



CITY OF POST FALLS, IDAHO

CAFR Comprehensive Annual Financial Report



For the Year Ended September 30, 2012





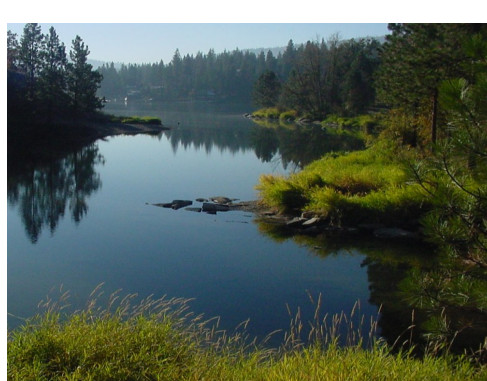
CAFR Comprehensive Annual Financial Report



Compiled by:
Shelly Enderud
Director of Finance and Support Services

Cover Photos: Views of Post Falls

For the Year Ended September 30, 2012



City of Post Falls, Idaho
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2012

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**City of Post Falls, Idaho
Comprehensive Annual Financial Report
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Introductory Section



We Honor Our Heroes in Our Community
Photos (L-R): Day of Remembrance on City Hall Plaza,
Mayor's Youth Awards,
Veterans Memorial Monument Dedication



March 16, 2013

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, 2012, 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.

This fiscal year, the City of Post Falls did meet the criteria to require undergoing 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*.

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

Governmental Structure

The financial reporting entity, an Idaho municipality, includes all the funds of the City of Post Falls, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The government provides a full range of services including water, reclaimed water and sanitation utilities, police, animal control, parks and recreation programs, planning and zoning, cemetery services, urban forestry services, streets, building and engineering functions.

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

Under Idaho Code, in May 1991, the Post Falls City Council passed an ordinance that created the Post Falls Urban Renewal Agency (the Agency), a legally separate entity from the City. The Agency was established to promote urban development and improvement in blighted areas in and around the City. A board of seven directors, appointed by the City Council, governs the Agency. This power of the City meets the criteria set forth in GASB No. 14 for having financial accountability for the Agency. Based on the above, the Agency has been discreetly presented in the accompanying financial statements of the City as a component unit.

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

Economic Conditions and Outlook

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 29,700 in 2012. This influx of new residents has resulted in a strong construction industry until the last four years. Currently, the level has decreased over the last five years, with a small increase in FY 12, and is anticipated to be about the same in FY 13.

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

Traditionally Kootenai County's economy was a timber-based, but it has become more diverse, with an increase in manufacturing, retail, health care and tourism. Jobs Plus, Inc., the area economic development organization has recruited small to medium sized firms to the county. With the assistance of Jobs Plus, Inc. and the creation of an Urban Renewal District to help build infrastructure, Post Falls was chosen as the location for Kimball Office, Inc. a major furniture manufacturer that relocated to North Idaho nearly fifteen years ago and employs a workforce of 350. This District closed out at the end of December 2001. The joint efforts by Jobs Plus, Inc., Post Falls Urban Renewal Agency, Panhandle Area Council and the City brought a number of new businesses to Post Falls, including Center Partners, Buck Knives, two Wal-Mart stores, Cabela's, ALK Source Materials/Biopol, Ground Force Manufacturing, Ednetics, C&S Glass, Love's Travel Center, Carl's Jr., Burger King, Subway, the State of Idaho Department of Labor, and the infrastructure was completed within the City Center on the first phase of the Post Falls Landing Commercial project designed to accommodate a hospitality element and several retail and professional buildings when developed. Also during this time a community development block grant for \$500,000 helped fund a water tower (approximately \$1,500,000 total cost) needed on the west side of town for development in that area.

Despite a sluggish economy, Post Falls experienced additional commercial and industrial development and growth in 2012. Blue Dog RV constructed a new 16 bay recreational vehicle repair and maintenance facility; expansion of Raycap Industries' production and engineering facility within the Riverbend Commerce Park; Underground Force constructed a 80,000 square foot manufacturing and fabrication facility; Cooper Fabrication, Phones Plus and Summit Molds also built facilities. Post Falls' emerging medical community continues to grow with the addition of Rehabilitation Hospital of the Northwest and Pleasantview Surgery. Included in the more than one hundred new and renewing businesses licensed are also medium and small businesses that fill a special market niche such as Selkirk Abbey Brewing, Stacy's Cupcakes, Fuki Japanese Steak House that offer diverse market opportunities. Aided by generous community support, the Boys and Girls Club of Kootenai County opened a new 10,000 square foot facility for area youth. The building industry benefited from 167 new single family homes and six multi-family structures with 43 units and is anticipated to continue growth through next year. The much anticipated new freeway interchange along Interstate 90 at Beck Road was completed in November of 2012. This interchange was a design build project that is expected to encourage development opportunities within the Pointe at Post Falls' shopping center.

In 2013, the community anticipates additional commercial and industrial development and growth as the economy continues to recover.

Major Initiatives

Strategic Plan – The Strategic Plan has been completed after a year of work with the public providing a great deal of input. The Strategic Plan will be adopted in the first quarter of 2013. This plan will guide the City over the next five years.

Growth Management – The City reviewed our Future Land Use Map and updated it to meet the new needs foreseen. The City continues to work on the Area of City Impact (ACI) Agreement between Post Falls and Kootenai County. Staff will be reviewing the “Smart Code” to see what changes can be made to improve its implementation and ensure quality development projects that promote walk ability and sustainable development patterns.

Ongoing efforts on behalf of the City and the Post Falls Urban Renewal Agency continue to provide for growth and business attraction with the City Center area. Design efforts are under way to improve Spokane Street south of I-90, with landscape beautification, traffic signalization, Centennial Trail safety improvements, and spur connections. The City and Agency are additionally working on transportation improvements within other areas of the community.

The City of Post Falls and the Urban Renewal Agency are working on extending Spencer Street and an additional signalized railroad crossing to provide better transportation circulation on the east side of the City. This also will open transportation to a commercial area and help promote economic growth in this area.

The City is beginning design on transportation improvements to the Seltice Way/Spokane Street/ Mullan Avenue area that will reduce congestion on the existing roadways in that area. The improvements will not only reduce congestion within that important commercial area of the community, it will provide for increased traffic flow and subsequent commercial activity of some of the adjacent underutilized roadways.

The City was successful in receiving and implementing a block grant from the Idaho Commerce Department to assist with the construction of Underground Force Manufacturing within Post Falls. Underground Force is anticipated to bring between 75 to 150 new jobs to the local area. This project was completed with the installation of utilities and frontage improvements.

The Beck Road interchange opened in November 2012. This interchange will serve over 600 acres of new commercial and industrial activity.

City staff completed improvements on Mullan Avenue with new sidewalks, pavement, median and parking. This work increased the safety at one of the local schools.

Public Health/Environment - The goal of effective and timely maintenance and repair of facilities and equipment is one of our highest priorities. We continue to work towards better treatment of all pollutants and provide the best service to our community. Equally important is the effort to assure that the infrastructure constructed by developers, builders and private contractors is constructed to the highest possible standard while complying with recognized standards and specifications.

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

The City has directed greater effort to crack sealing, seal coating and maintenance overlay of streets to preserve current paved surfaces. A program has been initiated to pave or replace badly deteriorated chip sealed streets with new pavement in residential districts. Over the last two years we invested over \$1,000,000 in this area to improve the traveling service.

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

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

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

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

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

Over the last few years the department has made improvements in the following areas: state of the art irrigation systems, ADA compliance, up-graded picnic shelters, modern restroom facilities, trails and pathways, maintenance equipment, trash collection, security cameras, energy efficient lighting, wildlife management, and new playground equipment. In addition, the department continues to emphasize good customer service and maximization of resources as it tries to keep up with public demand for services.

The department is faced with a continued need to coordinate its operations with a greater number of service partners and volunteers than in previous years. The increased number of special projects and community events is another area that has had an impact upon the staff and budget for the department.

Departmental Highlights of FY 2012

Police

- The department created two SWAT Emergency Communications Officer positions to assist with SWAT deployment.
- A monthly ECO Spotlight was added to the department's webpage.
- The department added lobby kiosk added for after-hour customers with a police department on-line store for registering and paying for public safety items such as traffic school and animal licensing.

- Also added to the lobby is a drug Turn in Box for unused prescription drugs to keep them out of the aquifer system and the streets. All drugs are incinerated.
- The Extraordinary Volunteer Service Award was presented to Jack Jordan, a PD volunteer, for 10,000 hours of service.
- High Performance Organization and Employee Driven Leadership committees formed for several improvement projects within the PD.
- The 2nd Annual Kids & Cops & Rodders n' More Event was a huge success in the community.
- The Holidays & Heroes-PFPD helped 25 local families have a better Christmas.
- Post Falls PD won Best Spirit and People's Choice Awards at the chili cook off benefiting the Post Falls Food Bank.
- Animal Control held Leashes & Laces fun run/walking event was that attended by citizens and their dogs for a fantastic fund raiser to assist the animal shelter.
- The department implemented an Honor Guard that has already attended a number of community events in FY 12.

Parks, Recreation, and Cemetery

- The department completed its first Comprehensive Departmental Master Plan.
- The City was specially honored this year by the Arbor Day Foundation for having been named a Tree City USA for 15 years. Post Falls has also been a Sterling Tree City USA for two years. This award is given to cities that have achieved a growth award for ten consecutive years.
- The Urban Forestry Division again hosted the annual tree giveaway, providing 3,000 trees (approximately \$300,000) to 2,000 Post Falls' residents, businesses, and organizations.
- The old farm house located at Corbin Park was completely remodeled including electrical system, plumbing system, replacement of sheetrock, carpet and windows. It is in the process of being rented.
- The department had two Eagle Scout projects which resulted in two mini shelters being constructed one at Singing Hills and the other at Black Bay.
- Park in the Meadows was constructed with dedication expected in the Spring of 2013.
- Interpretive signage was installed at Treaty Rock/South Park.
- The Christmas display at City Hall was upgraded to include 10 snowflake motifs, more professional lighting techniques and added branch wrapping of the large maple tree in the parking lot.
- Through a grant from Lowes, Lowes employees put in more than 250 hours at Falls Park painting the restroom building and Kiosk, replacing and building handicapped fishing platforms, restroom privacy screens and replacing old wood on benches.
- Cemetery flag memorial – installation of Schneidmiller Monument and dedication service.
- Recreation programs had significant changes or enhancements over the past year including:
 - Restructure of age groups for youth gymnastics resulting in increased enrollments.
 - Added a youth competitive league to the volleyball program which aided in the youth volleyball program attendance being at an all time high.
 - River City Competitive Basketball program had 57 teams registered which is the largest number of teams enrolled since the start of the program over 20 years ago.
 - Lifeguard seasonal work hours were extended due to the cooperative efforts to work alongside the Parks Construction Division. This helped retain the lifeguards during the late state to their "guarding" season due to the delay of closing the Avista Dam.

Public Works, Community Development

- Finalized the Strategic Plan and presented to the public. The Strategic Plan will be adopted in the first quarter of 2013.

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

Administration

- Conducted a national survey to ensure the City's priorities are in line with citizen's service level desires.
- Approved a balanced budget that maintains a high level of service without taking an increase in additional taxes.
- Conducted a number of citizen surveys, including one for the strategic planning process and also conducted employee surveys regarding benefits and high performance organization strategies.
- Media department developed a Wellness and Strategic Plan website.
- Media department also fully implemented all requirements to make the City's website ADA compliant.
- Implemented plans to strive to have more open house programs to get citizens involved, including a 911 Day of Remembrance and a Parks and Recreation Master Plan Ice Cream Social.

Factors Affecting Financial Condition

In the current economic environment, the main factors affecting the City's financial condition are the slow growth in the area, high unemployment, high housing foreclosures, and the instability of investment markets with lower than normal returns. The City has responded to this downturn in the economy by implementing efficiencies that allow for the reduction of labor hours without a reduction in the level of service. The last three years, the City has reduced its General Fund budget by approximately \$3 million and anticipates the FY 13 budget allocation levels to stabilize over the next couple of years. With the changes the City has implemented, it will be ready to address future needs of the citizens.

Other Information – Idaho State statutes require an annual audit by independent auditors. The accounting firm of Magnuson, McHugh & Company, P.A. was selected to perform the audit with the approval of the City Council. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report.

Certificate of Achievement – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Post Falls, Idaho for its comprehensive annual financial report for the fiscal year ended September 30, 2011. This was the fourteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements – I would like to thank the entire staff of the Financial Services Department for their dedicated services in assisting and contributing to the preparation of this report. Due credit should also be given to Mayor Clay Larkin and the City Council for their interest and support in conducting the operations of the City in an efficient and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, enclosed in a thin black rectangular border. The signature is cursive and appears to read "Shelly Enderud".

Shelly Enderud
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Post Falls
Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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.



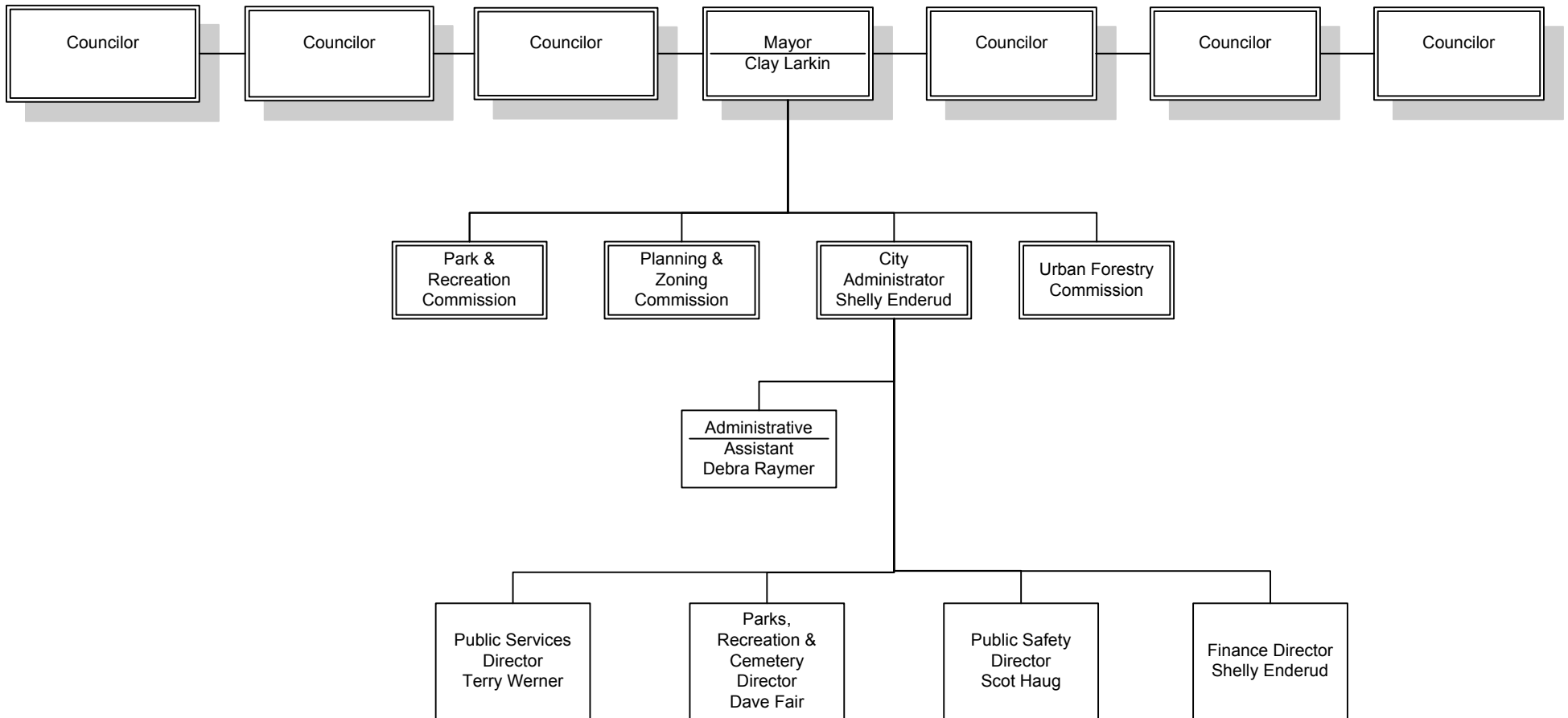
Christopher P. Morinell

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, 2012

Elected Officials



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

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

Financial Section



We Are Involved in Our Community
Photos (L-R): City Employees Donate Services at “A Day of Caring”,
Annual City Employee Holiday Food Drive,
City Employees Participate in Bike to Work Week



Magnuson, McHugh
& Company, P.A.
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho, as of and for the year ended September 30, 2012, 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 did not audit the financial statements of Post Falls Urban Renewal Agency (discretely presented component unit), which represent 100 percent of the assets, net assets, and revenues of the Post Falls Urban Renewal Agency. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Post Falls Urban Renewal Agency's governmental activities, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2013, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Count On Us To Care

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13 through 25 and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Post Falls, Idaho's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, schedules of revenues, expenditures and change in fund balance – budget and actual – legal appropriation level, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The 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 financial statements. The combining and individual nonmajor fund financial statements, the schedules of revenues, expenditures and change in fund balance – budget and actual – legal appropriation level, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Magnuson, McHugh & Company, P.A.

Magnuson, McHugh & Company, P.A.

March 4, 2013

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, 2012. 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 \$174,732,141 (net assets).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,099,892, or 67.5 percent of total general fund expenditures.
- The governments net assets increased by \$8,921,949. Approximately half of this increase is attributed to one-time infusions of resources from capital contributions.
- In the City's business-type activities, operating revenues increased by \$495,307 (5 percent) and operating expenses increased by \$156,403 (2.5 percent). These increases are due to a combination of increases in operating costs and a small increase in the customer rates (2.5% average).
- The City performed 1 budget amendment through the fiscal year to allow for the use of prior year unallocated funds and to receipt several grants and unanticipated revenues. The amendment totaled \$1,931,141.95.
- During the current fiscal year, City of Post Falls' debt had a net decrease of \$1,434,217 (including compensated absences). This was primarily due to normal annual debt payments.
- The City of Post Falls holds an A+ water reclamation bond rating and an AA water bond rating with Standard & Poors.

Overview of the Financial Statements

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

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

The statement of net 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, Reclaimed Water and sanitation.

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

The government-wide financial statements can be found on pages 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 categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

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

The City of Post Falls maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, LID 2004-1, and the capital fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements may be found on pages 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, Reclaimed Water and Sanitation operations.

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

The basic proprietary fund financial statements may be found on pages 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 61 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds may be found on pages 63 to 64 of this report. Combining and individual fund statements and schedules can be found on pages of this report.

Government-wide Financial Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the ended September 30, 2012.

