

CITY OF POST FALLS, IDAHO

CAFR Comprehensive Annual Financial Report



For the Year Ended September 30, 2011

CAFR Comprehensive Annual Financial Report



Compiled by:
Shelly Enderud
Director of Finance and Support Services

**Above: Falls Park is a favorite
gathering place
Cover: Falls Park.**

For the Year Ended September 30, 2011

City of Post Falls, Idaho
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2011

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Introductory Section



Above: Falls Park features accessibility for all ages including fishing ramps for wheel chair access.



March 16, 2012

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, 2011, 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 not 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, wastewater and sanitation utilities, police, animal control, parks and recreation programs, planning and zoning, library services, cemetery services, urban forestry services, streets, building and engineering functions.

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

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

Under Idaho Code, the Agency has the authority to issue bonds. Any bonds issued by the Agency are payable solely from the proceeds of tax increment financing, and are not a debt of the City. The City

Council is not responsible for approving the Agency budget or funding any annual deficits. The Agency controls its disbursements independent of the City Council.

Economic Conditions and Outlook

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

The City of Post Falls has grown from 7,350 residents in 1990 to an estimated 27,574 in 2011. This influx of new residents has resulted in a strong construction industry until the last three years. Currently, the level has decreased over the last four years, but is anticipated to see slight growth in FY 12.

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

Kootenai County traditionally has had a timber-based economy. That is changing gradually, as the manufacturing base has become more diverse. Jobs Plus, Inc., the local economic development organization has recruited several small to medium sized firms to the county. Manufacturing jobs are found primarily in electronics, lumber and furniture at the present. Post Falls was the chosen location for Flexcel (now Kimball Office), Inc., a major furniture manufacturer that relocated to North Idaho nearly fifteen years ago and employs a workforce of 350. This was done with the help of Jobs Plus, Inc. and by creating an Urban Renewal District to help build infrastructure. This District closed out at the end of December 2001. Jobs Plus, Inc. has also just recently helped bring Center Partners, a call center business (employing a workforce of 300), and Buck Knives brought their manufacturing headquarters (workforce of 250) to the City. Also, Wal-Mart opened its new store in January of 2005. Sysco foods opened their distribution plant during 2005. This project was made possible by Jobs Plus, Inc., Urban Renewal, and the City working together. Also, a community development block grant for \$500,000 was used to help fund a water tower (approximately \$1,500,000 total cost) that was needed on the west side of town for development in that area. In 2007, Cabela's opened its doors to a beautiful 130,000 square foot retail store. Considerable economic development activity transpired in Post Falls in 2009 including the opening of ALK Source Materials/Biopol which is a Danish pharmaceutical company. Ground Force Manufacturing, a large construction equipment manufacturer, completed an addition that increased their production space by 20,000 square feet in 2009 in order to meet the heavy demands for their mining construction products around the globe. In 2010, a second Super Wal-Mart store opened near the new Cabela's store, and Lowe's Home Improvement finalized the purchase of land adjacent to the new Wal-Mart at the Pointe at Post Falls. A new 30,000 professional office building to house a high tech educational software company named Ednetics; the State of Idaho Department of Labor finalized construction and opened their new regional office here in Post Falls that provides services to the northern five counties of Idaho; C&S Glass began constructing a new 10,000 square foot glass service and distribution center, and the infrastructure was completed within the City Center on the first phase of the Post Falls Landing Commercial project that is designed to accommodate a hospitality element and several retail and professional buildings. In October of 2011, Love's Travel Centers opened a new fuel center along Interstate 90 that also has a convenience store and new Carl's Jr. Restaurant. Blue Dog RV opened a new recreational vehicle showroom and maintenance facility; a new Burger King restaurant opened adjacent to the original Wal-Mart store. In 2012, the community anticipates additional commercial and industrial development and growth. Specifically, Blue Dog RV will be constructing a new 16 bay recreational vehicle repair and maintenance facility; expansion of Raycap Industries production and engineering facility within the Riverbend Commerce Park; construction of a new 80,000 manufacturing and fabrication facility for a new company by the name of Underground Force; construction of 150 new units of market rate multifamily housing within the Tullamore development in east Post Falls; and the construction of a new clinic facility for the Dirne Community Health Center. The City will also finally see the construction of the Post Falls Club facility of the Boys and Girls Club of Kootenai County. This facility

is anticipated to be 10,000 square feet and will begin construction in April. The most exciting project that is anticipated to both be started and completed is a new freeway interchange along Interstate 90 at Beck Road. This interchange is a design build project that is expected to begin in February of 2012 and be completed in the fall. This new interchange will usher in additional development opportunities within the Pointe at Post Falls' shopping center.

Major Initiatives

Strategic Plan – The City will be undertaking a major initiative in 2012 to involve the public in the creation of a new strategic plan. This plan will serve to provide the City with the priorities upon which to focus for the next five years. This process will utilize a strategic plan advisory committee consisting of residents and business owners who have the business acumen and understanding to help formulate this new plan.

Growth Management – The City continues to refine its existing codes and policies to implement smart growth principles and promote fiscally responsible development and extension of infrastructure and services. Planning staff will be bringing forward proposed amendments to the Zoning Code in the spring of 2012. Some of these revisions will help to encourage infill development on the older lots that may have nonconforming lot sizes. Additionally, staff is proposing the addition of townhomes and twin homes with design standards, which would be allowed on narrower lots. These are two ways in which the existing code is being enhanced to manage growth.

Additional efforts that are underway include a new Strategic Plan, a review and likely amendments to the Comprehensive Plan and Future Land Use Map, an update to the Area of City Impact (ACI) Agreement between Post Falls and Kootenai County, and a likely update to the Smart Code. The Strategic Plan will be an internal action plan for five years that includes a Vision Statement, Guiding Principles, Goals, and Implementation Strategies and is tied to the city's budget. The Strategic Plan will reflect the community's vision and priority projects and services. The Strategic Plan, which is expected to be adopted by the end of 2012, will likely result in amendments to the Comprehensive Plan and Future Land Use Map. The updated ACI Agreement with Kootenai County will articulate a shared vision for growth in Kootenai County, how the cities are expected to grow and provide services, and protection of natural resources and water quality. The new ACI is expected to include three tiers that represent near-term annexation areas, long-term annexation areas and ultimate build out of Post Falls, and will outline the process for coordinating with Kootenai County and the affected cities. Once the Strategic Plan is completed, staff will also 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 areas. Design efforts are under way to improve Spokane Street, south of I-90, with landscape beautification, traffic signalization, and 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 is beginning design on transportation improvements to the Seltice Avenue/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 implanting 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.

A contract is currently underway to construct a new interchange at Beck Road and I-90 that will ultimately serve over 600 acres of new commercial and industrial activity. Construction activity is anticipated to begin in 2012.

Priority Based Budgeting – The City will be migrating toward the implementation of priority based budgeting in 2012. The priorities will be obtained through the Strategic Plan process. The results from the plan process will then serve to be the point around which future fiscal year budgeting will be made.

Higher Performance Organization – In an effort to create an environment where our employees are more enabled, engaged, and empowered, the City will be implementing the higher performance organization philosophy in 2012. With this new initiative, the hierarchical pyramid will be flipped on its head and the line employees will be empowered to make decisions that will enhance service delivery. Additionally, teams of employees from diverse departments will be formed to address challenges and other matters that arise that require organization attention. More empowerment of employees will lead to better productivity and service delivery.

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 will be replacing Well 2A with a higher capacity well that will also provide redundant pumping capacity.

The Water Utility Division continues to install radio read meters on residential accounts in the City with this project 80% complete. This will reduce labor time to read meters for these accounts. The Division has also been installing hydrant locks on all City owned hydrants for added security with this project 100% complete.

The Water Reclamation Division has expanded to our facilities. 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 31 lift stations to serve the community. The bio-solids from the plant are continuing to be hauled off site and 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 undertaken a Master Plan effort for our collection and lift station system. This will be completed this spring and give us a good outline for budget needs for the next 10 years.

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 2011

Police

- The Police Department continued its proactive work on ordinance enforcement. Code Enforcement employees received advanced training and have worked to further educate the public.
- We focused much work to enhance public awareness of emergency preparedness. We sponsored several emergency preparedness workshops, provided tips on our website on how people should prepare themselves for disasters that might occur here in North Idaho, and provided training to our staff.
- The volunteer program was once again a priority. We focused on further building upon the successful volunteer program to help augment public safety activities in Post Falls. We added ten volunteers to the group this year.
- We have been successful in writing and being awarded over \$300,000 worth of grants. These assist the Department in providing many of the services we provide including: the OASIS program, a second prosecuting attorney position, K-9 and traffic enforcement.
- The Department implemented a new method of crime reporting, Text-A-Crime. The public now has the opportunity to text the Police Department and receive a police response. This program, one of the first in the State, is in place to make communicating with the Police Department more efficient while providing immediate information about crimes to the police.
- After experiencing an increase in calls related to suicide attempts, the Police Department developed a program to increase the awareness of this problem in the community. The program, named "Hope for Everyone All the Time", is a collaborative effort between the Police Department Chaplaincy Program and our Victim Services Unit. The program includes community education and awareness, as well as follow-up visits with victims who are having suicidal thoughts or have attempted suicide.
- Captain McLean was accepted and attended the FBI National Academy in Quantico, Virginia. This ten week program provides leadership and investigatory training to police administrators. Approximately 1% of police administrators are accepted to attend this training. Captain McLean graduated from the Academy in December.
- Several departments within the City have implemented an on-line payment system. This system allows our customers to conduct much of the City business on-line. The Police Department provides on-line licensing for animals, as well as the ability to request services and pay fines on-line.

- The Police Department continues to use technology to enhance the service we provide. This year, working with the City of Coeur d'Alene, we added cameras to the license plate recognition system which will enhance our ability to detect and apprehend stolen vehicles coming into our community.
- This year we recognized several employees for the great work they do each and every day. Most recently we recognized five employees for their life saving efforts during the Falls Park Apartment fire. Their efforts potentially saved lives or prevented injury of residents who were sleeping inside while the apartment burned.
- We received two grants to add a second dog to our K-9 Program. Our new K-9 handler, Jason Hunt, was teamed up with our newest K-9 Andor. Andor is a 2-year old German shepherd who trained with Officer Hunt and began service in December.

Parks, Recreation, and Cemetery

- A large picnic shelter was completed behind the tennis courts at Black Bay Park.
- Two mini shelters were built as part of four local Eagle Scout projects within our parks.
- The Department maintains 71 separate park and city sites.
- Continued work on the Anselmo part of Corbin Park including turn development, fencing, and site clean-up.
- The Department started Construction of the Park in the Meadows.
- Park Day was held at Beck Park with 300 residents attending.
- 180 new graves were created from vacated roadways within the cemetery grounds. This returned over \$200,000 of inventory to the cemetery.
- Attendance hours for recreation programs exceeded 154,000 program hours.
- Over 900 volunteer donated 42,919 hours of their time to the recreation division.
- The City obtained a grant for \$120,000 to address hazard trees and prune street trees. Over 2,000 trees were addressed.
- The city was named a Tree City USA for the 14th year and received a tenth consecutive growth award.
- 53 additional parking spaces were added at Q'emlin Park.

Public Works, Community Development

- Finalized the Smart Code project and will be working on the first sizable annexation under this code in 2011.
- Digitized engineering plan, plats, and as build drawings, work is continuing in this area.
- Enhanced GIS system to tie building, planning and engineering together leading to greater cooperation and coordination.
- Installing radio read meters to read water meters using less labor hours. This program is 80% complete at this point.
- Installing hydrant locks for added security of the system. This program is 100% complete at this time.
- Construction of the expansion of the reclamation treatment plant to meet the additional growth in our community.

Administration

- Assisted with the finalization of the Access 90 project and was successful in placing the project on the State of Idaho's State Transportation Improvement Plan.
- Approved a balanced budget that maintains a high level of service while also setting a budget level less than the previous fiscal year.
- Recruited a new Planning Manager to help with long range planning efforts and the management of current planning activities.
- Assisted with the completion of the agreements that will facilitate the construction of the new Boys and Girls Club facility where the City will have access to the use of the Club's gymnasium.
- Researched and created the process that will lead to the successful implementation of the strategic plan, higher performance organization, and priority based budgeting.

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 two years, the City has reduced its General Fund budget by approximately \$3 million and anticipates the FY 12 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, 2010. This was the thirteenth 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, City Administrator Eric Keck and the City Council for their interest and support in conducting the operations of the City in an efficient and progressive manner.

Respectfully submitted,

Shelly Enderud
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Post Falls
Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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.



