |
| Gain on sale of capital assets | 5,118 | 2,100 | 79,059 | | | | 84,177 |
| Amortization of refunding costs | | | (770) | (770) | | | (770) |
| Total nonoperating revenues (expenses) | <u>286,337</u> | <u>218,303</u> | <u>152,709</u> | <u>75,770</u> | <u>3,039</u> | <u>1,681</u> | <u>442,085</u> |
| Income before contributions and transfers | 924,115 | 828,687 | 1,354,660 | 1,013,688 | 222,858 | 197,372 | 2,501,633 |
| Capital Contributions - tap fees | 1,665,538 | 3,293,202 | 4,993,769 | 3,360,948 | | | 6,659,307 |
| Transfers in | | | 20,000 | | | | 20,000 |
| Transfers out | (339,136) | (329,800) | (402,181) | (382,525) | (178,413) | (158,215) | (919,730) |
| Changes in net assets | <u>2,250,517</u> | <u>3,792,089</u> | <u>5,966,248</u> | <u>3,992,111</u> | <u>44,445</u> | <u>39,157</u> | <u>8,261,210</u> |
| Total net assets - beginning | 18,107,197 | 14,315,108 | 40,744,651 | 36,752,540 | 178,723 | 139,566 | 59,030,571 |
| Total net assets - ending | <u>\$ 20,357,714</u> | <u>\$ 18,107,197</u> | <u>\$ 46,710,899</u> | <u>\$ 40,744,651</u> | <u>\$ 223,168</u> | <u>\$ 178,723</u> | <u>\$ 67,291,781</u> |

City of Post Falls
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2005

| Business-type Activities - Enterprise Funds | | | | | | | |
|---|-----------------------|---------------------|-----------------------|----------------------|----------------------------|--------------------------|------------------------|
| | Water Current Year | Water Prior Year | Sewer Current Year | Sewer Prior Year | Sanitation Current Year | Sanitation Prior Year | Totals Current Year |
| Cash Flows from Operating Activities | | | | | | | |
| Receipts from customers | \$ 1,245,403 | \$ 1,623,375 | \$ 3,021,809 | \$ 3,076,330 | \$ 1,300,229 | \$ 1,144,357 | \$ 5,567,441 |
| Payments to suppliers | (573,233) | (256,705) | (814,744) | (769,154) | (1,095,632) | (950,839) | (2,483,609) |
| Payments to employees | (355,483) | (313,827) | (527,083) | (524,175) | | | (882,566) |
| Net cash provided by operating activities | <u>316,687</u> | <u>1,052,843</u> | <u>1,679,982</u> | <u>1,783,001</u> | <u>204,597</u> | <u>193,518</u> | <u>2,201,266</u> |
| Cash Flows from Non-capital Financing Activities | | | | | | | |
| Transfer from other funds | | | 20,000 | | | | |
| Operating subsidies and transfers to other funds | (339,136) | (329,800) | (402,181) | (382,525) | (178,413) | (158,215) | (919,730) |
| Advances from other funds | | | 5,844 | (5,844) | | | |
| Subsidy from federal grant | 311,727 | 159,234 | | | | | 470,961 |
| Net cash (used) by non-capital financing activities | <u>(27,409)</u> | <u>(170,566)</u> | <u>(376,337)</u> | <u>(388,369)</u> | <u>(178,413)</u> | <u>(158,215)</u> | <u>(448,769)</u> |
| Cash Flows from Capital and Related Financing Activities | | | | | | | |
| Proceeds from capital debt | 735,978 | 1,818,571 | 6,069,500 | | | | 6,805,478 |
| System development fees | 1,665,538 | 3,293,202 | 4,993,769 | 3,360,948 | | | 6,659,307 |
| Proceeds from sale of capital assets | 5,118 | 2,100 | 79,059 | | | | 84,177 |
| Principal payments on capital debt | | | (614,261) | (663,063) | | | (614,261) |
| Interest payments on capital debt | (130,781) | | (138,706) | (118,977) | | | (269,487) |
| Purchase of capital assets | (1,891,253) | (4,344,487) | (9,368,400) | (1,541,831) | | | (11,259,653) |
| Net cash provided (used) by capital and related financing activities | <u>384,600</u> | <u>769,386</u> | <u>1,020,961</u> | <u>1,037,077</u> | | | <u>1,405,561</u> |
| Cash Flows from Investing Activities | | | | | | | |
| Interest received on investments | 122,480 | 66,574 | 288,087 | 173,482 | 3,039 | 1,681 | 413,606 |
| Net cash provided by investing activities | <u>122,480</u> | <u>66,574</u> | <u>288,087</u> | <u>173,482</u> | <u>3,039</u> | <u>1,681</u> | <u>413,606</u> |
| Net increase (decrease) in cash and cash equivalents | 796,358 | 1,718,237 | 2,612,693 | 2,605,191 | 29,223 | 36,984 | 3,571,664 |
| Cash and cash equivalents, beginning | 5,194,491 | 3,476,254 | 13,011,060 | 10,405,869 | 143,361 | 106,377 | 18,348,912 |
| Cash and cash equivalents, ending | <u>\$ 5,990,849</u> | <u>\$ 5,194,491</u> | <u>\$ 15,623,753</u> | <u>\$ 13,011,060</u> | <u>\$ 172,584</u> | <u>\$ 143,361</u> | <u>\$ 21,920,576</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | | | | |
| Operating income | \$ 637,778 | \$ 610,384 | \$ 1,201,951 | \$ 937,918 | \$ 219,819 | \$ 195,691 | \$ 2,059,548 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | | |
| Depreciation | 361,101 | 291,546 | 771,913 | 872,501 | | | 1,133,014 |
| Asset trade-in | 7,750 | | | | | | 7,750 |
| Changes in assets and liabilities: | | | | | | | |
| Accounts receivable | (542,897) | 1,768 | (322,219) | 11,179 | (33,836) | (7,192) | (898,952) |
| Accounts payable | (171,910) | 122,562 | 3,047 | (19,213) | 18,614 | 5,019 | (150,249) |
| Accrued payroll | 10,477 | 1,575 | 25,290 | (19,384) | | | 35,767 |
| Customer deposits | 14,388 | 25,008 | | | | | 14,388 |
| Total adjustments | <u>\$ 316,687</u> | <u>\$ 1,052,843</u> | <u>\$ 1,679,982</u> | <u>\$ 1,783,001</u> | <u>\$ 204,597</u> | <u>\$ 193,518</u> | <u>\$ 2,201,266</u> |

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

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, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The government reports the following major governmental funds:

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Prepaid Items

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

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

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

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, 2005 materially approximates fair value. Investments on hand at September 30, 2005 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, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

| | Years |
|----------------------------|-------|
| Water Bond refunding costs | 16 |
| Sewer Bond issuance costs | 20 |

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

Accounts Receivable - Utility accounts receivable, net of allowances for doubtful accounts for the enterprise funds as of September 30, 2005 are as follows:

| | |
|--------------------------------------|-----------|
| Water: | |
| Gross accounts receivable | \$820,641 |
| Less allowance for doubtful accounts | (7,754) |
| Accounts receivable, net | \$812,887 |
| Sewer: | |
| Gross accounts receivable | \$649,314 |
| Less allowance for doubtful accounts | (9,354) |
| Accounts receivable, net | \$649,314 |
| Sanitation: | |
| Gross accounts receivable | \$157,412 |
| Less allowance for doubtful accounts | (4,691) |
| Accounts receivable, net | \$152,721 |

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenues - Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The County Assessor establishes assessed values. Property tax payments are due in one-half installments in December and June. Property taxes become a lien on the property when it is levied. State statute sets maximum property tax rates for the various funds of the City of Post Falls. For the general fund, the City cannot levy more than 103% of the highest amount in the prior three year's certified property tax amount. For other funds, the 3% increase is not applicable but is limited by statute. Rates are expressed in millage of total market value. The millage rate for the 2004-05 fiscal year was .005346722.