Net Assets. 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 \$174,732,141 at the close of the most recent fiscal year.

By far the largest portion of the City of Post Falls' net assets (69.5 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	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$22,659,407	\$19,101,403	\$34,625,596	\$31,317,888	\$57,285,003	\$50,419,291
Capital assets	56,226,401	55,288,099	77,925,276	78,372,979	134,151,677	133,661,078
Total assets	78,885,808	74,389,502	112,550,872	109,690,867	191,436,680	184,080,369
LIABILITIES						
Long-term liabilities outstanding	5,317,136	5,881,082	8,136,452	9,006,723	13,453,588	14,887,805
Other liabilities	2,497,204	2,220,156	753,747	1,162,216	3,250,951	3,382,372
Total liabilities	7,814,340	8,101,238	8,890,199	10,168,939	16,704,539	18,270,177
NET ASSETS						
Invested in capital assets, net of related debt	51,656,401	50,259,164	69,909,303	69,484,774	121,565,704	119,743,938
Restricted	4,581,294	7,451,981	16,889,219	14,951,113	21,470,513	22,403,094
Unrestricted	14,833,773	8,577,119	16,862,151	15,086,041	31,695,924	23,663,160
Total net assets	\$71,071,468	\$66,288,264	\$103,660,673	\$99,521,928	\$174,732,141	\$165,810,192

An additional portion of the City of Post Falls' net assets (12.3 percent) represents recourses that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$31,695,924) 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, 80.5 percent of the liabilities are made up of noncurrent liabilities. This primarily represents bonds and leases discussed in Notes 6 and 7 of the notes to the financials.

Governmental activities. Governmental activities' key elements are broken down in the following charts. Governmental activities increased net assets by \$4,783,204 and business-type activities increased net assets by \$4,138,745.

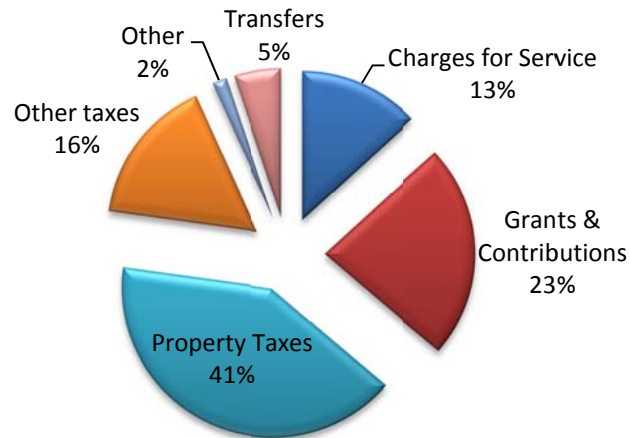
The City's direct charges to users of governmental services made up \$2,777,134 or 13.9 percent of total governmental revenue. These charges are for park rentals, recreation classes, building permits and other fees related to public safety and administration. Public safety, the largest program in FY 12, includes police, domestic violence assistance, animal control and dispatch services and accounts for \$5,480,365 in expenditures, or 33.7 percent of the total. Highway and public works accounts for \$3,795,333 in expenditures, or 23.3 percent of the total. Culture and recreation accounts for \$1,717,205 in expenditures, or 10.5 percent of the total. General government accounts for \$4,934,403 in expenditures, or 30.3 percent of the total.

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

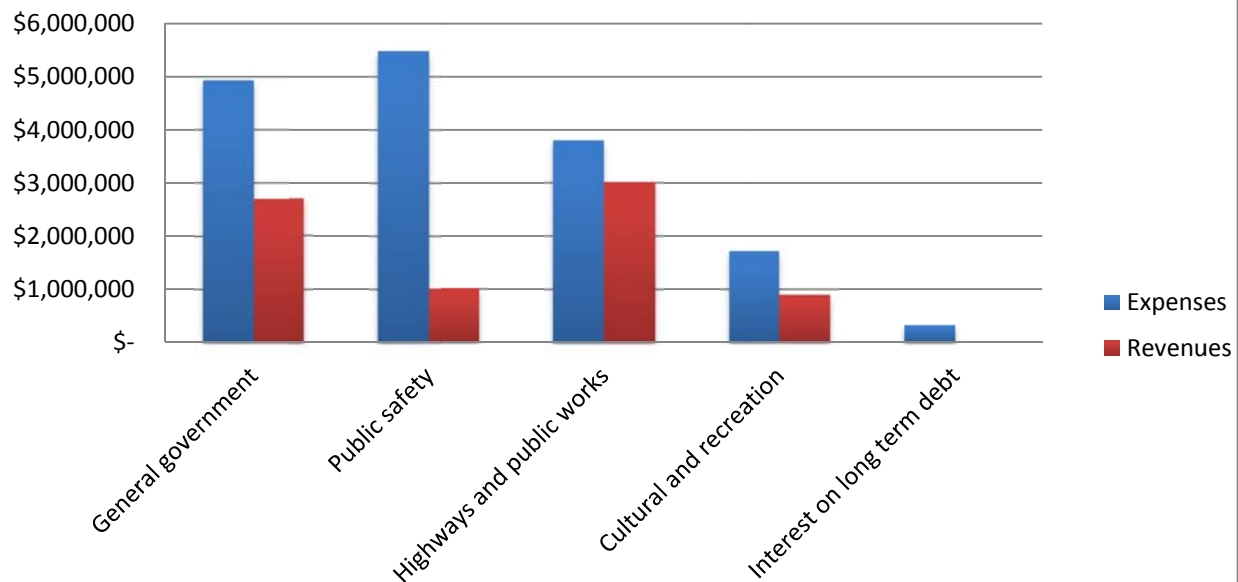
City of Post Falls' Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	\$2,777,134	\$2,627,460	\$9,779,569	\$9,284,262	\$12,556,703	\$11,911,722
Operating grants and contributions	2,473,455	1,100,014			2,473,455	1,100,014
Capital grants and contributions	2,375,607	1,198,937	1,683,866	1,393,450	4,059,473	2,592,387
General revenues:						
Property taxes	8,609,294	8,459,938			8,609,294	8,459,938
Other taxes	3,384,489	3,205,182			3,384,489	3,205,182
Other	334,228	289,048	253,205	237,601	587,433	526,649
Total revenues	<u>\$19,954,207</u>	<u>\$16,880,579</u>	<u>\$11,716,640</u>	<u>\$10,915,313</u>	<u>\$31,670,847</u>	<u>\$27,795,892</u>
EXPENSES						
General government	\$4,934,403	\$5,162,556			\$4,934,403	\$5,162,556
Public safety	5,480,365	5,269,056			5,480,365	5,269,056
Highway and public works	3,795,333	3,544,205			3,795,333	3,544,205
Culture and recreation	1,717,205	1,897,509			1,717,205	1,897,509
Interest on long-term debt	322,596	419,106			322,596	419,106
Water			\$1,464,224	\$1,485,415	1,464,224	1,485,415
Reclaimed Water			3,387,658	3,319,383	3,387,658	3,319,383
Sanitation			1,647,114	1,572,294	1,647,114	1,572,294
Total expenses	<u>\$16,249,902</u>	<u>\$16,292,432</u>	<u>\$6,498,996</u>	<u>\$6,377,092</u>	<u>\$22,748,898</u>	<u>\$22,669,524</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS	<u>3,704,305</u>	<u>588,147</u>	<u>5,217,644</u>	<u>4,538,221</u>	<u>8,921,949</u>	<u>5,126,368</u>
TRANSFERS IN (OUT)	<u>1,078,899</u>	<u>1,078,899</u>	<u>(1,078,899)</u>	<u>(1,078,899)</u>		
INCREASE IN NET ASSETS	<u>4,783,204</u>	<u>1,667,046</u>	<u>4,138,745</u>	<u>3,459,322</u>	<u>8,921,949</u>	<u>5,126,368</u>
NET ASSETS beginning	<u>66,288,264</u>	<u>64,621,218</u>	<u>99,521,928</u>	<u>96,062,606</u>	<u>165,810,192</u>	<u>160,683,824</u>
NET ASSETS ending	<u>\$71,071,468</u>	<u>\$66,288,264</u>	<u>\$103,660,673</u>	<u>\$99,521,928</u>	<u>\$174,732,141</u>	<u>\$165,810,192</u>

Revenue by Source - Government Activities



Expenses and Program Revenues - Governmental Activities



- The majority of the City of Post Falls' governmental activities' revenue is received from property tax (41 percent) with other taxes following at (16 percent).
- When all taxes are added together, they make up 57 percent of the budget.
- When revenues are compared to expenses, it shows that none of the City of Post Falls' programs are self supporting. They all require tax support to continue at their current level of service.
- Grants and contributions are primarily received by public safety and public works. These grants normally have matching requirements by the City, but allow programs and projects

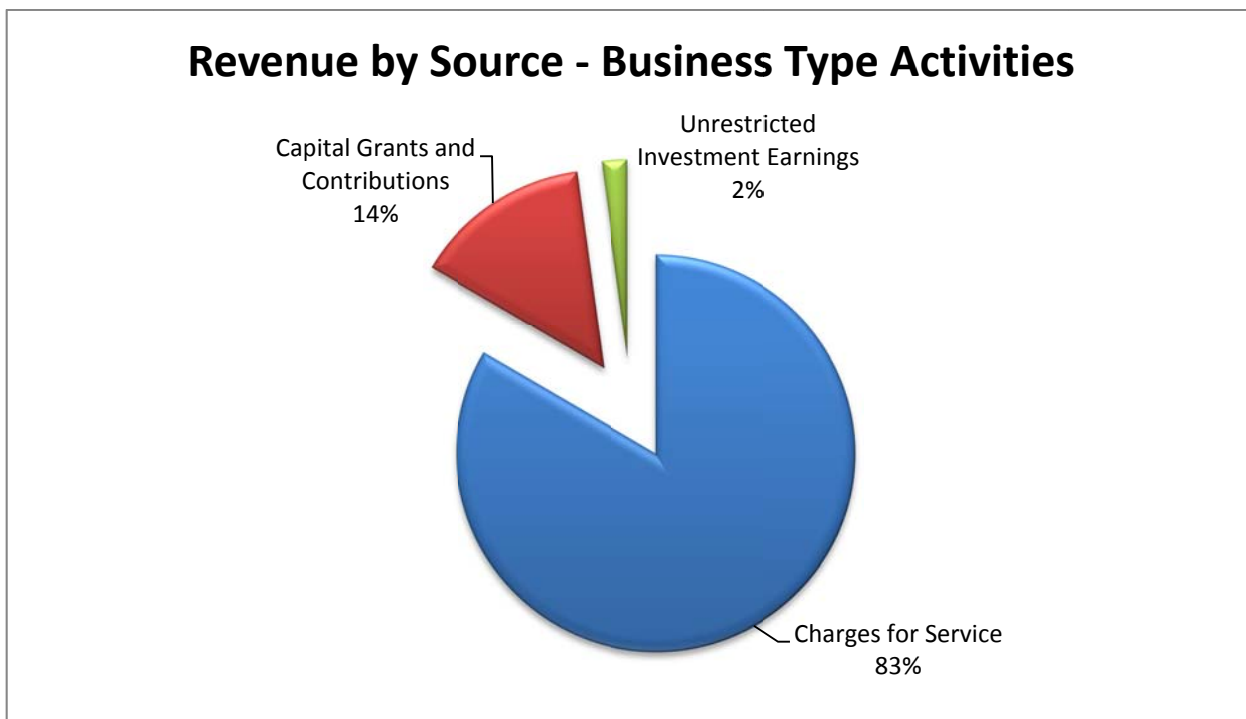
that may not happen without those additional funds. The City currently runs a domestic violence program that is significantly funded through federal grants each year.

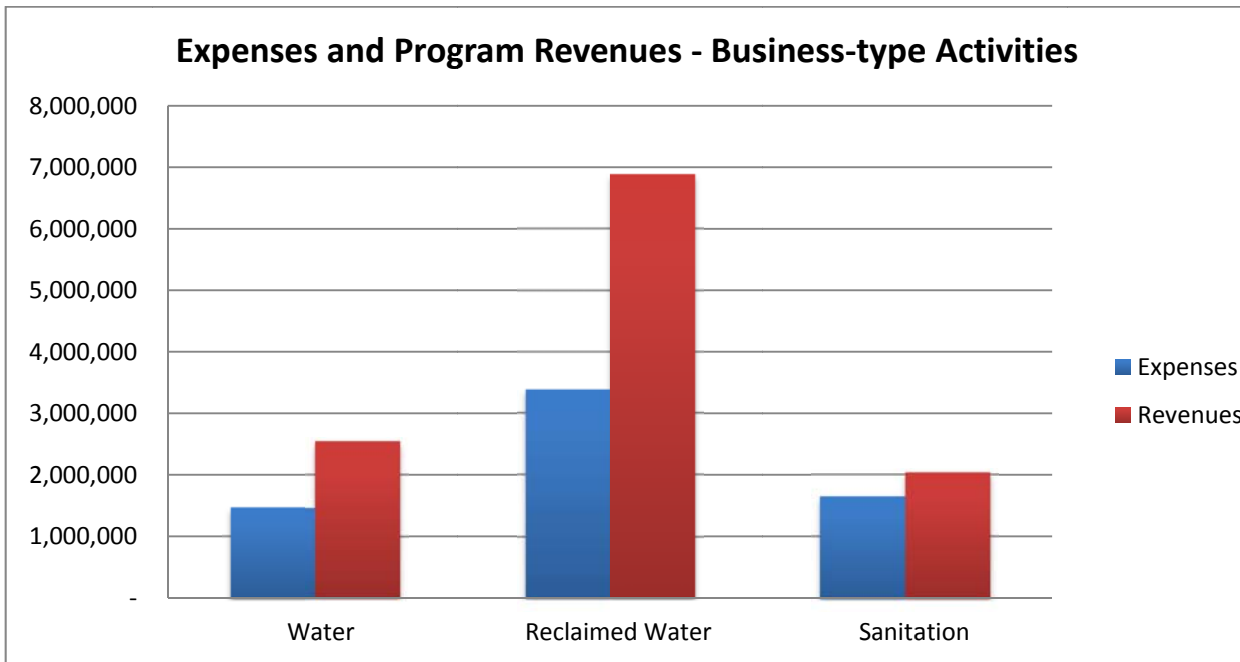
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. No significant transactions occurred outside of the Major funds for FY 12. No significant losses or revenues were received during the year and building permit revenue has continued even through this rough economy.

Major funds in the City are general fund, LID 2004-1 and the capital fund. Significant transactions within the general fund this year mainly consisted of repayment of debt and payment of personnel has been steadily increasing with the aggressive market in the Pacific Northwest and since health insurance has been increasing each year. The average wage increase in the City for the current fiscal year was 3 percent. This was due to the current economy and the City striving to keep property taxes down with the high unemployment in the area. Last, in the capital fund a focus was placed on completing street related projects during the current year.

The general fund has a significant cash balance at year end. A portion of this cash balance has been designated as a contingency fund and the balance has been reallocated for expenditure in the FY 13 budget, including the redemption of the 2002 Certificates of Participation in January 2013. Last, the capital fund has a large cash balance that is primarily made up of money that is being saved for future capital projects such as a park acquisition, park improvements and future road construction.

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





- One of the major sources of the City of Post Falls’ business-type activities’ revenue is received from charges for services (83 percent). Currently, the City of Post Falls’ business-type activities do not use property taxes for any type of funding.
- The second major source of revenue is capital construction (14 percent). These contributions are received by Water and Reclaimed Water only. The sanitation for the City of Post Falls is contracted out, and the City has no capital investment in that program.
- When revenues are compared to expenses, it shows that all of the City of Post Falls’ programs are self supporting. In Reclaimed Water this includes capital contributions from developers.

Again, for the most part, increases in expenses closely paralleled inflation and growth in the demand for services. The City had been growing at a very rapid pace and it has slowed considerably over the last several years. The only major transaction during the year was the completion of the Water Reclamation Treatment Plant Upgrade in Reclaimed Water. The City is the only Reclaimed Water provider within the City limits and is one of three providers of water within the City limits. All sanitation services are provided through the City.

Financial Analysis of the Government’s Funds

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

Governmental funds. The focus of the City of Post Falls governmental funds is to provide information on near-term inflows, outflow, and balances of spendable resources. Such information is useful in assessing the City of Post Falls’ financing requirement. In particular, unassigned fund

balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Post Falls' reported a combined ending fund balance of \$18,506,427, an increase of \$3,598,286 in comparison with the prior year. This increase is primarily due to timing on capital projects and a cautionary stance on operating expenditures in the current economy. The current fund balance contains \$100,557 of nonspendable dollars, \$4,581,294 of restricted dollars, \$3,148,740 of committed dollars, \$3,652,999 of assigned dollars and the balance of \$7,022,837 is unassigned, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Post Falls. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,099,892, with a total fund balance of \$14,002,188. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 50.8 percent of total general fund expenditures, while total fund balance represents 100.1 percent of that same amount.

The other major funds of the City of Post Falls have the following fund balances at year-end: LID 2004-1 has a restricted fund balance of \$627,792. This balance is due to prepayments on the LID. The Capital Fund has a restricted debt service fund balance of \$351,934. This is reserve set by debt service requirements. The Capital Fund has a restricted fund balance of \$3,185,656. This fund balance will be used towards future capital projects in the City's CIP.

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

Unrestricted net assets of the water, Reclaimed Water and sanitation funds at the end of the year amounted to \$16,862,151 (water \$4,130,076; Reclaimed Water \$11,592,318; and sanitation \$1,139,757). Restricted net assets at the end of the year amounted to \$16,889,219 (water \$6,424,286 and Reclaimed Water \$10,464,933).

General Fund Budgetary Highlights

One budget amendment was performed during the current fiscal year. This amendment increased the budget by a total of \$1,931,141.95. General Fund revenues ended the fiscal year with a total positive variance of 14.6 percent. Expenditures ended the fiscal year with a total positive variance of 10.6 percent. The major variance in revenues was due to the use of fund balance dollars from the previous year. The variance in expenditures was due to a combination of numerous small savings in the general government area along with an unexpended fund balance carryover to FY 12. During

this fiscal year, the City used a very conservative approach to operating expenses due to the current economy and the prediction of decreased tax revenues.