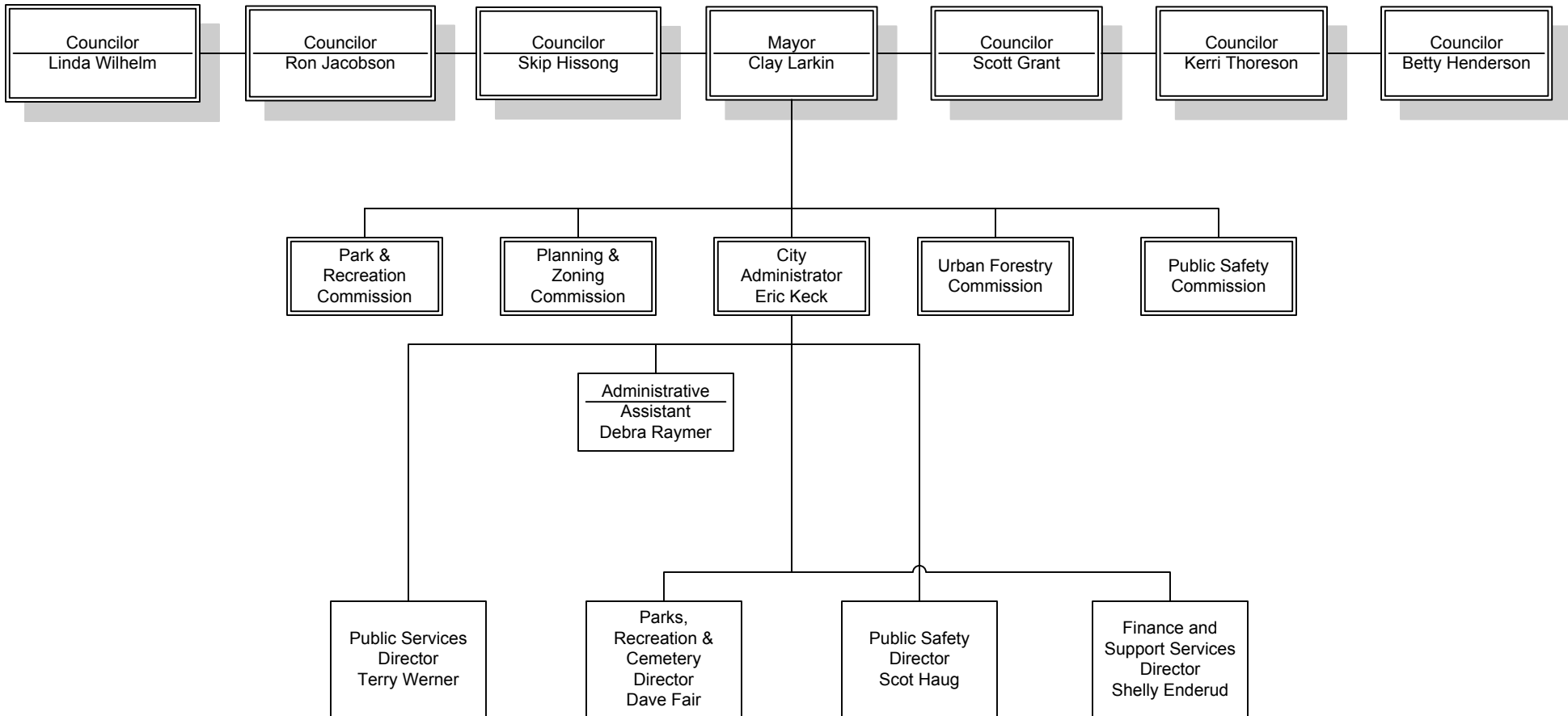
Linda C. Davison

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, 2011



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

ELECTED OFFICIALS			
NAME	OFFICE	OCCUPATION	TERM EXPIRES
Clay Larkin	Mayor	Retired	2013
Scott Grant	Council President	Retired	2011
Linda Wilhelm	Councilor	Realtor – Coldwell Banker	2013
Betty Ann Henderson	Councilor	Retired	2013
Skip Hissong	Councilor	Owner – Summit Equipment	2011
Ron Jacobson	Councilor	Senior VP – Inland Northwest Bank	2013
Kerri Thoreson	Councilor	Self Employed	2011
APPOINTED OFFICIALS			
Eric Keck	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		
Charity Cynova	City Clerk		

Financial Section



Above: Q'emiln Park on the Spokane River offers swimming, boating and a park setting for community and family events in the summer.



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls, as of and for the year ended September 30, 2011, 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' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Post Falls Urban Renewal Agency discretely presented component unit, which represents 100 percent of the assets, net assets, and revenues of the discretely presented component unit. 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 the 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 previously 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 as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 26 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 and the other auditors 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 regarding 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.

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Count On Us To Care

INDEPENDENT AUDITORS' REPORT (CONCLUDED)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Post Falls financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, schedules of revenues, expenditures and change in fund balance – budget and actual – legal appropriation level, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedules of revenues, expenditures and change in fund balance – budget and actual – legal appropriation level, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors 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, based on our audit and the report of other auditors, 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 by us and the other auditors 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

Coeur d'Alene, Idaho
March 20, 2012

Magnuson, McHugh & Company, P.A

CPAs and Consultants

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, 2011. 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 \$165,810,192 (net assets).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,676,543, or 32.2 percent of total general fund expenditures.
- The governments net assets increased by \$5,126,368. 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 \$268,171 (2.9 percent) and operating expenses increased by \$169,631 (2.8 percent). These increases are due to a combination of increases in operating costs and a small increase in the customer rates (less than 2% average).
- The City performed 3 budget amendments through the fiscal year to allow for the use of prior year unallocated funds and to receipt several grants and unanticipated revenues. The amendments totaled \$1,955,465.
- During the current fiscal year, City of Post Falls' debt had a net decrease of \$1,600,041 (including compensated absences). This was primarily due to normal annual debt payments. Compensated absences was the only debt having a net increase (\$448,748).
- The City of Post Falls holds an A+ 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, wastewater and sanitation.

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

The government-wide financial statements can be found on pages 27 to 28 of this report.

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

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

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

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

The City of Post Falls maintains fifteen 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 twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements may be found on pages 29 to 31 of this report.

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

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

The basic proprietary fund financial statements may be found on pages 32 to 34 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 35 to 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, 2011.

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 \$165,810,192 at the close of the most recent fiscal year.

By far the largest portion of the City of Post Falls' net assets (72.2 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	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and other assets	\$19,101,403	\$17,820,790	\$31,317,888	\$29,852,780	\$50,419,291	\$47,673,570
Capital assets	55,288,099	55,187,752	78,372,979	77,323,372	133,661,078	132,511,124
Total assets	74,389,502	73,008,542	109,690,867	107,176,152	184,080,369	180,184,694
LIABILITIES						
Long-term liabilities outstanding	5,881,082	7,271,228	9,006,723	9,935,094	14,887,805	17,206,322
Other liabilities	2,220,156	1,834,572	1,162,216	1,178,452	3,382,372	3,013,024
Total liabilities	8,101,238	9,105,800	10,168,939	11,113,546	18,270,177	20,219,346
NET ASSETS						
Invested in capital assets, net of related debt	50,259,164	49,083,464	69,484,774	67,461,731	119,743,938	116,545,195
Restricted	7,451,981	6,957,699	14,951,113	13,006,075	22,403,094	19,963,774
Unrestricted	8,577,119	8,580,055	15,086,041	15,594,800	23,663,160	24,174,855
Total net assets	\$66,288,264	\$64,621,218	\$99,521,928	\$96,062,606	\$165,810,192	\$160,683,824

An additional portion of the City of Post Falls' net assets (13.5 percent) represents recourses that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$23,663,160) 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, 81.5 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 \$1,667,046 and business-type activities increased net assets by \$3,459,322.

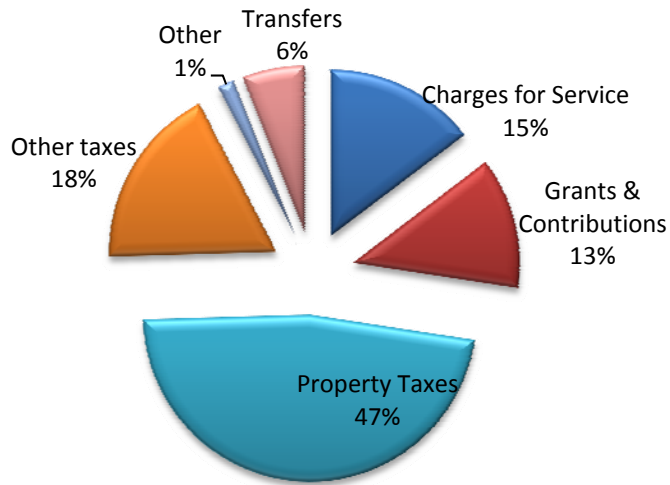
The City's direct charges to users of governmental services made up \$2,627,460 or 15.6 percent of total governmental revenue. These charges are for park rentals, recreation classes, building permits and other fees related to public safety and administration. Public safety, the largest program in FY 11, includes police, domestic violence assistance, animal control and dispatch services and accounts for \$5,269,056 in expenditures, or 32.3 percent of the total. Highway and public works accounts for \$3,544,205 in expenditures, or 21.8 percent of the total. Culture and recreation accounts for \$1,897,509 in expenditures, or 11.6 percent of the total. General government accounts for \$5,162,556 in expenditures, or 31.7 percent of the total.

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

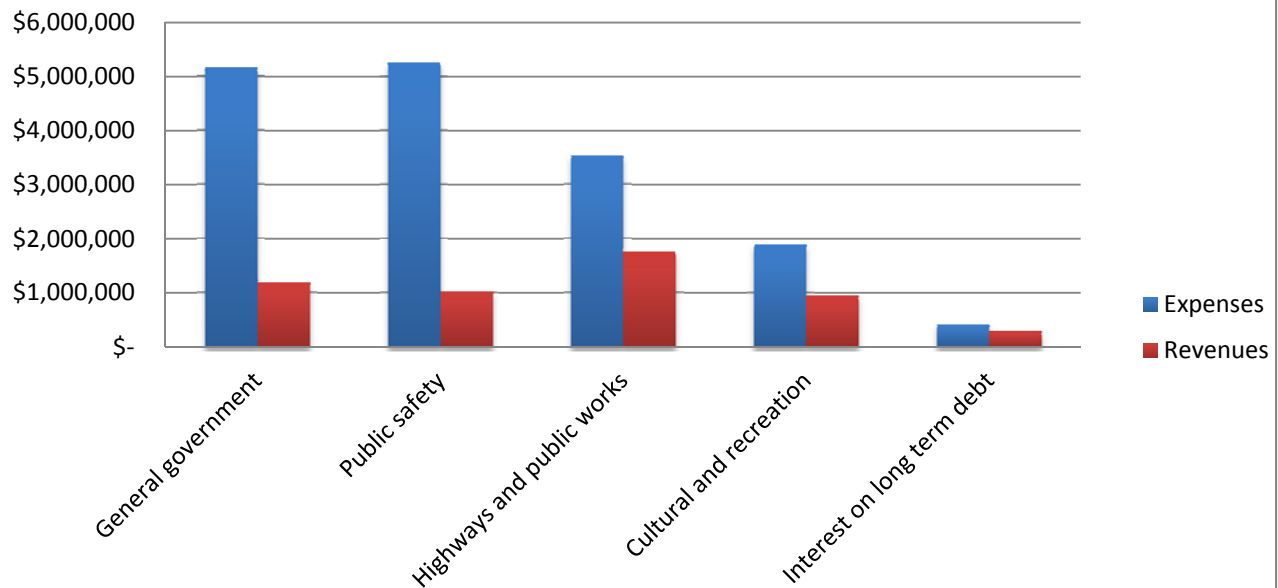
City of Post Falls' Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$2,627,460	\$3,624,166	\$9,284,262	\$9,016,091	\$11,911,722	\$12,640,257
Operating grants and contributions	1,100,014	1,595,061			1,100,014	1,595,061
Capital grants and contributions	1,198,937	1,310,061	1,393,450	1,659,308	2,592,387	2,969,369
General revenues:						
Property taxes	8,459,938	8,876,092			8,459,938	8,876,092
Other taxes	3,205,182	3,028,031			3,205,182	3,028,031
Other	289,048	753,527	237,601	879,491	526,649	1,633,018
Total revenues	<u>\$16,880,579</u>	<u>\$19,186,938</u>	<u>\$10,915,313</u>	<u>\$11,554,890</u>	<u>\$27,795,892</u>	<u>\$30,741,828</u>
EXPENSES						
General government	\$5,162,556	\$5,707,518			\$5,162,556	\$5,707,518
Public safety	5,269,056	5,059,738			5,269,056	5,059,738
Highway and public works	3,544,205	3,550,658			3,544,205	3,550,658
Culture and recreation	1,897,509	1,728,016			1,897,509	1,728,016
Interest on long-term debt	419,106	453,861			419,106	453,861
Water			\$1,485,415	\$1,528,147	1,485,415	1,528,147
Sewer			3,319,383	3,472,086	3,319,383	3,472,086
Sanitation			1,572,294	1,533,863	1,572,294	1,533,863
Total expenses	<u>\$16,292,432</u>	<u>\$16,499,791</u>	<u>\$6,377,092</u>	<u>\$6,534,096</u>	<u>\$22,669,524</u>	<u>\$23,033,887</u>
INCREASE IN NET ASSETS						
BEFORE TRANSFERS	<u>588,147</u>	<u>2,687,147</u>	<u>4,538,221</u>	<u>5,020,794</u>	<u>5,126,368</u>	<u>7,707,941</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>1,667,046</u>	<u>3,766,046</u>	<u>3,459,322</u>	<u>3,941,895</u>	<u>5,126,368</u>	<u>7,707,941</u>
NET ASSETS beginning	<u>64,621,218</u>	<u>60,855,172</u>	<u>96,062,606</u>	<u>92,120,711</u>	<u>160,683,824</u>	<u>152,975,883</u>
NET ASSETS ending	<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>

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 (47 percent) with other taxes following at (18 percent).
- When all taxes are added together, they make up 65 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.