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 3: CASH AND INVESTMENTS

Cash and Investments

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

Cash and Investments are comprised of the following at September 30, 2005:

| | |
|---------------------------------------|---------------------|
| Cash on hand | \$ 2,644 |
| Deposits with financial institutions: | |
| Demand deposit | 102,610 |
| Time certificates of deposit | 10,427 |
| Investments | <u>34,020,234</u> |
| Total | <u>\$34,135,915</u> |

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

| | |
|---------------------------------|---------------------|
| Cash and Investments | \$27,888,858 |
| Restricted Cash and Investments | <u>6,247,057</u> |
| Total | <u>\$34,135,915</u> |

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

The carrying amount of the City's deposits with financial institutions was \$113,037 and the bank balance was \$251,282. The bank balance is categorized as follows:

| | |
|---|------------------|
| Amount insured by the FDIC or collateralized with securities held by the City in its name | \$210,427 |
| 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) | 40,855 |
| | _____ |
| Total bank balance | <u>\$251,282</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.

At September 30, 2005, the carrying amount and fair value of the investments were:

| | Categories | | | Carrying Amount | Fair Value |
|-----------------------|--------------------|---|---|------------------|------------------|
| | 1 | 2 | 3 | | |
| Repurchase Agreements | \$2,665,924 | | | \$2,665,924 | \$2,665,924 |
| U.S. Government Bonds | <u>1,052,760</u> | | | <u>1,052,760</u> | <u>1,052,760</u> |
| | <u>\$3,718,684</u> | | | 3,718,684 | 3,718,684 |

Investments not subject to categorizations:

| | | |
|--|---------------------|---------------------------------|
| Idaho State Treasurer's Local Government Investment Pool, variable interest rate | <u>30,301,550</u> | <u>30,146,611⁽¹⁾</u> |
| Sub-total (Investments excluding Trust and Agency Funds) | <u>30,301,550</u> | <u>30,146,611</u> |
| Total investments | <u>\$34,020,234</u> | <u>\$33,865,295</u> |

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

NOTE 4: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2005:

| | |
|--|------------------|
| Delinquent principal amounts | \$ 29,178 |
| Deferred principal amounts not currently due, but due at future date | <u>248,367</u> |
| | <u>\$277,545</u> |

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

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2005, is as follows:

| | September 30, 2004 | Adjustments | | | September 30, 2005 |
|---|-----------------------|-------------|-----------|----------|-----------------------|
| | Additions | Transfers | Deletions | | |
| <u>GOVERNMENTAL ACTIVITIES:</u> | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$3,372,084 | 1,465,852 | | | \$4,837,936 |
| Total capital assets, not being depreciated | 3,372,084 | 1,465,852 | | | 4,837,936 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 8,776,960 | 510,304 | 56,978 | | 9,344,242 |
| Equipment | 2,718,333 | 208,587 | -104,615 | -73,279 | 2,749,026 |
| Vehicles | 1,691,146 | 75,203 | 162,603 | -106,517 | 1,822,435 |
| Infrastructure | 6,855,985 | 2,030,775 | | | 8,886,760 |
| Total capital assets, being depreciated | 20,042,424 | 2,824,869 | 114,966 | -179,796 | 22,802,463 |
| Less: accumulated depreciation | | | | | |
| Buildings and improvements | 1,532,881 | 238,868 | -69,812 | -17,500 | 1,684,437 |
| Equipment | 1,766,672 | 217,868 | -211,962 | -55,779 | 1,716,799 |
| Vehicles | 886,987 | 132,757 | 388,990 | -106,517 | 1,302,217 |
| Infrastructure | | 137,461 | | | 137,461 |
| Total accumulated depreciation | 4,186,540 | 726,954 | 107,216 | -179,796 | 4,840,914 |
| Total capital assets being depreciated, net | 15,855,884 | 2,097,915 | 7,750 | 0 | 17,961,549 |
| Governmental activities capital assets, net | \$19,227,968 | \$3,563,767 | \$7,750 | \$0 | \$22,799,485 |

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

NOTE 5: CAPITAL ASSETS (Continued)

| | September 30, | Adjustments | | | September 30, |
|--|---------------------|---------------------|--------------------|------------------|---------------------|
| | 2004 | Additions | Transfers | Deletions | 2005 |
| <u>BUSINESS-TYPE ACTIVITIES:</u> | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$2,354,871 | \$6,801,196 | | | \$9,156,067 |
| C.I.P. | 4,450,895 | 477,816 | (\$4,124,573) | | 804,138 |
| Total capital assets, not being depreciated | <u>6,805,766</u> | <u>7,279,012</u> | <u>(4,124,573)</u> | | <u>9,960,205</u> |
| Capital assets, being depreciated: | | | | | |
| Wells | 1,352,393 | | 15,296 | | 1,367,689 |
| Water System | 12,919,806 | 1,764,845 | 4,058,130 | | 18,742,781 |
| Equipment | 1,413,365 | 234,656 | (15,296) | (\$205,694) | 1,427,031 |
| Sewer System | 35,928,897 | 2,005,620 | 66,443 | | 38,000,960 |
| Total capital assets, being depreciated | <u>51,614,461</u> | <u>4,005,121</u> | <u>4,124,573</u> | <u>(205,694)</u> | <u>59,538,461</u> |
| Less: accumulated depreciation | | | | | |
| Wells | 600,651 | 56,809 | 19,347 | | 676,807 |
| Water System | 2,229,752 | 272,730 | | | 2,502,482 |
| Equipment | 1,074,578 | 70,011 | (19,347) | (197,944) | 927,298 |
| Sewer System | 9,561,158 | 757,945 | | | 10,319,103 |
| Total accumulated depreciation | <u>13,466,139</u> | <u>1,157,495</u> | <u>0</u> | <u>(197,944)</u> | <u>14,425,690</u> |
| Total capital assets being depreciated, net | <u>38,148,322</u> | <u>2,847,626</u> | <u>4,124,573</u> | <u>(7,750)</u> | <u>45,112,771</u> |
| Business-type activities capital assets, net | <u>\$44,954,088</u> | <u>\$10,126,638</u> | <u>\$0</u> | <u>(\$7,750)</u> | <u>\$55,072,976</u> |

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

| | |
|---|--------------------|
| Governmental activities: | |
| General government | \$113,339 |
| Public safety | 264,604 |
| Highways and public works | 271,641 |
| Culture and recreation | <u>77,370</u> |
| Total depreciation expense – governmental activities | <u>\$726,954</u> |
| Business-type activities: | |
| Water | \$361,101 |
| Sewer | <u>771,913</u> |
| Total depreciation expense – business-type activities | <u>\$1,133,014</u> |

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

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, 2005, the required contribution rates of covered payroll were as follows:

For the period October 1, 2004 through September 30, 2005:

| | <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 \$572,536, \$530,625, and \$461,679 for the three years ended September 30, 2005, 2004, and 2003, respectively.

NOTE 7: LONG-TERM DEBT

General Obligation Bond

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

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.: | 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 | 4.40 | 160,000 | 27,598 | 187,598 |
| | 2011-2012 | 4.50-4.65 | <u>525,000</u> | <u>37,333</u> | <u>562,333</u> |
| | | | <u>\$1,245,000</u> | <u>\$238,981</u> | <u>\$1,483,981</u> |

Sewer Revenue Bonds

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

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

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

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

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

SEWER REVENUE BONDS:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Debt Service</u> |
|------------------------|--------------------|--------------------|-------------------------|
| 2006 | \$640,595 | \$266,447 | \$907,042 |
| 2007 | 652,611 | 244,355 | 896,966 |
| 2008 | 664,909 | 218,741 | 883,650 |
| 2009 | 672,503 | 192,669 | 865,172 |
| 2010 | 574,639 | 167,388 | 742,027 |
| 2011-2015 | 2,755,897 | 499,468 | 3,255,365 |
| 2016-2020 | 560,000 | 205,753 | 765,753 |
| 2021-2025 | 680,000 | 85,050 | 765,050 |
| | <u>\$7,201,154</u> | <u>\$1,879,871</u> | <u>\$9,081,025</u> |

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

NOTE 7: LONG-TERM DEBT (Continued)