Capital Asset and Debt Administration

Capital assets. The City of Post Falls’ investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to \$134,151,677 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, other improvements, and infrastructure. The total increase in the City of Post Falls’ investment in capital assets for the fiscal year was 0.36 percent (a 1.67 percent increase for governmental activities and a 0.57 percent decrease for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$5,223,404	\$5,223,404	\$12,439,674	\$12,439,674	\$17,663,078	\$17,663,078
Buildings & Imp.	14,480,039	14,798,307	3,654,085		18,134,124	14,798,307
Machinery & Equip.	2,263,130	2,811,019	545,782	483,400	2,808,912	3,294,419
Infrastructure	33,519,350	31,942,757			33,519,350	31,942,757
Wells			1,313,801	1,370,216	1,313,801	1,370,216
Water System			15,561,328	16,147,457	15,561,328	16,147,457
Reclaimed Water System			43,726,626	33,276,896	43,726,626	33,276,896
C.I.P.	740,478	512,612	683,981	14,655,336	1,424,459	15,167,948
Total	<u>\$56,226,401</u>	<u>\$55,288,099</u>	<u>\$77,925,276</u>	<u>\$78,372,979</u>	<u>\$134,151,677</u>	<u>\$133,661,078</u>

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

- Donated capital assets from developers as they develop commercial areas and subdivisions.
- Continued with upgrades in various parks owned by the City.
- Focused on capital street projects during the course of the fiscal year.
- Various Reclaimed Water projects, including a plant upgrade, in an effort to keep up with growth.
- Purchased equipment for Public Safety through the use of federal grants to help keep the community safe.

Additional information on the City of Post Falls’ capital assets can be found in note 4 on pages 45 to 46 of this report.

Long-term debt. At the end of the current fiscal year, the City of Post Falls had total bonded debt outstanding of \$9,960,973. Of this amount, \$185,000 is comprised of debt backed by the full faith and credit of the government and \$1,760,000 is a special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Post Falls’ debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), a water loan from DEQ secured solely by specified revenue sources, leases secured by general fund, and compensated absences accrued by employees and a liability of general fund (\$747,136), water (\$46,399) and Reclaimed Water (\$74,080).

<u>Debt Type</u>	<u>2012 Balance</u>	<u>2011 Balance</u>
General Obligation Bonds:	\$ 185,000	\$ 360,000
Reclaimed Water Revenue Bonds:	5,618,685	6,342,971
Water – DEQ Loan:	2,397,288	2,545,234
Special Assessment Bonds:	1,760,000	1,825,000
Leases:	2,625,000	2,843,935
Compensated Absences:	<u>867,615</u>	<u>970,665</u>
	<u>\$13,453,588</u>	<u>\$14,887,805</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 \$38,119,220 on September 30, 2012. The City’s general obligation bond above is subject to this limit. Therefore, \$37,934,220 is available for future general obligation indebtedness.

Additional information on the City of Post Falls’ long-term debt can be found in notes 6 and 7 on pages 47 to 51 of this report.

Economic Factors and Next Year’s Budgets and Rates

- Unemployment in Kootenai County has dropped a little this year. The current rate for 2012 was 8.1% while the labor force pool increased slightly to 72,758, up about 594 in the last year. This figure does not include underemployed. The prior year reflected a 9.9% unemployment rate. These high rates are expected to continue at the same level over the next year.
- The national economy is continuing at a slow pace and the local economy also reflects this same state. Last year, the population increased by 1.9% in the City and 1.1% in Kootenai County while the State increased by 1.8% overall. Since 2000, the City has increased by 41%, while the County has increased by 23%, the State has increased by 18.9%, and the USA has increased by 10%. The State of Idaho is the fourth fastest growing state in the 2010 census. As for the City, you can see, this year’s number is very minimal and FY13 is anticipating a small increase also.

- Building permits issued in the City of Post Falls have dropped considerably over the last five years, with a slight increase back up in FY 12. In the next year, this same low level is anticipated.
- The number of utility accounts has continued to increase at a small level and that lower growth level has been included in the budget process.

All of these factors were considered in preparing the City of Post Falls' budget for the 2012 reported fiscal year and the upcoming 2013 fiscal year.

Budget Highlights for Fiscal Year 2012-2013

Governmental Activities. During the current fiscal year, unassigned fund balance in the general fund increased by \$2,346,294. A major portion of this increase was from an Urban Renewal Rebate in the amount of \$1.3 million and the rest was due to additional revenues such as liquor sales and small savings in expenditure accounts. The City of Post Falls has appropriated this fund balance to perform a full redemption on the City's outstanding 2002 Certifications of Participation in FY 13. The remaining balance will be designated to the appropriate area.

Business-Type Activities. Both water and Reclaimed Water operating rates were increased by 2.5 percent in the 2013 budget year. Sanitation rates were increased by 8.0% as per the contract with an outside hauler that includes a fuel surcharge. Water and Reclaimed Water rates are set by rate studies that updated every five years. The Reclaimed Water fund is currently working on a facility plan that will recommend increasing the rates to cover new treatment processes to meet discharge permit requirements in the upcoming years. These rate increases are initially anticipated to be up to fourteen or fifteen percent in the first couple of years.

Requests for information

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

Basic Financial Statements

**City of Post Falls
Statement of Net Assets
September 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Post Falls Urban Renewal Agency
Assets				
Cash and cash equivalents	\$ 5,600,285	\$ 3,618,187	\$ 9,218,472	\$ 499,125
Investments	11,099,467	11,763,588	22,863,055	4,147,766
Receivables				
Accounts	157,504	1,331,896	1,489,400	
Taxes	387,340		387,340	554,469
Miscellaneous	996,776		996,776	
Special assessments	1,249,525		1,249,525	
Internal Balances	(2,475,137)	2,475,137		
Inventories	2,148		2,148	
Restricted cash, customer deposits		93,240	93,240	
Accrued interest	34,975	29,789	64,764	2,695
Prepaid items	98,409		98,409	1,663
Restricted cash	1,804,490	15,309,320	17,113,810	
Restricted Investments	3,703,625		3,703,625	
Restricted accrued interest		4,439	4,439	
Capital assets, net of depreciation:				
Land	5,223,404	12,439,674	17,663,078	
Buildings	14,480,039	3,654,085	18,134,124	
Machinery and equipment	2,263,130	545,782	2,808,912	1,370
Other improvements		60,601,754	60,601,754	
Infrastructure	33,519,350		33,519,350	
Construction in progress	740,478	683,981	1,424,459	
Total Assets	<u>78,885,808</u>	<u>112,550,872</u>	<u>191,436,680</u>	<u>5,207,088</u>
Liabilities				
Accounts payable	980,513	571,990	1,552,503	31,376
Accrued payroll	356,311	46,698	403,009	
Bond interest payable	61,087	41,819	102,906	
Restricted customer deposits	1,099,293	93,240	1,192,533	
Noncurrent liabilities				
Due within one year	3,259,172	833,475	4,092,647	
Due in more than one year	2,057,964	7,302,977	9,360,941	
Total Liabilities	<u>7,814,340</u>	<u>8,890,199</u>	<u>16,704,539</u>	<u>31,376</u>
Net Assets				
Invested in capital assets, net of related debt	51,656,401	69,909,303	121,565,704	1,370
Restricted for:				
Special revenue projects	326,935		326,935	
Debt Service	351,934	8,005,282	8,357,216	
Special assessment debt	716,769		716,769	
Capital improvement projects	3,185,656	8,883,937	12,069,593	
Unrestricted	14,833,773	16,862,151	31,695,924	5,174,342
Total Net Assets	<u>\$ 71,071,468</u>	<u>\$ 103,660,673</u>	<u>\$ 174,732,141</u>	<u>\$ 5,175,712</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, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Post Falls Urban Renewal Agency
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 4,934,403	\$ 1,354,409	\$ 1,344,679		\$ (2,235,315)		\$ (2,235,315)	\$ (5,754,033)
Public safety	5,480,365	384,853	617,038	\$ 14,084	(4,464,390)		(4,464,390)	
Highways and public works	3,795,333	236,362	462,903	2,311,523	(784,545)		(784,545)	(152,541)
Culture and recreation	1,717,205	801,510	48,835	50,000	(816,860)		(816,860)	
Interest on long-term debt	322,596				(322,596)		(322,596)	(3,406)
Total governmental activities	<u>16,249,902</u>	<u>2,777,134</u>	<u>2,473,455</u>	<u>2,375,607</u>	<u>(8,623,706)</u>		<u>(8,623,706)</u>	<u>(5,909,980)</u>
Business-type activities:								
Water	1,464,224	2,374,588		167,020		\$ 1,077,384	1,077,384	
Reclaimed Water	3,387,658	5,368,506		1,516,846		3,497,694	3,497,694	
Sanitation	1,647,114	2,036,475				389,361	389,361	
Total business-type activities	<u>6,498,996</u>	<u>9,779,569</u>		<u>1,683,866</u>		<u>4,964,439</u>	<u>4,964,439</u>	
Total government	<u>\$ 22,748,898</u>	<u>\$ 12,556,703</u>	<u>\$ 2,473,455</u>	<u>\$ 4,059,473</u>	<u>(8,623,706)</u>	<u>4,964,439</u>	<u>(3,659,267)</u>	<u>(5,909,980)</u>
General revenues:								
					8,609,294		8,609,294	4,832,230
					1,348,216		1,348,216	
					1,175,883		1,175,883	
					860,390		860,390	
					334,228	253,205	587,433	39,643
							-	
Transfers					1,078,899	(1,078,899)		
					<u>13,406,910</u>	<u>(825,694)</u>	<u>12,581,216</u>	<u>4,871,873</u>
Change in net assets					4,783,204	4,138,745	8,921,949	(1,038,107)
Net Assets - beginning					66,288,264	99,521,928	165,810,192	6,213,819
Net Assets - ending					<u>\$ 71,071,468</u>	<u>\$ 103,660,673</u>	<u>\$ 174,732,141</u>	<u>\$ 5,175,712</u>

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

**City of Post Falls
Balance Sheet
Governmental Funds
September 30, 2012**

	General Fund	Debt Service LID 2004-1 Fund	Capital Fund	Other Governmental Funds	Totals Government Funds 2011
Assets					
Cash on hand and cash equivalents	\$ 2,736,197	\$ 332,616	\$ 1,964,571	\$ 566,901	\$ 5,600,285
Investments	6,620,755		4,478,712		11,099,467
Accounts receivable:					
Property taxes - current	56,520				56,520
- delinquent	330,820				330,820
Loans receivable				8,975	8,975
Miscellaneous	928,568	52,707		6,526	987,801
Customers	1,498		75,571	80,435	157,504
Due from other governments					
Inventories	2,148				2,148
Special assessments - delinquent		27,278		3,315	30,593
Special assessments - deferred		1,163,750		55,182	1,218,932
Interfund receivables	690,000				690,000
Prepaid items	98,409				98,409
Accrued interest	21,436		13,539		34,975
Restricted current assets:					
Cash and cash equivalents	1,450,149		351,934	\$ 2,407	1,804,490
Investments	3,461,156	242,469			3,703,625
Total assets and other debits	<u>\$16,397,656</u>	<u>\$ 1,818,820</u>	<u>\$ 6,884,327</u>	<u>\$ 723,741</u>	<u>\$25,824,544</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 650,208		\$ 273,623	\$ 56,682	\$ 980,513
Interfund payables			2,906,814	258,323	3,165,137
Accrued payroll and fringe benefits	356,311				356,311
Deferred revenue	458,363	\$ 1,191,028		67,472	1,716,863
Restricted customer deposits	930,586		166,300	2,407	1,099,293
Total liabilities	<u>2,395,468</u>	<u>1,191,028</u>	<u>3,346,737</u>	<u>384,884</u>	<u>7,318,117</u>
Fund balances:					
Nonspendable:					
Inventory	2,148				2,148
Prepays	98,409				98,409
Restricted:					
Special revenue projects				326,935	326,935
Capital public safety debt service			351,934		351,934
Special assessment debt		627,792		88,977	716,769
Capital improvement projects			3,185,656		3,185,656
Committed:					
Revenue stabilization	3,148,740				3,148,740
Assigned:					
Capital improvements	1,307,499				1,307,499
Capital lease redemption	2,345,500				2,345,500
Unassigned:	7,099,892			(77,055)	7,022,837
Total fund balances	<u>14,002,188</u>	<u>627,792</u>	<u>3,537,590</u>	<u>338,857</u>	<u>18,506,427</u>
Total liabilities and fund balances	<u>\$16,397,656</u>	<u>\$ 1,818,820</u>	<u>\$ 6,884,327</u>	<u>\$ 723,741</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.	56,226,401
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,716,863
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,378,223)
Net assets of governmental activities	<u>\$71,071,468</u>

City of Post Falls
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	General Fund	Debt Service LID 2004-1 Fund	Capital Fund	Other Governmental Funds	Totals Government Funds 2012
Revenues:					
Taxes	\$ 9,216,527				\$ 9,216,527
Intergovernmental	4,956,435		\$ 734,385		5,690,820
Charges for services	1,520,997		595,522	\$ 555,231	2,671,750
Other revenue	285,596	\$ 1,121	2,401	350,401	639,519
Special assessment revenue		207,521		6,599	214,120
Interest	110,543	89,644	60,636	4,556	265,379
Total revenues	<u>16,090,098</u>	<u>298,286</u>	<u>1,392,944</u>	<u>916,787</u>	<u>18,698,115</u>
Expenditures:					
Current:					
General government	4,496,061	16,750	765	1,799	4,515,375
Public safety	4,926,338			191,819	5,118,157
Highways and public works	2,331,236			434,078	2,765,314
Culture and recreation	1,565,428			20,549	1,585,977
Capital outlay	103,519		1,235,807	69,332	1,408,658
Debt service:					
Principal	393,935	50,000		15,000	458,935
Interest	167,521	82,170	54,974	21,647	326,312
Total expenditures	<u>13,984,038</u>	<u>148,920</u>	<u>1,291,546</u>	<u>754,224</u>	<u>16,178,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,106,060</u>	<u>149,366</u>	<u>101,398</u>	<u>162,563</u>	<u>2,519,387</u>
Other financing sources (uses):					
Transfers in	1,244,819		578,412	40,932	1,864,163
Transfers out	(664,803)		(109,461)	(11,000)	(785,264)
Total other financing sources (uses)	<u>580,016</u>		<u>468,951</u>	<u>29,932</u>	<u>1,078,899</u>
Net change in fund balance	2,686,076	149,366	570,349	192,495	3,598,286
Fund balances, beginning	<u>11,316,112</u>	<u>478,426</u>	<u>2,967,241</u>	<u>146,362</u>	<u>14,908,141</u>
Fund balances, ending	<u>\$14,002,188</u>	<u>\$ 627,792</u>	<u>\$ 3,537,590</u>	<u>\$ 338,857</u>	<u>\$ 18,506,427</u>

City of Post Falls
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

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

Net change in fund balances - total governmental funds	\$ 3,598,286
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.	(638,836)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	1,577,138
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(321,046)
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>567,662</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 4,783,204</u></u>

**City of Post Falls
Statement of Net Assets
Proprietary Funds
September 30, 2012**

Business-type Activities - Enterprise Funds

	Water Current Year	Water Prior Year	Reclaimed Water Current Year	Reclaimed Water Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Assets							
Current assets:							
Cash	\$ 268,096	\$ 94,548	\$ 2,527,612	\$ 2,538,419	\$ 822,479	\$ 900,275	\$ 3,618,187
Investments	2,723,892	2,689,199	8,786,202	7,679,952	253,494		11,763,588
Utility receivables, net	490,185	466,725	641,823	561,695	199,888	199,386	1,331,896
Restricted cash, customer deposits	93,240	105,255					93,240
Accrued interest	6,935	8,789	21,140	22,448	1,714		29,789
Due from other funds	554,203	592,393	1,920,934	2,092,560			2,475,137
Total current assets	<u>4,136,551</u>	<u>3,956,909</u>	<u>13,897,711</u>	<u>12,895,074</u>	<u>1,277,575</u>	<u>1,099,661</u>	<u>19,311,837</u>
Non-current assets:							
Restricted cash	6,757,449	6,198,826	8,551,871	7,159,901			15,309,320
Restricted accrued interest	1,515	2,976	2,924	4,541			4,439
Total restricted assets	<u>6,758,964</u>	<u>6,201,802</u>	<u>8,554,795</u>	<u>7,164,442</u>			<u>15,313,759</u>
Capital assets:							
Land	54,555	54,555	12,385,119	12,385,119			12,439,674
Wells	2,375,111	2,375,111					2,375,111
Water system	21,148,787	21,106,462					21,148,787
Equipment	945,020	829,078	1,110,301	1,092,121			2,055,321
Reclaimed Water system			64,376,095	49,385,931			64,376,095
Construction in progress	346,852		337,129	14,655,336			683,981
Less accumulated depreciation	<u>(6,969,135)</u>	<u>(6,439,658)</u>	<u>(18,184,558)</u>	<u>(17,071,076)</u>			<u>(25,153,693)</u>
Total capital assets (net of accumulated depreciation)	<u>17,901,190</u>	<u>17,925,548</u>	<u>60,024,086</u>	<u>60,447,431</u>			<u>77,925,276</u>
Total non-current assets	<u>24,660,154</u>	<u>24,127,350</u>	<u>68,578,881</u>	<u>67,611,873</u>			<u>93,239,035</u>
Total Assets	<u>28,796,705</u>	<u>28,084,259</u>	<u>82,476,592</u>	<u>80,506,947</u>	<u>1,277,575</u>	<u>1,099,661</u>	<u>112,550,872</u>
Liabilities							
Current liabilities:							
Accounts payable	183,756	51,286	250,416	785,191	137,818	135,480	571,990
Accrued payroll	17,758	13,605	28,940	24,111			46,698
Bond interest payable			41,819	47,288			41,819
Compensated absences - current maturity	25,983	24,604	46,670	46,987			72,653
Customer deposits payable	93,240	105,255					93,240
Bond payable - current maturity	76,037	73,262	684,785	672,738			760,822
Total current liabilities	<u>396,774</u>	<u>268,012</u>	<u>1,052,630</u>	<u>1,576,315</u>	<u>137,818</u>	<u>135,480</u>	<u>1,587,222</u>
Noncurrent liabilities:							
Compensated absences	20,416	19,331	27,410	27,596			47,826
Bonds payable	2,321,251	2,471,972	4,933,900	5,670,233			7,255,151
Total noncurrent liabilities	<u>2,341,667</u>	<u>2,491,303</u>	<u>4,961,310</u>	<u>5,697,829</u>			<u>7,302,977</u>
Total Liabilities	<u>2,738,441</u>	<u>2,759,315</u>	<u>6,013,940</u>	<u>7,274,144</u>	<u>137,818</u>	<u>135,480</u>	<u>8,890,199</u>
Net Assets							
Invested in capital assets, net of related debt	15,503,902	15,380,314	54,405,401	54,104,460			69,909,303
Restricted for:							
Debt service	242,446	1,147,645	7,762,836	6,409,227			8,005,282
Capital improvement projects	6,181,840	4,722,420	2,702,097	2,671,821			8,883,937
Unrestricted	4,130,076	4,074,565	11,592,318	10,047,295	1,139,757	964,181	16,862,151
Total Net Assets	<u>\$ 26,058,264</u>	<u>\$ 25,324,944</u>	<u>\$ 76,462,652</u>	<u>\$ 73,232,803</u>	<u>\$ 1,139,757</u>	<u>\$ 964,181</u>	<u>\$ 103,660,673</u>