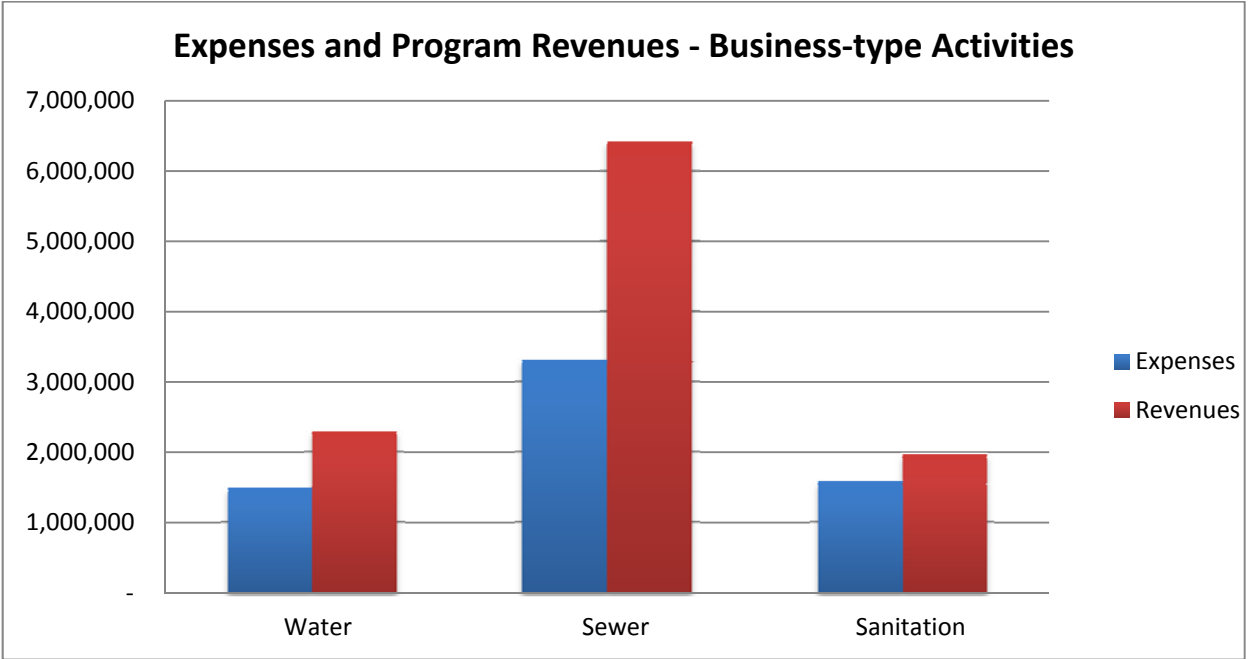
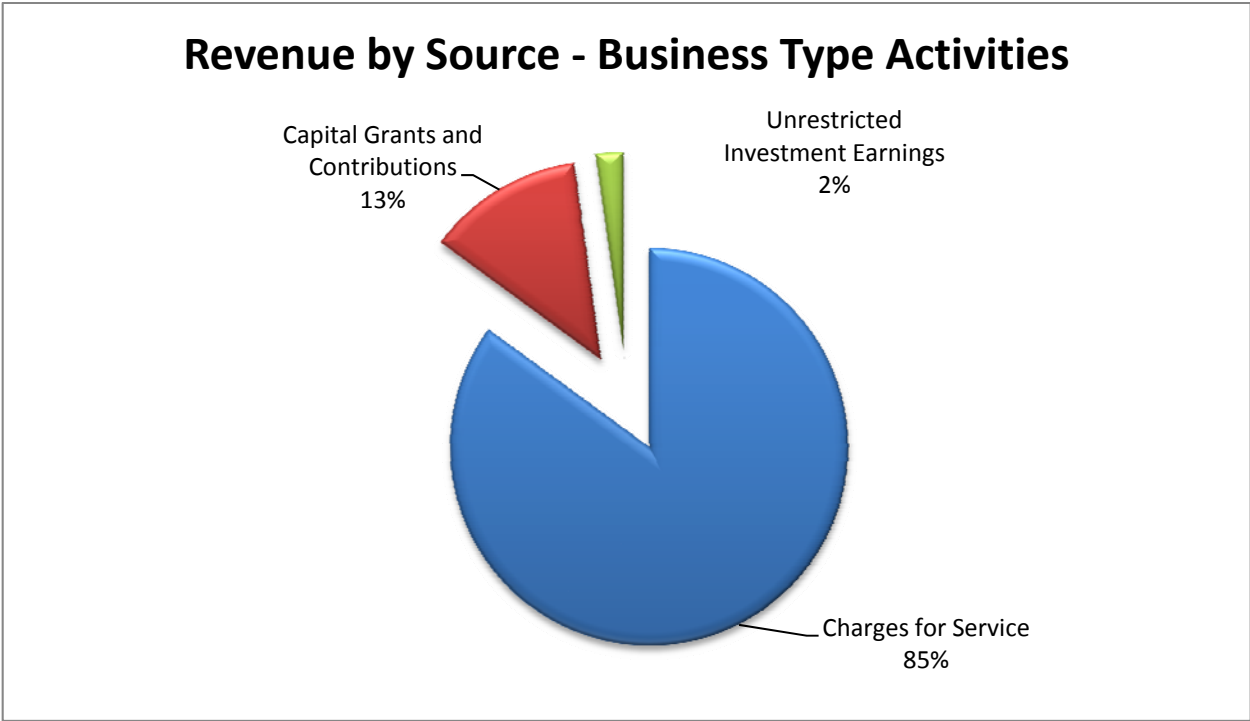
- Grants and contributions are primarily received by public safety and public works. These grants normally have matching requirements by the City, but allow programs and projects that may not happen without those additional funds. The City currently runs a domestic violence program that is significantly 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 11. 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 zero percent. This was due to the current economy and the City striving to keep property taxes down with the high unemployment in the area. The only significant transaction occurring for LID 2004-1 was a bond recall of \$280,000 this year. 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 12 budget. Last, the capital fund has a large cash balance that is primarily made up of money that is being saved for future capital projects such as a park acquisition, park improvements and future road construction.

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



- One of the major sources of the City of Post Falls’ business-type activities’ revenue is received from charges for services (85 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 (13 percent). These contributions are received by water and sewer only. The sanitation for the City of Post Falls is contracted out, and the City has no capital investment in that program.
- When revenues are compared to expenses, it shows that all of the City of Post Falls' programs are self supporting. In sewer this includes capital contributions from developers.
- Investment earnings showed a downturn in FY 11 as interest rates continued to be depressed in the current economy.

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 continuation of the Waste Water Treatment Plant Upgrade in sewer. The City is the only sewer provider within the City limits and is one of three providers of water within the City limits. All sanitation services are provided through the City.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Post Falls governmental funds is to provide information on near-term inflows, outflow, and balances of spendable resources. Such information is useful in assessing the City of Post Falls' financing requirement. In particular, 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 \$14,908,141, an increase of \$847,898 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 \$100,381 of nonspendable dollars, \$3,592,029 of restricted dollars, \$3,903,600 of assigned dollars and the balance of \$4,676,543 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 \$4,676,543, with a total fund balance of \$11,316,112. 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 32.5 percent of total general fund expenditures, while total fund balance represents 78.7 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 \$478,426. This balance is due to prepayments on the LID. The Capital Fund has a restricted debt service fund balance of \$351,933. This is reserve set by debt service requirements. The Capital Fund has a restricted fund balance of \$2,615,308. 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, sewer and sanitation funds at the end of the year amounted to \$15,086,041 (water \$4,074,565; sewer \$10,047,295; and sanitation \$964,181). Restricted net assets at the end of the year amounted to \$14,951,113 (water \$5,870,065 and sewer \$9,081,048).

General Fund Budgetary Highlights

Three budget amendments were performed during the current fiscal year. These amendments increased the budget by a total of \$1,955,465. General Fund revenues ended the fiscal year with a total negative variance of 1.3 percent. Expenditures ended the fiscal year with a total positive variance of 8.1 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, 2011 amounts to \$133,661,078 (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 0.9 percent (a 0. percent increase for governmental activities and a 1.4 percent increase for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$5,223,404	\$5,223,404	\$12,439,674	\$12,439,674	\$17,663,078	\$17,663,078
Buildings & Imp. Machinery & Equip.	14,798,307	15,142,230			14,798,307	15,142,230
Infrastructure	2,811,019	2,780,578	483,400	425,367	3,294,419	3,205,945
Wells	31,942,757	31,144,131			31,942,757	31,144,131
Water System			1,370,216	1,427,082	1,370,216	1,427,082
Sewer System			16,147,457	16,032,030	16,147,457	16,032,030
C.I.P.			33,276,896	33,107,609	33,276,896	33,107,609
	512,612	897,409	14,655,336	13,891,610	15,167,948	14,789,019
Total	<u>\$55,288,099</u>	<u>\$55,187,752</u>	<u>\$78,372,979</u>	<u>\$77,323,372</u>	<u>\$133,661,078</u>	<u>\$132,511,124</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 Sewer 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 \$11,073,205. Of this amount, \$360,000 is comprised of debt backed by the full faith and credit of the government and \$1,825,000 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 (\$852,147), water (\$43,935) and sewer (\$74,583).

<u>Debt Type</u>	<u>2011 Balance</u>	<u>2010 Balance</u>
General Obligation Bonds:	\$ 360,000	\$ 525,000
Sewer Revenue Bonds:	6,342,971	7,104,115
Water – DEQ Loan:	2,545,234	2,757,526
Special Assessment Bonds:	1,825,000	2,170,000
Leases:	2,843,935	3,409,288
Compensated Absences:	<u>970,665</u>	<u>521,917</u>
	<u>\$14,887,805</u>	<u>\$16,487,846</u>

The State of Idaho mandates a general obligation debt limit of 2% of the assessed market value of taxable property within the City boundaries. The limit totaled \$45,332,019 on September 30, 2011. The City’s general obligation bond above is subject to this limit. Therefore, \$44,972,019 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 52 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 2011 was 9.8% while the labor force pool decreased to 70,185, down about 2,097 in the last year. This figure does not include underemployed. The prior year reflected a 10.8% 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 3.1% in the City and 1.1% in Kootenai County while the State increased by 0.9% overall. Since 2000, the City has increased by 57.6%, while the County has increased by 27.8%, the State has increased by 21.1%, and the USA has increased by 9.7%. 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 FY12 is anticipating a small increase also.
- Building permits issued in the City of Post Falls have dropped considerably over the last four years. 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 2011 reported fiscal year and the upcoming 2012 fiscal year.

Budget Highlights for Fiscal Year 2011-2012

Governmental Activities. During the current fiscal year, unassigned fund balance in the general fund decreased to \$4,676,543. A major portion of this decrease was from the reallocation . The City of Post Falls has appropriated a portion of this amount for spending in the 2012 fiscal year budget. The remaining balance will be designated to the appropriate area.

Business-Type Activities. Both water and sewer operating rates were increased by 2.5 percent in the 2012 budget year. Sanitation rates were increased by 4.0% as per a new contract with an outside hauler. Water and sewer rates are set by rate studies that updated every five years.

Requests for information

This financial report is designed to provide a general overview of the City of Post Falls' finances for all those with an interest in 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, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Post Falls Urban Renewal Agency
Assets				
Cash and cash equivalents	\$ 4,853,481	\$ 3,533,242	\$ 8,386,723	\$ 4,644,215
Investments	11,803,064	10,369,151	22,172,215	1,229,825
Receivables				
Accounts	161,305	1,227,806	1,389,111	368,013
Taxes	571,954		571,954	
Miscellaneous	897,594		897,594	
Special assessments	1,463,645		1,463,645	
Internal Balances	(2,684,953)	2,684,953		
Inventories	1,725		1,725	
Restricted cash, customer deposits		105,255	105,255	
Accrued interest	45,822	38,754	84,576	1,922
Prepaid items	98,656		98,656	1,697
Restricted cash	1,889,110	13,358,727	15,247,837	
Capital assets, net of depreciation:				
Land	5,223,404	12,439,674	17,663,078	
Buildings	14,798,307	3,808,570	18,606,877	
Machinery and equipment	2,811,019	483,400	3,294,419	1,672
Other improvements		46,985,999	46,985,999	
Infrastructure	31,942,757		31,942,757	
Construction in progress	512,612	14,655,336	15,167,948	
Total Assets	<u>74,389,502</u>	<u>109,690,867</u>	<u>184,080,369</u>	<u>6,247,344</u>
Liabilities				
Accounts payable	743,264	971,957	1,715,221	33,525
Accrued payroll	305,657	37,716	343,373	
Contracts payable				
Bond interest payable	64,803	47,288	112,091	
Restricted customer deposits	1,106,432	105,255	1,211,687	
Noncurrent liabilities				
Due within one year	889,796	817,591	1,707,387	
Due in more than one year	4,991,286	8,189,132	13,180,418	
Total Liabilities	<u>8,101,238</u>	<u>10,168,939</u>	<u>18,270,177</u>	<u>33,525</u>
Net Assets				
Invested in capital assets, net of related debt	50,259,164	69,484,774	119,743,938	1,672
Restricted for:				
Debt service	933,073	7,394,241	8,327,314	
Capital improvements	6,518,908	7,556,872	14,075,780	5,617,112
Unrestricted	8,577,119	15,086,041	23,663,160	595,035
Total Net Assets	<u>\$ 66,288,264</u>	<u>\$ 99,521,928</u>	<u>\$ 165,810,192</u>	<u>\$ 6,213,819</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, 2011**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Post Falls Urban Renewal Agency
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 5,162,556	\$ 1,160,796	\$ 27,415		\$ (3,974,345)		\$ (3,974,345)	\$ (3,183,922)
Public safety	5,269,056	407,404	544,202	\$ 83,000	(4,234,450)		(4,234,450)	
Highways and public works	3,544,205	317,006	375,226	1,065,937	(1,786,036)		(1,786,036)	
Culture and recreation	1,897,509	742,254	153,171	50,000	(952,084)		(952,084)	
Interest on long-term debt	419,106				(419,106)		(419,106)	(4,247)
Total governmental activities	<u>16,292,432</u>	<u>2,627,460</u>	<u>1,100,014</u>	<u>1,198,937</u>	<u>(11,366,021)</u>		<u>(11,366,021)</u>	<u>(3,188,169)</u>
Business-type activities:								
Water	1,485,415	2,155,844		140,825		\$ 811,254	811,254	
Sewer	3,319,383	5,171,025		1,252,625		3,104,267	3,104,267	
Sanitation	1,572,294	1,957,393				385,099	385,099	
Total business-type activities	<u>6,377,092</u>	<u>9,284,262</u>		<u>1,393,450</u>		<u>4,300,620</u>	<u>4,300,620</u>	
Total government	<u>\$ 22,669,524</u>	<u>\$ 11,911,722</u>	<u>\$ 1,100,014</u>	<u>\$ 2,592,387</u>	<u>(11,366,021)</u>	<u>4,300,620</u>	<u>(7,065,401)</u>	<u>(3,188,169)</u>
General revenues:								
					8,459,938		8,459,938	4,696,331
					1,233,465		1,233,465	
					1,210,926		1,210,926	
					760,791		760,791	
					283,207	237,601	520,808	29,234
					5,841		5,841	
Transfers					1,078,899	(1,078,899)		
					<u>13,033,067</u>	<u>(841,298)</u>	<u>12,191,769</u>	<u>4,725,565</u>
Change in net assets					1,667,046	3,459,322	5,126,368	1,537,396
Net Assets - beginning					<u>64,621,218</u>	<u>96,062,606</u>	<u>160,683,824</u>	<u>4,676,423</u>
Net Assets - ending					<u>\$ 66,288,264</u>	<u>\$ 99,521,928</u>	<u>\$ 165,810,192</u>	<u>\$ 6,213,819</u>

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

**City of Post Falls
Balance Sheet
Governmental Funds
September 30, 2011**

	General Fund	Debt Service LID 2004-1 Fund	Capital Fund	Other Governmental Funds	Totals Government Funds 2011
Assets					
Cash on hand and cash equivalents	\$ 2,150,789	\$ 201,002	\$ 2,065,655	\$ 436,035	\$ 4,853,481
Investments	7,881,928		3,921,136		11,803,064
Accounts receivable:					
Property taxes - current	65,359				65,359
- delinquent	506,595				506,595
Loans receivable				8,975	8,975
Miscellaneous	848,710	35,476		4,433	888,619
Customers	273		93,466	67,566	161,305
Due from other governments					
Inventories	1,725				1,725
Special assessments - deferred		1,398,549		65,096	1,463,645
Interfund receivables	736,000				736,000
Prepaid items	98,656				98,656
Accrued interest	33,007		12,815		45,822
Restricted current assets:					
Cash and cash equivalents	1,295,229	241,948	351,933		1,889,110
Total assets and other debit	<u>\$13,618,271</u>	<u>\$ 1,876,975</u>	<u>\$ 6,445,005</u>	<u>\$ 582,105</u>	<u>\$22,522,356</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 634,603		\$ 65,894	\$ 42,767	\$ 743,264
Interfund payables			3,105,571	315,382	3,420,953
Accrued payroll and fringe benefits	305,657				305,657
Deferred revenue	565,289	\$ 1,398,549		74,071	2,037,909
Restricted customer deposits	796,610		306,299	3,523	1,106,432
Total liabilities	<u>2,302,159</u>	<u>1,398,549</u>	<u>3,477,764</u>	<u>435,743</u>	<u>7,614,215</u>
Fund balances:					
Nonspendable:					
Inventory	1,725				1,725
Prepays	98,656				98,656
Restricted:					
Special Revenue funds				43,648	43,648
Debt Service funds		478,426	351,933	102,714	933,073
Capital Fund			2,615,308		2,615,308
Committed:					
Stabilization	2,635,588				2,635,588
Assigned:					
Designated for improvements	3,903,600				3,903,600
Unassigned:	4,676,543				4,676,543
Total fund balances	<u>11,316,112</u>	<u>478,426</u>	<u>2,967,241</u>	<u>146,362</u>	<u>14,908,141</u>
Total liabilities and fund balances:	<u>\$13,618,271</u>	<u>\$ 1,876,975</u>	<u>\$ 6,445,005</u>	<u>\$ 582,105</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.	55,288,099
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,037,909
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,945,885)
Net assets of governmental activities:	<u>\$66,288,264</u>