Water Revenue Bonds

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

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

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

WATER REVENUE BONDS:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Debt Service</u> |
|------------------------|--------------------|--------------------|-------------------------|
| 2006 | \$116,205 | \$125,829 | \$242,034 |
| 2007 | 120,604 | 121,431 | 242,035 |
| 2008 | 125,169 | 116,866 | 242,035 |
| 2009 | 129,906 | 112,128 | 242,034 |
| 2010 | 134,824 | 107,211 | 242,035 |
| 2011-2015 | 754,642 | 455,530 | 1,210,172 |
| 2016-2020 | 908,693 | 301,479 | 1,210,172 |
| 2021-2025 | 1,094,191 | 115,981 | 1,210,172 |
| | <u>\$3,384,234</u> | <u>\$1,456,455</u> | <u>\$4,840,689</u> |

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2005, 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: | 4/15/06 | 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>\$40,000</u> | <u>\$4,770</u> | <u>\$44,770</u> |
| L.I.D. #96-1: | 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>\$165,001</u> | <u>\$22,700</u> | <u>\$187,701</u> |

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

NOTE 7: LONG-TERM DEBT (Continued)

| | | | | | |
|----------------|------------|-----------|--------------------|------------------|--------------------|
| L.I.D. #99-1: | 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 | 4.10 | 15,000 | 9,038 | 24,038 |
| | 3/01/11-15 | 4.35-5.10 | 85,000 | 35,002 | 120,002 |
| | 3/01/16-19 | 5.25-5.60 | <u>80,000</u> | <u>10,990</u> | <u>90,990</u> |
| | | | <u>\$240,000</u> | <u>\$96,468</u> | <u>\$336,468</u> |
| L.I.D. 2004-1: | 1/15/07 | 3.25% | \$3,400,000 | \$194,603 | \$3,594,603 |
| | | | <u>\$3,400,000</u> | <u>\$194,603</u> | <u>\$3,594,603</u> |

The City is fully obligated for the local improvement debt, placing liens against the property owners to ensure payment to the City. The LID Guarantee Fund was established by ordinance to provide additional security for the local improvement district bondholders. This fund is maintained at a level equivalent to 7% of the outstanding LID bonds, excluding interim bonds sold on an active LID (currently LID 2004-1 has interim bonds of \$3,400,000. The required balance for this fund at September 30, 2005 is \$31,150. As of September 30, 2005, \$78,558 is set-aside in this fund.

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

| | <u>Balance 10/1/04</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 9/30/05</u> |
|----------------------------|----------------------------|--------------------|--------------------|----------------------------|
| Compensated absences | \$ 458,583 | \$639,551 | \$513,162 | \$584,972 |
| Capital leases (Note 8) | 4,165,460 | 910,364 | 223,152 | 4,852,672 |
| General Fund Bonds Payable | 1,370,000 | | 125,000 | 1,245,000 |
| Local Imp. Bonds payable | <u>595,087</u> | <u>3,400,000</u> | <u>150,086</u> | <u>3,845,001</u> |
| | <u>\$6,589,130</u> | <u>\$4,949,915</u> | <u>\$1,011,400</u> | <u>\$10,527,645</u> |
| | Due in <u>One Year</u> | | | |
| Compensated absences | \$296,873 | | | |
| Capital leases (Note 8) | 311,084 | | | |
| General Fund Bonds Payable | 130,000 | | | |
| Local Imp. Bonds payable | <u>3,475,000</u> | | | |
| | <u>\$4,212,957</u> | | | |

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

NOTE 8: CAPITAL LEASES

General Fund - The General Fund has entered into 6 equipment leases and 2 building/land leases, which qualify as capital leases, as ownership of the assets transfers to the City at the end of the lease. The leases carry interest rates ranging from 2.50% to 5.60% and require annual principal payments. The equipment secures the leases. The booked asset value of the leased equipment is \$384,113 with \$65,292 in depreciation booked and the booked asset value of the building/land is \$5,520,249, with \$340,886 in depreciation booked, with \$354,404 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:

| | |
|------------------------------------|--------------------|
| | \$ 533,319 |
| 2006 | 523,860 |
| 2007 | 505,523 |
| 2008 | 465,604 |
| 2009 | 454,856 |
| 2010 | 1,624,066 |
| 2011-2015 | 1,678,920 |
| 2016-2020 | <u>1,651,320</u> |
| 2021-2022 | 7,057,468 |
| Future minimum lease payments | <u>(2,604,796)</u> |
| Less amounts representing interest | |
| | <u>\$4,852,672</u> |

NOTE 9: COMPONENT UNIT DISCLOSURES

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

Jacklin - The long-term note payable balance of \$620,421 at September 30, 2005 is a note payable to Jacklin Land Company, L.P., with no interest. The loan was made in order to cover the cash flow requirement for payment of the August 1, 2000, 2001, 2002, 2003 and 2004 bond payments on the Riverbend Project Bonds. The debt will not be repaid until after revenues have been received by the Agency in excess of debt service payments on the Series 1997 Bonds. During the fiscal year 2005, \$200,000 was repaid to Jacklin. However, there is no repayment schedule and due to the inability to estimate the amount of tax revenues received the entire note payable will be considered long term.

City of Post Falls - 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, \$38,982 was repaid to the City leaving a balance of \$191,874. No amount was paid by the Agency to the City during fiscal year 2005. The debt will be repaid with anticipated tax revenues. The Agency is not required to pay the City of Post Falls unless tax revenues are received in excess of administration fees and district reserves. The remainder will be used to repay the City of Post Falls in an estimated three year period. Due to the inability to estimate the amount of future payments, based on this requirement, the entire note payable will be considered long term.

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

NOTE 9: COMPONENT UNIT DISCLOSURES (Continued)

The general long-term debt as of September 30, 2005 is as follows:

| <u>Revenue Allocation Bonds</u> | Balance Outstanding 9/30/04 | Issued During Year | Retired During Year | Balance Outstanding 9/30/05 |
|---------------------------------|-----------------------------------|--------------------------|---------------------------|-----------------------------------|
| Note payable - City | \$191,874 | | | \$191,874 |
| Note payable – Jacklin | <u>820,421</u> | | <u>\$200,000</u> | <u>620,421</u> |
| | <u>\$ 1,012,295</u> | <u> </u> | <u>\$200,000</u> | <u>\$812,295</u> |

Agency Cash and Investments

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

At September 30, 2005 the carrying amount of the Agency's deposits was \$867,114 and the bank balance was \$867,424. The cash and investments on deposit with various financial institutions are recorded at cost and categorized as follows as of September 30, 2005:

| | <u>Cash</u> | <u>Investments</u> |
|--|-----------------|--------------------|
| Funds held in the Agency's name by the State of Idaho Investment Pool | | <u>\$807,687</u> |
| Amount insured by FDIC | <u>\$59,737</u> | |

Investments are stated at cost, which materially approximates market value, and are comprised of the Idaho State pooled investment. Investments on had at September 30, 2005 meet the guidelines as set by regulations of the State of Idaho.

Excess Actual Expenditures Over Budget

A schedule of an excess of functional expenditures over appropriations for the year ended September 30, 2005 is as follows:

| <u>Funds</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Excess of Budgeted Expenditures</u> |
|-----------------|----------------------------------|--------------------------------|--|
| Special Revenue | \$0 | \$419 | \$419 |

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2005**

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 | | \$1,196 |
| Street Lights | \$220,000 | \$233,990 |
| 911 Support | \$88,920 | \$113,677 |
| Special Events | \$30,225 | \$32,731 |
| LID 2004-1 | \$0 | \$1,904,689 |
| LID 99-1 Fund: | \$23,898 | \$24,652 |

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 a new wireless communication project. The over expenditure in Special Events was due to larger attendance at events than anticipated. 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 for the bond interest due during the fiscal year.

NOTE 11: DEFICIT FUND EQUITY

No funds in the City had deficit fund equity at September 30, 2005.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Commitments –The City is working on a few sewer projects. The first project is ditch aeration, the second project is adding sewer line along Highway 41, the third is a lift station upgrade and the final project is a plant hydraulic study. The second project has been combined with LID 2004-1. The LID construction began in FY 05 and was completed in FY06. On the third project, the engineering process was started in FY 05. The final project was also started in FY 05 and should be completed in FY 07.