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

City of Post Falls
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Reclaimed Water Current Year	Reclaimed Water Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Operating Revenues:							
Charges for services	\$ 2,196,251	\$ 1,990,243	\$ 5,236,482	\$ 5,072,853	\$ 1,989,355	\$ 1,905,324	\$ 9,422,088
Hookups and connections	12,663	13,232					12,663
Other revenues	165,674	152,369	132,024	98,172	47,120	52,069	344,818
Total operating revenues	<u>2,374,588</u>	<u>2,155,844</u>	<u>5,368,506</u>	<u>5,171,025</u>	<u>2,036,475</u>	<u>1,957,393</u>	<u>9,779,569</u>
Operating Expenses:							
Salaries and benefits	440,949	436,876	795,205	827,892			1,236,154
Administrative and supplies	399,710	406,839	1,240,568	1,118,372	1,647,114	1,572,294	3,287,392
Depreciation	529,477	542,644	1,113,482	1,105,185			1,642,959
Total operating expenses	<u>1,370,136</u>	<u>1,386,359</u>	<u>3,149,255</u>	<u>3,051,449</u>	<u>1,647,114</u>	<u>1,572,294</u>	<u>6,166,505</u>
Operating income	<u>1,004,452</u>	<u>769,485</u>	<u>2,219,251</u>	<u>2,119,576</u>	<u>389,361</u>	<u>385,099</u>	<u>3,613,064</u>
Nonoperating revenues (expenses):							
Intergovernmental							
Investment income	62,895	71,342	184,063	164,293	6,247	1,966	253,205
Interest expense	(94,088)	(99,056)	(238,403)	(267,934)			(332,491)
Total nonoperating revenues (expenses)	<u>(31,193)</u>	<u>(27,714)</u>	<u>(54,340)</u>	<u>(103,641)</u>	<u>6,247</u>	<u>1,966</u>	<u>(79,286)</u>
Income before contributions and transfers	973,259	741,771	2,164,911	2,015,935	395,608	387,065	3,533,778
Capital Contributions - cap fees and other	167,020	140,825	1,516,846	1,252,625			1,683,866
Transfers in			79,920	79,920			79,920
Transfers out	(406,959)	(406,959)	(531,828)	(531,828)	(220,032)	(220,032)	(1,158,819)
Changes in net assets	733,320	475,637	3,229,849	2,816,652	175,576	167,033	4,138,745
Total net assets - beginning	<u>25,324,944</u>	<u>24,849,307</u>	<u>73,232,803</u>	<u>70,416,151</u>	<u>964,181</u>	<u>797,148</u>	<u>99,521,928</u>
Total net assets - ending	<u>\$ 26,058,264</u>	<u>\$ 25,324,944</u>	<u>\$ 76,462,652</u>	<u>\$ 73,232,803</u>	<u>\$ 1,139,757</u>	<u>\$ 964,181</u>	<u>\$ 103,660,673</u>

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

City of Post Falls
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Reclaimed Water Current Year	Reclaimed Water Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Cash Flows from Operating Activities							
Receipts from customers	\$ 2,339,113	\$ 2,072,728	\$ 5,288,378	\$ 5,136,873	\$ 2,035,973	\$ 1,951,238	\$ 9,663,464
Payments to suppliers	(267,240)	(457,610)	(1,775,343)	(1,003,772)	(1,644,776)	(1,568,533)	(3,687,359)
Payments to employees	(434,332)	(421,483)	(790,879)	(796,215)			(1,225,211)
Net cash provided by operating activities	<u>1,637,541</u>	<u>1,193,635</u>	<u>2,722,156</u>	<u>3,336,886</u>	<u>391,197</u>	<u>382,705</u>	<u>4,750,894</u>
Cash Flows from Non-capital Financing Activities							
Operating subsidies and transfers to other funds	(406,959)	(406,959)	(531,828)	(531,828)	(220,032)	(220,032)	(1,158,819)
Advances from other funds	38,190	43,790	251,546	207,885			289,736
Net cash (used) by non-capital financing activities	<u>(368,769)</u>	<u>(363,169)</u>	<u>(280,282)</u>	<u>(323,943)</u>	<u>(220,032)</u>	<u>(220,032)</u>	<u>(869,083)</u>
Cash Flows from Capital and Related Financing Activities							
Capital contributions	124,695	91,800	1,253,653	1,028,381			1,378,348
Principal payments on capital debt	(147,946)	(212,292)	(724,286)	(761,144)			(872,232)
Interest payments on capital debt	(94,088)	(150,760)	(243,872)	(279,356)			(337,960)
Purchase of capital assets	(462,794)	(219,379)	(426,944)	(2,204,788)			(889,738)
Net cash (used) by capital and related financing activities	<u>(580,133)</u>	<u>(490,631)</u>	<u>(141,449)</u>	<u>(2,216,907)</u>			<u>(721,582)</u>
Cash Flows from Investing Activities							
Interest received on investments	66,210	109,638	186,988	269,315	4,533	1,966	257,731
Net cash provided by investing activities	<u>66,210</u>	<u>109,638</u>	<u>186,988</u>	<u>269,315</u>	<u>4,533</u>	<u>1,966</u>	<u>257,731</u>
Net increase (decrease) in cash and cash equivalents	754,849	449,473	2,487,413	1,065,351	175,698	164,639	3,417,960
Cash and cash equivalents, beginning	<u>9,087,828</u>	<u>8,638,355</u>	<u>17,378,272</u>	<u>16,312,921</u>	<u>900,275</u>	<u>735,636</u>	<u>27,366,375</u>
Cash and cash equivalents, ending	<u>\$ 9,842,677</u>	<u>\$ 9,087,828</u>	<u>\$ 19,865,685</u>	<u>\$ 17,378,272</u>	<u>\$ 1,075,973</u>	<u>\$ 900,275</u>	<u>\$ 30,784,335</u>
Reconciliation of Operating Income to Net Cash							
Provided by operating activities:							
Operating income	\$ 1,004,452	\$ 769,485	\$ 2,219,251	\$ 2,119,576	\$ 389,361	\$ 385,099	\$ 3,613,064
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	529,477	542,644	1,113,482	1,105,185			1,642,959
Changes in assets and liabilities:							
Accounts receivable	(23,460)	(60,411)	(80,128)	(34,152)	(502)	(6,155)	(104,090)
Accounts payable	132,470	(50,771)	(534,775)	114,600	2,338	3,761	(399,967)
Accrued payroll	6,617	15,393	4,326	31,677			10,943
Customer deposits	(12,015)	(22,705)					(12,015)
Total adjustments	<u>\$ 1,637,541</u>	<u>\$ 1,193,635</u>	<u>\$ 2,722,156</u>	<u>\$ 3,336,886</u>	<u>\$ 391,197</u>	<u>\$ 382,705</u>	<u>\$ 4,750,894</u>
Noncash investing, capital, and financing activities:							
Contributions of capital assets	<u>\$ 42,325</u>	<u>\$ 49,025</u>	<u>\$ 263,193</u>	<u>\$ 224,244</u>			<u>\$ 305,518</u>
Reconciliation of Cash to the Balance Sheet							
Cash and cash equivalents	\$ 268,096	\$ 94,548	\$ 2,527,612	\$ 2,538,419	\$ 822,479	\$ 900,275	\$ 3,618,187
Investments	2,723,892	2,689,199	8,786,202	7,679,952	\$ 253,494		11,763,588
Restricted cash, customer deposits	93,240	105,255					93,240
Restricted cash	6,757,449	6,198,826	8,551,871	7,159,901			15,309,320
	<u>\$ 9,842,677</u>	<u>\$ 9,087,828</u>	<u>\$ 19,865,685</u>	<u>\$ 17,378,272</u>	<u>\$ 1,075,973</u>	<u>\$ 900,275</u>	<u>\$ 30,784,335</u>

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The Agency operates on a fiscal year basis from October 1st through September 30th. Complete financial statements of the Agency can be obtained directly from:

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

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

component units. 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.

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

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

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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major governmental funds:

1. The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, charges for services from other funds, intergovernmental revenues, interest and other miscellaneous revenues. Primary expenditures are for general administration.
2. *Debt service fund LID 2004-1* accounts for proceeds and expenditures for a local improvement district that was created for street and reclaimed water improvements. The primary source of revenue is from assessment collection. The primary expenditure is for bond obligations.
3. The *capital fund* accounts for 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 *reclaimed water fund* is used to account for the activities of the City's water reclamation division.
2. The *water fund* is used to account for the activities of the City's water division.
3. The *sanitation fund* is used to account for the City's contract for garbage collection services.

Additionally, the government reports the following fund types:

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reclaimed water, 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.

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 reclaimed water, water and sanitation funds are charges to customers for sales and services. The reclaimed water 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 expense for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as nonoperating revenues and expenses.

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 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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, 2012 materially approximates fair value. Investments on hand at September 30, 2012 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets 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.

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
Building/Improvements	20 – 40 years
Reclaimed water System/Improvements	20 – 50 years
Water System/Improvements	20 – 50 years
Vehicles	3 – 5 years

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

	Years
Water Bond refunding costs	16
Reclaimed water Bond issuance costs	20

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Stabilization: Resolution 2005-05 sets a stabilization fund balance account target of 15% of operating costs for General Fund. Expenditures of the amounts in the stabilization reserve may

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

occur only when specific circumstances exist. The adopted resolution directs that these resources may be used to mitigate actual revenue shortfalls (when compared to estimated revenues), fund unanticipated emergencies, generate interest income, reduce the need for short-term borrowing and assist in maintaining an investment grade bond rating. These funds may only be expended with Council approval and any time the account balance falls below the above minimum balance due to usage, the City will budget the amount necessary to get back to the appropriate level within five budget years.

Accounts Receivable – Utility accounts receivable, net of allowances for doubtful accounts for the enterprise funds as of September 30, 2012 are as follows:

Water:

Gross accounts receivable	\$505,310
Less allowance for doubtful accounts	<u>(15,125)</u>
Accounts receivable, net	<u>\$490,185</u>

Reclaimed water:

Gross accounts receivable	\$843,172
Less allowance for doubtful accounts	<u>(201,349)</u>
Accounts receivable, net	<u>\$641,823</u>

Sanitation:

Gross accounts receivable	\$206,066
Less allowance for doubtful accounts	<u>(6,178)</u>
Accounts receivable, net	<u>\$199,888</u>

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 2011-2012 fiscal year was .005713423.

Deferred Revenue – Property tax and debt service revenues are recognized when measurable and available to finance current expenditures. The criterion 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.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 2: CASH AND INVESTMENTS

Cash and Investments

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

Cash and investments are comprised of the following at September 30, 2012:

Cash on hand	\$ 11,572
Deposits with financial institutions:	
Demand deposit	73,018
Time certificates of deposit	761,616
Investments	<u>52,145,996</u>
Total	<u>\$52,992,202</u>

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

Cash	\$ 9,218,472
Investments	22,863,055
Restricted Cash and Investments	<u>20,910,675</u>
Total	<u>\$52,992,202</u>

Deposits

The carrying amount of the City's deposits with financial institutions was \$834,634 and the bank balance was \$102,016. Of the bank balance, \$102,016 was covered by federal depository insurance or by collateral held by the government's agent in the government's name. The City currently does not have a formal policy regarding custodial risk for deposits. The City's investments are categorized into three categories of credit risk. Currently the City does not have a formal policy relating to interest rate risk or relating to the credit risk of investments.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The City's investment policy was developed by the Finance Department and adopted by the City Council. It was also certified by the Association of Public Treasurers, United States & Canada. The policy provides the Finance Director with the authority to invest in any of the securities identified as eligible investments as defined by State statute with primary emphasis of safety of principal and liquidity.

The City participates in the Idaho State Treasurer's Local Governmental Investment Pool (LGIP) which is under the administrative control of the Idaho State Treasurer's Office. The LGIP is rated "AAA" by Standard and Poor's. The pool seeks to maintain a constant value of \$1 per share. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value, same as the value of the pool shares, provided by the State Pool for the entire State Pool portfolio.

Fair Value - The investments the City has in the State Investment Pool are carried at cost which approximates fair market value. The City's portion of the State Investment Pool had an unrealized gain of \$58,330 which has not been recognized in the financial statements.

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 2: CASH AND INVESTMENTS (Continued)

limitations on the amount that can be invested in any one issuer. As of September 30, 2012, the City held the following investments (and associated maturities and percentage of portfolio) in its internal investment portfolio:

Investment Type	Fair Value	Weighted Ave. Maturity - Years	Percentage of Portfolio
State Investment Pool	\$ 20,832,141	Daily	39.95%
Federal Home Loan Mortgage Corporation	9,235,418	6.79	17.71%
Federal National Mortgage Association	8,364,824	5.84	16.04%
Panhandle State Bank - Repurchase Sweep	5,210,853	Daily	9.99%
Federal Home Loan Bank	4,898,770	7.01	9.39%
State of Idaho Bonds	1,568,664	6.00	3.01%
Federal Farm Credit Bank	887,071	4.99	1.70%
Financing Corp CTN FICO Strips	695,265	5.96	1.33%
US Bank - 1st American Treasuries	351,934	Daily	0.68%
Money Market Funds	101,056	Daily	0.20%
	<u>\$ 52,145,996</u>		

NOTE 3: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2012:

	LID 2004-1	LID 99-1	Total
Beginning Assessment - principal	\$ 1,398,549	\$ 65,096	\$ 1,463,645
Assessments collected - principal*	207,521	6,599	214,120
Ending Assessment - principal**	<u>\$ 1,191,028</u>	<u>\$ 58,497</u>	<u>\$ 1,249,525</u>
Delinquent amounts	\$ 27,278	\$ 3,315	\$ 30,593
Guarantee/Reserve funds	\$ 242,469	\$ 16,404	\$ 258,873

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2012, is as follows:

	September 30, 2011	Adjustments			September 30, 2012
		Additions	Transfers	Deletions	
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$5,223,404				\$5,223,404
C.I.P.	512,612	\$623,415	(\$395,549)		740,478
Total capital assets, not being depreciated	5,736,016	623,415	(395,549)	0	5,963,882
Capital assets, being depreciated:					
Buildings and improvements	18,240,688	61,868	117,362		18,419,918
Equipment	5,366,331	87,699			5,454,030
Vehicles	2,993,278				2,993,278
Infrastructure	36,501,224	2,212,814	278,187		38,992,225
Total capital assets, being depreciated	63,101,521	2,362,381	395,549	0	65,859,451
Less: accumulated depreciation					
Buildings and improvements	3,442,381	497,498			3,939,879
Equipment	3,481,078	402,526			3,883,604
Vehicles	2,067,512	233,062			2,300,574
Infrastructure	4,558,467	914,408			5,472,875
Total accumulated depreciation	13,549,438	2,047,494	0	0	15,596,932
Total capital assets being depreciated, net	49,552,083	314,887	395,549	0	50,262,519
Governmental activities capital assets, net	\$55,288,099	\$938,302	\$0	\$0	\$56,226,401

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 4: CAPITAL ASSETS (Continued)

	September 30, 2011	Adjustments			September 30, 2012
		Additions	Transfers	Deletions	
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets, not being depreciated:					
Land	\$12,439,674				\$12,439,674
C.I.P.	14,655,336	\$626,611	(\$14,597,966)		683,981
Total capital assets, not being depreciated	27,095,010	626,611	(14,597,966)		13,123,655
Capital assets, being depreciated:					
Wells	2,375,111				2,375,111
Water System	21,106,462	42,325			21,148,787
Equipment	1,921,199	134,122			2,055,321
Reclaimed Water System	49,385,931	392,198	14,597,966		64,376,095
Total capital assets, being depreciated	74,788,703	568,645	14,597,966	0	89,955,314
Less: accumulated depreciation					
Wells	1,004,895	56,415			1,061,310
Water System	4,959,005	428,992			5,387,997
Equipment	1,437,799	71,740			1,509,539
Reclaimed Water System	16,109,035	1,085,812			17,194,847
Total accumulated depreciation	23,510,734	1,642,959	0	0	25,153,693
Total capital assets being depreciated, net	51,277,969	(1,074,314)	14,597,966	0	64,801,621
Business-type activities capital assets, net	\$78,372,979	(\$447,703)	\$0	\$0	\$77,925,276

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

Governmental activities:	
General government	\$ 524,039
Public safety	362,208
Highways and public works	1,030,019
Culture and recreation	131,228
Total depreciation expense – governmental activities	<u>\$2,047,494</u>
Business-type activities:	
Water	\$ 529,477
Reclaimed water	1,113,482
Total depreciation expense – business-type activities	<u>\$1,642,959</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 5: DEFINED BENEFIT PENSION PLAN

Public Employee Retirement System of Idaho (PERSI) – the PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

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

The actuarially determined contribution requirements of the City of Post Falls and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2012, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The City of Post Falls' employer contributions required and paid were \$761,137, \$741,268, and \$782,283 for the three years ended September 30, 2012, 2011 and 2010, respectively.

NOTE 6: LONG-TERM DEBT

General Obligation Bond

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 6: LONG-TERM DEBT (Continued)

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

	<u>Year</u> <u>Ending</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>
G.O.B.:	2013	4.65%	<u>\$185,000</u>	<u>\$4,301</u>	<u>\$189,301</u>

Reclaimed water Revenue Bonds

On March 15, 1982, the requisite majority of the qualified voters of the City authorized the issuance of Reclaimed water Revenue Bonds in the principal amount of \$3,900,000 to finance the acquisition and construction of improvements and additions to the reclaimed water system of the City. The City issued these bonds on the following dates and in the following amounts: Series 1985, issued May 15, 1985 in the amount of \$929,300; Series 1989, issued May 5, 1989 in the amount of \$1,500,000; and Series 1994, issued April 1, 1994 in the amount of \$1,470,700, for a total issuance of \$3,900,000.

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

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

On December 30, 2004, the City issued \$3,969,500 of Reclaimed water Revenue bonds, named the City of Post Falls Reclaimed water Revenue Bond, 2004. The proceeds of these bonds, along with other resources of the City, were used to purchase land for land application of reclaimed water.

Currently, the City pumps all reclaimed water into the Spokane River. Future DEQ requirements may restrict this access and alternative means are needed to dispose of this reclaimed water.