City of Post Falls
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2011

	General Fund	Debt Service LID 2004-1 Fund	Capital Fund	Other Governmental Funds	Totals Government Funds 2011
Revenues:					
Taxes	\$ 8,798,392				\$ 8,798,392
Intergovernmental	3,575,817		\$ 113,307		3,689,124
Charges for services	1,360,845		614,804	\$ 463,965	2,439,614
Other revenue	305,797		150,500	307,700	763,997
Special assessment revenue		\$ 137,174		6,236	143,410
Interest	86,411	91,809	40,890	5,403	224,513
Total revenues:	<u>14,127,262</u>	<u>228,983</u>	<u>919,501</u>	<u>783,304</u>	<u>16,059,050</u>
Expenditures:					
Current:					
General government	4,148,290	20,050	60,098	2,709	4,231,147
Public safety	4,748,262			133,484	4,881,746
Highways and public works	2,159,702			388,294	2,547,996
Culture and recreation	1,738,088			23,507	1,761,595
Capital outlay	641,648		565,688	140,920	1,348,256
Debt service:					
Principal	730,353	330,000		15,000	1,075,353
Interest	211,025	98,395	109,156	25,382	443,958
Total expenditures	<u>14,377,368</u>	<u>448,445</u>	<u>734,942</u>	<u>729,296</u>	<u>16,290,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(250,106)</u>	<u>(219,462)</u>	<u>184,559</u>	<u>54,008</u>	<u>(231,001)</u>
Other financing sources (uses):					
Transfers in	1,315,018		622,000	34,559	1,971,577
Transfers out	(708,354)		(102,960)	(81,364)	(892,678)
Total other financing sources (uses)	<u>606,664</u>		<u>519,040</u>	<u>(46,805)</u>	<u>1,078,899</u>
Net change in fund balance	356,558	(219,462)	703,599	7,203	847,898
Fund balances, Beginning	<u>10,959,554</u>	<u>697,888</u>	<u>2,263,642</u>	<u>139,159</u>	<u>14,060,243</u>
Fund balances, Ending	<u>\$11,316,112</u>	<u>\$ 478,426</u>	<u>\$ 2,967,241</u>	<u>\$ 146,362</u>	<u>\$ 14,908,141</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, 2011

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

Net change in fund balances - total governmental funds	\$ 847,898
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.	(698,903)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	799,250
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	22,279
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>696,522</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,667,046</u></u>

City of Post Falls
Statement of Net Assets
Proprietary Funds
September 30, 2011

Business-type Activities - Enterprise Funds							
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Assets							
Current assets:							
Cash	\$ 94,548	\$ 312,564	\$ 2,538,419	\$ 2,964,696	\$ 900,275	\$ 735,636	\$ 3,533,242
Investments	2,689,199	2,626,825	7,679,952	7,538,214			10,369,151
Utility receivables, net	466,725	406,314	561,695	527,543	199,386	193,231	1,227,806
Restricted cash, customer deposits	105,255	127,960					105,255
Accrued interest	8,789	45,971	22,448	125,465			31,237
Due from other funds	592,393	636,183	2,092,560	2,220,525			2,684,953
Total current assets	<u>3,956,909</u>	<u>4,155,817</u>	<u>12,895,074</u>	<u>13,376,443</u>	<u>1,099,661</u>	<u>928,867</u>	<u>17,951,644</u>
Non-current assets:							
Restricted cash	6,198,826	5,571,006	7,159,901	5,810,011			13,358,727
Restricted accrued interest	2,976	4,090	4,541	6,546			7,517
Bond issuance cost, net							
Total restricted assets	<u>6,201,802</u>	<u>5,575,096</u>	<u>7,164,442</u>	<u>5,816,557</u>			<u>13,366,244</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	21,106,462	20,566,065					21,106,462
Equipment	829,078	712,183	1,092,121	1,082,953			1,921,199
Sewer system			49,385,931	48,138,465			49,385,931
Construction in progress		408,672	14,655,336	13,482,938			14,655,336
Less accumulated depreciation	<u>(6,439,658)</u>	<u>(5,916,798)</u>	<u>(17,071,076)</u>	<u>(15,965,891)</u>			<u>(23,510,734)</u>
Total capital assets (net of accumulated depreciation)	<u>17,925,548</u>	<u>18,199,788</u>	<u>60,447,431</u>	<u>59,123,584</u>			<u>78,372,979</u>
Total non-current assets	<u>24,127,350</u>	<u>23,774,884</u>	<u>67,611,873</u>	<u>64,940,141</u>			<u>91,739,223</u>
Total Assets	<u>28,084,259</u>	<u>27,930,701</u>	<u>80,506,947</u>	<u>78,316,584</u>	<u>1,099,661</u>	<u>928,867</u>	<u>109,690,867</u>
Liabilities							
Current liabilities:							
Accounts payable	51,286	102,057	785,191	670,591	135,480	131,719	971,957
Accrued payroll	13,605	12,665	24,111	23,046			37,716
Bond interest payable		51,704	47,288	58,710			47,288
Compensated absences - current maturity	24,604	16,510	46,987	27,702			71,591
Customer deposits payable	105,255	127,960					105,255
Bond payable - current maturity	73,262	139,927	672,738	713,384			746,000
Total current liabilities	<u>268,012</u>	<u>450,823</u>	<u>1,576,315</u>	<u>1,493,433</u>	<u>135,480</u>	<u>131,719</u>	<u>1,979,807</u>
Noncurrent liabilities:							
Compensated absences	19,331	12,972	27,596	16,269			46,927
Bonds payable	2,471,972	2,617,599	5,670,233	6,390,731			8,142,205
Total noncurrent liabilities	<u>2,491,303</u>	<u>2,630,571</u>	<u>5,697,829</u>	<u>6,407,000</u>			<u>8,189,132</u>
Total Liabilities	<u>2,759,315</u>	<u>3,081,394</u>	<u>7,274,144</u>	<u>7,900,433</u>	<u>135,480</u>	<u>131,719</u>	<u>10,168,939</u>
Net Assets							
Invested in capital assets, net of related debt	15,380,314	15,442,262	54,104,460	52,019,469			69,484,774
Restricted for:							
Replacement	4,722,420	4,117,445	2,671,821	2,649,153			7,394,241
Bond Retirement	1,147,645	1,144,457	6,409,227	5,095,020			7,556,872
Unrestricted	4,074,565	4,145,143	10,047,295	10,652,509	964,181	797,148	15,086,041
Total Net Assets	<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>

City of Post Falls
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Operating Revenues:							
Charges for services	\$ 1,990,243	\$ 1,962,744	\$ 5,072,853	\$ 4,826,106	\$ 1,905,324	\$ 1,867,055	\$ 8,968,420
Hookups and connections	13,232	6,874					13,232
Other revenues	152,369	173,740	98,172	137,712	52,069	41,860	302,610
Total operating revenues	<u>2,155,844</u>	<u>2,143,358</u>	<u>5,171,025</u>	<u>4,963,818</u>	<u>1,957,393</u>	<u>1,908,915</u>	<u>9,284,262</u>
Operating Expenses:							
Salaries and benefits	436,876	440,128	827,892	779,757			1,264,768
Administrative and supplies	406,839	430,395	1,118,372	1,355,754	1,572,294	1,533,863	3,097,505
Depreciation	542,644	552,941	1,105,185	1,086,895			1,647,829
Total operating expenses	<u>1,386,359</u>	<u>1,423,464</u>	<u>3,051,449</u>	<u>3,222,406</u>	<u>1,572,294</u>	<u>1,533,863</u>	<u>6,010,102</u>
Operating income	<u>769,485</u>	<u>719,894</u>	<u>2,119,576</u>	<u>1,741,412</u>	<u>385,099</u>	<u>375,052</u>	<u>3,274,160</u>
Nonoperating revenues (expenses):							
Intergovernmental							
Investment income	71,342	201,376	164,293	677,202	1,966	913	237,601
Interest expense	(99,056)	(104,683)	(267,934)	(249,680)			(366,990)
Loss on sale of capital assets							
Amortization of refunding costs							
Total nonoperating revenues (expenses)	<u>(27,714)</u>	<u>96,693</u>	<u>(103,641)</u>	<u>427,522</u>	<u>1,966</u>	<u>913</u>	<u>(129,389)</u>
Income before contributions and transfers	741,771	816,587	2,015,935	2,168,934	387,065	375,965	3,144,771
Capital Contributions - cap fees and other	140,825	293,232	1,252,625	1,366,076			1,393,450
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	475,637	702,860	2,816,652	3,083,102	167,033	155,933	3,459,322
Total net assets - beginning	<u>24,849,307</u>	<u>24,146,447</u>	<u>70,416,151</u>	<u>67,333,049</u>	<u>797,148</u>	<u>641,215</u>	<u>96,062,606</u>
Total net assets - ending	<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>

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, 2011

	Business-type Activities - Enterprise Funds						
	Water Current Year	Water Prior Year	Sewer Current Year	Sewer Prior Year	Sanitation Current Year	Sanitation Prior Year	Totals Current Year
Cash Flows from Operating Activities							
Receipts from customers	\$ 2,072,728	\$ 2,148,538	\$ 5,136,873	\$ 4,946,507	\$ 1,951,238	\$ 1,905,433	\$ 9,160,839
Payments to suppliers	(457,610)	(439,969)	(1,003,772)	(1,681,793)	(1,568,533)	(1,529,920)	(3,029,915)
Payments to employees	(421,483)	(469,826)	(796,215)	(810,358)			(1,217,698)
Net cash provided by operating activities	<u>1,193,635</u>	<u>1,238,743</u>	<u>3,336,886</u>	<u>2,454,356</u>	<u>382,705</u>	<u>375,513</u>	<u>4,913,226</u>
Cash Flows from Non-capital Financing Activities							
Operating subsidiaries and transfers to other funds	(406,959)	(406,959)	(531,828)	(531,828)	(220,032)	(220,032)	(1,158,819)
Advances from other funds	43,790	50,429	207,885	209,652			251,675
Net cash (used) by non-capital financing activities	<u>(363,169)</u>	<u>(356,530)</u>	<u>(323,943)</u>	<u>(322,176)</u>	<u>(220,032)</u>	<u>(220,032)</u>	<u>(907,144)</u>
Cash Flows from Capital and Related Financing Activities							
Capital Contributions	91,800	114,433	1,028,381	1,155,804			1,120,181
Principal payments on capital debt	(212,292)	(134,824)	(761,144)	(699,639)			(973,436)
Interest payments on capital debt	(150,760)	(107,210)	(279,356)	(300,112)			(430,116)
Purchase of capital assets	(219,379)	(746,326)	(2,204,788)	(7,972,756)			(2,424,167)
Net cash provided (used) by capital and related financing activities	<u>(490,631)</u>	<u>(873,927)</u>	<u>(2,216,907)</u>	<u>(7,816,703)</u>			<u>(2,707,538)</u>
Cash Flows from Investing Activities							
Interest received on investments	109,638	152,213	269,315	546,883	1,966	913	380,919
Net cash provided by investing activities	<u>109,638</u>	<u>152,213</u>	<u>269,315</u>	<u>546,883</u>	<u>1,966</u>	<u>913</u>	<u>380,919</u>
Net increase (decrease) in cash and cash equivalents	449,473	160,499	1,065,351	(5,137,640)	164,639	156,394	1,679,463
Cash and cash equivalents, beginning	<u>8,638,355</u>	<u>8,477,856</u>	<u>16,312,921</u>	<u>21,450,561</u>	<u>735,636</u>	<u>579,242</u>	<u>25,686,912</u>
Cash and cash equivalents, ending	<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>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:							
Operating income	\$ 769,485	\$ 719,894	\$ 2,119,576	\$ 1,741,412	\$ 385,099	\$ 375,052	\$ 3,274,160
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	542,644	552,941	1,105,185	1,086,895			1,647,829
Changes in assets and liabilities:							
Accounts receivable	(60,411)	4,363	(34,152)	(17,311)	(6,155)	(3,482)	(100,718)
Accounts payable	(50,771)	(9,574)	114,600	(326,039)	3,761	3,943	67,590
Accrued payroll	15,393	(29,698)	31,677	(30,601)			47,070
Customer deposits	(22,705)	817					(22,705)
Total adjustments	<u>\$ 1,193,635</u>	<u>\$ 1,238,743</u>	<u>\$ 3,336,886</u>	<u>\$ 2,454,356</u>	<u>\$ 382,705</u>	<u>\$ 375,513</u>	<u>\$ 4,913,226</u>
Noncash investing, capital, and financing activities:							
Contributions of capital assets	<u>\$ 49,025</u>	<u>\$ 178,799</u>	<u>\$ 224,244</u>	<u>\$ 210,272</u>			<u>\$ 273,269</u>
Reconciliation of Cash to the Balance Sheet							
Cash and cash equivalents	\$ 94,548	\$ 312,564	\$ 2,538,419	\$ 2,964,696	\$ 900,275	\$ 735,636	\$ 3,533,242
Investments	2,689,199	2,626,825	7,679,952	7,538,214			10,369,151
Restricted cash, customer deposits	105,255	127,960					105,255
Restricted cash	<u>6,198,826</u>	<u>5,571,006</u>	<u>7,159,901</u>	<u>5,810,011</u>			<u>13,358,727</u>
	<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>

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

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, sewer, and sanitation collection services to its citizens.