The City is also in the process of looking at the possibility of building a new City Hall. The design schematics have been produced and the City is looking into performance contracting as a method to build and finance the new facility. This project will take a minimum of a couple of years.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

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, 2005, is as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------|---------------------|----------------------|
| General Fund | \$1,030,730 | \$1,025,000 |
| Capital Fund | 1,030,766 | 70,000 |
| Nonmajor Governmental Funds | 2,405 | 69,171 |
| Enterprise Funds | <u>20,000</u> | <u>919,730</u> |
| Totals | <u>\$2,083,901</u> | <u>\$2,083,901</u> |

The principal purposes for the transfer of funds from the Enterprise funds to the General fund to cover the administration costs of operating the City's utility division (water, sewer, and sanitation). The principal purpose for the transfer of funds from the Capital fund to the General fund was to cover the lease costs on the new police station. A portion of the new police station is paid for with impact fees collected in the capital fund. The principal purpose for the transfer of funds from the General fund to the Capital fund was to accrue a down payment for a new City Hall. The principal purpose for the transfer of funds from the Nonmajor governmental funds to the General fund is to cover the administrative costs of the Street light fund, cover the administrative costs of the 911 Support fund, and to fund part of the City Hall down payment.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2005

NOTE 15: INTERFUND RECEIVABLES/PAYABLES:

The composition of interfund balances as September 30, 2005 is as follows:

Interfund receivable/payable:

| | <u>Receivable</u> | <u>Payable</u> |
|-----------------------------|-------------------|------------------|
| General Fund | \$212,741 | |
| Debt Service – LID 99-1 | | \$191,575 |
| Capital Fund | | 8,161 |
| Nonmajor Governmental Funds | _____ | <u>13,005</u> |
| Totals | <u>\$212,741</u> | <u>\$212,741</u> |

The principal purpose for the interfund/payables in the City are to cover negative cash balances at year-end. These are short-term interfund/payables and are intended to be corrected within the next fiscal year. The 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 \$13,005.

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, 2005

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.

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

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

General Fund

**City of Post Falls
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| General taxes | \$ 5,697,112 | \$ 5,697,112 | \$ 6,042,106 | \$ 344,994 |
| Intergovernmental revenue | 2,258,743 | 2,258,743 | 2,593,942 | 335,199 |
| Charges for services | 1,725,921 | 1,725,921 | 2,503,446 | 777,525 |
| Other revenue | 265,231 | 265,231 | 306,210 | 40,979 |
| Interest | 98,250 | 98,250 | 208,575 | 110,325 |
| Total revenues | <u>10,045,257</u> | <u>10,045,257</u> | <u>11,654,279</u> | <u>1,609,022</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 4,420,329 | 4,420,329 | 3,915,668 | 504,661 |
| Public safety | 3,187,298 | 3,187,298 | 3,144,246 | 43,053 |
| Highways and public works | 1,463,105 | 1,463,105 | 1,455,876 | 7,229 |
| Culture and recreation | 1,096,947 | 1,096,947 | 1,133,731 | (36,784) |
| Capital outlay | 475,693 | 475,693 | 457,528 | 18,165 |
| Debt service | | | | |
| Principal | 329,672 | 329,672 | 329,672 | |
| Interest | 275,923 | 275,923 | 267,506 | 8,417 |
| Total expenditures | <u>11,248,967</u> | <u>11,248,967</u> | <u>10,704,227</u> | <u>544,740</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,203,710)</u> | <u>(1,203,710)</u> | <u>950,052</u> | <u>2,153,763</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of capital financing | 82,500 | 82,500 | 85,365 | 2,865 |
| Transfers in | 1,030,730 | 1,030,730 | 1,030,730 | |
| Transfers (out) | (1,005,000) | (1,005,000) | (1,025,000) | (20,000) |
| Total other financing sources (uses) | <u>108,230</u> | <u>108,230</u> | <u>91,095</u> | <u>(17,135)</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses) | <u>(1,095,480)</u> | <u>(1,095,480)</u> | <u>1,041,147</u> | <u>2,136,628</u> |
| Fund balances - beginning | <u>4,399,889</u> | <u>4,399,889</u> | <u>4,399,889</u> | |
| Fund balances - ending | <u>\$ 3,304,409</u> | <u>\$ 3,304,409</u> | <u>\$ 5,441,036</u> | <u>\$ 2,136,628</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 96-1 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

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

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

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

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

City of Post Falls
 Combining Balance Sheet
 Nonmajor Government Funds
 September 30, 2005

| | 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 Dare | LID 96-1 | LID 91-1 | CLID #2 | LID 89-1 | LID Guarantee | |
| Assets | | | | | | | | | | | | | |
| Cash | \$ 28,327 | \$ 33,154 | \$ 1,428 | \$ 54,721 | \$ 96,195 | \$ 140,816 | \$ 35 | \$ 254 | \$ 581 | \$ 18,056 | \$ 2,166 | \$ 78,558 | \$ 453,710 |
| Accounts receivable: | | | | | | | | | | | | | |
| Loans receivable | | 39,088 | | | | | | 39,791 | \$ 581 | 275 | | | 39,088 |
| Miscellaneous | | | | | 24,275 | 16,113 | | | | | | | 40,647 |
| Customers | | | | | | | | | | | | | 24,275 |
| Other governments | | | | | | | | 28,448 | 474 | 256 | | | 16,113 |
| Assessments - delinquent - deferred | | | | | | | | 146,327 | 3,606 | | 796 | | 29,178 |
| Interfund receivables | | | | | | | | | | | | | 150,729 |
| Accrued interest | | | | | | | | | | | | | |
| Total assets | \$ 28,327 | \$ 72,242 | \$ 1,428 | \$ 54,721 | \$ 120,470 | \$ 156,929 | \$ 35 | \$ 214,820 | \$ 4,661 | \$ 18,567 | \$ 2,962 | \$ 78,558 | \$ 753,740 |
| Liabilities and Fund balances | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | |
| Accounts payable | \$ 13,005 | | | \$ 875 | \$ 15,208 | \$ 84,301 | | \$ 174,774 | \$ 4,080 | \$ 256 | \$ 796 | | \$ 100,384 |
| Interfund payable | | \$ 39,088 | | | | | | | | | | | 13,005 |
| Deferred revenue | | 39,088 | | | | | | | | | | | 218,994 |
| Total liabilities | 13,005 | 39,088 | | 875 | 15,208 | 84,301 | | 174,774 | 4,080 | 256 | 796 | | 332,383 |
| Fund balances: | | | | | | | | | | | | | |
| Undesignated | 15,322 | 33,154 | \$ 1,428 | 53,846 | 105,262 | 72,628 | \$ 35 | 40,046 | 581 | 18,331 | 2,166 | \$ 78,558 | 421,357 |
| Total fund balances | 15,322 | 33,154 | 1,428 | 53,846 | 105,262 | 72,628 | 35 | 40,046 | 581 | 18,331 | 2,166 | 78,558 | 421,357 |
| Total liabilities and fund balances | \$ 28,327 | \$ 72,242 | \$ 1,428 | \$ 54,721 | \$ 120,470 | \$ 156,929 | \$ 35 | \$ 214,820 | \$ 4,661 | \$ 18,587 | \$ 2,962 | \$ 78,558 | \$ 753,740 |