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 6: LONG-TERM DEBT (Continued)

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

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

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

RECLAIMED WATER REVENUE BONDS:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2013	\$ 684,785	\$ 215,310	\$ 900,095
2014	636,950	189,565	826,515
2015	651,950	162,875	814,825
2016	265,000	148,955	413,955
2017	275,000	138,827	413,827
2018-2022	1,530,000	520,856	2,050,856
2023-2027	<u>1,575,000</u>	<u>185,095</u>	<u>1,760,095</u>
	<u>\$5,618,685</u>	<u>\$1,561,483</u>	<u>\$7,180,168</u>

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%

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2012**

NOTE 6: LONG-TERM DEBT (Continued)

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

WATER REVENUE BONDS:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>
2013	\$ 76,037	\$ 44,957	\$ 120,994
2014	156,425	85,609	242,034
2015	162,346	79,689	242,035
2016	168,491	73,543	242,034
2017	174,869	67,166	242,035
2018-2022	978,785	231,386	1,210,171
2023-2025	<u>680,335</u>	<u>45,365</u>	<u>725,700</u>
	<u>\$2,397,288</u>	<u>\$627,715</u>	<u>\$3,025,003</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2012, was as follows:

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>
L.I.D. #99-1:					
	3/01/13	4.80%	\$ 15,000	\$ 7,080	\$ 22,080
	3/01/14	4.95	20,000	6,360	26,360
	3/01/15	5.10	20,000	5,370	25,370
	3/01/16	5.25	20,000	4,350	24,350
	3/01/17	5.40	20,000	3,300	23,300
	3/01/18-19	5.50-5.60	<u>40,000</u>	<u>3,340</u>	<u>43,340</u>
			\$ <u>135,000</u>	\$ <u>29,800</u>	\$ <u>164,800</u>
L.I.D. 2004-1:					
	5/01/13	4.55%	\$ 55,000	\$ 79,920	\$ 134,920
	5/01/14	4.60	55,000	77,417	132,417
	5/01/15	4.65	60,000	74,888	134,888
	5/01/16	4.70	60,000	72,097	132,097
	5/01/17	4.75	65,000	69,278	134,278
	5/01/18-21	4.80-5.00	<u>1,330,000</u>	<u>244,935</u>	<u>1,574,935</u>
			\$ <u>1,625,000</u>	\$ <u>618,535</u>	\$ <u>2,243,535</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 6: LONG-TERM DEBT (Continued)

The City is fully obligated for the local improvement debt, placing liens against the property owners to ensure payment to the City. The LID Guarantee Fund was established by ordinance to provide additional security for the local improvement district bondholders. This fund is maintained at a level equivalent to 7% of the outstanding LID bonds, excluding LID 2004-1, which has its own debt service reserve. The required balance for this fund at September 30, 2012 is \$9,450. As of September 30, 2012, \$16,404 is set-aside in this fund.

Changes in governmental activity long-term debt are as follows (See Note 7):

	<u>Balance</u> <u>10/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/12</u>
Compensated absences	\$ 852,147	\$538,411	\$ 643,422	\$ 747,136
Capital leases (Note 7)	2,843,935		218,935	2,625,000
General fund Bonds Payable	360,000		175,000	185,000
Local Imp. Bonds Payable	<u>1,825,000</u>		<u>65,000</u>	<u>1,760,000</u>
	<u>\$5,881,082</u>	<u>\$538,411</u>	<u>\$1,102,357</u>	<u>\$5,317,136</u>

	Due in <u>One Year</u>
Compensated absences	\$379,172
Capital leases (Note 7)	2,625,000*
General Fund Bonds Payable	185,000
Local Imp. Bond Payable	<u>70,000</u>
	<u>\$3,259,172</u>

*Please refer to Note 11: Commitments and Contingencies on this lease.

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

	<u>Balance</u> <u>10/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/12</u>
Compensated absences	\$ 118,518	\$ 98,925	\$ 96,964	\$ 120,479
Bonds payable	<u>8,888,205</u>		<u>872,232</u>	<u>8,015,973</u>
	<u>\$9,006,723</u>	<u>\$ 98,925</u>	<u>\$ 969,196</u>	<u>\$8,136,452</u>

	Due in <u>One Year</u>
Compensated absences	\$ 72,653
Bonds payable	<u>760,822</u>
	<u>\$833,475</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 7: CAPITAL LEASES

General Fund – The General Fund has entered into 1 building/land lease, which qualifies as a capital lease, as ownership of the assets transfers to the City at the end of the lease. The lease carries interest ratings ranging from 2.50% to 5.60% and require annual principal payments. The building/land secures the lease. The booked asset value of the leased building/land is \$4,376,279, with \$1,302,047 in depreciation booked, with \$351,934 held in US Government bonds for reserve of the Certificates. The capital lease has a non-appropriation clause, which states that if funding is unavailable during the budget process to make the annual required lease payments, then the lease is canceled and the building/land returned to the lending institution.

Future minimum lease payments are as follows:

2013	\$ 144,720
2014	144,720
2015	144,720
2016	144,720
2017	1,284,720
2018-2022	<u>1,900,800</u>
Future minimum lease payments	3,764,400
Less amounts representing interest	<u>(1,139,400)</u>
	<u>\$2,625,000*</u>

*Please refer to Note 11: Commitments and Contingencies on this lease.

NOTE 8: COMPONENT UNIT DISCLOSURES

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

Long-Term Debt

At the end of FY 2012, the Post Falls Urban Renewal Agency had no outstanding debt.

Agency Cash and Investments

The Agency maintains its cash balances in one financial institution. The Agency also holds four certificates of deposit at four different financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of September 30, 2012, the Agency had uninsured balances totaling \$2,104. The certificates of deposit mature on dates ranging from December 2012 to March 2017. The carrying amount of the Agency's deposits and investments as of September 30, 2012 is \$4,646,891 and the bank balance is \$4,638,362, categorized as follows:

Idaho State Investment Pool	\$3,398,379
Amount insured by the FDIC or other agencies	1,237,879
Amount uninsured by the FDIC or other agencies	<u>2,104</u>
Total	<u>\$4,638,362</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

State statutes authorize the Agency's investments. The Agency is authorized to invest in U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, government pools, and money market funds consisting of any of these securities listed. No unauthorized investment transactions were carried out by the Agency during the year.

Investments in 2a7-like pools are valued based upon the value of pool shares. The Agency invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer's Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. GASB Statement No. 3 requires the Agency to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. The Pool has not been assigned a risk category since the Agency is not issued securities, but rather it owns an undivided beneficial interest in the assets of the Pool. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body nor is any balance insured by the Federal Deposit Insurance Corporation. Financial reports are available from the Idaho State Treasurer's Office upon request.

The balances above that the Agency has in the State Investment Pool are carried at fair market value pursuant to GASB 31. The Agency's portion of the State Investment Pool had an unrealized gain of \$9,515 as of September 30, 2012.

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

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

The following schedule classifies the investments of the Agency as of September 30, 2012, in the above categories:

	Category			Carrying Amount
	1	2	3	
Certificates of Deposit	\$ 987,838	-	-	987,838
Total Investments	\$ 987,838	-	-	987,838

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

Commitments

Stateline Business Park LLC (Center Point) – During the 2007 fiscal year, the Agency entered into an Owner Participation Agreement with Stateline Business Park LLC. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the Center Point Urban Renewal District totaling \$762,250. The Agency is only obligated to reimburse Stateline Business Park, LLC if net tax increment revenues of the Agency, directly resulting from the project improvements made by Stateline Business Park LLC are available. The Agency receives tax increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$201,774 was reimbursed in previous fiscal years, \$371,834 was reimbursed in fiscal year 2010, and \$188,642 was reimbursed in fiscal year 2011.

Watson and Associates (Expo) – During the 2007 fiscal year, the Agency entered into a Settlement Agreement with Watson and Associates for the Expo Urban Renewal District in an amount not to exceed \$4,702,827. Under this Agreement, the Agency will reimburse the cost of infrastructure improvements made within the Expo Urban Renewal District. Seven (7) separate costs submittals totaling \$1,649,337 have been approved. It is anticipated that as infrastructure improvements are completed, further reimbursement requests will be made. The Agency is only obligated to reimburse Watson and Associates from tax increment revenues of the Agency generated within the district. The Agency receives tax increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$972,160 was reimbursed in previous fiscal years, and \$216,667 was reimbursed in fiscal year 2012, leaving a balance of \$460,510.

Greenstone-Kootenai, Inc. (West Seltice II) – In July 2007, the Agency entered into an Owner Participation Agreement with Greenstone- Kootenai, Inc. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the West Seltice II Urban Renewal District totaling \$1,990,008. The Agency is only obligated to reimburse Greenstone-Kootenai, Inc. if tax increment revenues of the Agency, directly resulting from the project improvements made by Greenstone-Kootenai, Inc. are available. The Agency receives tax increment revenue and then deducts the amount necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$407,448 was reimbursed in previous fiscal years, and \$115,783 was reimbursed in fiscal year 2012, leaving a balance of \$1,466,777.

Jacklin Land Company (Riverbend) – During the 2008 fiscal year, the Agency entered into an Owner Participation Agreement with Jacklin Land Company. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the Riverbend II Urban Renewal District totaling \$2,769,476. The Agency is only obligated to reimburse Jacklin Land Company if tax increment revenues of the Agency, directly resulting from the project improvements made by Jacklin Land Company are available. The Agency receives tax increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$2,201,909 was reimbursed in previous fiscal years, and \$567,567 was reimbursed in fiscal year 2012, leaving a balance of \$0.

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2012**

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

Tullamore Properties, LLC (East Post Falls) – During the 2008 fiscal year, the Agency entered into an Owner Participation Agreement with Tullamore Properties, LLC. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the East Post Falls Urban Renewal District totaling \$2,724,027. The Agency is only obligated to reimburse Tullamore Properties, LLC if tax increment revenues of the Agency, directly resulting from the project improvements made by Tullamore Properties, LLC are available. The Agency receives increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the total amount the Agency has agreed to reimburse, \$385,623 was reimbursed in previous fiscal years, and \$233,045 was reimbursed in fiscal year 2012, leaving a balance of \$2,105,359

The Point, LLC (Center Point) – During the 2012 fiscal year, the Agency entered into an Owner Participation Agreement with The Point, LLC. Under this agreement, the Agency will reimburse the cost of infrastructure improvements made within the Center Point Urban Renewal District. The Agency is only obligated to reimburse The Point, LLC if tax increment revenues of the Agency, directly resulting from the project improvements made by The Point, LLC are available. The Agency receives increment revenue and then deducts the amounts necessary to cover administrative costs, fund the district reserve, and pay any district debt. The amount remaining is the reimbursement. Of the initial reimbursement request totaling \$6,800,701, the amount of \$3,552,954 was approved for payment, with the balance of \$3,247,745 subject to further review and approval. Of the total amount the Agency has agreed to reimburse, \$1,022,246 was reimbursed in fiscal year 2012, leaving a balance of \$2,530,708.

The Agency entered into an operating lease for a copier. The term of the lease is 48 months with monthly payments of \$119. The lease ends in January 2015. Lease expense for the year ended September 30, 2012 was \$1,432.

The Agency also leases its office space. The term of the lease is 12 months with annual payments of \$7,740. Rent expense for the year ended September 30, 2012 was \$7,740.

NOTE 9: 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		
Street Lights	\$421,000	\$434,377

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 10: DEFICIT FUND EQUITY

The following funds had deficit fund equity at September 30, 2012:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
911 Support	\$77,055

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

NOTE 11: COMMITMENTS AND CONTINGENCIES

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

Litigation – The City is a party to legal actions arising in the ordinary course of its business. In management’s opinion, the City has adequate legal defenses and/or insurance coverage relative to each of these actions. Although amounts are unknown at this point, management believes that the joint effort lawsuit against DEQ to contest the State of Washington Total Daily Maximum Load requirements. The cities in the Spokane River Watershed are asking for “Declaratory Judgment and Injunctive Relief.” The settlement date for this case is undetermined, but may have a material effect in the future of the City’s operations and required infrastructure if the requirements are upheld. Management does not believe any other actions will materially affect the City’s operations or financial position.

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

NOTE 12: DEFERRED COMPENSATION PLANS

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

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

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2012**

NOTE 13: TRANSFERS

The composition of interfund transfers as of September 30, 2012, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,244,819	\$ 664,803
Capital Fund	578,412	109,461
Nonmajor Governmental Funds	40,932	11,000
Enterprise Funds	<u>79,920</u>	<u>1,158,819</u>
Totals	<u>\$1,944,083</u>	<u>\$1,944,083</u>

The principal purposes for the transfer of funds from the Enterprise funds to the General fund to cover the administration costs of operating the City's utility division (water, reclaimed water, and sanitation). The principal purpose of the transfer of funds from General fund to the Enterprise funds was to cover the lease costs of the street and fleet shop housed at the water reclamation plant. The principal purpose for the transfer of funds from the Capital fund to the General fund was to cover the lease costs on the new police station. A portion of the new police station is paid for with impact fees collected in the capital fund. The principal purpose for the transfer of funds from the General fund to the Capital fund was to pay for the debt service on the New City Hall. The principal purpose for the transfer of funds from the Nonmajor governmental funds to the General fund is to cover the administrative costs of the Street Light fund and cover the administrative costs of the 911 Support fund.

NOTE 14: INTERFUND RECEIVABLES/PAYABLES

The composition of interfund balances as of September 30, 2012 is as follows:

Interfund receivable/payable:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 690,000	
Capital Fund		\$2,906,814
Nonmajor Governmental Funds		258,323
Enterprise Funds	<u>2,475,137</u>	
Totals	<u>\$3,165,137</u>	<u>\$3,165,137</u>

The current purposes for the interfund/payables in the City is or borrowing from other funds. The 911 Support Fund owes \$258,323 to the Reclaimed water Fund for construction of a wireless communication tower in 2007 that will be paid over the next five to ten years. The Capital fund owes \$554,203 to the Water Fund, \$1,662,611 to the Reclaimed water Fund and \$690,000 to the General Fund for construction of the New City Hall in 2007, to be paid back over the next 20 years.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

NOTE 15: RISK MANAGEMENT

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

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

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

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

Last the City provides various types of employee insurance. The City has chosen to not be self insured in this area. The City provides a benefit amount to each eligible employee. This benefit amount can be used towards the purchase of eligible insurance premiums, dictated by Internal Revenue Service codes. Currently, the City makes available for the employee to purchase medical, dental, life, and some supplemental insurance. Any insurance premiums not covered by this benefit amount are taken from the employee's wages. Excessive use of these insurance programs would be reflected in increased premiums in the following year. The benefit amount paid by the City is budgeted directly through each department.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds and net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$5,378,223 difference are as follows:

Bonds payable	\$1,945,000
Accrued interest payable	61,087
Capital leases payable	2,625,000
Compensated absences	<u>747,136</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$5,378,223</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains the “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and report as depreciation expense.” The details of this \$(638,836) are as follows:

Capital outlay	\$1,408,658
Depreciation	<u>(2,047,494)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (638,836)</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.” The details of this \$1,577,138 difference are as follows:

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

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2012**

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

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 1,577,138

Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* \$1,577,138

Another element of that reconciliation states that “Some revenues in the statement of activities do not provide current financial resources and are not reported as revenue in the funds. The details of this \$(321,046) difference are as follows:

Property taxes	\$ (175,775)
Deferred bond discount/premiums	68,849
Special Assessment debt issued and repaid	<u>(214,120)</u>

Net adjustment to *decrease net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* \$(321,046)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$567,662 difference are as follows:

Debt issued or incurred:	
Compensated absences	\$ (538,411)
Principal repayments:	
General obligation debt	175,000
Capital lease financing	218,935
Compensated absences	643,422
Special assessment debt	65,000
Accrued interest payable	<u>3,716</u>

Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* \$ 567,662

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2012

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

Governmental Activities:

Capital assets, net of depreciation	\$56,226,401
General Fund bonds payable	(185,000)
Capital leases payable	(2,625,000)
Local imp. bonds payable	<u>(1,760,000)</u>

Invested in capital assets, net of related debt \$51,656,401

Business-Type Activities:

Capital assets, net of depreciation	\$77,925,276
Reclaimed water bonds payable	(5,618,685)
Water bonds payable	<u>(2,397,288)</u>

Invested in capital assets, net of related debt \$ 69,909,303

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes to the Required Supplementary Information

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

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

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

General Fund

**City of Post Falls
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
General taxes	\$ 9,064,320	\$ 9,064,320	\$ 9,216,527	\$ 152,207
Intergovernmental revenue	2,843,618	3,052,621	4,956,435	1,903,814
Charges for services	1,402,523	1,402,523	1,520,997	118,474
Other revenue	372,040	387,590	285,596	(101,994)
Interest	130,524	130,524	110,543	(19,981)
Total revenues	<u>13,813,025</u>	<u>14,037,578</u>	<u>16,090,098</u>	<u>2,052,520</u>
Expenditures				
Current:				
General government	5,179,741	5,055,910	4,496,061	559,849
Public safety	4,722,228	5,159,555	4,926,338	233,217
Highways and public works	2,204,983	2,487,168	2,331,236	155,932
Culture and recreation	1,664,489	1,691,282	1,565,428	125,854
Capital outlay	318,976	678,976	103,519	575,457
Debt service				
Principal	393,935	393,935	393,935	
Interest	168,572	168,572	167,521	1,051
Total expenditures	<u>14,652,924</u>	<u>15,635,398</u>	<u>13,984,038</u>	<u>1,651,360</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(839,899)</u>	<u>(1,597,820)</u>	<u>2,106,060</u>	<u>3,703,880</u>
Other financing sources (uses):				
Transfers in	1,244,819	1,244,819	1,244,819	
Transfers (out)	(454,920)	(658,332)	(664,803)	(6,471)
Total other financing sources (uses)	<u>789,899</u>	<u>586,487</u>	<u>580,016</u>	<u>(6,471)</u>
Net changes in fund balance	(50,000)	(1,011,333)	2,686,076	3,697,409
Fund balances - beginning	<u>11,316,112</u>	<u>11,316,112</u>	<u>11,316,112</u>	
Fund balances - ending	<u>\$ 11,266,112</u>	<u>\$ 10,304,779</u>	<u>\$ 14,002,188</u>	<u>\$ 3,697,409</u>

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

Drug Seizure – accounts for monies acquired during drug seizure activities.