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

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

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

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

Post Falls Urban Renewal Agency
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, 2011

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

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 sewer improvements. The primary source of revenue is from assessment collection. The primary expenditure is or 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 *sewer fund* is used to account for the activities of the City's wastewater treatment facility.
2. The *water fund* is used to account for the activities of the City's water division.
3. The *sanitation fund* is used to account for the City's contract for garbage collection services.

Additionally, the government reports the following fund types:

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

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 sewer, water and sanitation functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, water and sanitation funds are charges to customers for sales and services. The sewer and water fund also recognize as operating revenue the portion of cap fees intended to recover the cost of connecting new customers to the system. Operating 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, 2011

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, 2011 materially approximates fair value. Investments on hand at September 30, 2011 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, 2011

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
Sewer 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
Sewer Bond issuance costs	20

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance – The City has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is 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.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- 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.

Resolution 2005-05 sets a stabilization fund balance account target of 15% of operating costs for General Fund.

Accounts Receivable – Utility accounts receivable, net of allowances for doubtful accounts for the enterprise funds as of September 30, 2011 are as follows:

Water:

Gross accounts receivable	\$481,092
Less allowance for doubtful accounts	<u>(14,367)</u>
Accounts receivable, net	<u>\$466,725</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sewer:

Gross accounts receivable	\$762,333
Less allowance for doubtful accounts	<u>(200,638)</u>
Accounts receivable, net	<u>\$561,695</u>

Sanitation:

Gross accounts receivable	\$205,500
Less allowance for doubtful accounts	<u>(6,114)</u>
Accounts receivable, net	<u>\$199,386</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 2010-2011 fiscal year was .005213787.

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 2: CASH AND INVESTMENTS (Continued)

Cash and investments are comprised of the following at September 30, 2011:

Cash on hand	\$ 11,545
Deposits with financial institutions:	
Demand deposit	(203,014)
Time certificates of deposit	11,595
Investments	<u>46,091,904</u>
Total	<u>\$45,912,030</u>

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

Cash and Investments	\$30,558,938
Restricted Cash and Investments	<u>15,353,092</u>
Total	<u>\$45,912,030</u>

Deposits

The carrying amount of the City's deposits with financial institutions was \$(203,014) and the bank balance was \$89,627. Of the bank balance, \$89,627 was covered by federal depository insurance or by collateral held by the government's agent in the government's name. The City currently does not have a formal policy regarding custodial risk for deposits. The City's investments are categorized into three categories of credit risk. Currently the City does not have a formal policy relating to interest rate risk or relating to the credit risk of investments.

Investments

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

The City participates in the Idaho State Treasurer's Local Governmental Investment Pool (LGIP) which is under the administrative control of the Idaho State Treasurer's Office. The LGIP is rated "AAA" by Standard and Poor's. The pool seeks to maintain a constant value of \$1 per share. The fair value of the City's investment in this pool is reported in the accompanying financial statements 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 \$58,172 which has not been recognized in the financial statements.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 2: CASH AND INVESTMENTS (Continued)

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

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

Interest rate risk and concentration of credit risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. According to its investment policy, the City manages its exposure to interest rate risk by purchasing a combination of shorter-term and longer-term investments. The City also manages this risk by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity for operations. Further, the City purchases some securities that have interest rates that step-up over time. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Concentration of credit risk as defined by GASB exists when more than 5% of an investment portfolio is allocated to one security. State statutes contain no limitations on the amount that can be invested in any one issuer. As of September 30, 2011, 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	\$ 20,775,659	Daily	45.07%
Federal National Mortgage Association	7,928,262	5.48	17.20%
Federal Home Loan Bank	6,502,360	6.25	14.11%
Federal Farm Credit Bank	4,029,570	6.43	8.74%
Federal Home Loan Mortgage Corporation	4,011,948	11.12	8.70%
Panhandle State Bank - Repurchase Sweep	2,227,988	Daily	4.83%
Government National Mortgage Association	455,647	28.90	0.99%
US Bank - 1st American Treasuries	351,933	Daily	0.76%
Financing Corp CTN FICO Strips	215,909	0.35	0.47%
Money Market Funds	(407,372)	Daily	-0.88%
	<u>\$ 46,091,904</u>		

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 3: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable from benefited property owners of public improvements consist of the following as of September 30, 2011:

Deferred principal amounts not currently due, but due at future date	<u>\$1,463,645</u>
	<u>\$1,463,645</u>

The City did not have any delinquent principal amounts this year. Installment payments of principal and interest due from property owners are billed annually.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2011, is as follows:

	September 30, 2010	Adjustments			September 30, 2011
	Additions	Transfers	Deletions		
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capital assets, not being depreciated:					
Land	\$5,223,404				\$5,223,404
C.I.P.	897,409	\$493,069	(\$877,866)		512,612
Total capital assets, not being depreciated	6,120,813	493,069	(877,866)	0	5,736,016
Capital assets, being depreciated:					
Buildings and improvements	18,101,405	33,650	118,682	(13,049)	18,240,688
Equipment	4,933,448	432,883			5,366,331
Vehicles	2,695,121	290,373	19,784	(12,000)	2,993,278
Infrastructure	34,841,629	900,411	759,184		36,501,224
Total capital assets, being depreciated	60,571,603	1,657,317	897,650	(25,049)	63,101,521
Less: accumulated depreciation					
Buildings and improvements	2,959,175	493,375		(10,169)	3,442,381
Equipment	3,015,281	465,797			3,481,078
Vehicles	1,832,710	227,018	19,784	(12,000)	2,067,512
Infrastructure	3,697,498	860,969			4,558,467
Total accumulated depreciation	11,504,664	2,047,159	19,784	(22,169)	13,549,438
Total capital assets being depreciated, net	49,066,939	(389,842)	877,866	(2,880)	49,552,083
Governmental activities capital assets, net	\$55,187,752	\$103,227	\$0	(\$2,880)	\$55,288,099

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 4: CAPITAL ASSETS (Continued)

	September 30, 2010	Adjustments			September 30, 2011
		Additions	Transfers	Deletions/Misc	
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Capital assets, not being depreciated:					
Land	\$12,439,674				\$12,439,674
C.I.P.	13,891,610	\$2,169,125	(\$1,405,399)		14,655,336
Total capital assets, not being depreciated	26,331,284	2,169,125	(1,405,399)		27,095,010
Capital assets, being depreciated:					
Wells	2,375,111				2,375,111
Water System	20,566,065	131,725	408,672		21,106,462
Equipment	1,795,136	145,847		(\$19,784)	1,921,199
Sewer System	48,138,465	250,739	996,727		49,385,931
Total capital assets, being depreciated	72,874,777	528,311	1,405,399	(19,784)	74,788,703
Less: accumulated depreciation					
Wells	948,029	56,866			1,004,895
Water System	4,534,035	424,970			4,959,005
Equipment	1,369,769	87,814		(19,784)	1,437,799
Sewer System	15,030,856	1,078,179			16,109,035
Total accumulated depreciation	21,882,689	1,647,829	0	(19,784)	23,510,734
Total capital assets being depreciated, net	50,992,088	(1,119,518)	1,405,399	0	51,277,969
Business-type activities capital assets, net	\$77,323,372	\$1,049,607	\$0	\$0	\$78,372,979

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

Governmental activities:	
General government	\$ 527,726
Public safety	387,310
Highways and public works	996,209
Culture and recreation	<u>135,914</u>
Total depreciation expense – governmental activities	<u>\$2,047,159</u>
Business-type activities:	
Water	\$ 542,644
Sewer	<u>1,105,185</u>
Total depreciation expense – business-type activities	<u>\$1,647,829</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

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, 2011, 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 \$741,268, \$782,283, and \$778,700 for the three years ended September 30, 2011, 2010 and 2009, 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, 2011

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.:	2012	4.60%	\$175,000	\$12,627	\$187,627
	2013	4.65	<u>185,000</u>	<u>4,301</u>	<u>189,301</u>
			<u>\$360,000</u>	<u>\$16,928</u>	<u>\$376,928</u>

Sewer Revenue Bonds

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

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 Sewer Revenue bonds, named the City of Post Falls Sewer Revenue Bond, 2004. The proceeds of these bonds, along with other resources of the City, were used to purchase land for land application of reclaimed water.

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

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

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

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 6: LONG-TERM DEBT (Continued)

On March 19, 2008, the City issued \$3,430,000 of Sewer Revenue Bonds, named the City of Post Falls Sewer Revenue Bond, 2008. The proceeds of these bonds, along with other resources of the City, were used to purchase land next to the wastewater 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:

SEWER REVENUE BONDS:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>
2012	\$ 672,738	\$ 241,784	\$ 914,522
2013	736,333	217,397	953,730
2014	636,950	189,565	826,515
2015	651,950	162,875	814,825
2016	265,000	148,955	413,955
2017-2021	1,475,000	580,619	2,055,619
2022-2026	1,655,000	253,535	1,908,535
2027	<u>250,000</u>	<u>10,625</u>	<u>260,625</u>
	<u>\$6,342,971</u>	<u>\$1,805,355</u>	<u>\$8,148,326</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, 2011**

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>
2012	\$ 73,262	\$ 47,731	\$ 120,993
2013	150,720	91,314	242,034
2014	156,425	85,609	242,034
2015	162,346	79,689	242,035
2016	168,492	73,543	242,035
2017-2021	943,088	267,084	1,210,172
2022-2025	<u>890,901</u>	<u>76,833</u>	<u>967,734</u>
	<u>\$2,545,234</u>	<u>\$721,803</u>	<u>\$3,267,037</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2011, 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:	3/01/12	4.60%	\$ 15,000	\$ 7,770	\$ 22,770
	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
	3/01/17-19	5.40-5.50	<u>60,000</u>	<u>6,640</u>	<u>66,640</u>
			<u>\$ 150,000</u>	<u>\$ 37,570</u>	<u>\$ 187,570</u>
L.I.D. 2004-1:	5/01/12	4.50%	\$ 50,000	\$ 82,170	\$ 132,170
	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
	5/01/17-21	4.75-5.00	<u>1,395,000</u>	<u>314,213</u>	<u>1,709,213</u>
			<u>\$1,675,000</u>	<u>\$ 700,705</u>	<u>\$2,375,705</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

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, 2011 is \$10,500. As of September 30, 2011, \$16,382 is set-aside in this fund.

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

	<u>Balance</u> <u>10/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/11</u>
Compensated absences	\$ 448,464	\$949,394	\$ 545,711	\$ 852,147
Capital leases (Note 7)	3,409,288		565,353	2,843,935
General fund Bonds Payable	525,000		165,000	360,000
Local Imp. Bonds Payable	<u>2,170,000</u>		<u>345,000</u>	<u>1,825,000</u>
	<u>\$6,552,752</u>	<u>\$949,394</u>	<u>\$1,621,064</u>	<u>\$5,881,082</u>

	<u>Due in</u> <u>One Year</u>
Compensated absences	\$432,465
Capital leases (Note 7)	217,331
General Fund Bonds Payable	175,000
Local Imp. Bond Payable	<u>65,000</u>
	<u>\$889,796</u>

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

	<u>Balance</u> <u>10/1/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/11</u>
Compensated absences	\$ 73,453	\$126,494	\$ 81,429	\$ 118,518
Bonds payable	<u>9,861,641</u>		<u>973,436</u>	<u>8,888,205</u>
	<u>\$9,935,094</u>	<u>\$126,494</u>	<u>\$1,054,865</u>	<u>\$9,006,723</u>

	<u>Due in</u> <u>One Year</u>
Compensated absences	\$ 71,591
Bonds payable	<u>746,000</u>
	<u>\$817,591</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 7: CAPITAL LEASES

General Fund – The General Fund has entered into 2 equipment leases and 1 building/land lease, which qualify as capital leases, as ownership of the assets transfers to the City at the end of the lease. The leases carry interest ratings ranging from 2.50% to 5.60% and require annual principal payments. The equipment secures the leases. The booked asset value of the leased equipment is \$102,623 with \$34,451 in depreciation booked and the booked asset value of the building/land is \$4,376,279, with \$1,174,667 in depreciation booked, with \$351,933 held in US Government bonds for reserve of the Certificates. All of the capital leases have non-appropriation clauses, which state that if funding is unavailable during the budget process to make the annual required lease payments, then the lease is canceled and the equipment returned to the lending institution.

Future minimum lease payments are as follows:

2012	\$ 372,300
2013	146,410
2014	144,720
2015	144,720
2016	144,720
2017-2021	1,617,360
2022	<u>1,568,160</u>
Future minimum lease payments	4,138,390
Less amounts representing interest	<u>(1,294,455)</u>
	<u>\$2,843,935</u>

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

Washington Trust Bank – During fiscal year 2005, the Agency entered into an agreement to participate in one-third of the cost of a water reservoir to be constructed on the Center Point property up to \$500,000. The \$498,000 financing was secured through Washington Trust Bank on September 29, 2005. The stated rate of 4.53% on the note is adjustable after five years. The adjustment is based on the 5 Year Fixed Federal Home Loan Base Intermediate/Long-Term Bullet Advance rate plus 2.25%.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

The changes in long-term debt for the year ending September 30, 2011 are as follows:

	Beginning Balance	Issued	Retired	Ending Balance
Washington Trust Bank	\$273,900	\$_____	\$273,900	\$ -0-

Agency Cash and Investments

The Agency maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Agency also holds six certificates of deposit at six different financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of September 30, 2011, the Agency had no uninsured balances. The certificates of deposit mature on dates ranging from October 2011 to January 2013.

The State of Idaho Local Government Investment Pool (the Pool) is duly chartered and administered by the State Treasurer's Office. The Pool consists of U.S. Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. Historical cost approximates fair market value at September 30, 2011 as the pool tries to maintain a \$1 per share value. Idaho code defines allowable investments. Governmental Accounting Standards Board 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 are any balances insured by the Federal Deposit Insurance Corporation. Financial reports are available from the Idaho State Treasurer's Office upon request.

Commitments

Stateline – 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, and \$371,834 was reimbursed in fiscal year 2010, and \$188,642 was reimbursed in fiscal year 2011.

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

Watson – 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 within the Expo Urban Renewal District. The first reimbursement request of \$705,561 was increased by \$52,141 to a new total of \$757,702 and included cost submittals #1 & #2. A second reimbursement request for cost submittals #3 & #4 in the total of \$687,043 was approved in January of 2009. A third reimbursement request for cost submittals \$5, #6, and #7 for a total of \$204,592 was approved January of 2011. 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 if tax increment revenues of the Agency, directly resulting from the project improvements made by Watson and Associates 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, \$746,919 was reimbursed in previous fiscal years and \$225,241 was reimbursed in fiscal year 2011, leaving a balance of \$677,177.