City of Post Falls
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Government Funds
For the fiscal year ended September 30, 2005

| | 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 96-1 | LID 91-1 | CLID #2 | LID 89-1 | | LID Guarantee |
| Revenues: | | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | | |
| Charges-services/program remittances | | | | \$ 29,727 | \$247,722 | \$117,732 | | | | | | | \$ 277,449 |
| Other revenue | \$ 25,126 | \$44,753 | | 2,529 | 1,764 | | | \$ 44,714 | \$ 4,925 | \$ 35,345 | \$ 267 | | 147,151 |
| Principal | 534 | 643 | \$ 28 | 1,183 | 1,758 | 2,319 | \$ 1 | 13,954 | 1,228 | 4,846 | 121 | \$ 1,564 | 130,004 |
| Interest | 25,660 | 45,396 | 28 | 33,439 | 251,244 | 120,051 | 1 | 58,668 | 6,153 | 40,191 | 388 | 1,564 | 28,179 |
| Total revenues | | | | | | | | | | | | | 582,783 |
| Expenditures: | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | |
| General government | | | | | | | | 2,000 | 400 | 747 | | | 3,147 |
| Public safety | | | | | | 956 | | | | | | | 956 |
| Highways and public works | | | | | 233,990 | | | | | | | | 233,990 |
| Culture and recreation | | | | 22,731 | | 112,721 | | | | | | | 22,731 |
| Capital outlay | | | | 10,000 | | | | | | | | | 10,000 |
| Debt service: | | | | | | | | | | | | | |
| Principal | 1,196 | | | | | | | 35,000 | 20,000 | 85,000 | | | 140,000 |
| Interest | 1,196 | | | | | | | 10,620 | 4,770 | 4,888 | | | 21,474 |
| Total expenditures | | | | | | | | 47,620 | 25,170 | 90,635 | | | 545,019 |
| Excess (deficiency) of revenues over expenditures | 24,464 | 45,396 | 28 | 708 | 17,254 | 6,374 | 1 | 11,048 | (19,017) | (50,444) | 388 | 1,564 | 37,764 |
| Other financing sources (uses): | | | | | | | | | | | | | |
| Transfers in | | | | | | | | | | | | | |
| Transfers out | | (25,766) | | | (11,000) | (30,000) | | | 2,405 | | | | 2,405 |
| Total other financing sources (uses) | | (25,766) | | | (11,000) | (30,000) | | | 2,405 | | | | (66,766) |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | 24,464 | 19,630 | 28 | 708 | 6,254 | (23,626) | 1 | 11,048 | (16,612) | (50,444) | 388 | (841) | (29,002) |
| Fund balances, beginning | (9,142) | 13,524 | 1,400 | 53,138 | 99,008 | 96,254 | 34 | 28,998 | 17,193 | 68,775 | 1,778 | 79,399 | 450,359 |
| Fund balances, ending | \$ 15,322 | \$33,154 | \$ 1,428 | \$ 53,846 | \$105,262 | \$ 72,628 | \$ 35 | \$ 40,046 | \$ 581 | \$ 18,331 | \$ 2,166 | \$ 78,558 | \$ 421,357 |

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

Major Governmental Funds

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

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

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

**City of Post Falls
Debt Service Fund
LID 99-1
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|-----------------|-----------------|-------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | | | \$ 2,500 | \$ 2,500 |
| Principal | \$ 11,898 | \$ 11,898 | 152,448 | 140,550 |
| Interest | 12,000 | 12,000 | 32,093 | 20,093 |
| Total revenues | <u>23,898</u> | <u>23,898</u> | <u>187,041</u> | <u>163,143</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 2,500 | 2,500 | 2,500 | |
| Debt Service | | | | |
| Principal | 10,086 | 10,086 | 12,066 | (1,980) |
| Interest | 11,312 | 11,312 | 10,086 | 1,226 |
| Total expenditures | <u>23,898</u> | <u>23,898</u> | <u>24,652</u> | <u>(754)</u> |
| Excess (deficiency) of revenues over expenditures | | | <u>162,389</u> | <u>162,389</u> |
| Other Financing Sources (Uses) | | | | |
| sources (uses) | | | | |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses) | | | 162,389 | 162,389 |
| Fund balances - beginning | \$ 3,920 | \$ 3,920 | 3,920 | |
| Fund balances - ending | <u>\$ 3,920</u> | <u>\$ 3,920</u> | <u>\$ 166,309</u> | <u>\$ 162,389</u> |

**City of Post Falls
Debt Service Fund
LID 2004-1
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|-------------------|-------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Interest | | | \$ 37,306 | 37,306 |
| Total revenues | | | <u>37,306</u> | <u>37,306</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | | | 116,138 | (116,138) |
| Capital outlay | | | <u>1,788,551</u> | <u>(1,788,551)</u> |
| Total expenditures | | | <u>1,904,689</u> | <u>(1,904,689)</u> |
| Excess (deficiency) of revenues over expenditures | | | <u>(1,867,383)</u> | <u>(1,867,383)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of capital financing sources (uses) | | | <u>3,400,000</u> | <u>3,400,000</u> |
| | | | <u>3,400,000</u> | <u>3,400,000</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses) | | | 1,532,617 | 1,532,617 |
| Fund balances - beginning | \$ (5,844) | \$ (5,844) | <u>(5,844)</u> | |
| Fund balances - ending | <u>\$ (5,844)</u> | <u>\$ (5,844)</u> | <u>\$ 1,526,773</u> | <u>\$ 1,532,617</u> |

**City of Post Falls
Capital Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2005**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|-----------------------|-----------------------|---------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | | | \$ 114,036 | \$ 114,036 |
| Charges for services | \$ 657,435 | \$ 657,435 | 799,243 | 141,808 |
| Other revenue | 60,000 | 60,000 | 104,589 | 44,589 |
| Interest | 25,000 | 25,000 | 69,316 | 44,316 |
| Total revenues | <u>742,435</u> | <u>742,435</u> | <u>1,087,184</u> | <u>344,749</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | | | 31,577 | (31,577) |
| Capital outlay | 6,669,435 | 6,669,435 | 1,787,552 | 4,881,883 |
| Debt Service | | | | |
| Principal | | | 16,500 | (16,500) |
| Interest | | | 14,371 | (14,371) |
| Total expenditures | <u>6,669,435</u> | <u>6,669,435</u> | <u>1,850,000</u> | <u>4,819,435</u> |
| Excess (deficiency) of revenues over expenditures | <u>(5,927,000)</u> | <u>(5,927,000)</u> | <u>(762,816)</u> | <u>5,164,184</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of capital financing | | | 825,000 | 825,000 |
| Transfers in | 930,000 | 930,000 | 1,030,766 | 100,766 |
| Transfers (out) | (70,000) | (70,000) | (70,000) | |
| sources (uses) | <u>860,000</u> | <u>860,000</u> | <u>1,785,766</u> | <u>925,766</u> |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses) | <u>(5,067,000)</u> | <u>(5,067,000)</u> | <u>1,022,950</u> | <u>6,089,950</u> |
| Fund balances - beginning | <u>2,824,050</u> | <u>2,824,050</u> | <u>2,824,050</u> | |
| Fund balances - ending | <u>\$ (2,242,950)</u> | <u>\$ (2,242,950)</u> | <u>\$ 3,847,000</u> | <u>\$ 6,089,950</u> |

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

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

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

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

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

**City of Post Falls
Cemetery Perpetual Care Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2005**

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|------------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Other revenue | \$ 20,000 | \$ 25,126 | \$ 5,126 |
| Interest | | 534 | 534 |
| Total revenues | <u>20,000</u> | <u>25,660</u> | <u>5,660</u> |
| Expenditures: | | | |
| Debt service: | | | |
| Interest | | 1,196 | (1,196) |
| Total expenditures | | <u>1,196</u> | <u>(1,196)</u> |
| Excess (deficiency) of revenues over expenditures | <u>20,000</u> | <u>24,464</u> | <u>4,464</u> |
| Other financing (uses): | | | |
| Operating transfers out | (20,000) | | 20,000 |
| Total other financing (uses) | <u>(20,000)</u> | | <u>20,000</u> |
| Excess (deficiency) of revenues over expenditures and other financing (uses) | | 24,464 | 24,464 |
| Fund balances, beginning | <u>(9,142)</u> | <u>(9,142)</u> | |
| Fund balances, ending | <u>\$ (9,142)</u> | <u>\$ 15,322</u> | <u>\$ 24,464</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, 2005**

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|------------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Principal | | \$ 44,753 | \$ 44,753 |
| Interest | | 643 | 643 |
| Total revenues | | <u>45,396</u> | <u>45,396</u> |
| Expenditures: | | | |
| Total expenditures | | | |
| Excess (deficiency) of revenues over (under) expenditures | | <u>45,396</u> | <u>45,396</u> |
| Other financing sources (uses): | | | |
| Operating transfers out | | <u>(25,766)</u> | <u>(25,766)</u> |
| Total other financing sources (uses) | | <u>(25,766)</u> | <u>(25,766)</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) | | 19,630 | 19,630 |
| Fund balances, beginning | \$ 13,524 | <u>13,524</u> | |
| Fund balances, ending | <u>\$ 13,524</u> | <u>\$ 33,154</u> | <u>\$ 19,630</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, 2005**