Debt Service Funds

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

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

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

**City of Post Falls
Combining Balance Sheet
Nonmajor Government Funds
September 30, 2012**

	Special Revenue Funds						Debt Service Funds		Total Other Governmental Funds	
	Cemetery Perpetual Care	HUD Loan Fund	Falls Park Signs	Special Events	Street Lights	911 Support	Drug Seizure	LID 99-1		LID Guarantee
Assets										
Cash	\$ 201,090	\$ 1,318	\$ 1,608	\$ 57,626	\$ 37,751	\$ 169,027	\$ 15,305	\$ 66,772	\$ 16,404	\$ 566,901
Accounts receivable:										
Loans receivable		8,975								8,975
Miscellaneous	725							5,801		6,526
Customers					47,358	31,180	1,897			80,435
Assessments - delinquent								3,315		3,315
- deferred								55,182		55,182
Restricted current assets:										
Cash and cash equivalents							2,407			2,407
Total assets	<u>\$ 201,815</u>	<u>\$ 10,293</u>	<u>\$ 1,608</u>	<u>\$ 57,626</u>	<u>\$ 85,109</u>	<u>\$ 200,207</u>	<u>\$ 19,609</u>	<u>\$ 131,070</u>	<u>\$ 16,404</u>	<u>\$ 723,741</u>
Liabilities and Fund balances										
Liabilities:										
Accounts payable					\$ 36,236	\$ 18,939	\$ 1,507			\$ 56,682
Interfund payable						258,323				258,323
Deferred revenue		\$ 8,975						\$ 58,497		67,472
Restricted customer deposits							2,407			2,407
Total liabilities		<u>8,975</u>			<u>36,236</u>	<u>277,262</u>	<u>3,914</u>	<u>58,497</u>		<u>384,884</u>
Fund balances:										
Restricted:										
Special revenue projects	\$ 201,815	1,318	\$ 1,608	\$ 57,626	48,873		15,695			326,935
Special assessment debt								72,573	\$ 16,404	88,977
Unassigned:						(77,055)				(77,055)
Total fund balances	<u>201,815</u>	<u>1,318</u>	<u>1,608</u>	<u>57,626</u>	<u>48,873</u>	<u>(77,055)</u>	<u>15,695</u>	<u>72,573</u>	<u>16,404</u>	<u>338,857</u>
Total liabilities and fund balances	<u>\$ 201,815</u>	<u>\$ 10,293</u>	<u>\$ 1,608</u>	<u>\$ 57,626</u>	<u>\$ 85,109</u>	<u>\$ 200,207</u>	<u>\$ 19,609</u>	<u>\$ 131,070</u>	<u>\$ 16,404</u>	<u>\$ 723,741</u>

**City of Post Falls
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Government Funds
For the fiscal year ended September 30, 2012**

	<u>Special Revenue Funds</u>						<u>Debt Service Funds</u>		Total Other Governmental Funds	
	Cemetery Perpetual Care	HUD Loan Fund	Falls Park Signs	Special Events	Street Lights	911 Support	Drug Seizure	LID 99-1		LID Guarantee
Revenues:										
Charges-services/program remittances				\$ 20,735	\$ 451,919	\$ 82,577			\$ 555,231	
Other revenue	\$ 25,475			25	10,984	281,442	\$ 32,475		350,401	
Principal							\$ 6,599		6,599	
Interest	260	\$ 2	\$ 2	73	39	225	3,912	\$ 22	4,556	
Total revenues	<u>25,735</u>	<u>2</u>	<u>2</u>	<u>20,833</u>	<u>462,942</u>	<u>364,244</u>	<u>10,511</u>	<u>22</u>	<u>916,787</u>	
Expenditures:										
Current:										
General government					299		1,500		1,799	
Public safety						158,819	33,000		191,819	
Highways and public works					434,078				434,078	
Culture and recreation				20,549					20,549	
Capital outlay						69,332			69,332	
Debt service:										
Principal							15,000		15,000	
Interest							7,770		21,647	
Total expenditures				<u>20,549</u>	<u>434,377</u>	<u>242,028</u>	<u>33,000</u>	<u>24,270</u>	<u>754,224</u>	
Excess (deficiency) of revenues over expenditures	<u>25,735</u>	<u>2</u>	<u>2</u>	<u>284</u>	<u>28,565</u>	<u>122,216</u>	<u>(504)</u>	<u>(13,759)</u>	<u>22</u>	<u>162,563</u>
Other financing sources (uses):										
Transfers in				6,471		34,461			40,932	
Transfers out					(11,000)				(11,000)	
Total other financing sources (uses)				<u>6,471</u>	<u>(11,000)</u>	<u>34,461</u>			<u>29,932</u>	
Net change in fund balances	25,735	2	2	6,755	17,565	156,677	(504)	(13,759)	22	192,495
Fund balances, beginning	<u>176,080</u>	<u>1,316</u>	<u>1,606</u>	<u>50,871</u>	<u>31,308</u>	<u>(233,732)</u>	<u>16,199</u>	<u>86,332</u>	<u>16,382</u>	<u>146,362</u>
Fund balances, ending	<u>\$ 201,815</u>	<u>\$ 1,318</u>	<u>\$ 1,608</u>	<u>\$ 57,626</u>	<u>\$ 48,873</u>	<u>\$ (77,055)</u>	<u>\$ 15,695</u>	<u>\$ 72,573</u>	<u>\$ 16,404</u>	<u>\$ 338,857</u>

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

Major Governmental Funds

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

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

**City of Post Falls
Debt Service Fund
LID 2004-1
Schedule of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Other revenue			\$ 1,121	\$ 1,121
Principal	\$ 100,000	\$ 100,000	207,521	107,521
Interest	90,900	90,900	89,644	(1,256)
Total revenues	<u>190,900</u>	<u>190,900</u>	<u>298,286</u>	<u>107,386</u>
Expenditures				
Current:				
General government	16,750	16,750	16,750	
Capital outlay				
Debt Service				
Principal	50,000	50,000	50,000	
Interest	82,170	82,170	82,170	
Total expenditures	<u>148,920</u>	<u>148,920</u>	<u>148,920</u>	
Excess (deficiency) of revenues over expenditures	<u>41,980</u>	<u>41,980</u>	<u>149,366</u>	<u>107,386</u>
Other financing sources (uses):				
Total other financing sources (uses)				
Net change in fund balance	41,980	41,980	149,366	107,386
Fund balances - beginning	<u>478,426</u>	<u>478,426</u>	<u>478,426</u>	
Fund balances - ending	<u>\$ 520,406</u>	<u>\$ 520,406</u>	<u>\$ 627,792</u>	<u>\$ 107,386</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, 2012**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue		\$ 460,194	\$ 734,385	\$ 274,191
Charges for services	\$ 797,900	797,900	595,522	(202,378)
Other revenue			2,401	2,401
Interest	35,500	35,500	60,636	25,136
Total revenues	<u>833,400</u>	<u>1,293,594</u>	<u>1,392,944</u>	<u>99,350</u>
Expenditures				
Current:				
General government	500	203,912	765	203,147
Capital outlay	2,773,439	3,233,633	1,235,807	1,997,826
Debt Service				
Principal	320,026	320,026		320,026
Interest	54,974	54,974	54,974	
Total expenditures	<u>3,148,939</u>	<u>3,812,545</u>	<u>1,291,546</u>	<u>2,520,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,315,539)</u>	<u>(2,518,951)</u>	<u>101,398</u>	<u>2,620,349</u>
Other financing sources (uses):				
Transfers in	375,000	578,412	578,412	
Transfers out	<u>(109,461)</u>	<u>(109,461)</u>	<u>(109,461)</u>	
Total other financing sources (uses)	<u>265,539</u>	<u>468,951</u>	<u>468,951</u>	
Net change in fund balance	(2,050,000)	(2,050,000)	570,349	2,620,349
Fund balances - beginning	<u>2,967,241</u>	<u>2,967,241</u>	<u>2,967,241</u>	
Fund balances - ending	<u>\$ 917,241</u>	<u>\$ 917,241</u>	<u>\$ 3,537,590</u>	<u>\$ 2,620,349</u>

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

Drug Seizure – accounts for monies acquired during drug seizure activities.

Debt Service Funds

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

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

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

**City of Post Falls
Cemetery Perpetual Care Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2012**

	2012		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 20,000	\$ 25,475	\$ 5,475
Interest		260	260
Total revenues	<u>20,000</u>	<u>25,735</u>	<u>5,735</u>
Expenditures:			
Culture and recreation	<u>20,000</u>		<u>20,000</u>
Total expenditures	<u>20,000</u>		<u>20,000</u>
Excess (deficiency) of revenues over (under) expenditures		<u>25,735</u>	<u>25,735</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		25,735	25,735
Fund balances, beginning	<u>176,080</u>	<u>176,080</u>	
Fund balances, ending	<u>\$ 176,080</u>	<u>\$ 201,815</u>	<u>\$ 25,735</u>

**City of Post Falls
 HUD Loan Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the Year Ended September 30, 2012**

	2012		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 2	\$ 2
Total revenues		<u>2</u>	<u>2</u>
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		<u>2</u>	<u>2</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		2	2
Fund balances, beginning	\$ 1,316	1,316	
Fund balances, ending	<u>\$ 1,316</u>	<u>\$ 1,318</u>	<u>\$ 2</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 Year Ended September 30, 2012**

	2012		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 2	\$ 2
Total revenues		<u>2</u>	<u>2</u>
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		<u>2</u>	<u>2</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		2	2
Fund balances, beginning	\$ 1,606	1,606	
Fund balances, ending	<u>\$ 1,606</u>	<u>\$ 1,608</u>	<u>\$ 2</u>

City of Post Falls
Special Events Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2012

	2012		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 45,055	\$ 20,735	\$ (24,320)
Other revenue	8,050	25	(8,025)
Interest		73	73
Total revenues	<u>53,105</u>	<u>20,833</u>	<u>(32,272)</u>
Expenditures:			
Culture and recreation	<u>59,355</u>	<u>20,549</u>	<u>38,806</u>
Total expenditures	<u>59,355</u>	<u>20,549</u>	<u>38,806</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,250)</u>	<u>284</u>	<u>6,534</u>
Other financing sources (uses):			
Transfers in		<u>6,471</u>	<u>6,471</u>
Total other financing sources (uses)		<u>6,471</u>	<u>6,471</u>
Net change in fund balance	(6,250)	6,755	13,005
Fund balances, beginning	<u>50,871</u>	<u>50,871</u>	
Fund balances, ending	<u>\$ 44,621</u>	<u>\$ 57,626</u>	<u>\$ 13,005</u>

**City of Post Falls
Street Lights Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2012**

	2012		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 426,400	\$ 451,919	\$ 25,519
Other revenue	5,500	10,984	5,484
Interest	100	39	(61)
Total revenues	<u>432,000</u>	<u>462,942</u>	<u>30,942</u>
Expenditures:			
General governmental		299	(299)
Highways and public works	421,000	434,078	(13,078)
Total expenditures	<u>421,000</u>	<u>434,377</u>	<u>(13,377)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,000</u>	<u>28,565</u>	<u>17,565</u>
Other financing sources (uses):			
Transfers out	(11,000)	(11,000)	
Total other financing sources (uses)	<u>(11,000)</u>	<u>(11,000)</u>	
Net change in fund balance		17,565	17,565
Fund balances, beginning	<u>31,308</u>	<u>31,308</u>	
Fund balances, ending	<u>\$ 31,308</u>	<u>\$ 48,873</u>	<u>\$ 17,565</u>

City of Post Falls
911 Support Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2012

	2012			Variance with Final Budget- Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues:				
Charges-services/programs	\$ 78,930	\$ 78,930	\$ 82,577	\$ 3,647
Other revenue	257,008	257,008	281,442	24,434
Interest	250	250	225	(25)
Total revenues	<u>336,188</u>	<u>336,188</u>	<u>364,244</u>	<u>28,056</u>
Expenditures:				
Public safety	180,213	180,213	158,819	21,394
Capital outlay	119,500	201,150	69,332	131,818
Debt service - interest	70,936	70,936	13,877	57,059
Total expenditures	<u>370,649</u>	<u>452,299</u>	<u>242,028</u>	<u>210,271</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,461)</u>	<u>(116,111)</u>	<u>122,216</u>	<u>238,327</u>
Other financing sources (uses):				
Transfers in	34,461	34,461	34,461	
Total other financing sources (uses)	<u>34,461</u>	<u>34,461</u>	<u>34,461</u>	
Net change in fund balance		(81,650)	156,677	238,327
Fund balances, beginning	<u>(233,732)</u>	<u>(233,732)</u>	<u>(233,732)</u>	
Fund balances, ending	<u>\$ (233,732)</u>	<u>\$ (315,382)</u>	<u>\$ (77,055)</u>	<u>\$ 238,327</u>

**City of Post Falls
 Drug Seizure Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the Year Ended September 30, 2012**

	2012		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 60,000	\$ 32,475	\$ (27,525)
Interest		21	21
Total revenues	<u>60,000</u>	<u>32,496</u>	<u>(27,504)</u>
Expenditures:			
Public safety	<u>60,000</u>	<u>33,000</u>	<u>27,000</u>
Total expenditures	<u>60,000</u>	<u>33,000</u>	<u>27,000</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(504)</u>	<u>(504)</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		(504)	(504)
Fund balances, beginning	<u>16,199</u>	<u>16,199</u>	
Fund balances, ending	<u>\$ 16,199</u>	<u>\$ 15,695</u>	<u>\$ (504)</u>

City of Post Falls
LID 99-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2012

	2012		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 5,000	\$ 6,599	\$ 1,599
Interest	4,100	3,912	(188)
Total revenues	<u>9,100</u>	<u>10,511</u>	<u>1,411</u>
Expenditures:			
General governmental	1,500	1,500	
Debt service - principal	15,000	15,000	
- interest	7,770	7,770	
Total expenditures	<u>24,270</u>	<u>24,270</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(15,170)</u>	<u>(13,759)</u>	<u>1,411</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance	(15,170)	(13,759)	1,411
Fund balances, beginning	<u>86,332</u>	<u>86,332</u>	
Fund balances, ending	<u>\$ 71,162</u>	<u>\$ 72,573</u>	<u>\$ 1,411</u>

City of Post Falls
LID Guarantee Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2012

	2012		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 22	\$ 22
Total revenues		22	22
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		22	22
Other financing sources (uses):			
Operating transfers in	\$ 150		(150)
Transfers out	(150)		150
Total other financing sources (uses)			
Net change in fund balance		22	22
Fund balances, beginning	16,382	16,382	
Fund balances, ending	\$ 16,382	\$ 16,404	\$ 22

Statistical Section



Special Events Build Community
Photos (L-R): Associate City Herborn, Germany Big Band Visits the City,
Annual Winterfest Celebration Singing Carols,
Families Enjoy the festivities at Post Falls Days

STATISTICAL SECTION

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

Contents

Page(s)

Financial Trends

76-81

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time

Revenue Capacity

82-86

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and the room tax.

Debt Capacity

87-93

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Economic and Demographic Information

94-96

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

97-103

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

**Net Assets By Components
Last Ten Fiscal Years
(Accrual-Basis of Accounting)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 9,017,852	\$ 13,097,421	\$ 12,856,812	\$ 21,984,148	\$ 36,222,792	\$ 45,191,875	\$ 47,567,676	\$ 49,083,464	\$ 50,259,164	\$ 51,656,401
Restricted	833,042	734,213	872,546	6,539,791	9,482,313	3,616,343	3,305,761	6,957,699	7,451,981	4,581,294
Unrestricted	4,806,132	7,306,691	10,358,219	8,642,267	6,031,023	8,335,529	9,981,735	8,580,055	8,577,119	14,833,773
Total governmental activities net assets	\$ 14,657,026	\$ 21,138,325	\$ 24,087,577	\$ 37,166,206	\$ 51,736,128	\$ 57,143,747	\$ 60,855,172	\$ 64,621,218	\$ 66,288,264	\$ 71,071,468
Business-type activities:										
Invested in capital assets, net of related debt	\$ 36,623,300	\$ 40,559,918	\$ 44,487,590	\$ 46,839,184	\$ 52,836,337	\$ 55,575,732	\$ 59,324,239	\$ 67,461,731	\$ 69,484,774	\$ 69,909,303
Restricted	3,075,936	3,475,869	4,699,749	5,903,678	7,657,572	10,022,627	11,338,570	13,006,075	14,951,113	16,889,219
Unrestricted	11,138,123	14,994,784	18,104,442	21,429,394	21,833,861	21,892,917	21,457,902	15,594,800	15,086,041	16,862,151
Total business-type activities net assets	\$ 50,837,359	\$ 59,030,571	\$ 67,291,781	\$ 74,172,256	\$ 82,327,770	\$ 87,491,276	\$ 92,120,711	\$ 96,062,606	\$ 99,521,928	\$ 103,660,673
Primary government										
Invested in capital assets, net of related debt	\$ 45,641,152	\$ 53,657,339	\$ 57,344,402	\$ 68,823,332	\$ 89,059,129	\$ 100,767,607	\$ 106,891,915	\$ 116,545,195	\$ 119,743,938	\$ 121,565,704
Restricted	3,908,978	4,210,082	5,572,295	12,443,469	17,139,885	13,638,970	14,644,331	19,963,774	22,403,094	21,470,513
Unrestricted	15,944,255	22,301,475	28,462,661	30,071,661	27,864,884	30,228,446	31,439,637	24,174,855	23,663,160	31,695,924
Total primary government net assets	\$ 65,494,385	\$ 80,168,896	\$ 91,379,358	\$ 111,338,462	\$ 134,063,898	\$ 144,635,023	\$ 152,975,883	\$ 160,683,824	\$ 165,810,192	\$ 174,732,141