Greenstone – (West Seltice II) – During the 2009 fiscal year, the Agency entered into an Owner Participation Agreement with the 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 the Greenstone-Kootenai, Inc. if tax increment revenues of the Agency, directly resulting from the project improvements made by the Greenstone-Kootenai Inc. 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, \$305,163 was reimbursed in previous fiscal years, and \$102,163 was reimbursed in fiscal year 2011, leaving a balance of \$1,582,560.

Jacklin Land Company – 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, \$1,433,899 was reimbursed in previous fiscal years, and \$768,010 was reimbursed in fiscal year 2011, leaving a balance of \$567,567.

Tullamore Properties, LLC – 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

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

NOTE 8: COMPONENT UNIT DISCLOSURES (Continued)

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 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, \$141,074 was reimbursed in previous fiscal years, and \$244,549 was reimbursed in fiscal year 2011, leaving a balance of \$2,338,404.

Copier Lease – 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, 2011 was \$1,143.

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>
Debt Service:		
CLID #2	\$ -0-	\$ 203
LID 91-1	-0-	473
Special Revenue		
Street Lights	382,200	388,677

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 administrative expenditures for the year were higher than anticipated in the fiscal year for the LID funds. 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.

NOTE 10: DEFICIT FUND EQUITY

The following funds had deficit fund equity at September 30, 2011:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
911 Support	\$233,732

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 11: COMMITMENTS AND CONTINGENCIES

Commitments – The City is currently working on a few sewer, parks and street projects. The first and largest project is the wastewater treatment plant upgrade and master rate study. 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 2012. The City is also working with a Community Development Block Grant to help with the establishment of a new manufacturing business on the east side of town. The grant is based on job creation and helps with the costs of infrastructure.

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.

NOTE 13: TRANSFERS

The composition of interfund transfers as of September 30, 2011, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,315,018	\$ 708,354
Capital Fund	622,000	102,960
Nonmajor Governmental Funds	34,559	81,364
Enterprise Funds	<u>79,920</u>	<u>1,158,819</u>
Totals	<u>\$2,051,497</u>	<u>\$2,051,497</u>

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 13: TRANSFERS (Continued)

The principal purposes for the transfer of funds from the Enterprise funds to the General fund to cover the administration costs of operating the City's utility division (water, sewer, and sanitation). The principal purpose 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 wastewater 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, 2011 is as follows:

Interfund receivable/payable:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 736,000	
Capital Fund		\$3,105,571
Nonmajor Governmental Funds		315,382
Enterprise Funds	<u>2,684,953</u>	
Totals	<u>\$3,420,953</u>	<u>\$3,420,953</u>

The current purposes for the interfund/payables in the City is or borrowing from other funds. The 911 Support Fund owes \$315,382 to the Sewer 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 \$592,393 to the Water Fund, \$1,777,178 to the Sewer Fund and \$736,000 to the General Fund for construction of the New City Hall in 2007, to be paid back over the next 20 years.

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

City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 15: RISK MANAGEMENT (Continued)

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.

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 \$5,945,885 difference are as follows:

Bonds payable	\$2,185,000
Accrued interest payable	64,803
Capital leases payable	2,843,935
Compensated absences	<u>852,147</u>
Net adjustment to increase fund <i>balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$5,945,885</u>

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

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

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 \$(698,903) are as follows:

Capital outlay	\$1,348,256
Depreciation	<u>(2,047,159)</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>\$ (698,903)</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 \$799,250 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 the cost of the capital assets sold.

\$ (2,880)

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.

802,130

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

\$ 799,250

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 \$22,279 difference are as follows:

Property taxes	\$ 106,995
Deferred bond discount/premiums	58,694
Special Assessment debt issued and repaid	<u>(143,410)</u>

City of Post Falls

**NOTES TO FINANCIAL STATEMENTS
September 30, 2011**

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

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>22,279</u>
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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 \$696,522 difference are as follows:

Debt issued or incurred:	
Compensated absences	\$ (949,394)
Principal repayments:	
General obligation debt	165,000
Capital lease financing	565,353
Compensated absences	545,711
Special assessment debt	345,000
Accrued interest payable	<u>24,852</u>

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>696,522</u>
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NOTE 17: RECONCILIATION OF INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Governmental Activities:	
Capital assets, net of depreciation	\$55,288,099
General Fund bonds payable	(360,000)
Capital leases payable	(2,843,935)
Local imp. bonds payable	<u>(1,825,000)</u>

Invested in capital assets, net of related debt	\$ <u>50,259,164</u>
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Business-Type Activities:	
Capital assets, net of depreciation	\$78,372,979
Sewer bonds payable	(6,342,971)
Water bonds payable	<u>(2,545,234)</u>

Invested in capital assets, net of related debt	\$ <u>69,484,774</u>
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City of Post Falls

NOTES TO FINANCIAL STATEMENTS September 30, 2011

NOTE 18: PRIOR PERIOD ADJUSTMENT

During FY 10, the City converted from providing employees with vacation and sick to providing them with personal time off. When accounting for the compensated absences at year end the City miscalculated the compensated absence accrual amount for the general fund. The outstanding balance at the end of FY 10 should have been \$448,464 but was reported as \$1,166,940. This created an over expenditure in the Governmental Wide Funds Statements of \$718,476. The amounts have been corrected as follows:

As previously reported, September 30, 2010:

Governmental Activities - Net Assets – Unrestricted	\$ 7,861,579
Governmental Activities - Total Net Assets	\$63,902,742

As restated, September 30, 2010:

Governmental Activities - Net Assets – Unrestricted	\$ 8,580,055
Governmental Activities - Total Net Assets	\$64,621,218

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, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
General taxes	\$ 8,701,904	\$ 8,701,904	\$ 8,798,392	\$ 96,488
Intergovernmental revenue	3,332,590	3,789,380	3,575,817	(213,563)
Charges for services	1,392,426	1,429,106	1,360,845	(68,261)
Other revenue	250,006	274,693	305,797	31,104
Interest	116,544	116,544	86,411	(30,133)
Total revenues	<u>13,793,470</u>	<u>14,311,627</u>	<u>14,127,262</u>	<u>(184,365)</u>
Expenditures				
Current:				
General government	4,931,387	4,991,541	4,148,290	843,251
Public safety	4,584,011	4,931,945	4,748,262	183,683
Highways and public works	2,322,365	2,305,365	2,159,702	145,663
Culture and recreation	1,614,994	1,771,294	1,738,088	33,206
Capital outlay	433,300	707,804	641,648	66,156
Debt service				
Principal	455,353	730,353	730,353	
Interest	200,459	200,459	211,025	(10,566)
Total expenditures	<u>14,541,869</u>	<u>15,638,761</u>	<u>14,377,368</u>	<u>1,261,393</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(748,399)</u>	<u>(1,327,134)</u>	<u>(250,106)</u>	<u>1,077,028</u>
Other financing sources (uses):				
Transfers in	1,244,819	1,315,018	1,315,018	
Transfers (out)	(589,920)	(701,920)	(708,354)	(6,434)
Total other financing sources (uses)	<u>654,899</u>	<u>613,098</u>	<u>606,664</u>	<u>(6,434)</u>
Net changes in fund balance	(93,500)	(714,036)	356,558	1,070,594
Fund balances - beginning	<u>10,959,554</u>	<u>10,959,554</u>	<u>10,959,554</u>	
Fund balances - ending	<u>\$ 10,866,054</u>	<u>\$ 10,245,518</u>	<u>\$ 11,316,112</u>	<u>\$ 1,070,594</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 96-1 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

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

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

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

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

**City of Post Falls
Combining Balance Sheet
Nonmajor Government Funds
September 30, 2011**

	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 96-1	LID 91-1	CLID #2		LID Guarantee
Assets													
Cash	\$175,730	\$ 1,316	\$ 1,606	\$ 50,871	\$ 24,834	\$ 62,045	\$ 21,002	\$ 82,249				\$ 16,382	\$ 436,035
Accounts receivable:													
Loans receivable		8,975											8,975
Miscellaneous Customers	350				44,629	22,937		4,083					4,433
Assessments - delinquent - deferred								65,096					67,566
Total assets	<u>\$176,080</u>	<u>\$ 10,291</u>	<u>\$ 1,606</u>	<u>\$ 50,871</u>	<u>\$ 69,463</u>	<u>\$ 84,982</u>	<u>\$ 21,002</u>	<u>\$ 151,428</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 16,382</u>	<u>\$ 582,105</u>
Liabilities and Fund balances													
Liabilities:													
Accounts payable					\$ 38,155	\$ 3,332	\$ 1,280						\$ 42,767
Interfund payable						315,382							315,382
Deferred revenue		\$ 8,975						\$ 65,096					74,071
Restricted customer deposits							3,523						3,523
Total liabilities		<u>8,975</u>			<u>38,155</u>	<u>318,714</u>	<u>4,803</u>	<u>65,096</u>					<u>435,743</u>
Fund balances:													
Undesignated	<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>
Total fund balances	<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>
Total liabilities and fund balances	<u>\$176,080</u>	<u>\$ 10,291</u>	<u>\$ 1,606</u>	<u>\$ 50,871</u>	<u>\$ 69,463</u>	<u>\$ 84,982</u>	<u>\$ 21,002</u>	<u>\$ 151,428</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 16,382</u>	<u>\$ 582,105</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, 2011

	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 96-1	LID 91-1	CLID #2	LID Guarantee	
Revenues:													
Charges-services/program remittances				\$ 21,718	\$367,316	\$ 74,931							\$ 463,965
Other revenue	\$ 18,313			459	7,910	272,026	\$ 8,992						307,700
Principal								\$ 6,236					6,236
Interest	393	\$ 3	\$ 4	113	98	313	46	4,376				\$ 57	5,403
Total revenues	<u>18,706</u>	<u>3</u>	<u>4</u>	<u>22,290</u>	<u>375,324</u>	<u>347,270</u>	<u>9,038</u>	<u>10,612</u>				<u>57</u>	<u>783,304</u>
Expenditures:													
Current:													
General government					383			1,650		\$ 473	\$ 203		2,709
Public safety						129,310	4,174						133,484
Highways and public works					388,294								388,294
Culture and recreation	1,080			22,427									23,507
Capital outlay						140,920							140,920
Debt service:													
Principal								15,000					15,000
Interest						16,959		8,423					25,382
Total expenditures	<u>1,080</u>	<u></u>	<u></u>	<u>22,427</u>	<u>388,677</u>	<u>287,189</u>	<u>4,174</u>	<u>25,073</u>	<u></u>	<u>473</u>	<u>203</u>	<u></u>	<u>729,296</u>
Excess (deficiency) of revenues over expenditures	<u>17,626</u>	<u>3</u>	<u>4</u>	<u>(137)</u>	<u>(13,353)</u>	<u>60,081</u>	<u>4,864</u>	<u>(14,461)</u>	<u></u>	<u>(473)</u>	<u>(203)</u>	<u>57</u>	<u>54,008</u>
Other financing sources (uses):													
Transfers in				6,434		27,960				165			34,559
Transfers out					(11,000)				\$ (18,859)			(51,505)	(81,364)
Total other financing sources (uses)				<u>6,434</u>	<u>(11,000)</u>	<u>27,960</u>	<u></u>	<u>(18,859)</u>	<u>165</u>	<u></u>	<u></u>	<u>(51,505)</u>	<u>(46,805)</u>
Net change in fund balances	<u>17,626</u>	<u>3</u>	<u>4</u>	<u>6,297</u>	<u>(24,353)</u>	<u>88,041</u>	<u>4,864</u>	<u>(14,461)</u>	<u>(18,859)</u>	<u>(308)</u>	<u>(203)</u>	<u>(51,448)</u>	<u>7,203</u>
Fund balances, beginning	<u>158,454</u>	<u>1,313</u>	<u>1,602</u>	<u>44,574</u>	<u>55,661</u>	<u>(321,773)</u>	<u>11,335</u>	<u>100,793</u>	<u>18,859</u>	<u>308</u>	<u>203</u>	<u>67,830</u>	<u>139,159</u>
Fund balances, ending	<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>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 16,382</u>	<u>\$ 146,362</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, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Principal	\$ 87,000	\$ 87,000	\$ 137,174	\$ 50,174
Interest	101,000	101,000	91,809	(9,191)
Total revenues	<u>188,000</u>	<u>188,000</u>	<u>228,983</u>	<u>40,983</u>
Expenditures				
Current:				
General government	39,605	39,605	20,050	19,555
Capital outlay				
Debt Service				
Principal	50,000	330,000	330,000	
Interest	98,395	98,395	98,395	
Total expenditures	<u>188,000</u>	<u>468,000</u>	<u>448,445</u>	<u>19,555</u>
Excess (deficiency) of revenues over expenditures		<u>(280,000)</u>	<u>(219,462)</u>	<u>60,538</u>
Other financing sources (uses):				
Total other financing sources (uses)				
Net change in fund balance		(280,000)	(219,462)	60,538
Fund balances - beginning	<u>697,888</u>	<u>697,888</u>	<u>697,888</u>	
Fund balances - ending	<u>\$ 697,888</u>	<u>\$ 417,888</u>	<u>\$ 478,426</u>	<u>\$ 60,538</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, 2011**

	Budget Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue		\$ 300,000	\$ 113,307	\$ (186,693)
Charges for services	\$ 1,045,000	1,045,000	614,804	(430,196)
Other revenue	624,500	624,500	150,500	(474,000)
Interest	31,500	31,500	40,890	9,390
Total revenues	<u>1,701,000</u>	<u>2,001,000</u>	<u>919,501</u>	<u>(1,081,499)</u>
Expenditures				
Current:				
General government		12,000	60,098	(48,098)
Capital outlay	2,759,540	3,059,540	565,688	2,493,852
Debt Service				
Principal	265,844	265,844		265,844
Interest	109,156	109,156	109,156	
Total expenditures	<u>3,134,540</u>	<u>3,446,540</u>	<u>734,942</u>	<u>2,711,598</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,433,540)</u>	<u>(1,445,540)</u>	<u>184,559</u>	<u>1,630,099</u>
Other financing sources (uses):				
Transfers in	375,000	487,000	622,000	135,000
Transfers out	(102,960)	(102,960)	(102,960)	
Total other financing sources (uses)	<u>272,040</u>	<u>384,040</u>	<u>519,040</u>	<u>135,000</u>
Net change in fund balance	(1,161,500)	(1,061,500)	703,599	1,765,099
Fund balances - beginning	<u>2,263,642</u>	<u>2,263,642</u>	<u>2,263,642</u>	
Fund balances - ending	<u>\$ 1,102,142</u>	<u>\$ 1,202,142</u>	<u>\$ 2,967,241</u>	<u>\$ 1,765,099</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 96-1 - accounts for the accumulation of resources and payment of special assessment bond principal and interest from special assessment levies.