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|----------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Interest | | \$ 28 | \$ 28 |
| Total revenues | | 28 | 28 |
| Expenditures: | | | |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | | 28 | 28 |
| Other financing (uses): | | | |
| Total other financing (uses) | | | |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) | | 28 | 28 |
| Fund balances, beginning | \$ 1,400 | 1,400 | |
| Fund balances, ending | \$ 1,400 | \$ 1,428 | \$ 28 |

**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, 2005**

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|------------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Charges-services/programs | \$ 26,075 | \$ 29,727 | \$ 3,652 |
| Other revenue | 4,150 | 2,529 | (1,621) |
| Interest | | 1,183 | 1,183 |
| Total revenues | <u>30,225</u> | <u>33,439</u> | <u>3,214</u> |
| Expenditures: | | | |
| Culture and recreation | 30,225 | 22,731 | 7,494 |
| Capital outlay | | 10,000 | (10,000) |
| Total expenditures | <u>30,225</u> | <u>32,731</u> | <u>(2,506)</u> |
| Excess (deficiency) of revenues over (under) expenditures | | 708 | 708 |
| Other financing (uses): | | | |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) | | 708 | 708 |
| Fund balances, beginning | <u>53,138</u> | <u>53,138</u> | |
| Fund balances, ending | <u>\$ 53,138</u> | <u>\$ 53,846</u> | <u>\$ 708</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, 2005

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|-------------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Charges-services/programs | \$ 226,000 | \$ 247,722 | \$ 21,722 |
| Other revenue | | 1,764 | 1,764 |
| Interest | 500 | 1,758 | 1,258 |
| Total revenues | <u>226,500</u> | <u>251,244</u> | <u>24,744</u> |
| Expenditures: | | | |
| Highways and public works | 220,000 | 233,990 | (13,990) |
| Capital outlay | | | |
| Total expenditures | <u>220,000</u> | <u>233,990</u> | <u>(13,990)</u> |
| Excess (deficiency) of revenues over expenditures | <u>6,500</u> | <u>17,254</u> | <u>10,754</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) | (4,500) | 6,254 | 10,754 |
| Fund balances, beginning | <u>99,008</u> | <u>99,008</u> | |
| Fund balances, ending | <u>\$ 94,508</u> | <u>\$ 105,262</u> | <u>\$ 10,754</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, 2005**

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|--|--------------------------|------------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Other revenue | \$ 118,920 | \$ 117,732 | \$ (1,188) |
| Interest | | 2,319 | 2,319 |
| Total revenues | <u>118,920</u> | <u>120,051</u> | <u>1,131</u> |
| Expenditures: | | | |
| Public safety | 88,920 | 956 | 87,964 |
| Capital outlay | | 112,721 | (112,721) |
| Total expenditures | <u>88,920</u> | <u>113,677</u> | <u>(24,757)</u> |
| Excess (deficiency) of revenues over expenditures | <u>30,000</u> | <u>6,374</u> | <u>(23,626)</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) | | (23,626) | (23,626) |
| Fund balances, beginning | <u>96,254</u> | <u>96,254</u> | |
| Fund balances, ending | <u>\$ 96,254</u> | <u>\$ 72,628</u> | <u>\$ (23,626)</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, 2005

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|--------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Interest | | \$ 1 | \$ 1 |
| Total revenues | | 1 | 1 |
| Expenditures: | | | |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | | 1 | 1 |
| Other financing sources (uses): | | | |
| Total other financing sources (uses) | | | |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) | | 1 | 1 |
| Fund balances, beginning | 34 | 34 | |
| Fund balances, ending | <u>\$ 34</u> | <u>\$ 35</u> | <u>\$ 1</u> |

**City of Post Falls
LID 96-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2005**

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|--|--------------------------|----------------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Principal | \$ 30,000 | \$ 44,714 | \$ 14,714 |
| Interest | 9,000 | 13,954 | 4,954 |
| Total revenues | <u>39,000</u> | <u>58,668</u> | <u>19,668</u> |
| Expenditures: | | | |
| General governmental | 2,000 | 2,000 | |
| Debt service - principal | 35,000 | 35,000 | |
| - interest | 10,620 | 10,620 | |
| Total expenditures | <u>47,620</u> | <u>47,620</u> | |
| Excess (deficiency) of revenues over expenditures | (8,620) | 11,048 | 19,668 |
| Fund balances, beginning | <u>28,998</u> | <u>28,998</u> | |
| Fund balances, ending | <u>\$ 20,378</u> | <u>\$ 40,046</u> | <u>\$ 19,668</u> |

City of Post Falls
LID 91-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances--Budget and Actual
For the fiscal years ended September 30, 2005

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|---------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Principal | \$ 4,000 | \$ 4,925 | \$ 925 |
| Interest | 1,000 | 1,228 | 228 |
| Total revenues | <u>5,000</u> | <u>6,153</u> | <u>1,153</u> |
| Expenditures: | | | |
| General governmental | 400 | 400 | |
| Debt service - principal | 20,000 | 20,000 | |
| - interest | 4,770 | 4,770 | |
| Total expenditures | <u>25,170</u> | <u>25,170</u> | |
| Excess (deficiency) of revenues over expenditures | (20,170) | (19,017) | 1,153 |
| Other financing sources: | | | |
| Operating transfers in | | 2,405 | 2,405 |
| Total other financing sources (uses) | | <u>2,405</u> | <u>2,405</u> |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) | (20,170) | (16,612) | 3,558 |
| Fund balances, beginning | <u>\$ 17,193</u> | <u>17,193</u> | |
| Fund balances, ending | <u>\$ (2,977)</u> | <u>\$ 581</u> | <u>\$ 3,558</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, 2005

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|--|--------------------------|------------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Principal | \$ 40,000 | \$ 35,345 | \$ (4,655) |
| Interest | 10,000 | 4,846 | (5,154) |
| Total revenues | <u>50,000</u> | <u>40,191</u> | <u>(9,809)</u> |
| Expenditures: | | | |
| General governmental | 850 | 747 | 103 |
| Debt service - principal | 85,000 | 85,000 | |
| - interest | 4,888 | 4,888 | |
| Total expenditures | <u>90,738</u> | <u>90,635</u> | <u>103</u> |
| Excess (deficiency) of revenues over expenditures | (40,738) | (50,444) | (9,706) |
| Fund balances, beginning | <u>68,775</u> | <u>68,775</u> | |
| Fund balances, ending | <u>\$ 28,037</u> | <u>\$ 18,331</u> | <u>\$ (9,706)</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, 2005

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|-----------------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Principal | | \$ 267 | \$ 267 |
| Interest | | 121 | 121 |
| Total revenues | | <u>388</u> | <u>388</u> |
| Expenditures: | | | |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | | 388 | 388 |
| Other financing sources: | | | |
| Total other financing sources (uses) | | | |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) | | 388 | 388 |
| Fund balances, beginning | \$ 1,778 | <u>1,778</u> | |
| Fund balances, ending | <u>\$ 1,778</u> | <u>\$ 2,166</u> | <u>\$ 388</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, 2005**

| | 2005 | | Variance with Final Budget- Positive (Negative) |
|---|--------------------------|-----------|--|
| | Original/Final Budget | Actual | |
| Revenues: | | | |
| Taxes | | | |
| Interest | | \$ 1,564 | \$ 1,564 |
| Total revenues | | 1,564 | 1,564 |
| Expenditures: | | | |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | | 1,564 | 1,564 |
| Other financing sources: | | | |
| Operating transfers out | | (2,405) | (2,405) |
| Total other financing sources (uses) | | (2,405) | (2,405) |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) | | (841) | (841) |
| Fund balances, beginning | \$ 79,399 | 79,399 | |
| Fund balances, ending | \$ 79,399 | \$ 78,558 | \$ (841) |

CITY OF POST FALLS, IDAHO

Statistical Section



ABOVE: The Awais Bridge spans the Spokane River as it winds westward through the City.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

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 |
|---------|--------------------|---------------|-------------------------|------------------------|-----------------|--------------|--------------------|
| 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 |
| 2004-05 | \$4,069,030 | \$3,145,202 | \$3,478,417 | \$1,156,462 | \$2,367,801 | \$811,675 | \$15,028,587 |