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	\$ 3,446,537	\$ 3,908,589	\$ 4,296,656	\$ 4,880,704	\$ 5,701,979	\$ 5,979,508	\$ 6,075,916	\$ 5,707,518	\$ 5,162,556	\$ 4,934,403
Public safety	2,887,150	3,171,924	3,409,806	3,593,961	4,065,252	4,447,348	4,763,989	5,059,738	5,269,056	5,480,365
Highways and public works	1,521,094	1,701,489	3,750,058	2,576,928	2,422,039	2,681,745	3,348,343	3,550,658	3,544,205	3,795,333
Cultural and recreation	983,357	1,172,659	1,233,832	1,350,230	1,594,522	1,686,824	1,738,374	1,728,016	1,897,509	1,717,205
Interest on long term debt	374,533	325,229	362,559	428,521	434,931	525,919	481,634	453,861	419,106	322,596
Total governmental activities expenses	9,212,671	10,279,890	13,052,911	12,830,344	14,218,723	15,321,344	16,408,256	16,499,791	16,292,432	16,249,902
Business-type activities:										
Water	914,653	995,763	1,290,046	1,412,346	1,447,266	1,448,401	1,507,373	1,528,147	1,485,415	1,464,224
Reclaimed Water	1,898,449	2,224,803	2,358,255	2,863,232	2,703,705	3,136,575	3,198,146	3,472,086	3,319,383	3,387,658
Sanitation	889,681	955,858	1,114,246	1,202,137	1,281,986	1,356,495	1,543,693	1,533,863	1,572,294	1,647,114
Total business-type activities expenses	3,702,783	4,176,424	4,762,547	5,477,715	5,432,957	5,941,471	6,249,212	6,534,096	6,377,092	6,498,996
Total primary government expenses	\$ 12,915,454	\$ 14,456,314	\$ 17,815,458	\$ 18,308,059	\$ 19,651,680	\$ 21,262,815	\$ 22,657,468	\$ 23,033,887	\$ 22,669,524	\$ 22,748,898
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,081,301	\$ 2,591,268	\$ 2,753,370	\$ 2,141,369	\$ 1,763,765	\$ 1,543,133	\$ 1,195,845	\$ 1,351,455	\$ 1,160,796	\$ 1,354,409
Public safety	365,513	397,946	446,423	567,520	755,149	818,834	722,323	785,143	407,404	384,853
Highways and public works	453,341	574,995	564,228	912,773	1,206,647	1,097,468	675,331	640,930	317,006	236,362
Cultural and recreation	601,734	730,743	789,159	1,245,372	1,214,653	916,117	1,053,274	846,638	742,254	801,510
Operating grants and contributions	305,083	210,574	248,978	258,756	560,896	796,891	1,253,066	1,595,061	1,100,014	2,473,455
Capital grants and contributions	620,063	3,855,708	2,082,757	10,280,692	6,382,770	2,655,088	2,059,783	1,310,061	1,198,937	2,375,607
Total governmental activities program revenues	4,427,035	8,361,234	6,884,915	15,406,482	11,883,880	7,827,531	6,959,622	6,529,288	4,926,411	7,626,196
Business-type activities:										
Charges for services:										
Water	1,448,160	1,596,599	1,773,912	1,994,463	2,095,496	2,035,430	2,261,475	2,143,358	2,155,844	2,374,588
Reclaimed Water	2,640,879	3,065,150	3,344,028	3,956,633	4,177,428	4,615,976	4,716,926	4,963,818	5,171,025	5,368,506
Sanitation	1,062,573	1,151,549	1,334,065	1,489,071	1,595,944	1,705,759	1,921,476	1,908,915	1,957,393	2,036,475
Capital grants and contributions	3,410,490	6,813,384	6,971,034	5,020,402	5,559,972	2,778,366	2,477,679	1,659,308	1,393,450	1,683,866
Total business-type activities program revenues	8,562,102	12,626,682	13,423,039	12,460,569	13,428,840	11,135,531	11,377,556	10,675,399	10,677,712	11,463,435
Total primary government program revenues	\$ 12,989,137	\$ 20,987,916	\$ 20,307,954	\$ 27,867,051	\$ 25,312,720	\$ 18,963,062	\$ 18,337,178	\$ 17,204,687	\$ 15,604,123	\$ 19,089,631

Table #2
(Continued)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	(4,785,636)	(1,918,656)	(6,167,996)	2,576,138	(2,334,843)	(7,493,813)	(9,448,634)	(9,970,503)	(11,366,021)	(8,623,706)
Business-type activities	4,859,319	8,450,258	8,660,492	6,982,854	7,995,883	5,194,060	5,128,344	4,141,303	4,300,620	4,964,439
Total primary government net (expense)/revenue	\$ 73,683	\$ 6,531,602	\$ 2,492,496	\$ 9,558,992	\$ 5,661,040	\$ (2,299,753)	\$ (4,320,290)	\$ (5,829,200)	\$ (7,065,401)	\$ (3,659,267)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	4,751,170	4,990,766	5,452,343	6,228,757	7,191,562	8,017,157	8,705,541	8,876,092	8,459,938	8,609,294
Other taxes and licenses	1,980,691	2,160,571	2,386,998	2,681,188	3,220,308	3,301,797	3,060,788	3,028,031	3,205,182	3,384,489
Unrestricted intergovernmental revenues										
Grants and contributions not restricted to specific programs										
Unrestricted investment earnings	206,303	145,760	375,469	633,704	1,007,266	774,806	341,011	732,368	283,207	334,228
Gains (losses) on sale of capital assets	29,686	1,763	2,708	1,502	10,853	(302,789)	8,960	21,159	5,841	
Transfers	796,222	870,540	899,730	957,340	1,532,034	1,110,461	1,043,759	1,078,899	1,078,899	1,078,899
Total governmental activities	7,764,072	8,169,400	9,117,248	10,502,491	12,962,023	12,901,432	13,160,059	13,736,549	13,033,067	13,406,910
Business-type activities:										
Unrestricted investment earnings	280,123	241,539	416,271	854,961	1,218,220	1,079,907	544,850	879,491	237,601	253,205
Gains (losses) on sale of capital assets		2,100	84,177		1,800					
Transfers	(796,222)	(870,540)	(899,730)	(957,340)	(1,532,034)	(1,110,461)	(1,043,759)	(1,078,899)	(1,078,899)	(1,078,899)
Total business-type activities	(516,099)	(626,901)	(399,282)	(102,379)	(312,014)	(30,554)	(498,909)	(199,408)	(841,298)	(825,694)
Total primary government	\$ 7,247,973	\$ 7,542,499	\$ 8,717,966	\$ 10,400,112	\$ 12,650,009	\$ 12,870,878	\$ 12,661,150	\$ 13,537,141	\$ 12,191,769	\$ 12,581,216
Changes in Net Assets										
Governmental activities	\$ 2,978,436	\$ 6,250,744	\$ 2,949,252	\$ 13,078,629	\$ 10,627,180	\$ 5,407,619	\$ 3,711,425	\$ 3,766,046	\$ 1,667,046	\$ 4,783,204
Business-type activities	4,343,220	7,823,357	8,261,210	6,880,475	7,683,869	5,163,506	4,629,435	3,941,895	3,459,322	4,138,745
Total primary government	\$ 7,321,656	\$ 14,074,101	\$ 11,210,462	\$ 19,959,104	\$ 18,311,049	\$ 10,571,125	\$ 8,340,860	\$ 7,707,941	\$ 5,126,368	\$ 8,921,949

Table # 3

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

Fiscal Year	Property Tax	Sales Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2002-03	4,751,170	803,713	866,140	310,838	6,731,861
2003-04	4,990,766	880,323	912,867	367,381	7,151,337
2004-05	5,452,343	1,022,177	979,582	385,239	7,839,341
2005-06	6,228,757	1,234,141	1,030,468	416,579	8,909,945
2006-07	7,191,562	1,449,594	1,185,285	585,429	10,411,870
2007-08	8,017,157	1,486,213	1,197,377	618,207	11,318,954
2008-09	8,705,541	1,268,438	1,128,484	663,502	11,765,965
2009-10	8,876,092	1,186,962	1,175,615	665,454	11,904,123
2010-11	8,459,938	1,233,465	1,210,926	760,791	11,665,120 *
2011-12	\$ 8,609,294	\$ 1,348,216	\$ 1,175,883	\$ 860,390	\$ 11,993,783

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable:										
Inventory						\$ 981	\$ 1,513	\$ 1,725	\$ 2,148	
Prepays					\$ 634	153,607		98,656	98,409	
Committed:										
Revenue stabilization									2,635,588	3,148,740
Assigned:										
Capital improvements	\$ 252,915	\$ 281,605	\$ 518,142	\$ 581,671	\$ 780,419	852,342	703,570	3,808,176	3,903,600	1,307,499
Capital lease redemption										2,345,500
Unassigned:	3,129,042	4,118,284	4,922,894	6,348,640	4,643,329	7,108,576	8,506,662	7,149,865	4,676,543	7,099,892
Total General Fund	<u>\$ 3,381,957</u>	<u>\$ 4,399,889</u>	<u>\$ 5,441,036</u>	<u>\$ 6,930,311</u>	<u>\$ 5,423,748</u>	<u>\$ 7,961,552</u>	<u>\$ 9,364,820</u>	<u>\$ 10,959,554</u>	<u>\$ 11,316,112</u>	<u>\$ 14,002,188</u>
All Other Governmental Funds										
Nonspendable:										
Prepays		\$ 8,650	\$ 17,300	\$ 660,017	\$ 8,650	\$ 50,000				
Restricted:										
Special revenue projects	\$ 145,184	\$ 254,216	281,675	327,414	333,094	409,761	414,792	\$ 272,938	\$ 277,380	\$ 326,935
Capital public safety debt service	352,236	352,608	384,113	356,293	354,832	363,404	351,930	351,934	351,934	351,934
Special assessment debt	(396,672)	546,827	2,187,168	880,608	988,546	1,086,371	1,155,483	1,237,815	933,073	716,769
Capital improvements projects	1,465,016	2,118,834	3,099,833	4,703,919	6,698,499	1,305,576	1,044,778	1,559,774	2,263,374	3,185,656
Unassigned:				(531,144)	(531,553)	(517,975)	(367,622)	(321,772)	(233,732)	(77,055)
Total all other governmental funds	<u>\$ 1,565,764</u>	<u>\$ 3,272,485</u>	<u>\$ 5,961,439</u>	<u>\$ 5,754,390</u>	<u>\$ 8,503,435</u>	<u>\$ 2,655,787</u>	<u>\$ 2,649,361</u>	<u>\$ 3,100,689</u>	<u>\$ 3,592,029</u>	<u>\$ 4,504,239</u>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$ 4,730,516	\$ 5,267,092	\$ 6,042,106	\$ 6,587,395	\$ 7,544,333	\$ 8,320,641	\$ 9,044,911	\$ 9,260,823	\$ 8,798,392	\$ 9,216,527
Intergovernmental	2,618,459	2,624,868	2,710,478	3,132,055	4,090,629	4,442,267	3,414,896	4,783,640	3,689,124	5,690,820
Charges for services	2,371,648	3,099,775	3,580,138	4,033,890	4,354,124	3,740,219	3,094,007	3,147,491	2,439,614	2,671,750
Other revenue	611,212	484,696	557,950	640,963	917,785	982,879	1,301,071	633,495	763,997	639,519
Special assessment revenue	162,658	686,228	282,452	547,609	205,917	180,710	202,253	166,467	143,410	214,120
Interest	165,167	145,759	375,469	633,704	1,007,266	774,806	341,011	732,368	224,513	265,379
Total Revenues	10,659,660	12,308,418	13,548,593	15,575,616	18,120,054	18,441,522	17,398,149	18,724,284	16,059,050	18,698,115
Expenditures:										
Current										
General government	3,283,259	3,725,937	4,069,030	4,561,224	5,381,605	5,426,015	5,657,339	5,567,916	4,231,147	4,515,375
Public safety	2,776,302	2,903,775	3,145,202	3,433,945	3,822,573	4,192,009	4,480,215	4,743,296	4,881,746	5,118,157
Highways and public works	2,785,694	1,555,583	3,478,417	2,252,495	1,841,807	2,008,242	2,468,066	2,651,799	2,547,996	2,765,314
Cultural and recreation	931,638	1,110,484	1,156,462	1,256,420	1,481,597	1,562,015	1,608,878	1,588,503	1,761,595	1,585,977
Capital Outlay	3,708,335	794,978	2,367,801	1,722,900	4,899,437	8,595,303	1,619,862	2,331,142	1,348,256	1,408,658
Debt Service										
Principal	500,439	453,672	498,238	3,916,445	589,655	598,480	1,103,922	473,451	1,075,353	458,935
Interest	374,533	321,973	313,437	438,255	434,069	529,901	487,143	441,992	443,958	326,312
Total Expenditures	14,360,200	10,866,402	15,028,587	17,581,684	18,450,743	22,911,965	17,425,425	17,798,099	16,290,051	16,178,728
Excess (deficiency) of revenues over (under) expenditures	(3,700,540)	1,442,016	(1,479,994)	(2,006,068)	(330,689)	(4,470,443)	(27,276)	926,185	(231,001)	2,519,387
Other financing sources (uses):										
Debt issued	14,129	181,542	4,310,365	2,330,954	41,138	50,138	380,359	40,978		
Operating transfers in	1,047,971	1,310,638	2,063,901	1,606,305	5,410,418	1,928,351	1,619,955	1,662,246	1,971,577	1,864,163
Operating transfers out	(251,749)	(440,098)	(1,164,171)	(648,965)	(3,878,385)	(817,890)	(576,196)	(583,347)	(892,678)	(785,264)
Total other financing sources (uses)	810,351	1,052,082	5,210,095	3,288,294	1,573,171	1,160,599	1,424,118	1,119,877	1,078,899	1,078,899
Net change in fund balances	\$ (2,890,189)	\$ 2,494,098	\$ 3,730,101	\$ 1,282,226	\$ 1,242,482	\$ (3,309,844)	\$ 1,396,842	\$ 2,046,062	\$ 847,898	\$ 3,598,286
Debt service as a percentage of noncapital expenditures	8.2%	7.7%	6.4%	27.5%	7.6%	7.9%	10.1%	5.9%	10.2%	5.3%

Table # 6

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

Fiscal Year	Property Tax	Sales Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2002-03	4,492,098	803,713	866,140	310,838	6,472,789
2003-04	4,969,999	880,323	912,867	367,381	7,130,570
2004-05	6,042,106	1,022,177	979,582	385,239	8,429,104
2005-06	6,216,994	1,234,141	1,030,468	416,579	8,898,182
2006-07	7,164,627	1,449,594	1,185,285	585,429	10,384,935
2007-08	7,939,435	1,486,213	1,197,377	618,207	11,241,232
2008-09	8,623,774	1,268,438	1,128,484	663,502	11,684,198
2009-10	8,848,311	1,186,962	1,175,615	665,454	11,876,342
2010-11	8,352,943	1,233,465	1,210,926	760,791	11,558,125 *
2011-12	\$ 8,785,069	\$ 1,348,216	\$ 1,175,883	\$ 860,390	\$ 12,169,558

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

Table #7

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

Tax Year	Assessed Valuation	Exemptions	Net Taxable Value	Valuation Change		Tax Rate Per \$1,000 Value
				Amount	Percentage	
2003	1,074,115,199	187,101,426	887,013,773	56,625,250	6.82%	5.47
2004	1,258,237,363	222,571,578	1,035,665,785	148,652,012	16.76%	5.35
2005	1,459,655,088	268,780,754	1,190,874,334	155,208,549	14.99%	4.64
2006	1,701,069,379	423,200,428	1,277,868,951	86,994,617	7.31%	4.05
2007	2,738,909,864	783,533,222	1,955,376,642	677,507,691	53.02%	3.87
2008	2,698,716,071	870,893,234	1,827,822,837	(127,553,805)	-6.52%	4.56
2009	2,599,701,389	875,517,459	1,724,183,930	(103,638,907)	-5.67%	4.96
2010	2,381,141,525	860,829,515	1,520,312,010	(203,871,920)	-11.82%	5.21
2011	2,266,600,927	828,343,141	1,438,257,786	(82,054,224)	-5.40%	5.71
2012	\$1,905,961,040	\$450,130,458	\$1,455,830,582	\$ 17,572,796	1.22%	6.00

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

Table #8

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

Governmental Unit	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
City of Post Falls - Operating	5.89	5.58	5.09	4.85	4.46	3.78	3.94	4.48	5.16	5.25
Library Bond	0.11	0.13	0.12	0.11	0.10	0.09	0.11	0.15	0.19	0.21
Total Direct Rate	6.00	5.71	5.21	4.96	4.56	3.87	4.05	4.63	5.35	5.46
North Idaho College	1.22	1.11	1.00	0.83	0.73	0.48	0.53	0.71	0.74	0.77
Kootenai County	3.47	3.20	2.94	2.52	2.21	1.84	1.84	2.47	3.48	3.65
Kootenai Hospital District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kootenai Ambulance District	0.18	0.16	0.15	0.13	0.11	0.10	0.1	0.14	0.16	0.32
School District #273	3.16	2.84	2.58	2.36	2.29	2.23	2.23	5.61	6.28	6.43
Post Falls Highway District #1	0.68	0.50	0.45	0.38	0.31	0.36	0.36	0.47	0.57	0.57
Kootenai Fire & Rescue	<u>1.98</u>	<u>2.00</u>	<u>1.86</u>	<u>1.66</u>	<u>1.40</u>	<u>1.34</u>	<u>1.34</u>	<u>1.72</u>	<u>2.06</u>	<u>1.93</u>
Total	16.69	15.52	14.19	12.84	11.61	10.22	10.45	15.75	18.64	19.13
% CHANGE FOR TOTAL	7.54%	9.37%	10.51%	10.59%	13.60%	-2.20%	-33.65%	-15.50%	-2.56%	6.04%

Notes:

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

Table # 9

**City of Post Falls
Principal Property Taxpayers
December 31, 2012**

<u>Taxpayer</u>	<u>Type Of Business</u>	2012	
		<u>Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Post Falls Retirement Real Estate Investors LLC	Retirement Facility	\$ 31,475,729	1.39%
Wal-Mart Real Estate Business	Retail	20,988,306	0.93%
North Idaho Surgical Hospital Bldg LLC	Medical	19,129,093	0.84%
Kimball International Mkt, Inc.	Manufacturing-Furniture	14,378,962	0.63%
Sysco Food Services Inc.	Food Distribution Center	12,855,074	0.57%
Biopol Laboratory Inc.	Research & Development	12,485,659	0.55%
Cabelas Retail Inc.	Retail	12,438,813	0.55%
Puryear Family LPT	Homeowner	11,707,472	0.52%
Pointe LLC (The)	Commercial Developer	10,852,788	0.48%
Health Care Riet Inc.	Medical	<u>9,878,179</u>	<u>0.44%</u>
Subtotal - Ten Of City's Largest Taxpayers		\$ 156,190,075	6.90%
All Other Taxpayers		<u>2,110,410,852</u>	<u>93.10%</u>
Total City Taxpayers		<u><u>\$ 2,266,600,927</u></u>	<u><u>100.00%</u></u>

<u>Taxpayer</u>	<u>Type Of Business</u>	2003	
		<u>Property Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Flexcel, Inc./Kimball International Mkt, Inc.	Manufacturing-Furniture	\$ 36,759,385	3.65%
Wal-Mart Real Est. Bus./Stores Inc. #3472	Retail	11,152,343	1.11%
Puryear Family LPT	Private Owner	9,502,480	0.94%
North Idaho Surgical Hospital Bldg. LLC	Medical	8,389,873	0.83%
Potlatch Corp.	Manufacturing - Wood Products	7,942,643	0.79%
Coeur d'Alene Factory Outlets Ltd Ptn	Retail	7,326,948	0.73%
Cananaugh's Hospitality Ltd. Ptn	Hotel/Motel/Restaurant	6,770,100	0.67%
Idaho Veneer Co.	Manufacturing - Wood Products	6,679,999	0.66%
Jacklin Land Company LPT	Comm. Bus. Prod. (Seed)	4,840,939	0.48%
John C. Young Etal	Retail	<u>4,460,851</u>	<u>0.44%</u>
Subtotal - Ten Of City's Largest Taxpayers		\$ 103,825,561	10.30%
All Other Taxpayers		<u>903,623,927</u>	<u>89.70%</u>
Total City Taxpayers		<u><u>\$ 1,007,449,488</u></u>	<u><u>100.00%</u></u>