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

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

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

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

**City of Post Falls
Cemetery Perpetual Care Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2011**

	2011		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 20,000	\$ 18,313	\$ (1,687)
Interest		393	393
Total revenues	<u>20,000</u>	<u>18,706</u>	<u>(1,294)</u>
Expenditures:			
Culture and recreation	<u>20,000</u>	<u>1,080</u>	<u>18,920</u>
Total expenditures	<u>20,000</u>	<u>1,080</u>	<u>18,920</u>
Excess (deficiency) of revenues over (under) expenditures		<u>17,626</u>	<u>17,626</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		17,626	17,626
Fund balances, beginning	<u>158,454</u>	<u>158,454</u>	
Fund balances, ending	<u>\$ 158,454</u>	<u>\$ 176,080</u>	<u>\$ 17,626</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, 2011**

	2011		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 3	\$ 3
Total revenues		<u>3</u>	<u>3</u>
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		<u>3</u>	<u>3</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		3	3
Fund balances, beginning	\$ 1,313	1,313	
Fund balances, ending	<u>\$ 1,313</u>	<u>\$ 1,316</u>	<u>\$ 3</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, 2011**

	2011		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Interest		\$ 4	\$ 4
Total revenues		<u>4</u>	<u>4</u>
Expenditures:			
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures		<u>4</u>	<u>4</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		4	4
Fund balances, beginning	\$ 1,602	1,602	
Fund balances, ending	<u>\$ 1,602</u>	<u>\$ 1,606</u>	<u>\$ 4</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, 2011

	2011		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 45,930	\$ 21,718	\$ (24,212)
Other revenue	4,050	459	(3,591)
Interest		113	113
Total revenues	<u>49,980</u>	<u>22,290</u>	<u>(27,690)</u>
Expenditures:			
Culture and recreation	<u>56,230</u>	<u>22,427</u>	<u>33,803</u>
Total expenditures	<u>56,230</u>	<u>22,427</u>	<u>33,803</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,250)</u>	<u>(137)</u>	<u>6,113</u>
Other financing sources (uses):			
Transfers in		<u>6,434</u>	<u>6,434</u>
Total other financing sources (uses)		<u>6,434</u>	<u>6,434</u>
Net change in fund balance	(6,250)	6,297	12,547
Fund balances, beginning	<u>44,574</u>	<u>44,574</u>	
Fund balances, ending	<u>\$ 38,324</u>	<u>\$ 50,871</u>	<u>\$ 12,547</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, 2011**

	2011		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Charges-services/programs	\$ 388,200	\$ 367,316	\$ (20,884)
Other revenue	4,000	7,910	3,910
Interest	1,000	98	(902)
Total revenues	<u>393,200</u>	<u>375,324</u>	<u>(17,876)</u>
Expenditures:			
General governmental		383	(383)
Highways and public works	382,200	388,294	(6,094)
Total expenditures	<u>382,200</u>	<u>388,677</u>	<u>(6,477)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,000</u>	<u>(13,353)</u>	<u>(24,353)</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		(24,353)	(24,353)
Fund balances, beginning	<u>55,661</u>	<u>55,661</u>	
Fund balances, ending	<u>\$ 55,661</u>	<u>\$ 31,308</u>	<u>\$ (24,353)</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, 2011

	2011			Variance with Final Budget- Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues:				
Charges-services/programs	\$ 74,458	\$ 74,458	\$ 74,931	\$ 473
Other revenue	255,095	255,095	272,026	16,931
Interest	3,000	3,000	313	(2,687)
Total revenues	<u>332,553</u>	<u>332,553</u>	<u>347,270</u>	<u>14,717</u>
Expenditures:				
Public safety	128,418	128,418	129,310	(892)
Capital outlay	145,095	185,970	140,920	45,050
Debt service - interest	87,000	87,000	16,959	70,041
Total expenditures	<u>360,513</u>	<u>401,388</u>	<u>287,189</u>	<u>114,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,960)</u>	<u>(68,835)</u>	<u>60,081</u>	<u>128,916</u>
Other financing sources (uses):				
Transfers in	27,960	27,960	27,960	
Total other financing sources (uses)	<u>27,960</u>	<u>27,960</u>	<u>27,960</u>	
Net change in fund balance		(40,875)	88,041	128,916
Fund balances, beginning	<u>(321,773)</u>	<u>(321,773)</u>	<u>(321,773)</u>	
Fund balances, ending	<u>\$ (321,773)</u>	<u>\$ (362,648)</u>	<u>\$ (233,732)</u>	<u>\$ 128,916</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, 2011**

	2011		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Other revenue	\$ 60,000	\$ 8,992	\$ (51,008)
Interest		46	46
Total revenues	<u>60,000</u>	<u>9,038</u>	<u>(50,962)</u>
Expenditures:			
Public safety	60,000	4,174	55,826
Total expenditures	<u>60,000</u>	<u>4,174</u>	<u>55,826</u>
Excess (deficiency) of revenues over (under) expenditures		<u>4,864</u>	<u>4,864</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		4,864	4,864
Fund balances, beginning	<u>11,335</u>	<u>11,335</u>	
Fund balances, ending	<u>\$ 11,335</u>	<u>\$ 16,199</u>	<u>\$ 4,864</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, 2011**

	2011		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Principal	\$ 4,700	\$ 6,236	\$ 1,536
Interest	4,350	4,376	26
Total revenues	<u>9,050</u>	<u>10,612</u>	<u>1,562</u>
Expenditures:			
General governmental	1,650	1,650	
Debt service - principal	15,000	15,000	
- interest	8,423	8,423	
Total expenditures	<u>25,073</u>	<u>25,073</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(16,023)</u>	<u>(14,461)</u>	<u>1,562</u>
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance	(16,023)	(14,461)	1,562
Fund balances, beginning	<u>100,793</u>	<u>100,793</u>	
Fund balances, ending	<u>\$ 84,770</u>	<u>\$ 86,332</u>	<u>\$ 1,562</u>

**City of Post Falls
LID 96-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2011**

	2011			Variance with Final Budget- Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues:				
Total revenues				
Expenditures:				
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures				
Other financing sources (uses):				
Transfers out		\$ (18,859)	\$ (18,859)	
Total other financing sources (uses)		(18,859)	(18,859)	
Net change in fund balance		(18,859)	(18,859)	
Fund balances, beginning	\$ 18,859	18,859	18,859	
Fund balances, ending	\$ 18,859	\$	\$	\$

City of Post Falls
LID 91-1 Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Year Ended September 30, 2011

	2011		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Total revenues			
Expenditures:			
General governmental		\$ 473	\$ 473
Total expenditures		473	473
Excess (deficiency) of revenues over (under) expenditures		(473)	(473)
Other financing sources (uses):			
Transfers in		165	165
Total other financing sources (uses)		165	165
Net change in fund balance		(308)	(308)
Fund balances, beginning	\$ 308	308	
Fund balances, ending	\$ 308	\$	\$ (308)

**City of Post Falls
 CLID # 2 Debt Service Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the Year Ended September 30, 2011**

	2011		Variance with Final Budget- Positive (Negative)
	Original/Final Budget	Actual	
Revenues:			
Total revenues			
Expenditures:			
General governmental		\$ 203	\$ (203)
Debt service - principal			
- interest			
Total expenditures		203	(203)
Excess (deficiency) of revenues over (under) expenditures		(203)	(203)
Other financing sources (uses):			
Total other financing sources (uses)			
Net change in fund balance		(203)	(203)
Fund balances, beginning	\$ 203	203	
Fund balances, ending	\$ 203	\$	\$ (203)

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, 2011

	2011			Variance with Final Budget- Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues:				
Interest	\$ 1,500	\$ 1,500	\$ 57	\$ (1,443)
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>57</u>	<u>(1,443)</u>
Expenditures:				
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>1,500</u>	<u>1,500</u>	<u>57</u>	<u>(1,443)</u>
Other financing sources (uses):				
Transfers out	(1,500)	(52,840)	(51,505)	1,335
Total other financing sources (uses)	<u>(1,500)</u>	<u>(52,840)</u>	<u>(51,505)</u>	<u>1,335</u>
Net change in fund balance		(51,340)	(51,448)	(108)
Fund balances, beginning	<u>67,830</u>	<u>67,830</u>	<u>67,830</u>	
Fund balances, ending	<u>\$ 67,830</u>	<u>\$ 16,490</u>	<u>\$ 16,382</u>	<u>\$ (108)</u>

Statistical Section



Above: A view of the Avista dam from a viewpoint.

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.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time	79-84
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and the room tax.	85-89
Debt Capacity 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.	90-96
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	97-99
Operating Information 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.	100-104

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003 schedules presenting government-wide information include information beginning that year.

Table #1

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
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
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
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
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
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
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
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
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
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
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

Note: Accrual-basis financial information for the City as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
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	
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	
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	
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	
Interest on long term debt	374,533	325,229	362,559	428,521	434,931	525,919	481,634	453,861	419,106	
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	
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	
Sewer	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	
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	
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	
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	
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	
Public safety	365,513	397,946	446,423	567,520	755,149	818,834	722,323	785,143	407,404	
Highways and public works	453,341	574,995	564,228	912,773	1,206,647	1,097,468	675,331	640,930	317,006	
Cultural and recreation	601,734	730,743	789,159	1,245,372	1,214,653	916,117	1,053,274	846,638	742,254	
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	
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	
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	
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	
Sewer	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	
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	
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	
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	
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	

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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)
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
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)
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
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
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
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
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
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
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)
Total business-type activities	(516,099)	(626,901)	(399,282)	(102,379)	(312,014)	(30,554)	(498,909)	(199,408)	(841,298)
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
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
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
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

Note: Accrual-basis financial information for the City as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

Table # 3

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

Fiscal Year	Property Tax	Sales Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2002-03	4,751,170.00	803,713.00	866,140.00	310,838.00	6,731,861.00
2003-04	4,990,766.00	880,323.00	912,867.00	367,381.00	7,151,337.00
2004-05	5,452,343.00	1,022,177.00	979,582.00	385,239.00	7,839,341.00
2005-06	6,228,757.00	1,234,141.00	1,030,468.00	416,579.00	8,909,945.00
2006-07	7,191,562.00	1,449,594.00	1,185,285.00	585,429.00	10,411,870.00
2007-08	8,017,157.00	1,486,213.00	1,197,377.00	618,207.00	11,318,954.00
2008-09	8,705,541.00	1,268,438.00	1,128,484.00	663,502.00	11,765,965.00
2009-10	8,876,092.00	1,186,962.00	1,175,615.00	665,454.00	11,904,123.00
2010-11	\$ 8,459,938.00	\$ 1,233,465.00	\$ 1,210,926.00	\$ 760,791.00	\$ 11,665,120.00 *

Note: Accrual-basis financial information for the City as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

*Note: Property tax reduction is due 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Nonspendable:										
Inventory							\$ 981	\$ 1,513		\$ 1,725
Prepays						\$ 634	153,607			98,656
Committed:										
Stabilization										2,635,588
Assigned:										
Designated for improvements	\$ 196,396	\$ 252,915	\$ 281,605	\$ 518,142	\$ 581,671	\$ 780,419	852,342	703,570	3,808,176	3,903,600
Unassigned:	7,244,405	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
Total General Fund	<u>\$ 7,440,801</u>	<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>
All Other Governmental Funds										
Nonspendable:										
Prepays			\$ 8,650	\$ 17,300	\$ 660,017	\$ 8,650	\$ 50,000			
Restricted:										
Special revenue funds	\$ 124,714	\$ 145,184	\$ 254,216	281,675	(203,730)	(198,459)	(108,214)	47,170	\$ (48,834)	\$ 43,648
Debt service funds	272,394	(396,672)	546,827	2,187,168	880,608	988,546	1,086,371	1,155,483	1,237,815	933,073
Capital fund		1,817,252	2,471,442	3,483,946	5,060,212	7,053,331	1,668,980	1,396,708	1,911,708	2,615,308
Total all other governmental funds	<u>\$ 397,108</u>	<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>

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Taxes	\$ 4,361,376	\$ 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
Intergovernmental	3,588,311	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
Charges for services	1,723,947	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
Other revenue	377,825	611,212	484,696	557,950	640,963	917,785	982,879	1,301,071	633,495	763,997
Special assessment revenue	107,236	162,658	686,228	282,452	547,609	205,917	180,710	202,253	166,467	143,410
Interest	211,071	165,167	145,759	375,469	633,704	1,007,266	774,806	341,011	732,368	224,513
Total Revenues	10,369,766	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
Expenditures:										
Current										
General government	2,943,384	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
Public safety	2,603,846	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
Highways and public works	2,487,208	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
Cultural and recreation	869,370	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
Debt Service										
Principal	372,912	500,439	453,672	498,238	3,916,445	589,655	598,480	1,103,922	473,451	1,075,353
Interest	134,225	374,533	321,973	313,437	438,255	434,069	529,901	487,143	441,992	443,958
Capital Outlay	2,449,428	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
Total Expenditures	11,860,373	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
Excess (deficiency) of revenues over (under) expenditures	(1,490,607)	(3,700,540)	1,442,016	(1,479,994)	(2,006,068)	(330,689)	(4,470,443)	(27,276)	926,185	(231,001)
Other financing sources (uses):										
Debt issued	4,250,600	14,129	181,542	4,310,365	2,330,954	41,138	50,138	380,359	40,978	
Operating transfers in	745,286	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
Operating transfers out	(11,000)	(251,749)	(440,098)	(1,164,171)	(648,965)	(3,878,385)	(817,890)	(576,196)	(583,347)	(892,678)
Total other financing sources (uses)	4,984,886	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
Net change in fund balances	\$ 3,494,279	\$ (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
Debt service as a percentage of noncapital expenditures	5.4%	8.2%	7.7%	6.4%	27.5%	7.6%	7.9%	10.1%	5.9%	10.2%

Table # 6

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Motor Fuel Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2002-03	4,492,098.00	803,713.00	866,140.00	310,838.00	6,472,789.00
2003-04	4,969,999.00	880,323.00	912,867.00	367,381.00	7,130,570.00
2004-05	6,042,106.00	1,022,177.00	979,582.00	385,239.00	8,429,104.00
2005-06	6,216,994.00	1,234,141.00	1,030,468.00	416,579.00	8,898,182.00
2006-07	7,164,627.00	1,449,594.00	1,185,285.00	585,429.00	10,384,935.00
2007-08	7,939,435.00	1,486,213.00	1,197,377.00	618,207.00	11,241,232.00
2008-09	8,623,774.00	1,268,438.00	1,128,484.00	663,502.00	11,684,198.00
2009-10	8,848,311.00	1,186,962.00	1,175,615.00	665,454.00	11,876,342.00
2010-11	\$ 8,352,943.00	\$ 1,233,465.00	\$ 1,210,926.00	\$ 760,791.00	\$ 11,558,125.00 *