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 |
|-------------|-------------|---------------------|-------------------|----------------------|---------------|--------------|
| 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 |
| 2004-05 | \$6,042,106 | \$282,452 | \$2,710,478 | \$3,580,138 | \$933,419 | \$13,548,593 |

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 |
|----------|----------------|-----------------------------|---------------------|----------------------------|-----------------------|-------------------------------|-------------|------------------------------|-------------------------|
| 1995 | \$2,429,200 | \$2,335,586 | 96.15% | \$89,388 | \$2,424,974 | 99.83% | (\$4,115) | \$111 | 0.00% |
| 1996 | \$2,599,770 | \$2,536,953 | 97.58% | \$67,728 | \$2,604,681 | 100.19% | \$4,527 | (\$383) | -0.01% |
| 1997 | \$2,713,597 | \$2,629,635 | 96.91% | \$59,293 | \$2,708,124 | 99.80% | (\$5,685) | (\$212) | -0.01% |
| 1998 | \$3,211,944 | \$3,053,838 | 95.08% | \$150,489 | \$3,203,867 | 99.75% | (\$8,292) | (\$215) | -0.01% |
| 1999 | \$3,368,327 | \$3,183,069 | 94.50% | \$77,407 | \$3,358,092 | 99.70% | (\$5,980) | \$4,255 | 0.13% |
| 2000 | \$3,631,687 | \$3,504,567 | 96.50% | \$64,541 | \$3,622,701 | 99.75% | (\$67,838) | \$2,149 | 0.06% |
| 2001 | \$3,896,692 | \$3,646,882 | 93.59% | \$80,163 | \$3,857,574 | 99.00% | (\$18,851) | \$20,266 | 0.52% |
| 2002 | \$4,430,009 | \$4,148,223 | 93.64% | \$79,042 | \$4,394,921 | 99.21% | (\$16,183) | \$18,905 | 0.43% |
| 2003 | \$4,835,070 | \$4,501,529 | 93.10% | \$137,010 | \$4,775,147 | 98.76% | (\$22,455) | \$37,468 | 0.78% |
| 2004 | \$5,288,311 | \$5,173,550 | 97.83% | \$2,915,629 | \$5,173,550 | 97.83% | (\$9,002) | \$105,760 | 2.00% |

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 | |
| 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 |
| 2004 | 1,258,237,363 | 222,571,578 | 1,035,665,785 | 148,652,012 | 16.76% | 5.35 |

Table #5

**City of Post Falls
Property Tax Rates
Direct and Overlapping Governments
FY 1995 thru 2004**

| Governmental Unit | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|--------------------------------|--------|-------|--------|--------|-------|--------|--------|--------|--------|---------|
| City of Post Falls | 5.35 | 5.46 | 5.33 | 5.34 | 5.28 | 5.18 | 5.27 | 4.74 | 4.80 | 5.18 |
| %CHANGE | -2.01% | 2.44% | -0.19% | 1.14% | 1.90% | -1.70% | 11.13% | -1.17% | -7.24% | -23.43% |
| North Idaho College | 0.74 | 0.77 | 0.77 | 0.77 | 0.94 | 1.03 | 1.03 | 1.03 | 1.21 | 1.34 |
| Kootenai County | 3.48 | 3.65 | 3.14 | 3.43 | 3.92 | 3.73 | 3.32 | 3.21 | 3.26 | 3.51 |
| Kootenai Hospital District | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Kootenai Ambulance District | 0.16 | 0.32 | 0.33 | 0.15 | 0.13 | 0.15 | 0.15 | 0.14 | 0.14 | 0.15 |
| School District #273 | 6.28 | 6.43 | 6.18 | 6.08 | 5.85 | 5.95 | 5.29 | 4.57 | 4.79 | 4.87 |
| Post Falls Highway District #1 | 0.57 | 0.57 | 0.6 | 0.65 | 0.66 | 0.67 | 0.68 | 0.69 | 0.68 | 0.82 |
| Post Falls Fire District | 2.06 | 1.93 | 1.69 | 1.67 | 1.50 | 1.21 | 1.26 | 1.26 | 1.21 | 1.36 |
| Total | 18.64 | 19.13 | 18.04 | 18.17 | 18.35 | 17.92 | 17.00 | 15.65 | 16.10 | 17.23 |
| % CHANGE FOR TOTAL | -2.56% | 6.04% | -0.72% | -0.98% | 2.40% | 5.41% | 8.63% | -5.54% | -6.54% | -24.33% |

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 |
| 2005 | \$29,178 | \$248,367 | \$237,697 | \$49,837 | \$287,534 |

Source: City of Post Falls

**City of Post Falls
Bonded Debt
Direct and Overlapping Governments
September 30, 2005**

Table # 7

| Governmental Unit | Bond Debt | Government's Net Market Value | Percentage Applicable to City | City Share of Debt |
|-------------------------------|---------------|-------------------------------------|-------------------------------------|-----------------------|
| City of Post Falls | \$ 19,403,662 | \$ 1,302,171,738 | 100.0% | <u>\$ 19,403,662</u> |
| Kootenai County | | 10,032,995,341 | 13.0% | |
| School District #273 | 21,445,000 | 1,824,209,326 | 71.4% | 15,308,042 |
| Post Falls Highway District | | 2,954,709,406 | 44.1% | |
| Kootenai County Fire & Rescue | | 2,656,127,883 | 49.0% | |
| | | | | <u>\$ 15,308,042</u> |

Table #8

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

| | Residential | | Commercial | | Industrial | | Other | | Total Permits | Total Construction | |
|------|----------------|---------|----------------|---------|---------------|---------|-----------|---------|---------------|--------------------|---------------|
| | Dwelling Units | Permits | Value | Permits | Value | Permits | Value | Permits | | | Value |
| 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 |
| 2005 | 714 | 603 | \$ 117,602,963 | 49 | \$ 27,777,570 | | | 613 | \$ 6,523,460 | 1,265 | \$151,903,993 |

Table # 9

**City of Post Falls
Major Tax Payers
September 30, 2005**

| <u>Taxpayer</u> | <u>Type Of Business</u> | <u>Assessed Market Value</u> | <u>Percentage Of Total Assessed Market Value</u> |
|---|-------------------------------|------------------------------|--|
| Flexcel, Inc./Kimball International Mkt, Inc. | Manufacturing-Furniture | \$ 36,759,385 | 2.92% |
| Wal-Mart Real Est. Bus./Stores Inc. #3472 | Retail | 11,152,343 | 0.89% |
| Puryear Family LPT | Private Owner | 9,502,480 | 0.76% |
| North Idaho Surgical Hospital Bldg. LLC | Medical | 8,389,873 | 0.67% |
| Potlatch Corp. | Manufacturing - Wood Products | 7,942,643 | 0.63% |
| Coeur d'Alene Factory Outlets Ltd Ptn | Retail | 7,326,948 | 0.58% |
| Cananaugh's Hospitality Ltd. Ptn | Hotel/Motel/Restaurant | 6,770,100 | 0.54% |
| Idaho Veneer Co. | Manufacturing - Wood Products | 6,679,999 | 0.53% |
| Jacklin Land Company LPT | Comm. Bus. Prod. (Seed) | 4,840,939 | 0.38% |
| John C. Young Etal | Retail | <u>4,460,851</u> | <u>0.35%</u> |
| Subtotal - Ten Of City's Largest Taxpayers | | \$ 103,825,561 | 8.25% |
| All Other Taxpayers | | <u>1,154,411,802</u> | <u>91.75%</u> |
| Total City Taxpayers | | <u>\$ 1,258,237,363</u> | <u>100.00%</u> |

**City of Post Falls
Statistical Information
Water Fund
September 30, 2005**

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

| | |
|---|-------------|
| Total Revenue | \$1,593,135 |
| Estimated number of active customers | 8,200 |
| Total water produced (thousands of gallons) | 1,530,942 |

Schedule of Water Rates

Monthly Base Fee (by meter size)

| | | | |
|------------|---------|--------|---------|
| 1" or less | \$ 7.38 | 1 1/4" | \$12.40 |
| 2" | 18.42 | 3" | 32.56 |
| 4" | 52.65 | 6" | 102.97 |

Metered water Usage 78¢ per 1,000 gallons

Source: City of Post Falls

**City of Post Falls
Statistical Information
Wastewater (Sewer) Fund
September 30, 2005**

Schedule of Treatment Volume

| | |
|----------------|-----------------------------|
| Average Volume | 2.3 million gallons per day |
| Total Volume | 807,080,000 gallons |

Schedule of Monthly Sewer Rates

The residential rate is \$23.43 for 94% of the City's customers.