Table #10

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

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$4,430,009	\$4,148,223	93.64%	\$250,676	\$4,398,899	99.30%
2004	\$4,835,070	\$4,501,529	93.10%	\$303,444	\$4,804,973	99.38%
2005	\$5,288,311	\$5,173,550	97.83%	\$98,106	\$5,271,656	99.69%
2006	\$6,039,753	\$5,862,690	97.07%	\$177,063	\$6,039,753	100.00%
2007	\$7,154,688	\$6,973,680	97.47%	\$181,008	\$7,154,688	100.00%
2008	\$7,757,666	\$7,514,023	96.86%	\$243,643	\$7,757,666	100.00%
2009	\$8,560,420	\$8,351,263	97.56%	\$209,157	\$8,560,420	100.00%
2010	\$8,767,658	\$8,414,340	95.97%	\$152,066	\$8,566,406	97.70%
2011	\$8,163,649	\$7,905,515	96.84%	\$204,261	\$8,109,776	99.34%
2012	\$8,475,541	\$8,314,811	98.10%	\$29,309	\$8,344,120	98.45%

Source: Kootenai County Auditor

Table # 11

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	Water Bonds	Reclaimed Water Bonds			
2002-03	1,490,000	485,001	4,177,590	N/A	2,389,003	8,541,594	1.81%	438
2003-04	1,370,000	595,087	4,165,460	N/A	1,745,915	7,876,462	1.54%	374
2004-05	1,245,000	3,845,001	4,852,672	3,384,234	7,201,154	20,528,061	3.54%	895
2005-06	1,115,000	2,555,001	4,687,182	3,268,028	6,560,560	18,185,771	2.81%	758
2006-07	980,000	2,435,001	4,393,665	3,147,425	5,907,948	16,864,039	2.37%	671
2007-08	835,000	2,335,001	4,090,323	3,022,255	8,598,039	18,880,618	2.35%	745
2008-09	685,000	2,230,000	3,621,761	2,892,350	7,803,754	17,232,865	2.02%	661
2009-10	525,000	2,170,000	3,409,288	2,757,526	7,104,115	15,965,929	1.87%	591
2010-11	360,000	1,825,000	2,843,935	2,545,234	6,342,971	13,917,140	1.56%	505
2011-12	\$ 185,000	\$ 1,760,000	\$ 2,625,000	\$ 2,397,288	\$ 5,618,685	\$ 12,585,973	1.42%	\$ 456

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

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

Table # 12

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>General Obligation Bonds*</u>	<u>Ratio of Net Long-Term Debt to Assessed Value</u>	<u>Net Long-Term Debt Per Capita</u>
2002-03	19,500	1,007,449,488	1,490,000	0.15%	76
2003-04	21,082	1,074,115,199	1,370,000	0.13%	65
2004-05	22,926	1,258,237,363	1,245,000	0.10%	54
2005-06	23,992	1,459,655,088	1,115,000	0.08%	46
2006-07	25,137	1,701,069,379	980,000	0.06%	39
2007-08	25,358	2,738,909,864	835,000	0.03%	33
2008-09	26,053	2,698,716,071	685,000	0.03%	26
2009-10	27,000	2,599,701,389	525,000	0.02%	19
2010-11	27,574	2,381,141,525	360,000	0.02%	13
2011-12	29,700	\$ 2,266,600,927	\$ 185,000	0.01%	6

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

**The General Obligation Bonds listed do not have any offsetting debt service reserve so the total listed is both the grand total and the net total.*

Table # 13

**City of Post Falls
Direct and Overlapping Governmental Activities Debt
September 30, 2012**

Governmental Unit	Bond Debt	Government's Net Market Value	Percentage Applicable to City	City Share of Debt
City of Post Falls	\$ 1,945,000	\$ 1,455,830,582	100.0%	<u>\$ 1,945,000</u>
Kootenai County		11,200,581,030		
School District #273	12,950,000	1,995,632,493	73.0%	9,447,133
Post Falls Highway District		3,343,419,940	43.5%	
Kootenai County Fire & Rescue		2,874,617,017	50.6%	
Subtotal of overlapping debt				<u>\$ 9,447,133</u>
Total direct and overlapping debt				<u>\$ 11,392,133</u>

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 20,148,990	\$ 21,482,304	\$ 25,164,747	\$ 29,193,102	\$ 34,021,388	\$ 54,778,197	\$ 51,994,028	\$ 47,622,831	\$ 45,332,019	\$ 11,919,221
Total net debt applicable to limit	1,490,000	1,370,000	1,245,000	1,115,000	980,000	835,000	685,000	525,000	360,000	185,000
Legal debt margin	<u>\$ 18,658,990</u>	<u>\$ 20,112,304</u>	<u>\$ 23,919,747</u>	<u>\$ 28,078,102</u>	<u>\$ 33,041,388</u>	<u>\$ 53,943,197</u>	<u>\$ 51,309,028</u>	<u>\$ 47,097,831</u>	<u>\$ 44,972,019</u>	<u>\$ 11,734,221</u>
Total net debt applicable to the limit as a percentage of debt limit	7.39%	6.38%	4.95%	3.82%	2.88%	1.52%	1.32%	1.10%	0.79%	1.55%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 145,830,582
Add back: exempt real property	\$ 450,130,458
Total assessed value	<u>\$ 595,961,040</u>
Debt limit* (2% of total assessed value)	11,919,221
Debt applicable to limit:	
General obligation bonds	185,000
Legal debt margin	<u>\$ 11,734,221</u>
Debt margin percentage available	97%

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

Table # 15

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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2003	2,846,914	1,080,030	1,766,884	594,193	125,479	719,672	2.46
2004	3,238,491	1,254,731	1,983,760	663,063	118,977	782,040	2.54
2005	3,712,915	1,370,164	2,342,751	614,260	215,408	829,668	2.82
2006	4,564,357	1,732,191	2,832,166	640,595	258,283	898,878	3.15
2007	5,034,435	1,566,444	3,467,991	652,611	236,943	889,554	3.90
2008	5,397,338	1,718,785	3,678,553	739,909	330,330	1,070,239	3.44
2009	5,124,480	1,855,260	3,269,220	794,285	317,112	1,111,397	2.94
2010	5,641,020	2,135,511	3,505,509	699,639	249,680	949,319	3.69
2011	5,335,318	1,946,264	3,389,054	761,144	267,934	1,029,078	3.29
2012	\$ 5,552,569	\$ 2,035,773	\$ 3,516,796	\$ 724,286	\$ 238,403	\$ 962,689	3.65

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

(2) Total operating expenses exclusive of depreciation.

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

Table # 16

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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2003	1,520,384	656,867	863,517				N/A
2004	1,824,450	694,669	1,129,781		9,548	9,548	118.33
2005	2,214,161	775,033	1,439,128		153,912	153,912	9.35
2006	2,267,165	757,796	1,509,369	116,205	153,191	269,396	5.60
2007	2,450,410	809,469	1,640,941	120,604	121,570	242,174	6.78
2008	2,325,253	799,792	1,525,461	125,169	114,519	239,688	6.36
2009	2,394,870	864,817	1,530,053	129,906	109,692	239,598	6.39
2010	2,344,734	870,523	1,474,211	134,824	104,683	239,507	6.16
2011	2,227,186	843,715	1,383,471	212,292	99,056	311,348	4.44
2012	\$ 2,437,483	\$ 840,659	\$ 1,596,824	\$ 147,946	\$ 94,088	\$ 242,034	6.60

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

(2) Total operating expenses exclusive of depreciation.

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

Table # 17

**City of Post Falls
Pledged-Revenue Bond Coverage
Special Assessment Bonds
Last Ten Fiscal Years**

Fiscal Year	Special Assessment Collections	Debt Service			Coverage
		Principal	Interest	Total	
2003	196,900	180,000	38,733	218,733	0.90
2004	100,713	140,000	46,827	186,827	0.54
2005	287,534	152,066	30,364	182,430	1.58
2006	90,047	3,475,000	141,858	3,616,858	0.02 ¹
2007	349,319	120,000	147,059	267,059	1.31
2008	309,173	100,000	118,780	218,780	1.60
2009	321,379	105,001	137,161	242,162	1.44
2010	272,674	60,000	109,412	169,412	2.06
2011	238,086	345,000	106,818	451,818	0.77 ²
2012	\$ 307,787	\$ 65,000	\$ 89,940	\$ 154,940	2.25

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

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

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

Table # 18

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

Fiscal Year	Population ¹	Personal Income (amounts expressed in thousands)	Per Capita Personal Income ²	Public School Enrollment ³	Unemployment Rate ⁴
2003	19,500	471,198	24,164	4,920	6.40%
2004	21,082	510,058	24,194	5,020	5.50%
2005	22,926	579,959	25,297	5,250	4.10%
2006	23,992	647,064	26,970	5,334	3.80%
2007	25,137	711,842	28,319	5,416	3.40%
2008	25,358	803,925	31,703	5,486	4.90%
2009	26,053	851,829	32,696	5,536	8.80%
2010	26,909	851,993	31,662	5,620	8.70%
2011	27,574	889,455	32,257	5,649	8.50%
2012	29,700	\$977,813	\$32,923	5,679	8.90%

Data Sources

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

**City of Post Falls
Principal Employers
September 30, 2012**

		2012*	
Employer ⁽¹⁾	Type of Business	Range of Employees	Percentage of Total City Employment
1 Post Falls School District	Public Education	700 - 799	7.27% - 8.30%
2 Wal-Mart Supercenter	Department Store; Retail Groceries	500 - 599	5.19% - 6.22%
3 Center Partners, Inc.	Call Center	300 - 399	3.12% - 4.14%
4 Flexcel, Inc.	Manufacturing	200 - 299	2.08% - 3.11%
5 Buck Knives, Inc.	Manufacturing	200 - 299	2.08% - 3.11%
6 City of Post Falls	Government	100 - 199	1.04% - 2.07
7 Knudtsen Chevrolet Co	Auto Dealership	50 - 99	0.52% - 1.03%
8 Guardian Angel Homes	Assisted Living	50 - 99	0.52% - 1.03%
9 Jacklin Seed Co	Manufacturing	50 - 99	0.52% - 1.03%
10 Kootenai County Fire and Rescue	Fire Protection	50 - 99	0.52% - 1.03%
Estimated number of employees in Post Falls		9,629	

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

* 1st quarter 2012 data

Table #20

**City of Post Falls
Full-Time Equivalent Town Government Employees By Function
Last Ten Fiscal Years**

Function/Program	Full-time Equivalent Employees as of September 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	47.73	43.53	49.95	50.75	59.85	58.48	49.40	41.50	44.80	43.21
Public safety	51.88	56.27	54.14	53.89	60.46	61.60	64.09	65.39	66.70	67.12
Highways and public works	13.95	12.77	15.06	15.06	19.39	20.04	17.42	17.06	17.10	17.04
Cultural and Recreation	22.81	23.09	24.76	24.76	33.60	32.61	32.95	32.17	35.30	35.28
Water	6.00	5.98	6.48	6.48	6.45	6.50	6.60	6.60	6.40	6.83
Reclaimed Water	11.00	11.98	11.48	11.48	12.43	12.53	13.03	13.03	13.30	14.65
Total	153.37	153.62	161.87	162.42	192.18	191.76	183.49	175.75	183.60	184.13

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

Source: City Finance Department

Table #21

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
Police										
Calls for service	21,600	24,789	26,270	25,368	27,826	29,074	28,840	30,467	30,156	31,543
Burglary	120	159	140	111	89	94	106	107	128	185
Phone harassment	26	40	34	24	35	33	39	38	25	9
Motor vehicle theft	32	46	46	51	50	30	31	24	25	42
Highways and streets										
Street resurfacing - paving (miles)	1.40	1.89	1.86	1.37	1.65	1.74	1.00	2.40	2.02	3.08
Street resurfacing - chip seal (miles)	5.02	5.00	4.20	3.59	2.26	0.00	8.62	6.93	9.43	11.26
Culture and recreation										
Sports leagues programs attendance			4,048	4,283	5,319	5,557	5,566	5,459	5,093	4,825
Special interest programs attendance			1,227	2,101	3,125	2,725	2,190	1,654	2,257	1,646
Water										
New connections	850	390	393	193	206	44	47	9	41	15
Average daily consumption (millions of gallons)	4,005	4,042	4,194	4,819	4,860	4,786	4,518	4,190	4,050	4,200
Reclaimed Water										
Average daily sewage treatment (millions of gallons)	2.2	2.2	2.3	2.4	2.4	2.4	2.5	2.4	2.4	2.5

Note: Recreation programs not tracked prior to 2005.

Source: Various city departments.

Note: Indicators are available for the general government function.

Table # 22

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

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Units	40	43	46	49	52	54	54	58	60	66
Highways and streets										
Streets (miles)	115	129	133	143	149	150.89	153.05	153.05	154.69	156
Culture and recreation										
Park acreage	354.74	382.62	395.5	408.37	421.25	437.4	437.4	437.4	438.8	442.7
Parks					19	23	23	23	24	27
Sports Fields	5	5	5	5	5	6	6	7	7	15*
Tennis/Pickle Ball Courts	2	2	2	2	2	2	5	3	3	5
Water										
Water mains (miles)	92	104	108	110	113	113	115	116	116	116.67
Fire hydrants	695	745	772	811	842	842	865	858	879	901
Maximum daily capacity (thousands of gallons)	11.23	11.23	16.99	16.99	16.99	16.99	16.99	16.99	16.99	16.99
Reclaimed Water										
Sanitary sewer (miles)	93	105	109	110	155	158	159	160	160	163.30
Service water (miles)	1.53	1.53	1.53	1.53	1.53	1.53	1.53	4.60	4.60	4.89
Maximum daily treatment capacity (millions of gallons)	3.48	3.48	3.48	3.48	3.48	3.48	3.48	4.10	4.10	4.10

Note: The city contracts out Sanitation services.

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

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

Source: Various city departments.

**City of Post Falls
Statistical Information
Water Fund
September 30, 2012**

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

Total Revenue	\$2,746,287
Estimated number of active customers	9,990
Total water produced (gallons)	1,559,466,098

Schedule of Water Rates

Monthly Base Fee (by meter size)

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

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

Source: City of Post Falls

**City of Post Falls
Statistical Information
Reclaimed Water Fund
September 30, 2012**

Schedule of Treatment Volume

Average Volume	2.466 million gallons per day
Total Volume	897,700,000 gallons

Schedule of Monthly Reclaimed Water Rates

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

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

Source: City of Post Falls

**City of Post Falls
Ten Largest Water Customers
For the Year Ended September 30, 2012**

<u>Customer</u>	<u>Amount</u>	<u>Percentage of Total Revenue</u>
1 Lucky Pines Estates	\$ 20,980	0.91%
2 Coeur d'Alene RV Resort	\$ 19,269	0.83%
3 Century Park & Associates	\$ 18,029	0.78%
4 Plummer Forest Products	\$ 15,120	0.66%
5 Coeur d'Alene Greyhound Park	\$ 10,401	0.45%
6 J.R. Simplot	\$ 6,830	0.30%
7 Knudtsen Chevrolet	\$ 6,601	0.29%
8 North Idaho Surgical Hospital	\$ 5,519	0.24%
9 Northwest Specialty Hospital	\$ 5,358	0.23%
10 Sysco Foods	\$ 3,599	0.16%

**City of Post Falls
Ten Largest Reclaimed Water Customers
For the Year Ended September 30, 2012**

<u>Customer</u>	<u>Amount</u>	<u>Percentage of Total Revenue</u>
1 Coeur d'Alene RV Resort	\$ 67,967	1.46%
2 Camelot Estates	\$ 62,784	1.35%
3 Flying J, Inc.	\$ 37,734	0.81%
4 Lucky Pines Estates	\$ 34,482	0.74%
5 Century Park & Associates	\$ 27,984	0.60%
6 Northwest Specialty Hospital	\$ 25,415	0.55%
7 Kimball International	\$ 16,884	0.36%
8 Wal-Mart	\$ 11,714	0.25%
9 Knudtsen Chevrolet	\$ 7,233	0.16%
10 Plummer Forest Products	\$ 1,684	0.04%

**City of Post Falls
Insurance Schedule
September 30, 2012**

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

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

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

Source: City of Post Falls

Audit Section



We Involve the Community

Photos (L-R): Ice Cream Social to Introduce the Parks & Recreation Master Plan”, Citizens, Business Leaders and Stakeholders at a Strategic Plan Advisory Committee Forum, Citizens, Business Owners Offer Comment of a Traffic Mitigation Study



Magnuson, McHugh
& Company, P.A.
CPAs and Consultants

**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**

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Post Falls, Idaho, as of and for the year ended September 30, 2012, which collectively comprise the City of Post Falls, Idaho's basic financial statements and have issued our report thereon dated March 4, 2013. 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

Management of the City of Post Falls, Idaho, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Post Falls, Idaho's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Post Falls, Idaho's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Post Falls, Idaho's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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Count On Us To Care

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 (CONTINUED)

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Magnuson, McHugh & Company, P.A.

March 4, 2013



**Magnuson, McHugh
& Company, P.A.**
CPAs and Consultants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of Post Falls, Idaho's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Post Falls, Idaho's major federal programs for the year ended September 30, 2012. The City of Post Falls, Idaho's major federal programs are identified in the summary of auditor's 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 of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

Management of the City of Post Falls, Idaho, is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Post Falls, Idaho's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)

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

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Magnuson, McHugh & Company, P.A.

March 4, 2013

City of Post Falls

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2012**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development:</u>		
Passed through State of Idaho Department of Commerce:		
Community Development Block Grants	14.228	\$ 437,227
Total Department of Housing and Urban Development		<u>437,227</u>
 <u>Department of Justice:</u>		
Highway Planning and Construction	16.803	6,171
Passed through State of Idaho Health & Welfare:		
Crime Victim Assistance	16.575	18,373
Passed through State of Idaho State Police:		
Edward Byrne Memorial Justice Assistance Grant	16.738	50,787
ARRA Violence Against Women Formula Grants	16.588	156,756
Total Department of Justice		<u>232,087</u>
 <u>Department of Transportation:</u>		
Passed through State of Idaho Department of Transportation:		
State and Community Highway Safety	20.600	20,962
Alcohol Traffic Safety & Drunk Driving Prevention	20.601	9,535
Total Department of Transportation		<u>30,497</u>
 <u>Department of Health and Human Services:</u>		
Passed through State of Idaho Health & Welfare:		
Family Violence Prevention	93.671	4,550
Total Department of Health and Human Services		<u>4,550</u>
 <u>Department of Homeland Security</u>		
Passed through State of Idaho Military Division:		
Homeland Security Grant Program	97.067	4,280
Total Department of Homeland Security		<u>4,280</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS		 \$ <u>708,641</u>

City of Post Falls

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2012

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pass-through entity identifying numbers are presented where available.

City of Post Falls

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2012

Section I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)

14.228

Name of Federal Program or Cluster

Community Development Block Grant

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

Auditee qualified as low-risk auditee? Yes No

City of Post Falls

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2012

Section II. Findings—Financial Statements Audit

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

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

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

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

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



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