Note: Separate tax financial information for the City as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

*Note: Property tax reduction is due 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	
2002	1,007,449,488	177,060,965	830,388,523	100,225,453	13.73%	5.33
2003	1,074,115,199	187,101,426	887,013,773	56,625,250	6.82%	5.47
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

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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
City of Post Falls	5.71	5.21	4.96	4.56	3.70	4.05	4.64	5.35	5.46	5.33
%CHANGE	9.60%	5.04%	8.77%	23.11%	-8.54%	-12.72%	-13.27%	-2.01%	2.44%	-0.19%
North Idaho College	1.11	1.00	0.83	0.73	0.48	0.53	0.71	0.74	0.77	0.77
Kootenai County	3.20	2.94	2.52	2.21	1.84	1.84	2.47	3.48	3.65	3.14
Kootenai Hospital District	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kootenai Ambulance District	0.16	0.15	0.13	0.11	0.10	0.1	0.14	0.16	0.32	0.33
School District #273	2.84	2.58	2.36	2.29	2.23	2.23	5.61	6.28	6.43	6.18
Post Falls Highway District #1	0.50	0.45	0.38	0.31	0.36	0.36	0.47	0.57	0.57	0.6
Kootenai Fire & Rescue	<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>	<u>1.69</u>
Total	15.52	14.19	12.84	11.61	10.05	10.45	15.76	18.64	19.13	18.04
% CHANGE FOR TOTAL	9.37%	10.51%	10.59%	15.48%	-3.79%	-33.69%	-15.45%	-2.56%	6.04%	-0.28%

Notes:

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

**City of Post Falls
Principal Property Taxpayers
December 31, 2011**

<u>Taxpayer</u>	<u>Type Of Business</u>	2011	
		<u>Property Assessed Valuation</u>	<u>Percentatge 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>	2001	
		<u>Property Assessed Valuation</u>	<u>Percentatge of Total Assessed Valuation</u>
Kimball International Mkt, Inc.	Manufacturing-Furniture	\$39,649,180	4.71%
Coeur d'Alene Factory Outlets	Retail	\$10,814,661	1.28%
Puryear Family LPT	Land Owner	\$9,423,450	1.12%
Potlatch Corp	Manufacturing-Wood Products	\$8,393,993	1.00%
Idaho Veneer	Manufacturing-Wood Products	\$7,077,847	0.84%
Cavanaugh's Hospitality LTD Partnership	Hotels/Motels/Restaurants	\$6,653,420	0.79%
Jacklin Land Company LPT	Commercial Business Properties	\$5,733,327	0.68%
Coles, Robert W. Etux	Golf Course	\$4,996,793	0.59%
Cotter, James F.	Retail	\$4,125,260	0.49%
Viking Construction, Inc.	Land Development	<u>\$4,040,561</u>	<u>0.48%</u>
Subtotal - Ten Of City's Largest Taxpayers		\$100,908,492	11.98%
All Other Taxpayers		<u>\$740,868,159</u>	<u>88.02%</u>
Total City Taxpayers		<u><u>\$841,776,651</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
2002	\$3,896,692	\$3,646,882	93.59%	\$211,788	\$3,858,670	99.02%
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%	\$16,234	\$8,430,574	96.16%
2011	\$8,163,649	\$7,905,515	96.84%	\$28,707	\$7,934,222	97.19%

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	Sewer Bonds			
2001-02	1,605,000	665,001	4,368,900	N/A	3,476,960	10,115,861	2.31%	553
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

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>
2001-02	18,281	892,717,766	1,605,000	0.18%	88
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

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. No funds are available in the Debt Service Fund to apply to General Obligation Bonds.

**City of Post Falls
Direct and Overlapping Governmental Activities Debt
September 30, 2011**

Governmental Unit	Bond Debt	Government's Net Market Value	Percentage Applicable to City	City Share of Debt
City of Post Falls	\$ 11,193,330	\$ 1,483,443,746	100.0%	<u>\$ 11,193,330</u>
Kootenai County		12,057,168,912		
School District #273	15,540,000	2,084,626,724	71.2%	11,058,438
Post Falls Highway District		3,512,252,670	42.2%	
Kootenai County Fire & Rescue		3,058,542,020	48.5%	<u> </u>
Subtotal of overlapping debt				<u>\$ 11,058,438</u>
Total direct and overlapping debt				<u>\$ 22,251,768</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 17,854,355	\$ 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
Total net debt applicable to limit	1,605,000	1,490,000	1,370,000	1,245,000	1,115,000	980,000	835,000	685,000	525,000	360,000
Legal debt margin	<u>\$ 16,249,355</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	8.99%	7.39%	6.38%	4.95%	3.82%	2.88%	1.52%	1.32%	1.10%	0.79%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 1,438,257,786
Add back: exempt real property	<u>\$ 828,343,141</u>
Total assessed value	<u>\$ 2,266,600,927</u>
Debt limit* (2% of total assessed value)	45,332,019
Debt applicable to limit:	
General obligation bonds	<u>360,000</u>
Legal debt margin	<u><u>\$ 44,972,019</u></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
Sewer Fund
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2002	2,648,989	1,081,199	1,567,790	568,205	149,641	717,846	2.18
2003	2,846,914	1,080,030	1,766,884	594,193	125,479	719,672	2.46
2004	3,238,491	1,254,731	1,983,760	663,063	118,977	782,040	2.54
2005	3,712,915	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	\$ 261,931	\$ 1,023,075	3.31

(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	
2002	1,385,385	580,706	804,679				N/A
2003	1,520,384	656,867	863,517				N/A
2004	1,824,450	694,669	1,129,781		9,548	9,548	118.33
2005	2,214,161	775,033	1,439,128		153,912	153,912	9.35
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	\$ 50,404	\$ 262,696	5.27

(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	
2002	143,350	170,000	48,228	218,228	0.66
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

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**

<u>Fiscal Year</u>	<u>Population¹</u>	<u>Personal Income (amounts expressed in thousands)</u>	<u>Per Capita Personal Income²</u>	<u>Public School Enrollment³</u>	<u>Unemployment Rate⁴</u>
2002	18,281	438,433	23,983	4,602	8.20%
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	5,289	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	5,500	4.90%
2009	26,053	851,829	32,696	5,500	8.80%
2010	26,909	851,993	31,662	5,620	8.70%
2011	27,574	\$889,455	\$32,257	5,695	8.50%

Data Sources

¹ U.S. Census Bureau

² Bureau of Economic Analysis

³ School District

⁴ Department of Labor

**City of Post Falls
Principal Employers
September 30, 2011**

2011*			
Employer ⁽¹⁾	Type of Business	Range of Employees	Percentage of Total County Employment
1 Kootenai Medical Center	Healthcare	1,500 - 1,999	2.90% - 3.86%
2 Center Partners Inc. (Post Falls & Coeur d'Alene)	Business Services	1,500 - 1,999	2.90% - 3.86%
3 Coeur d'Alene School District	Public Education	1,000 - 1,499	1.93% - 2.90%
4 Coeur d'Alene Resort	Hospitality	1,000 - 1499	1.93% - 2.90%
5 Coeur d'Alene Casino	Hospitality / Casino	900 - 999	1.74% - 1.93%
6 Silverwood, Inc.	Amusement Park	800 - 899	1.55% - 1.74%
7 Kootenai County	Government	700 - 799	1.35% - 1.54%
8 Wal-Mart Supercenter	Department store; retail groceries	700 - 799	1.35% - 1.54%
9 North Idaho College	Community College	700 - 799	1.35% - 1.54%
10 Post Falls School District	Public Education	500 - 599	0.97% - 1.16%
Estimated number of employees in Kootenai County		51,756	

2002**			
Employer ⁽¹⁾	Type of Business	Range of Employees	Percentage of Total County Employment
1 Kootenai Medical Center	Healthcare	1,000 - 1,499	2.24% - 3.35%
2 Coeur d'Alene School District	Public Education	1,000 - 1,499	2.24% - 3.35%
3 North Idaho College	Community College	700 - 799	1.57% - 1.79%
4 Kootenai County	Government	600 - 699	1.34% - 1.56%
5 Coeur d'Alene Resort	Hospitality	600 - 699	1.34% - 1.56%
6 Post Falls School District	Public Education	600 - 699	1.34% - 1.56%
7 Coeur d'Alene Casino	Hospitality / Casino	500 - 599	1.12% - 1.34%
8 Lakeland School District	Public Education	500 - 599	1.12% - 1.34%
9 Silverwood, Inc.	Amusement Park	400 - 499	0.89% - 1.12%
10 Wal-Mart Supercenter	Department Store; Retail Groceries	300 - 399	0.67% - 0.89%
Estimated number of employees in Kootenai County		44,707	

Note: Information in this table is for all of Kootenai County, employers specific to Post Falls are not tracked.

⁽¹⁾ Some employers may not be included on this list because they have not signed a consent form.

* 3rd quarter 2011 data

** 2nd quarter 2002 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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	47.14	47.73	43.53	49.95	50.75	59.85	58.48	49.4	41.5	44.8
Public safety	52.88	51.88	56.27	54.14	53.89	60.46	61.6	64.09	65.39	66.7
Highways and public works	13.72	13.95	12.77	15.06	15.06	19.39	20.04	17.42	17.06	17.1
Cultural and Recreation	24.44	22.81	23.09	24.76	24.76	33.6	32.61	32.95	32.17	35.3
Water	6.3	6	5.98	6.48	6.48	6.45	6.5	6.6	6.6	6.4
Sewer	11.05	11	11.98	11.48	11.48	12.43	12.53	13.03	13.03	13.3
Total	155.53	153.37	153.62	161.87	162.42	192.18	191.76	183.49	175.75	183.6

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

Table #21

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function										
Police										
Calls for service	15,215	21,600	24,789	26,270	25,368	27,826	29,074	28,840	30,467	30,156
Burglary	81	120	159	140	111	89	94	106	107	128
Phone harassment	39	26	40	34	24	35	33	39	38	25
Motor vehicle theft	39	32	46	46	51	50	30	31	24	25
Highways and streets										
Street resurfacing - paving (miles)	2.01	1.40	1.89	1.86	1.37	1.65	1.74	1.00	2.40	2.02
Street resurfacing - chip seal (miles)	6.16	5.02	5.00	4.20	3.59	2.26	0.00	8.62	6.93	9.43
Culture and recreation										
Sports leagues programs attendance				4,048	4,283	5,319	5,557	5,566	5,459	5,093
Special interest programs attendance				1,227	2,101	3,125	2,725	2,190	1,654	2,257
Water										
New connections	850	850	390	393	193	206	44	47	9	41
Average daily consumption (millions of gallons)	3,470	4,005	4,042	4,194	4,819	4,860	4,786	4,518	4,190	4,050
Sewer										
Average daily sewage treatment (millions of gallons)	2.1	2.2	2.2	2.3	2.4	2.4	2.4	2.5	2.4	2.4

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Units	40	40	43	46	49	52	54	54	58	60
Highways and streets										
Streets (miles)	111	115	129	133	143	149	150.89	153.05	153.05	154.69
Culture and recreation										
Park acreage	328.89	354.74	382.62	395.5	408.37	421.25	437.4	437.4	437.4	438.8
Parks						19	23	23	23	24
Sports Fields	5	5	5	5	5	5	6	6	7	7
Tennis Courts	2	2	2	2	2	2	2	5	3	3
Water										
Water mains (miles)	91	92	104	108	110	113	113	115	116	116
Fire hydrants	637	695	745	772	811	842	842	865	858	879
Maximum daily capacity (thousands of gallons)	11.23	11.23	11.23	16.99	16.99	16.99	16.99	16.99	16.99	16.99
Sewer										
Sanitary sewers (miles)	91	93	105	109	110	155	158	159	160	160
Storm sewers (miles)	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	4.60	4.60
Maximum daily treatment capacity (millions of gallons)	3.48	3.48	3.48	3.48	3.48	3.48	3.48	3.48	5.10	5.10

Note: The city contracts out Sanitation services.

Source: Various city departments.

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

**City of Post Falls
Statistical Information
Water Fund
September 30, 2011**

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

Total Revenue	\$2,201,760
Estimated number of active customers	9,990
Total water produced (gallons)	1,477,696,300

Schedule of Water Rates

Monthly Base Fee (by meter size)

1" or less	\$ 9.07	1 1/2"	\$15.23
2"	22.65	3"	40.02
4"	64.71	6"	126.54

Metered water Usage 97¢ per 1,000 gallons

Source: City of Post Falls

**City of Post Falls
Statistical Information
Wastewater (Sewer) Fund
September 30, 2011**

Schedule of Treatment Volume

Average Volume	2.41 million gallons per day
Total Volume	877,190,000 gallons

Schedule of Monthly Sewer Rates

The residential rate is \$28.79 for 94% of the City's customers.

The non-residential rate per customer is \$28.79 + \$5.42 per 1,000 gallons of water consumption over 5,000 gallons.

Source: City of Post Falls

**City of Post Falls
Insurance Schedule
September 30, 2011**

The City is insured through the Idaho Counties Reciprocal Management Program (ICRMP), Policy No. 31A02152100111. Coverage is as follows:

	<u>Coverage</u>
Premises	\$100,000 per occurrence
Auto:	
Liability	\$2,000,000
Uninsured/underinsured	\$500,000
Medical	\$100,000 per accident (\$5,000 per person)
Crime	\$500,000
Law Enforcement	\$3,000,000 (\$2,000,000 per occurrence)
General Liability	\$2,000,000
Errors & Omissions	\$2,000,000 (\$2,000,000 per claim)
Flood and Earthquake	\$50,000,000

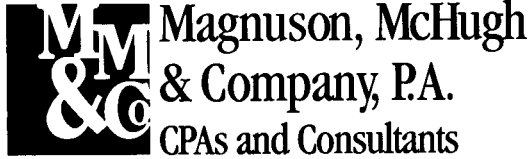
The City is also enrolled in the Workmen's Compensation Insurance Program through the State of Idaho.

Source: City of Post Falls

Audit Section



Above: In winter ,as well as spring, the Falls offer a spectacular view.



**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
City of Post Falls
Post Falls, ID 83854

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Post Falls as of and for the year ended September 30, 2011, which collectively comprise the City of Post Falls' basic financial statements and have issued our report thereon dated March 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Post Falls' 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' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Post Falls' 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' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Coeur d'Alene, Idaho
March 20, 2012

Magnuson, McHugh & Company, P.A

CPAs and Consultants



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