The non-residential rate per customer is \$4.41 per 1,000 gallons of water consumption.

Source: City of Post Falls

Table # 12

**City of Post Falls
Demographic & Misc. Statistics
September 30, 2005**

| | | | |
|--|--|--------------------------------------|--|
| <u>Population</u> | 22,748 | | |
| <u>Dwelling Units</u> | 9,264 | | |
| <u>Health Care Facilities</u> | | | |
| Distance to Nearest Hospital | 10 miles | | |
| Ambulance Service Available | Yes | | |
| Number of General Clinics | 4 | | |
| <u>Educational Facilities</u> | | | |
| | <u>Average Daily 2005 Attendance (ADA)</u> | <u>Pupil/Teacher (FTE) Ratio</u> | |
| ◆ Public Schools (District #273) Total Enrollment = 5,289 | 4,876.5 | 25.1 | |
| ◆ Private Schools (not all private schools report) | | | |
| Number of Schools | 5 | | |
| Enrollment Total (4 report enrollment figures) | 1,606 | | |
| ◆ Community Colleges (nearest) | | | |
| | <u>Enrollment – 2005</u> | <u>Distance (in miles)</u> | |
| North Idaho College | 4,369 | 10 | |
| Spokane Community College | 6,595 | 20 | |
| ◆ Four-Year Colleges or Universities | | | |
| Gonzaga University | 6,175 | 20 | |
| Whitworth College | 2,400 | 20 | |
| University of Idaho | 12,476 | 87 | |
| Eastern Washington University | 9,800 | 35 | |
| Washington State University (Spokane Campus) | 1,535 | 20 | |
| Washington State University (Pullman Campus) | 18,690 | 90 | |

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

Table # 12
(Continued)

**City of Post Falls
Demographic & Misc. Statistics
September 30, 2005**

| | <u>Number</u> |
|---|---|
| <u>Finance Services</u> | |
| ◆ Bank & Savings Institutions (local) | 12 |
| <u>Municipal Services</u> | |
| ◆ Sewer System | |
| Treatment Plant Design Capacity | 3.4 mgd |
| Average Daily Usage (% of capacity) | 68% |
| ◆ Water System | |
| Maximum Plant Daily Production | 17,493,120 gal/day |
| Maximum Daily Usage | 11,063,314 gal/day |
| Average Daily Usage | 4,194,361 gal/day |
| Storage Capacity | 5,500,000 gallons |
| ◆ Fire Protection System | |
| Rating by Idaho Surveying & Rating Bureau (1 = best; 10 = worst) | 4 |
| Number of Paid and Volunteer Firefighters | 25 volunteers 37 full-time 10 EMS |
| ◆ Police Protection | |
| Number of Full-time Officers | 33 |
| Number of Sworn Officers per 1,000 population | 1.46 |
| ◆ 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, 2005**

| | |
|---|-----------------------|
| Assessed Valuations | |
| Assessed Value (00 net value) | \$1,035,665,785 |
| Add Back Homestead Exemptions | <u>\$ 222,571,578</u> |
| Total Assessed Value | \$1,258,237,363 |
| Legal Debt Margin | |
| Debt Limitation*: 2% of assessed market value | \$ 25,164,747 |
| Less Debt applicable | <u>\$ 1,245,000</u> |
| Legal Debt Margin | \$ 23,919,747 |

* Idaho Code 50-1019

Source: Kootenai County Assessor, City of Post Falls

**City of Post Falls
Insurance Schedule
September 30, 2005**

The City is insured through the Idaho Counties Reciprocal Management Program (ICRMP), Policy No. 24A02152100104. 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*

**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 | |
| 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 |
| 2005 | \$ 3,633,856 | \$ 1,370,164 | \$ 2,263,692 | \$ 614,260 | \$ 215,408 | \$ 829,668 | 2.73 |

(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.

**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 | |
| 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 | | 9,548 | 9,548 | 118.33 |
| 2005 | \$ 2,214,161 | \$ 775,033 | \$ 1,439,128 | \$ | \$ 153,912 | \$ 153,912 | 9.35 |

- (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 |
|----------------|------------|-----------|-----------------------|--|--|
| 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% |
| 2004-05 | \$ 275,086 | \$ 89,688 | \$ 364,774 | \$ 16,193,028 | 2.25% |

Table # 18

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

| Fiscal Year | Population | Assessed Value | Net Long-Term Debt | Ratio of Net Long-Term Debt to Assessed Value | Net Long-Term Debt Per Capita |
|-------------|------------|------------------|--------------------|---|-------------------------------|
| 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 |
| 2003-04 | 21,082 | 1,074,115,199 | 1,965,087 | 0.18% | 93 |
| 2004-05 | 22,926 | \$ 1,258,237,363 | \$ 5,090,001 | 0.40% | \$ 222 |

CITY OF POST FALLS, IDAHO

Audit Section



ABOVE: The Bathrum Prairie

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho as of and for the year ended September 30, 2005, which collectively comprise the City of Post Falls, Idaho's basic financial statements and have issued our report thereon dated February 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

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

Magnuson, McHugh & Company, P.A.

February 15, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Post Falls, Idaho with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The City of Post Falls, Idaho's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Post Falls, Idaho's management. Our responsibility is to express an opinion on the City of Post Falls, Idaho's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Post Falls, Idaho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Post Falls, Idaho's compliance with those requirements.

In our opinion, the City of Post Falls, Idaho complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the City of Post Falls, Idaho is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Post Falls, Idaho's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 (Concluded)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance 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 15, 2006

City of Post Falls, Idaho

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2005**

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---------------------------------|
| <u>Department of Health and Human Services:</u> | | |
| Passed through State Department of Health & Welfare: | | |
| Crime Victim Assistance | 16.575 | <u>32,355</u> |
| Total Department of Health and Welfare | | <u>32,355</u> |
| <u>Department of Housing and Urban Development:</u> | | |
| Community Development Block Grants | 14.228 | <u>314,227</u> |
| Total Department of Housing and Urban Development | | <u>314,227</u> |
| <u>Department of Agriculture:</u> | | |
| Passed through the State Department of Transportation | 10.167 | <u>108,161</u> |
| Total Department of Housing and Urban Development | | <u>108,161</u> |
| <u>Department of Justice:</u> | | |
| Local Law Enforcement Block Grants Program | 16.592 | 10,361 |
| Passed through State Department of Juvenile Corrections: | | |
| Juvenile Accountability Incentive Block Grants | 16.523 | 9,057 |
| Passed through Idaho State Police: | | |
| Byrne Formula Grant Program | 16.579 | 59,442 |
| Violence Against Women Formula Grants | 16.588 | <u>36,791</u> |
| Total Department of Justice | | <u>115,651</u> |
| <u>Department of Transportation:</u> | | |
| Highway Planning and Construction – | | |
| Safety Incentive Grants for Use of Seatbelts | 20.604 | <u>3,691</u> |
| Total Department of Transportation | | <u>3,691</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u>\$574,085</u> |

See accompanying "Notes to Schedule of Expenditures of Federal Awards".

City of Post Falls, Idaho

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the year ended September 30, 2005

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Post Falls, Idaho and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Post Falls, Idaho

SCHEDULE OF FINDINGS
September 30, 2005

Section I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)

14.228

Name of Federal Program or Cluster

EDA Grant and Community Block Grant

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

Auditee qualified as low-risk auditee? Yes No

City of Post Falls, Idaho

SCHEDULE OF FINDINGS September 30, 2005

Section II. Findings—Financial Statements Audit

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

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

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



408 N. Spokane Street

Post Falls, ID 83854

208-773-3511

www.postfallsidaho.org